



The African Seed Company

SEED CO LIMITED

FULL YEAR ENDED MARCH 2014

ANALYST BRIEFING



Financial Review

By

Matorofa John- GFD



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**Income Statement
For the Year ended
March 2014**



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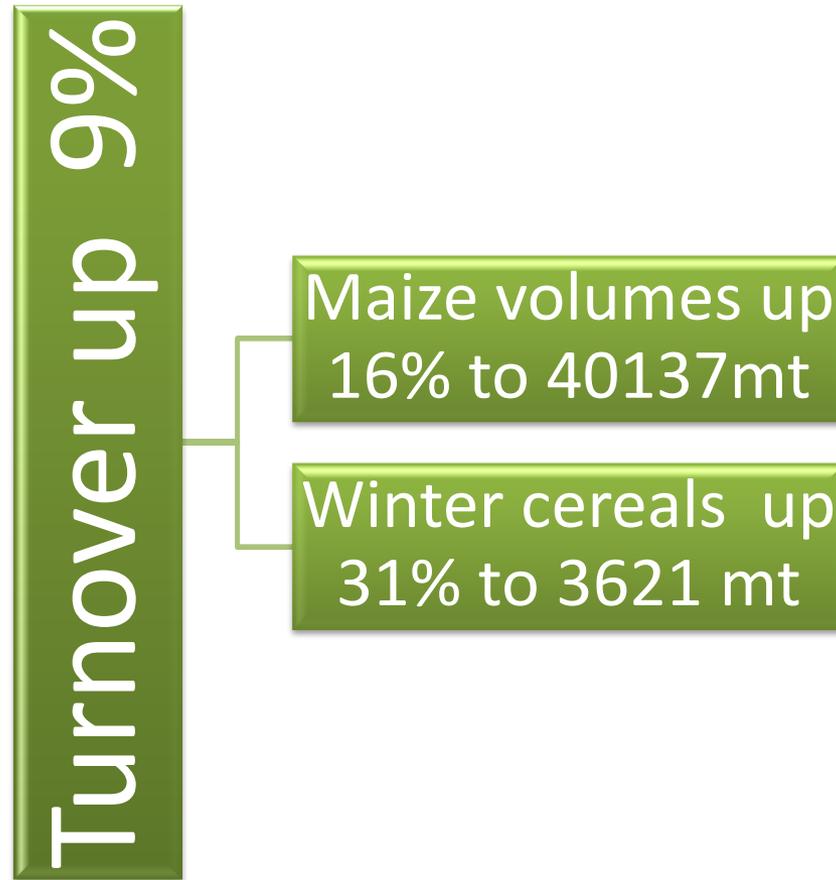
Group Income Statement Review

	2014	2013	% age
	US\$ m	US\$ m	Incre / (decre)
Revenue	120.19	110.64	9%
Gross profit	53.71	50.87	6%
Operating profit	18.59	22.57	-18%
Finance costs Net	(3.04)	(7.20)	-58%
Profit before taxation	15.56	15.37	1%
Profit After Tax	11.83	12.45	-5%
Total sales Volumes in MT	62,082	59,406	5%



