



The African Seed Company

Seed Co Limited Full-year Results Presentation FY21

Seed Co Limited

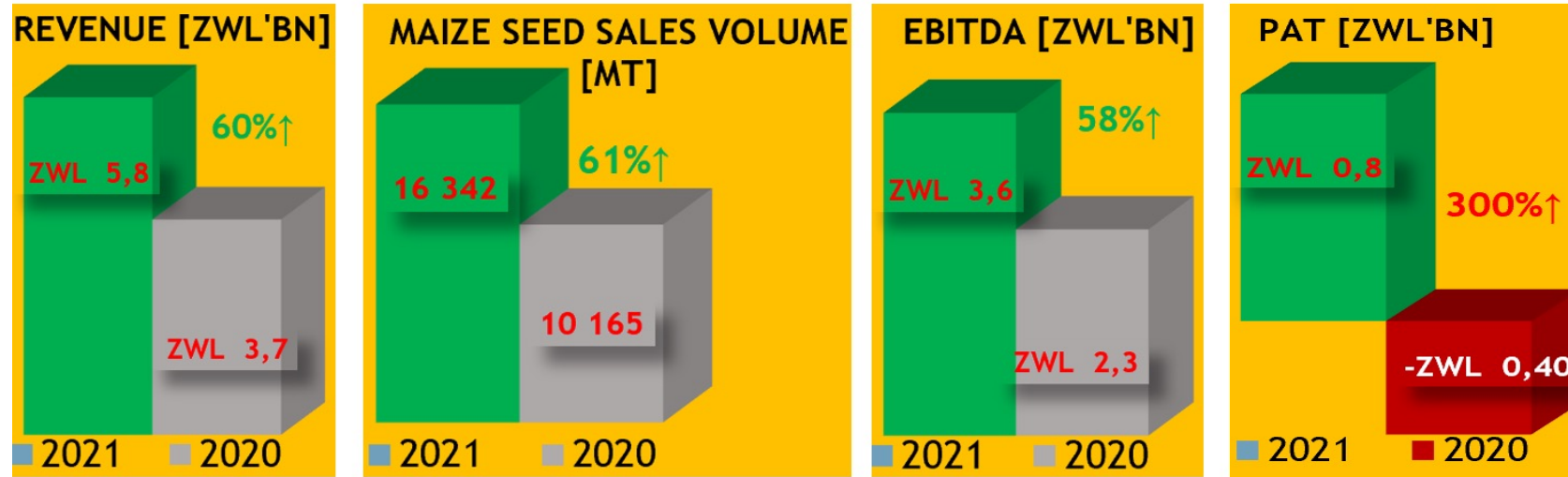
Full-Year to 31 March 2021

Financial Review

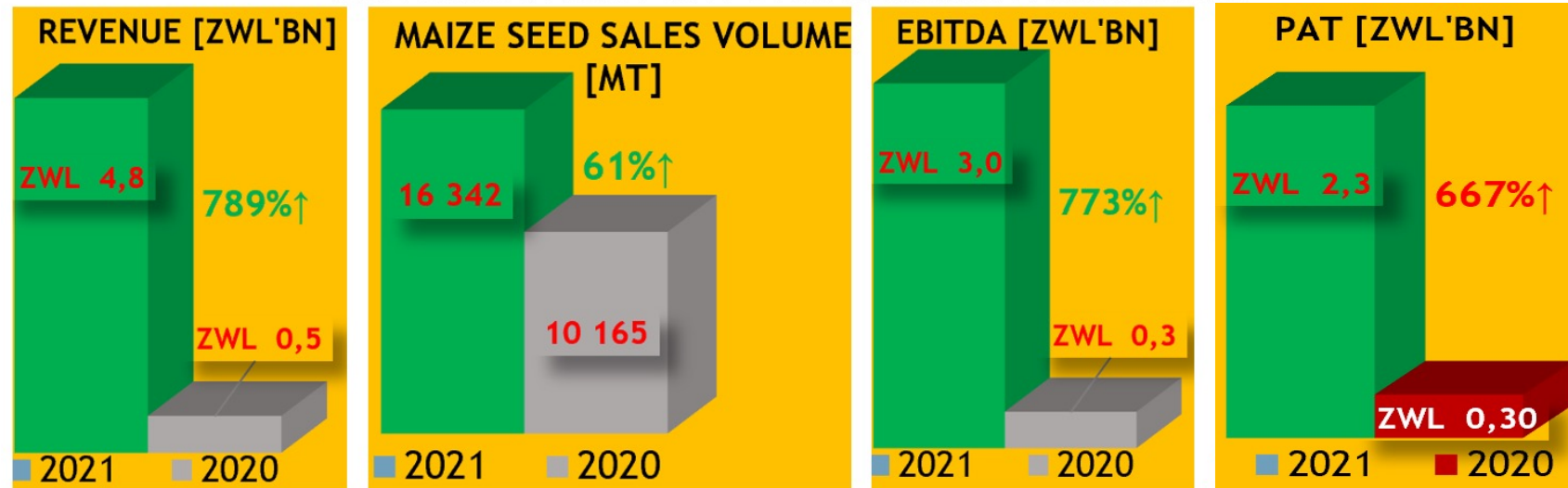
By
John Matorofa- GFD



INFLATION ADJUSTED KEY PERFORMANCE HIGHLIGHTS



HISTORICAL COST KEY PERFORMANCE HIGHLIGHTS



Income Statement

ABRIDGED GROUP INCOME STATEMENT	Inflation adjusted		Historical cost	
	Audited	Restated*	Unaudited	
	Mar 2021 ZWL'BN	Mar 2020 ZWL'BN	Mar 2021 ZWL'BN	Mar 2020 ZWL'BN
Revenue	5,8	3,7	4,8	0,5
Cost of sales	(2,1)	(1,3)	(1,7)	(0,2)
Gross profit	3,7	2,4	3,1	0,3
Other income	0,9	0,7	0,8	0,2
Operating expenses	(1,4)	(0,9)	(1,1)	(0,2)
Operating profit	3,2	2,2	2,9	0,3
Net finance costs	(0,4)	(0,1)	(0,4)	(0,0)
Monetary loss	(1,9)	(2,4)	-	-
Share of profit from associates & JV	0,2	0,3	0,4	0,1
Profit before tax	1,1	0,0	2,9	0,4
Income tax expense	(0,3)	(0,4)	(0,6)	(0,1)
Profit/(loss) for the year	0,8	(0,4)	2,3	0,3

