



TetraSed

GROUP CHIEF FINANCIAL OFFICER REPORT 2022

GROUP CHIEF FINANCIAL OFFICER

REPORT



MS F COENRAAD

Group Chief Financial Officer

FIVE YEAR REVIEW ¹	2022	2021	2020	2019	2018
	R'000	R'000	R'000	R'000	R'000
Ordinary shareholders' interest	660,949	534,351	522,545	484,296	635,567
Minority interest	124,348	107,692	120,232	161,014	147,970
Total assets	1,328,896	1,293,137	1,259,527	1,326,262	1,455,073
Cash generated from operations	291,446	55,082	200,340	74,892	102,483
Net asset value per share (cents) ²	3,766	3,285	3,240	3,093	3,569
Adjusted net asset value per share (cents) ²	3,270	2,888	2,949	2,657	2,982
Revenue	1,599,193	952,002	1,070,926	886,985	1,028,519
Adjusted EBITDA for the year	258,084	89,333	191,738	64,488	186,196
Adjusted profit for the year	165,723	23,479	112,347	11,807	83,047
Profit/(loss) attributed to ordinary shareholders	144,224	19,818	24,045	(83,955)	111,665
Adjusted profit attributed to ordinary shareholders	145,816	30,175	81,691	6,503	66,191
Group earnings/(loss) per share (cents) ³	900	124	150	(519)	561
Adjusted group earnings per share (cents) ³	910	188	510	40	332
Dividend declared i.r.o. of the year (cents)	175	35	100	100	85
Dividend paid per share (cents)	110	50	50	135	50
Number of shares issued (million)	16,023	16,023	16,023	16,037	16,974
Weighted number of shares issued (million)	16,023	16,023	16,030	16,177	19,920
Share price ⁴					
- closing (cents)	3,000	3,000	3,000	3,750	3,750
- highest (cents)	3,000	3,000	4,250	3,750	3,750
- lowest (cents)	3,000	3,000	3,000	2,750	2,700

¹ Figures include continuing and discontinued operations.

² Based on net assets excluding IFRS adjustment for treasury shares. Denominator is the issued shares at the end of the year: 26,336,124 (2021: 26,336,124).

³ Denominator is the weighted average number of shares issued during the year: 16,023,058 (2021: 16,023,058).

⁴ Excludes estates, other transfers and new shares issued

GROUP CHIEF FINANCIAL OFFICER'S REPORT

Our Group's excellent performance during the financial year under review resulted in record profits in our 59 year history. Some of the highlights were:

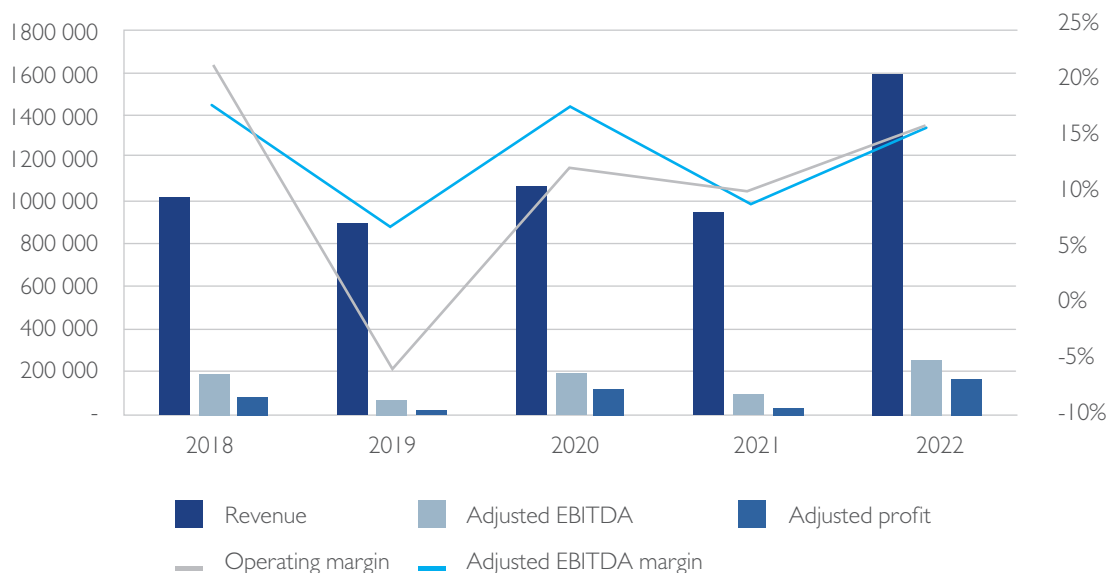
- trading revenue of R 1.6 billion (increasing 68.0% from R 952.0 million during 2021);
- operating profit of R 256.9 million compared to an operating profit of R 80.7 million in the comparative period;
- industrial fish landings delivered to our processing facility of 62 250 tons, up from 50 023 tons during 2021;
- revenue from canned fish sales of R 706.8 million, up by 91.8% from R 368.6m in 2021;
- abalone sales volumes of 547.0 tons representing an increase of 3.0% compared to the 532.5 tons over the 2021 reporting period; and
- a profit after tax of R 161.0 million for the 2022 financial year (2021: R 10.5 million).

