



The African Seed Company



SEED CO LIMITED
FULL YEAR ENDED MARCH 2015
ANALYST BRIEFING



Seed Co Group

Full Year Financial Review

By

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Income Statement For the Full Year ended March 2015



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Group Income Statement Review

| | Full Year March 2015 USD millions | Full Year March 2014 USD millions | % age Increase (decrease) |
|--|--|--|---------------------------------|
| Turnover | 94,66 | 106,53 | (11%) |
| Gross Profit | 43,59 | 49,73 | (12%) |
| Operating expenses | 31,25 | 35,03 | (11%) |
| Finance Income | (2,89) | (4,80) | (40 %) |
| Finance Costs | 3,18 | 7,24 | (56%) |
| PAT from continuing operations | 14,86 | 12,47 | 20% |
| Profit/(Loss) from discontinued operations | 0,15 | (0,63) | 285% |
| Total PAT | 15,01 | 11,83 | 27% |



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Group Income Statement Review

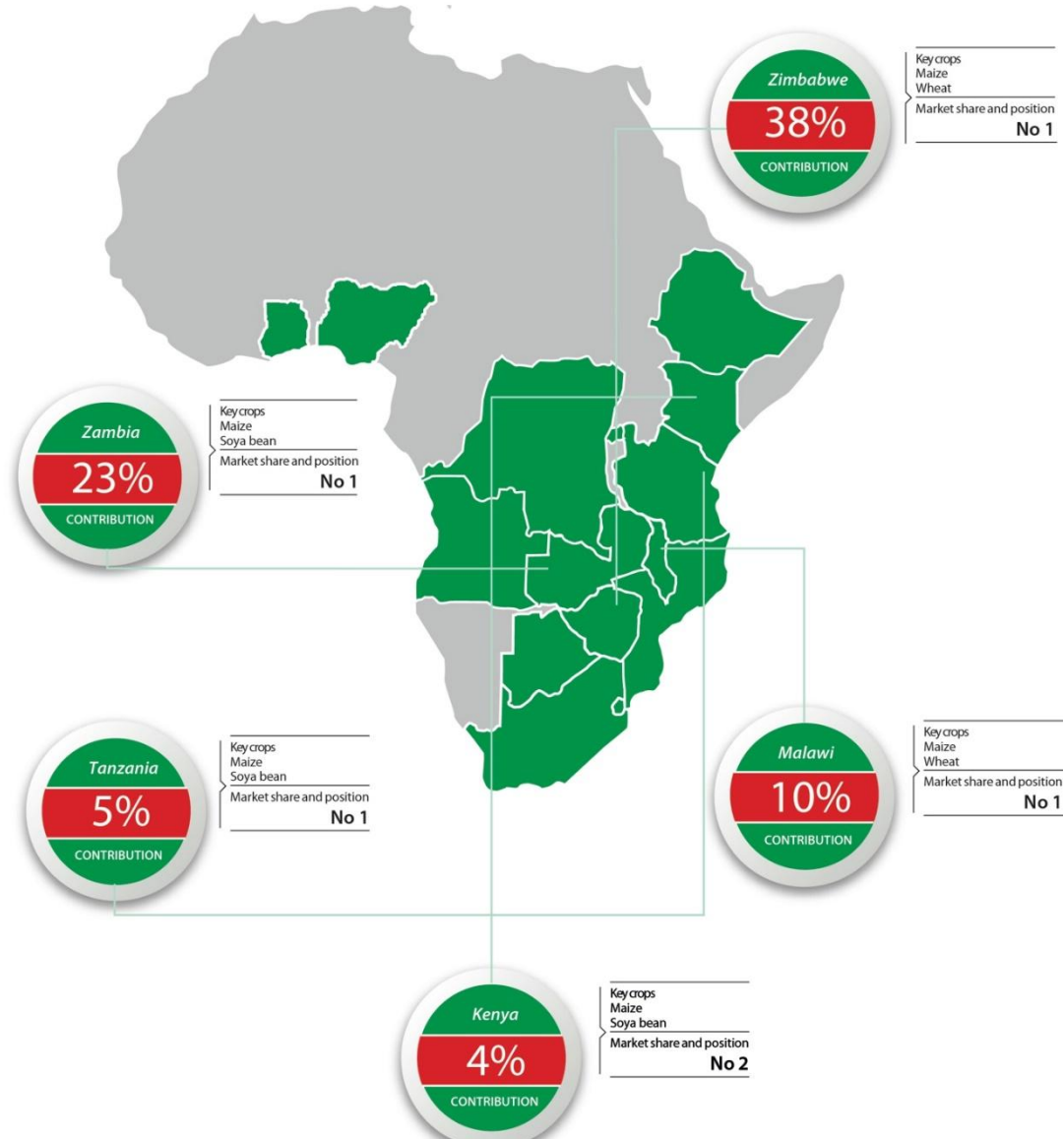
| | Full Year March 2015 | Full Year March 2014 | % age Incr(decr) |
|--------------------------|----------------------------|----------------------------|-------------------------|
| Maize sales volumes – MT | 34 220 | 40137 | (15%) |
| Wheat & Barley - MT | 2 713 | 3 621 | (25%) |
| Soya beans- MT | 4 684 | 4 659 | 1% |