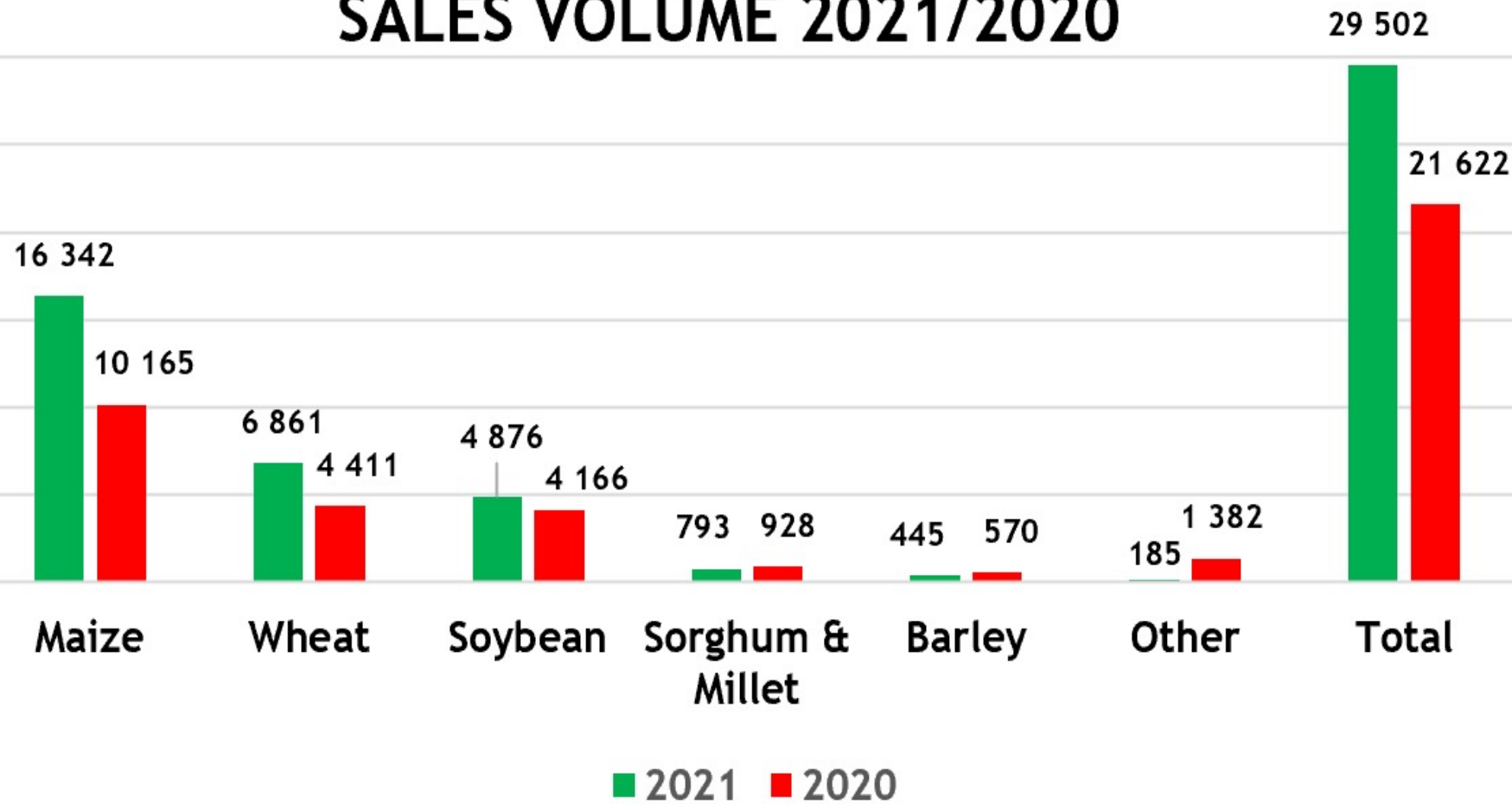
- **ZWL0.8BN** Inflation adjusted PAT a significant improvement from last year's inflation adjusted loss due to:
 - ✓ 60% revenue growth driven by 36% volume surge and price adjustments
 - ✓ 21% monetary loss decline
- Operating costs grew faster in inflation adjusted terms due to exchange rate induced hyperinflation

- Finance costs were also significantly up in line with higher interest rates & increased borrowings to finance higher volume
- Associates & JV contribution was slightly lower weighed down by the local investments i.e. Prime Seed Co Zim which incurred a loss and Quton's reduced profitability

❖ Performance in historical terms significantly higher due to increased volumes & inflation induced pricing.



SALES VOLUME 2021/2020



- Other sales were significantly lower than prior due as they was not much deteriorated stock sold as commodity this year
- The volume achieved was a stockout level due to the unanticipated demand

- Maize remains the flagship seed crop contributing 55% of the volume and growing by 61% due to:
 - ✓ strong Gvt & Open Market demand
 - ✓ 3,600mt exports to Malawi, Tanzania & Mozambique
- Wheat sales grew 66% buoyed by a once-off 2000mt export order to Nigeria
- Soybeans volume was 17% driven by strong oilseed local demand
- Sorghum & barley was stable



Gross margin

	FY21	FY20
Gross margin	64,1%	64,9%

- Margins were more or less in line with prior year

Other income - increased due to: -

- Increased profit from chemicals & fertiliser sales
- Increased turnover-based R & D recoveries from Seed Co International which registered significant turnover growth
- Exchange gains from foreign denominated receivables

Other income	FY21	FY20
ZWL'BN	0,9	0,7

Operating expenses

- The 56% jump compared to prior year is in tandem with the 60% revenue surge in a hyperinflationary environment

Operating	FY21	FY20
Expenses ZWL'BN	1,4	0,9



Joint ventures & Associates

Profit share from JVs & Associates	FY21	FY20
	ZWL'BN	ZWL'BN
Seed Co International -27% Associate	0,2	0,1
Quton -40% Associate	0,1	0,2
Prime Seed Zimbabwe -51% JV	(0,1)	0,1
TOTAL	0,2	0,3

