

Recommendation: **HOLD**  
 Target Price: **R 90.00**  
 Region: CEEMEA/South Africa

\*Stock ratings are relative to the relevant country benchmark.  
 †Target price is for 12 months

## Horse mackerel division expected to be robust in FY14E

30 January 2014

- Action/Event: We maintain our 12-month target price of ZAR 90.00 and HOLD recommendation.** We continue to forecast earnings of 521 SAc (+17%, FY14E) and 562 SAc (+8%, FY15E).
- Investors will be monitoring the growth in Lucky Star volumes in FY14E.** The Lucky star division (38% of FY14E EBIT) is expected to deliver moderate revenue growth of 10% (FY14E). This comprises an estimated 4% volume growth and 6% price growth. The Lucky Star division reported volume growth of -1.1% to 8.6m cartons in FY13A due to retail stocking in 1H13A. Furthermore our Inshore Fishing division forecasts incorporate the Fishmeal division reporting a R20m EBIT in FY14E after reporting c. -R50m EBIT in FY13A due to poor catch rates.
- The Mid-Water division is expected to continue performing well in FY14E, assisted by rand weakness against the US dollar.** We believe that the Horse Mackerel division (37% of FY14E EBIT) may experience further Namibian quota declines and FY14E and forecast a 15% y-o-y decline in volumes. However we forecast flat revenue growth for the division due to the strong dollar pricing that is being achieved in African markets. We estimate that the hake business will continue to perform well in FY14E with an EBIT contribution of c. ZAR 45m (5% of FY14E EBIT).
- Our investment thesis reflects our expectation for robust demand regarding canned pilchards and the African demand for horse mackerel due to low levels of per capita consumption and attractive price points.
- Catalysts: We await news flow regarding the ZAR 445m FoodCorp acquisition before 31 January 2014.** Oceana is currently challenging the Competition Commission conditions imposed on the sale of the small pelagic quota.
- Valuation:** Oceana is trading on a 12-month forward PE multiple of c.15.4x with 15% earnings growth. According to Bloomberg forecasts, the Industrial Index is trading on a 12-month forward PE of 16.7x with expected earnings growth of 29%. Oceana has a 12 month dividend yield of 4.7% when compared to the Industrial Index with a yield of c. 2.7%.

### Share data

Share data		OCEJ.J
RIC		OCEJ.J
Sub industry	ICB	Farming & Fishing
Price (24 Jan 2014)		R 83.72
Market cap. (R m)		9,243
Enterprise value (R m)		9,587
Market cap. (USD m)		832
Enterprise value (USD m)		863
Avg. daily trade value (USD m)		0.53
Free float (%)		50

### Price relative to FTSE/JSE All Share



Historical performance relative to FTSE/JSE All Share (%)

Performance over	1M	3M	12M
Absolute (%)	1.7	-2.4	23.1
Relative (%)	0.1	-5.4	8.5

Source: FTSE/JSE All Share, SBG Research

The price relative chart measures performance against the South Africa FTSE/JSE All Share which closed at 46462 on 28 Jan 2014

Key forecasts	Sep 11A	Sep 12A	Sep 13A	Sep 14E	Sep 15E	Sep 16E
Revenue (R m)	3,657	4,648	4,997	5,408	5,883	6,446
EBITDA (R m)	590	750	852	994	1,072	1,142
Net Income (R m)	346	464	524	619	668	708
Adj. EPS (R)	3.13	4.52	4.43	5.21	5.62	5.96
Prev. Adj. EPS (R)	3.13	4.52	4.43	5.21	5.62	5.96
Adj. EPS (US\$, at spot)	0.281	0.407	0.399	0.469	0.506	0.536
DPS (R)	2.2	3.0	3.2	3.8	4.1	4.3
Dividend Yield (%)	5.9	5.6	3.8	4.5	4.9	5.2
PE (adjusted)	12.0	12.0	19.0	16.1	14.9	14.1
EV/EBITDA (adjusted)	5.9	7.1	10.5	9.2	8.5	8.0

Source: Company financials, SBG Securities estimates

---

## Disclaimer

This document does not constitute an offer or the solicitation of an offer for the sale or purchase of any security. While every care has been taken in preparing this document, no representation, warranty or undertaking (express or implied) is given and neither responsibility nor liability is accepted by any member of the Standard Bank Group, its employees and agents, as to the accuracy of the information contained herein. Any member of the Standard Bank Group cannot be held liable for the use of and reliance on the opinions, estimates and findings. All opinions, estimates and findings contained in this document may be changed after distribution at any time without notice. This document has been prepared by SBG Securities (Proprietary) Ltd ("SBGS") the Institutional Broking Division of The Standard Bank Group Limited. References to Standard Bank include all of the subsidiaries and affiliates of The Standard Bank Group Limited, a Company incorporated in South Africa, operating under its Corporate and Investment banking division. SBGS is a member of the JSE Limited. SBGS, other affiliated companies of the Standard Bank Group and directors and employees of these companies may from time to time have a long or short positions in the securities mentioned in this document and may add to or dispose of such securities. The contents of this document may not be copied, reproduced in whole or in part without the prior written consent of SBGS. The recipients of this document are urged to seek independent advice with regard to the securities and investments referred to in this document.

This document does not constitute an offer or the solicitation of an offer for the sale or purchase of any security or any investment nor the agreement to enter into any transaction. This is a commercial communication and recipients hereof are required to obtain their own independent advice as to the contents and implications hereof. While every care has been taken in preparing this document, no representation, warranty or undertaking (express or implied) is given and neither responsibility nor liability is accepted by any member of the Standard Bank Group, its subsidiaries, holding companies, affiliates directors, professional advisors, employees and agents, as to the accuracy of the information contained herein. No member of the Standard Bank Group can be held liable for the use of and reliance on the opinions, estimates and findings. All opinions, estimates and findings contained in this document may be changed after distribution at any time without notice. The Standard Bank Group, its directors and employees may from time to time have long or short positions in the securities mentioned in this document and may add to or dispose of such securities. The contents of this document may not be copied, reproduced in whole or in part without the prior written consent of SBGS.

Please note that this document was originally prepared and issued by SBGS for distribution to its market professional and institutional investor customers. Some of the instruments discussed in the document may involve a high degree of risk or volatility and may be intended for sale only to investors with an understanding of, and capacity to assume, the risks involved. Further it should be noted that:

- There are in any event intrinsic risks involved in the buying and selling of financial product;
- no guarantee is provided for the investment value in a product;
- any forecasts based on hypothetical data are not guaranteed and are for illustrative purposes only;
- returns may vary as a result of their dependence on the performance of underlying assets and other variable market factors;
- past performance is not necessarily indicative of future performance;
- as a financial needs analysis has not been conducted to assess the appropriateness of the product, investment or structure to your unique particular circumstances, you are cautioned that there may be limitations on the appropriateness of the information for your purposes and you should take particular care to consider the implications of entering into the transaction, either on your own or with the assistance of an investment professional
- There may be various tax implications to consider when investing in the product and you must be aware of these implications before investing. SBG does not accept liability for the tax treatment by any court or by any authorities in any jurisdiction in relation to any transaction based on the information. It is strongly recommended that individual tax advice be sought before entering into any such transaction

This document has been sent to you for your information and may not be reproduced or redistributed to any other person. By accepting this document, you agree to be bound by the foregoing limitations. Unauthorised use or disclosure of this document is strictly prohibited, and the document has copyright implications.

The recipients of this document are accordingly urged to seek independent financial advice with regard to the securities and investments referred to in this document and their suitability to the particular circumstances of those recipients.