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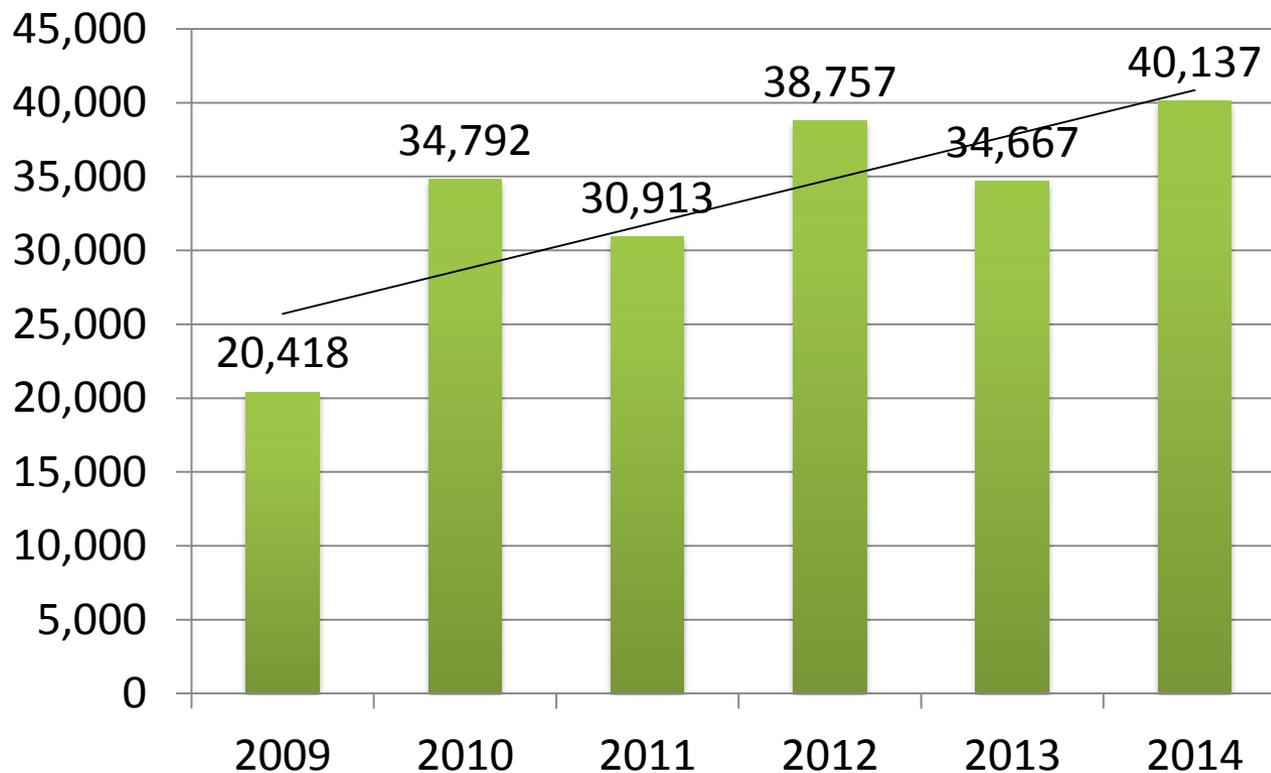
Group Income Statement Review



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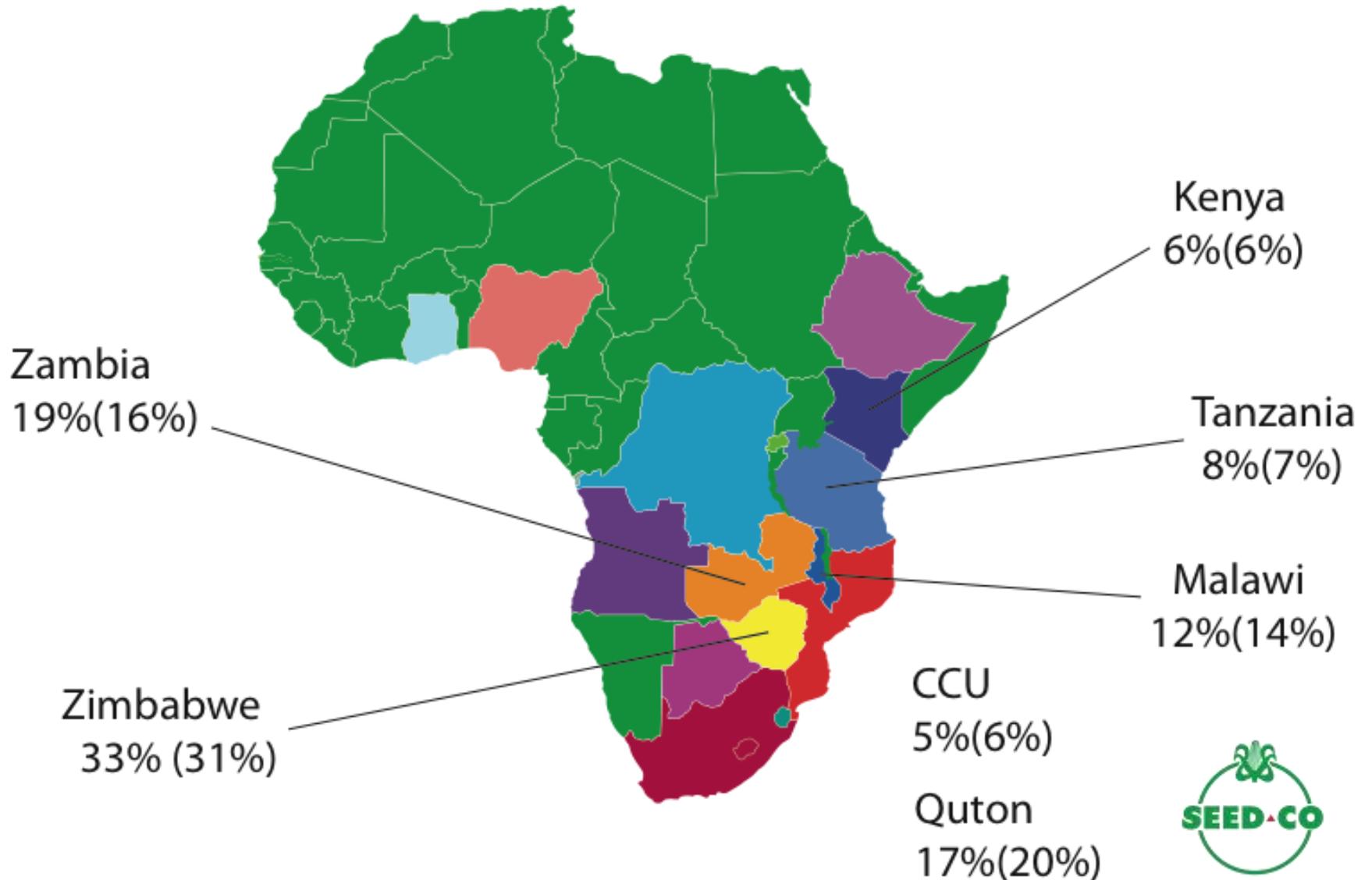
Trent in Maize volumes Growth over the past years