Adjusted non-IFRS financial measures

In terms of our accounting policy, we follow recognised international accounting standards. The Group uses adjusted operating profit, adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA), adjusted profit for the period and adjusted earnings per share (adjusted EPS) as non-IFRS measures in evaluating performance and as a method to provide shareholders with clear and consistent reporting. These non-IFRS measures are defined as reportable operating profit, EBITDA, profit for the period and EPS in terms of accounting standards, excluding the unrealised profit in the fair value adjustment to biological assets, certain one-off and extraordinary items.

The salient features of the B-BBEE transaction that the Group implemented during the 2018 and 2019 financial years, as well as the fact that the Group's annual financial statements have been prepared in accordance and in compliance with IFRS, significantly influenced some of these performance indicators.

OPERATING PERFORMANCE 2018 - 2022



Group revenue increased by 68.0% to R 1 599.2m (2021: R 952.0m) for the period under review. Adjusted EBITDA is 189% higher at R 258.1m (2021: R 89.3m), adjusted profit for the period under review increased by 605.8% to R 165.7m (2021: R 23.5m) while adjusted earnings attributable to the shareholders of the Group increased to R 145.8m from R 30.2m in 2021. Adjusted EPS was higher at 910 cents from 188 cents in 2021.

The reported Group results include the unrealised IFRS adjustment in the fair value adjustment to biological assets, one-off and extraordinary items. These items are:

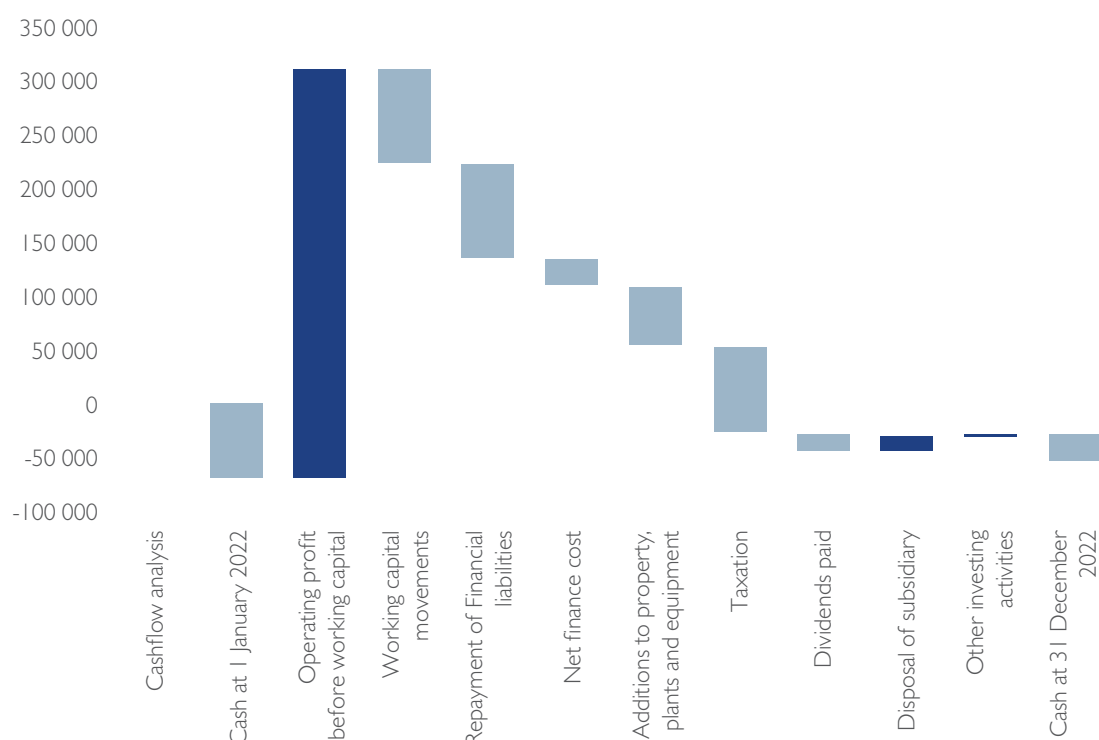
- the unrealised IFRS fair value adjustment to biological assets amounts to a positive adjustment of R 26.0m before tax (2021: R 27.9m) and R 18.7m after tax (2021: R 20.1m);

- finance and other costs relating to the implementation of the B-BBEE and other transactions of R 21.3m (2021: R 14.2m), including the payment of a dividend by the B-BBEE special purpose entities of R 6.6m (2021: R nil);
- an IFRS adjustment in relation to the acquisition of the Saldanha Protein Group transaction of R 10.0m before tax (2021: R 9.1m) and R 7.4m after tax (2021: R 6.6m); and
- a reversal of R 5.3m of an impairment of Blue Ocean Mussels recognised in 2022 (impairment of R 11.3m) in terms of the requirements of IFRS.

Including the items above, a comprehensive profit of R 161.0m was earned for the period under review (2021: R 10.5m) and EPS increased from 124c in 2021 to 900c in 2022.

The Group's adjusted EBITDA margin increased from 8.0% to 16.0%.

CASHFLOW ANALYSIS (R'000)



Cash generated from operations was R 291.4m (2021: R 55.1m) Investment in working capital amounted to decreased by R 88.6m from 31 December 2021 to 31 December 2022. The increase in our working capital outlay due to the bulk raw fish imported in the prior year was converted to cash during 2022, further increasing cash generated from operations. The Group invested R 56.0m in property, plant and equipment compared to R 39.2m in the previous reporting period. Dividends of R 29.0m were paid to shareholders of the Company (including the B-BBEE entities) during the period under review (2021: R 13.2m). Repayment of borrowings amounted to R 91.1m (2021: R 75.3m). The above resulted in an increase in cash and cash equivalents by R 41.6m (2021: decrease of R 117.1m), improving the net overdraft of R 68.9m at 31 December 2021 to a net overdraft utilisation of R 27.4m at 31 December 2022.

Borrowings including preference share funding decreased from R 331.2m at 31 December 2021 to R 247.3m at 31 December 2022. The Group's debt: equity ratio improved significantly from 53.5% to 32.6%, while the net debt: equity ratio improved from 64.2% to 36.1% from 31 December 2021 to 31 December 2022 due to repayment of borrowings during the year as well as decreased utilisation of the Groups overdraft facilities at year end.

The equity attributable to shareholders of the Group amounts to R 660.9m (2021: R 534.4m), including an amount of about R 93.9m (2021: R 75.2m) which is the cumulative unrealised after-tax profit from the valuation of the Group's biological abalone assets of R 220.9m (2021: R 179.1m).