- Seed Co International nearly doubled its profit from US\$6M to US\$11M in real terms
- Quton's profitability halved as its monetary loss also doubled
- Prime Seed (local Vegetable JV) suffered a loss due to margin erosion mainly attributable to FX losses on imported seeds



Seed Co International Income Statement (US\$'M)

	Audited year ended	
	Mar 2021	Mar 2020'
	US\$'m	US\$'m
Continuing operations		
Revenue	88.5	70.1
Cost of sales	(44.8)	(35.8)
Gross profit	43.8	34.3
Other income	1.9	6.1
Operating expenses	(27.6)	(26.6)
Operating profit	18.1	13.9
Net finance costs	(2.5)	(2.9)
Share of loss from associate & JVs	(0.3)	(0.5)
Profit before tax from continuing operations	15.3	10.4
Income tax expense	(4.0)	(3.1)
Profit after tax from continuing operations	11.3	7.4
Discontinued operations		
Loss from discontinued operations	(0.2)	(1.3)
Profit for the year	11.1	6.1

- Strong profitability this year achieving a PAT of US\$11.1M due to:
 - ✓ 26% revenue growth driven by 35% sales volume growth
 - ✓ operating costs management - increased by only 4% compared to 35% volume growth
 - ✓ reduction in net finance costs

Balance Sheet ZWL

ASSETS	Inflation adjusted		Historical cost	
	Audited	Restated	Unaudited	
	Mar 2021 ZWL'BN	Mar 2020 ZWL'BN	Mar 2021 ZWL'BN	Mar 2020 ZWL'BN
Total assets	13,3	9,9	10,1	2,0
PPE	2,7	3,5	2,7	1,0
Investments in associates & JV	4,7	3,3	2,2	0,6
Other financial assets	0,4	0,02	0,4	0,01
Inventories	1,6	2,2	0,8	0,2
Receivables	3,3	0,8	3,3	0,2
Cash and cash equivalents	0,5	0,1	0,5	0,03

EQUITY & LIABILITIES	Inflation adjusted		Historical cost	
	Audited	Restated	Unaudited	
	Mar 2021 ZWL'BN	Mar 2020 ZWL'BN	Mar 2021 ZWL'BN	Mar 2020 ZWL'BN
Total equity & liabilities	13,3	9,9	10,1	2,0
Shareholders' equity	9,4	8,0	6,3	1,6
Loans and borrowings	2,3	0,2	2,3	0,1
Deferred tax liability	0,7	1,2	0,5	0,2
Payables and provisions	0,9	0,4	0,9	0,1

-Non-current assets (Inflation Adjusted): -

- ✓ CAPEX & revaluation offset by depreciation, disposals and impairments
- ✓ Investments value growth attributable to increased share of profit & exchange gains from the Seed Co International investment

-Inventory value declined due to increased sales

-Receivables up largely due to amounts due from Gvt which was cleared post year-end

-Cash balance improved on account of increased cash sales

-Equity (Inflation Adjusted): -

- ✓ Increased due to the profit achieved this year and asset revaluations

-Debt: -

- ✓ Increased on receipt of US\$12.5M 7-year Proparco facility towards year-end applied to refinance the Drier Project



ABRIDGED GROUP STATEMENT OF CASH FLOWS	Restated		Historical cost	
	Audited Mar 2021 ZWL'BN	Restated Mar 2020 ZWL'BN	Unaudited Mar 2021 ZWL'BN	Mar 2020 ZWL'BN
Opening cash flows - 1 April	0,1	0,3	0,03	0,01
Operating cash flows	(0,8)	(1,7)	(1,0)	0,1
Investing cash flows	(0,4)	(0,1)	(0,3)	(0,1)
Financing cash flows	1,8	0,1	1,8	0,03
Effects of monetary changes	(0,1)	1,5	-	-
Closing cash flows - 31 March	0,5	0,1	0,5	0,03

- **Operating cash inflow:**
 - ✓ Liquidity was largely tied up in working capital i.e. Gvt receivables, seed grower advances and wheat seed stock.
 - ✓ Gvt debt was collected after year-end
 - ✓ Advances to seed growers are unwinding with seed deliveries currently in progress
- **Investing cash outflow:**
 - ✓ Spent on CAPEX - mainly the Drier project
- **Financing cash inflow:**
 - ✓ US\$12.8M receipt from Proparco towards year-end