Seed Maize sales volumes



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Volumes contribution by Market



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2 Margins

- The F14 margins remained flat at 45% due to write down of some old seed stocks that no longer had minimum standards of vigour and germination
- The overall Gross margins are expected to increase from 45% to 49% in the new year as most of the old stocks where written down in the F14 financial year.



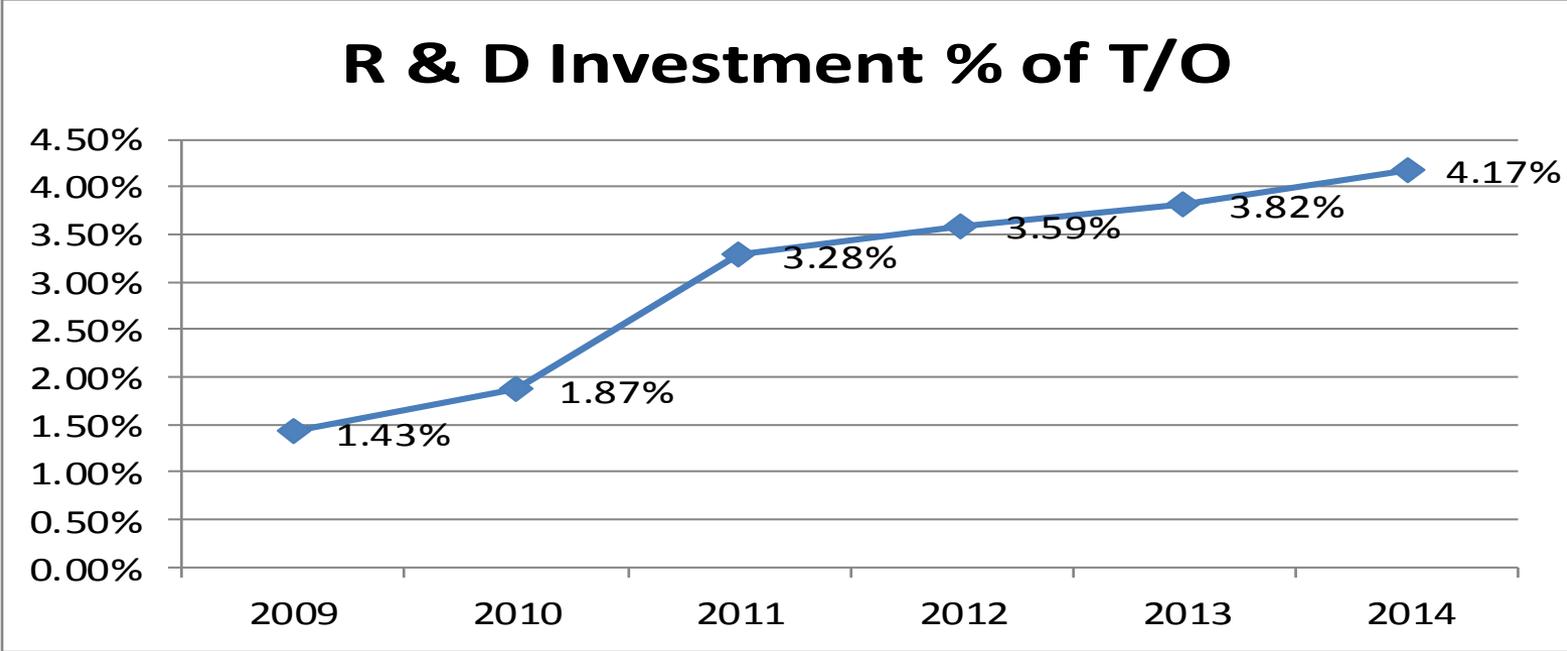
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3.1 Overheads

