

Oceana expects Daybrook to deliver earnings kick

By [Marc Hasenfuss](#)

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Oceana Group is confident of a strong earnings kick in the financial year to end-September from recently acquired Daybrook Fisheries, a fishmeal and fish oil specialist based in Louisiana, in the US.



Image via [Oceana Group](#)

Speaking at the half-year to end-March results on Friday, Oceana CEO Francois Kuttel said there were "no surprises out of the woodwork" at Daybrook even though production yields were initially slightly lower, at 11%, than the 12.5% pencilled into the investment case. "These yields have corrected this year, and we are very happy with the Daybrook investment. The integration has gone well," he said. Oceana's interim bottom line earnings came in 19% higher at R269m.

If the Daybrook contribution is stripped out, Oceana still performed solidly, with revenue up 13% to R2.9bn, and operating profits up 20%, to R409m.

Kuttel said Daybrook, which fishes for about eight months of the year, commenced its closed season last November, with the first-half performance mainly based on sales of 2015 fishmeal and fish oil inventory. He disclosed good sales volumes, with administration costs being well-controlled. "The dollar operating profit was in line with our investment case," he said.

Daybrook's new fishing season started in the middle of last month, and Kuttel reported year-to-date volumes as positive. "The current oil yield has materially improved on the previous year," he said. Kuttel said that pre-season plant maintenance

and upgrades at Daybrook had been completed on time.

He was optimistic about Oceana being able to increase fishmeal and fish oil production at Daybrook because of improved capacity. "After (off-season) maintenance, the plant is now in better shape than when we bought it," he said. Kuttel said there were deliberations around adding an extra fishing vessel to Daybrook's fleet for the 2017 season.

The Daybrook profit split is one-third in the first half and two-thirds in the second half. In the interim period, Daybrook accounted for 20% of Oceana's R3.6bn revenue, but a chunkier 31% of the group's R587m operating profit.

Kuttel said Oceana was aware of market perceptions that there were big risks in making a large acquisition such as Daybrook, and the earlier deal to snag Foodcorp's fishing assets. "Large acquisitions can sometimes mean a loss of focus on core businesses. But our results show our depth in management is such that we could take aboard two large acquisitions and still put out credible results."

Canned fish

Oceana is the largest fishing company in Africa, with a dominant position in canned pilchards with the best-selling Lucky Star brand. It also holds significant quotas for horse mackerel, hake, rock lobster, and squid, as well as a cold storage and French fries operation.

Kuttel said the group's canned-fish segment saw South African sales up 13%, with market share gains in key regions. The segment also benefited from a price increase of 8%, effective from February last year.

Kuttel said although the weaker rand affected the cost of imported pilchards, this was offset by a renegotiated dollar price. He also said a strategy to replace imported volumes with domestic production had been implemented successfully, with a significant change in frozen volumes to domestic factories.

FNB Securities described the group's interim results as positive, with revenue and operating profit growth exceeding expectations. But it cautioned that Oceana's business model was inherently volatile. "The earnings outlook for these types of businesses is cloudy at best - there is significant forecast risk embedded in current ratings," it said.

Source: Business Day

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