Seed Co Limited Group

Operations Review

By

Morgan Nzwere GCEO



General environment

- ❖ Covid-19 Pandemic continued to ravage economies and livelihoods
- ❖ Zim vaccination programme ahead of regional peers and this could help to open the economy and preserve livelihoods. Over 98% of the Seed Co staff have taken the COVID19 vaccination jabs.
- ❖ Normal to above normal rainfall positively impacted seed sales in Zimbabwe as well as the regional markets
- ❖ Hyperinflation persisted in Zimbabwe albeit at a receding rate
- ❖ Numerous monetary & fiscal policy changes and SIs causing anxiety in the market
- ❖ Weakening ZWL on both the auction and parallel markets fuelled inflation
- ❖ Temporary stock market closure and suspension of dual-listed counters dented already

Research

- ❖ Released SC423, SC437, SC553, SC557, SC559, SC614, SC653, SC663 and SC665 in Zimbabwe
- ❖ Commercially launched SC555, SC659, SC419 and SC404 in Zimbabwe.
- ❖ Released first proprietary hybrid sorghum, SCXH102, in Zimbabwe
- ❖ Released hybrid Canola Jazz in Zimbabwe
- ❖ Rice hybrid trial production promising in Zimbabwe
- ❖ Potato hybrid registration trials are on-going in Zimbabwe
- ❖ SC653 maize hybrid registered in Malawi
- ❖ SC419 and SC667 maize hybrids registered in Nigeria
- ❖ SC W9101 and SC Select wheat varieties registered in Zambia



Production

- ❖ Product availability was good this year but stockouts were experienced both in Zimbabwe and the regional markets due to the unanticipated surge in demand across the board
- ❖ Demand surge helped to run down carryover stocks
- ❖ 2020/21 season production now at intake stage
- ❖ Regional seed production is also expected to be higher than prior year



Processing

- ❖ The Artificial Seed Drying Plant was successfully completed at Stapleford in Zimbabwe
 - ✓ The plan is to replicate the technology in other markets
- ❖ New seed processing & packaging plant commissioned in Nigeria
- ❖ Planned plant capacity upgrades in Kenya and Tanzania planned this FY21/22 financial year
- ❖ Seed processing has started in both Zimbabwe and some regional markets as seed is being delivered



Sales & Marketing

- ❖ Zimbabwe annual sales volumes were 61% ahead of prior year driven by good rains and:
 - ✓ huge Gvt food security program
 - ✓ open market sales buoyed by better rains
 - ✓ 3,600mt maize export opportunities to Malawi, Tanzania and Mozambique
 - ✓ 2,000mt wheat export to Nigeria
- ❖ The Group experienced stockouts due to the unanticipated demand



JV & Associates

❖ Prime Seed - 51% vegetable JV

- Sales and general performance was weighed down by foreign currency shortages
- The business is dependent on imported vegetable seed hybrids
- Stock shortages and FX losses resulted in the business posting a marginal loss
- Prospects are hinged on FX availability and internal efforts to increase local production of the few vegetable hybrids that can be produced in our tropical climatic conditions

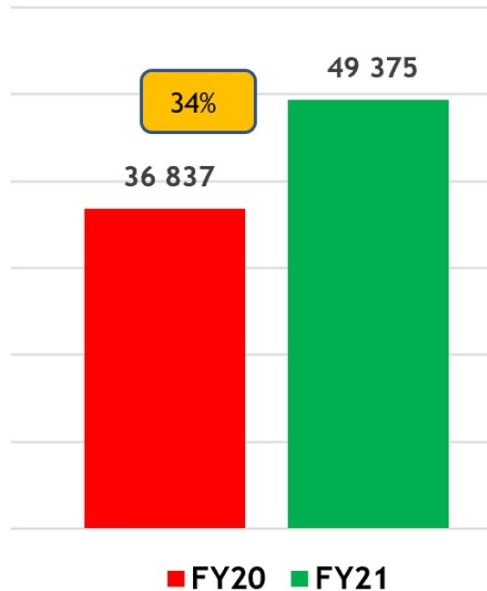
❖ Quton - 40% associate

- 8,041mt cotton seed sales volume was in line with prior year
- Inflation adjusted financial performance was weighed down by the monetary loss that increased from ZWL0.2BN to just over ZWL0.5BN in FY21