- The F14 overheads include the following exceptional items
 - \$3,1m impairment of a deposit receivable from a Zimbabwean Financial institution currently under curatorship
 - \$2m impairment of some long outstanding retailers and grower debtors mainly in Zimbabwe
- Excluding these items the overheads were 4% higher than prior year



3.2 Research & Development expenditure



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4. Finance Charges

4.1 Finance Income

The increase is coming from interest charged on overdue Gvt debts

4.2 Finance Charges

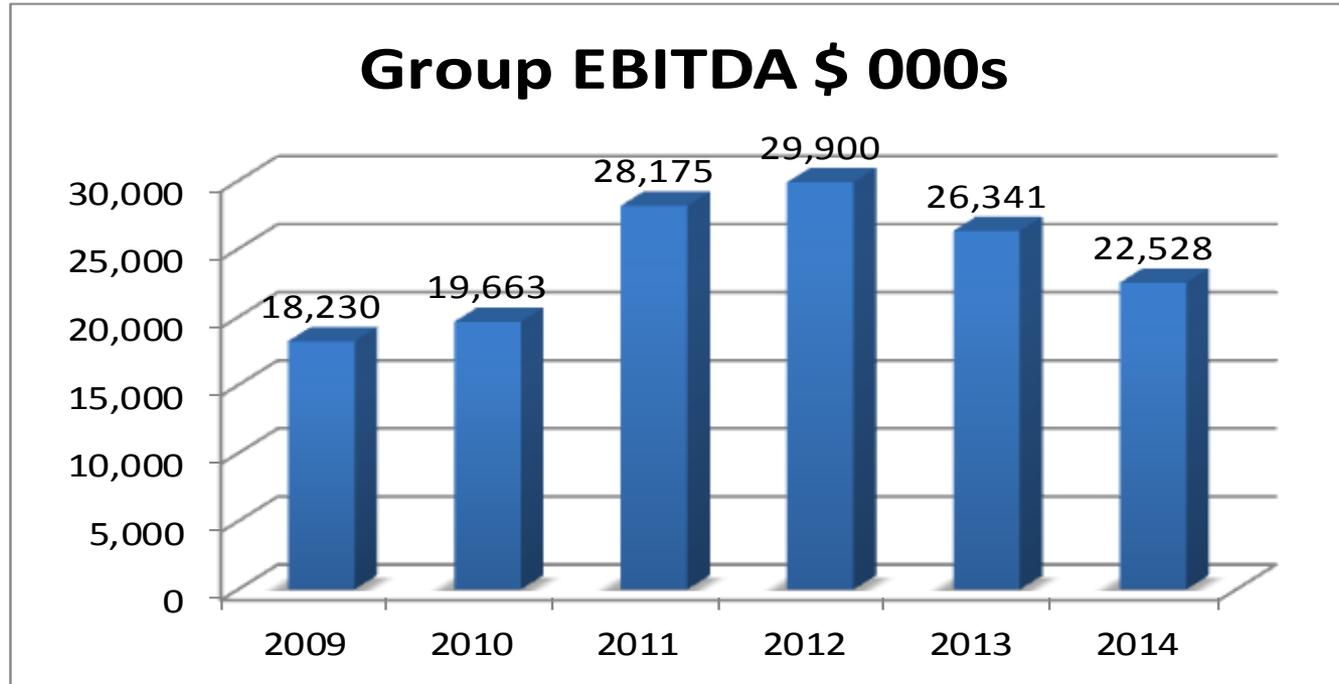
This is higher than prior year due to delayed receipts from major debtors esp Gvt & Quasi Gvt institutions.



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5. Group Earnings

The Group earnings after tax and EBITDA were reduced by the impairments above . The trend in the EBITDA over the years is as shown below



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Statement Of Financial Position
As at
31 March 214



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6.Current Assets Breakdown

	Actual	Actual
	2014	2013
	US\$	US\$
Current assets		
Financial assets		
Inventories	32,567,929	43,034,343
Biological assets	976,823	620,195
Trade and other receivables	75,038,212	63,969,927
Prepayments	1,647,465	2,125,519
Seed grower advances	6,932,421	2,165,175
Cash and cash equivalents	4,026,614	4,624,724
	121,189,464	116,539,883



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6.1 Inventories

The inventories have come down by 23% in line with deliberate strategy to reduce them to optimum levels

6.2 Trade Debtors

- Almost half of the trade receivables are owed by the Zimbabwe Gvt which is committed to pay the amount eventually.
- Seed Co exploring options to realize the government debt.



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6.2 Trade debtors continued

- In Malawi , the \$6,8m being cleared by coupon redemption process.
- In Tanzania, the CDTF owes the Quton business \$4m and they are paying slowly.
- Total subsequent payments since year end amount to US\$ 12,463,730.63.
- The top debtors for the group and subsequent receipts after year-end are broken down as follows:-



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6.3 Top Trade debtors

Debtor	Amount \$	Subsequent Payments	Country
1 Government of Zimbabwe	32,808,408	821,418	Zimbabwe
2 Government - Subsidy Programme	5,502,251	2,161,634	Malawi
3 Government - Tanzania Cotton Board	2,605,040	0	Tanzania
4 National Reconstruction Group-Gvt	2,089,320	0	Quton
5 Malawi Cotton Ginners	2,020,158	904,840	Zim & Malawi
6 Syngenta Kenya	1,791,740	1,798,214	Kenya
7 TZ Government Voucher System	1,638,015	156,947	Tanzania
8 Cotton Development Trust	1,335,270	0	Tanzania
9 GNASS Kenya	1,137,186	559,139	Kenya
10 Suba Agro TSH	756,419	0	Tanzania
11 Zambia National Farmers Union	572,758	536,215	Zambia
12 Cottco	568,776	83,551	Zimbabwe
13 Etsala	530,593	238,191	Botswana
Total	53,355,934	7,260,149	

7 Borrowings

Borrowings reduced by 30% to \$31,7m due to

- early payments by the Zambia Gvt
- Capital injection from the 5% issue of new shares to an equity partner
- All United States borrowing interest rates are below 9% per annum.
- Seed Co enjoying interest rates of 6.9% to 8.5% in Zimbabwe.



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FULL YEAR 2014 OPERATIONS REVIEW

BY MORGAN NZWERE - GCEO



General environment

- Zimbabwe
 - Positive recent developments but...
 - Debtor collections proving difficult
 - Finance charges still high
 - Improved maize harvest (between 1.2m and 1.4m mt)
- Zambia
 - Kwacha remains unstable
 - Exchange controls relaxed
 - Interest rates around 23%
 - Maize harvest estimated around 3.5m mt
 - Still attracting significant FDI inflows



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General environment continued

- Malawi
 - New political dispensation
 - Economy in turmoil
 - Kwacha a calm before the storm
 - Interest rates upwards of 30%
 - Inflation expected to remain double digit
 - Expecting maize harvest of around 3.5m tones
- Kenya
 - Shilling stable
 - Inflation around 7%
 - MLND the biggest threat



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- Tanzania
 - Economy fairly stable
 - Self sufficient in maize grain requirements
- Great lakes region
 - Skirmishes on the Rwanda/DRC Border a concern
- West Africa
 - Rebasing of Nigeria the talk of the region
 - Size of economy expected to attract significant investment
 - Terror activities in Nigeria a concern
- Global
 - Africa on everyone's lips as far as agriculture going forwards is concerned
 - All big players looking for a piece of the African pie



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What have we been focusing on?