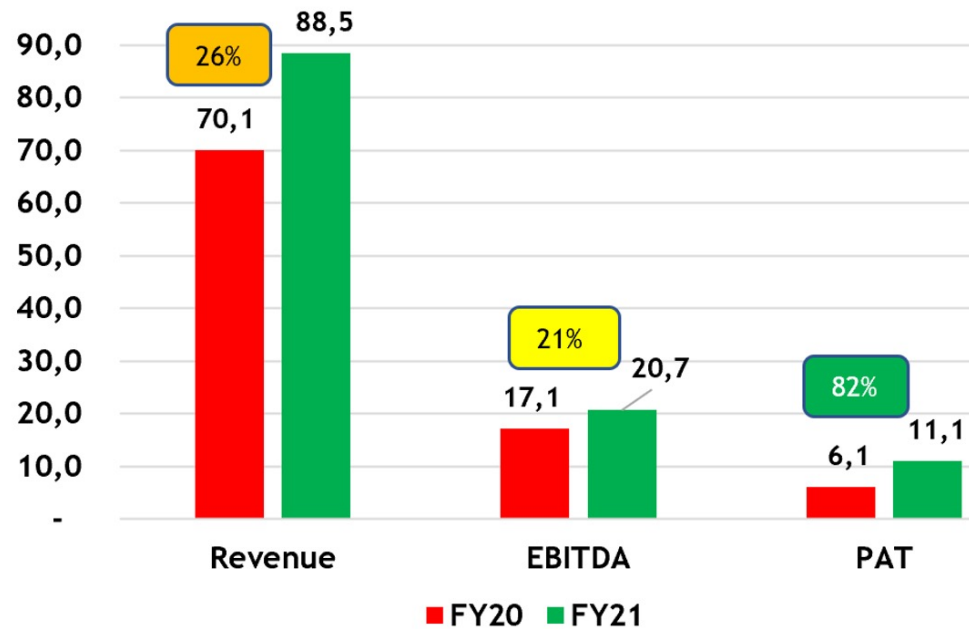


Associates continued -Seed Co International

SALES VOLUME [MT]



SCI P&L HIGHLIGHTS [US\$'M]



- Seed Co International Group scored phenomenal growth by all metrics driven by strong performance across all markets with sales volumes increasing by 26% 46356mt.
- Malawi, Kenya, Nigeria, DRC and Mozambique performed exceptionally well
- All fully fledged Seed Co International cereal seed SBUs were profitable
- The regional vegetable business registered notable turnover growth and narrowed its loss significantly



Outlook

- ❖ Post-balance sheet promulgation of SI 127 of 2021 on 27 May 2021 in Zimbabwe to present challenges in value preservation due to:
 - ✓ Sustainable seed prices given the sensitivities around food.
 - ✓ cost-push from growers and other suppliers with flexibility to adjust prices more than Seed Co
- ❖ Subject to favourable climate and economic conditions, Seed Co Limited is expected to ride on the good performance achieved in the just ended financial year on the back of the anticipated continuation of Gvt programs ahead of 2023 elections
- ❖ The completion of the seed drier should enable us to bring seed to the market much quicker and also continue to improve seed quality.



Outlook

❖ On the regional front:

- ✓ Malawi is expected to continue benefiting from the new Gvt's food security programme
- ✓ Kenya and Tanzania are anticipated to continue growing their market shares
- ✓ Export markets, Mozambique & DRC, to continue increasing their contribution
- ✓ stable performance is forecast in Zambia but economic decline a key risk
- ✓ The Agriculture industry remains a essential service in all the markets we operate.
- ✓ Continued progress in our frontier markets like Ethiopia and other West African countries

❖ Key focus areas going forward:

- ✓ winter cereal sales conclusion
- ✓ collection of debtors
- ✓ working capital mobilisation and deployment for seed intake and processing
- ✓ value preservation amidst currency depreciations





Questions

THE HOME OF BUMPER HARVESTS



SEED  **CO**

IT STARTS WITH THE RIGHT SEED