- Finding technical partner for the maize seed business
- Finding technical partner for the cotton business
- Raising additional capital for the Group to meet funding gap
- Reducing stocks to free up cash
- Debt collection
- East African expansion
- Business development in West Africa



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1. Overview

- The Seed Co Internationalization project was successfully concluded with Limagrain
- Unbundling giving the Group more autonomy and agility
- The Malawi Building project is 99% complete
- RARS lab complete
- East Africa continues to grow
- Kenya makes profit for first time
- Mixed volume sales results across crops
 - Maize seed sales volumes increasing across all SBUs
 - Soyas depressed
 - Cotton seed sales affected by structural issues in industry



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2. Production and Seed Supply

- Seed volumes right-sized. From a high of 49700mt two years ago, now sitting on 18600mt
- The target carryover of 20% to be maintained



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3. Business Development

- Development work in Nigeria continuing
 - Largest market in Africa after rebasing
 - \$510bn economy, 170m people, \$250m potential maize seed market
 - Pilot production satisfactory
 - More land for production being signed up
 - First proprietary variety released this month
 - Competition following our foot tracks
 - Will be very cautious in growing the business
 - Security remains an issue
- Demand for product continues to grow in Ethiopia.
 - Land tenure systems (feudal) continues to hamper progress
- Incursions into Uganda
- DRC growing steadily
- Progress being made in Rwanda



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4. Research and Development

- Investment in R&D continues to grow (now 4.3% from 3.8% last year).
- New varieties released:
 - 5 maize
 - 4 soya
 - 2 sugar beans
- Our products continue to dominate independent ART trials
- RARS lab completed – now being equipped
- New station opened up in Gwagwalada in Nigeria
- Limagrain relationship very beneficial from the onset and a lot expected to come out of it
 - Breeders being exposed to latest best practice
 - 5 Joint quick wins identified with Limagrain commenced
- Collaboration with other international research stations continuing



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5. People

- Awarded “Employer of the Year “ honor in Zimbabwe
 - Retaining of talent remains key
- Training continues
 - One breeder finished Doctorate this year
 - Another three finishing next year



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6. Review of Key markets

6.1 Zimbabwe

- Volumes up by 9% and turnover up by 10.5%
 - SBU has 70% of open market share and 49% of government business
 - Margins affected by changeover to new treatment regime and packaging as well as write-down of excess soyabean stocks
- The Government debt remains a concern although fully acknowledged



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6.2 Zambia

- Volumes up by 17%
- Turnover and profit after tax up by 15% and 7% respectively.
- Margins affected by disposal of excess soya seed as commodity
- Govt input programme continuing
- Govt paid upfront for this year's supplies
- Share of DRC business increasing steadily



6.3 Malawi

- Maize seed volumes grew by 7% but soya declined by 63% owing to absence of Presidential Input Program
- Margins affected by stock write-downs
- The building project 99% complete
- Awaiting to see direction of new political dispensation



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6.4 Tanzania

- Turnover increased by 20% and volumes increased by 9%
- Biggest task is opening up of new distribution outlets
 - Local credit systems not robust enough to be able to rely on most distributors
- New factory in Arusha, the group's first single pass processing plant, now fully operational



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6.5 Kenya

- Turnover up by 17% and volumes up by 14%
- SBU records first profit since inception
- Now commenced selling in the highlands
- Maize Lethal Necrosis Disease (MLND) continues to be the biggest threat. (Working on joint efforts with Limagrain and Cymmyt)



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6.6 CCU

- Won lion's share of government tender in Botswana



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6.7 Cotton Seed business

- The cotton industry remains subdued.
 - In Zimbabwe volumes down by 39
- Malawi market share increased to 70% but still a growing market.
- Tanzania remained flat with the Government not fulfilling its promise to subsidize the cotton planting seed for the current season



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7. Outlook

- Continued growth in East Africa
 - further gains in market share in Tanzania through expansion of distribution network,
 - entry into the lucrative highland market in Kenya.
 - Inroads into DRC
 - Inroads into Uganda
- Continuation of the subsidy programme in Malawi and improved product pricing in this market.
- Adoption by farmers in the drier parts of the continent of the recently released 300 early maturing series.



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7. Outlook continued

- The strategic technical partnership with Limagrain
- New capital from Limagrain with second tranche of \$28m expected in December
- More efficient working capital cycle with reduced inventories
- Brand revitalization through new packaging
- Potential gains from West Africa in the medium term
- Potential technical partner for the cotton seed business



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QUESTIONS???



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