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Contribution to Group Revenue



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2. Margins

The Gross margins at 46% were more or less the same levels as prior year of 47%

3. Other Income

Other Income went up by 28% due

- to exchange gains
- Increase in non seed disposals.



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4. Overheads

Operating costs were contained at at \$31,2m which was 11% lower than prior year despite increased investment in research and development , expansion of the distribution network in the new markets and brand building activities in all markets.



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5.1 Finance Costs

These were 56% lower than same period last year due to:

- ✓ Intensified debt collections
- ✓ Cost/rate reductions on all USD borrowings to below 8%
- ✓ Positive effects of the capital injection from the Limagrain transaction

5.2 Finance Income

Finance income reduced due to improved Government debt collections



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6. Earnings

Basic and Diluted EPS up 17% to 6,92c and 6,89c respectively



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7. Discontinued Operations

The cotton seed businesses made losses of \$2,4m due to viability challenges in the cotton industry and this was offset with \$2,6m profit on disposal of the 60% stake to Mahyco



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**Statement Of Financial
Position
As at
31 March 2015**



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1. Current Assets Breakdown

| Current assets | 2015 | 2014 | % age of |
|-----------------------------|-------------------|--------------------|------------|
| | US\$ | US\$ | Prior Year |
| Inventories | 20,482,833 | 32,567,929 | 63% |
| Biological assets | 817,962 | 976,823 | 84% |
| Trade and other receivables | 44,314,460 | 75,020,642 | 59% |
| Prepayments | 6,072,404 | 1,665,035 | |
| Seed grower advances | 6,024,147 | 6,932,421 | 87% |
| Financial assets | 14,106,875 | - | 100% |
| Cash and cash equivalents | 6,148,621 | 4,026,614 | 153% |
| | 97,967,301 | 121,189,464 | 81% |

1.1 Inventories

Inventories were reduced by 37% to \$ 20,4m as the Group entered its last phase of clearing all the carry over stocks.



1.2 Trade Debtors

Accounts receivable have been reduced by 42% to \$43m due to :

- more aggressive debt collections and the conversion of \$21,7m due from Zimbabwe Government to 3-5 year treasury bills.
- Out of the \$43m trade receivables at year end, \$20m was owed by various Governments across the region , of which \$7.8m was subsequently collected after year end.
- Off the amount due from retail debtors, \$10.6m was collected after year



1.3 Other Current assets

These have doubled to \$27m due to \$14m short term funds at year end deposited with reputable banks at value-adding interest rates. Included in other current assets are prepayments of \$6m for seed to be delivered after year end (prior year \$1,6), grower inputs and advances & \$7,1m (prior year \$6,9) all to be deducted from seed deliveries, cash and cash equivalents \$6,1m (prior year \$4m).

1.4 Borrowings

Borrowings are down from \$38m last year to \$5m at year end due to:

- Intensified debt collection,
- increased sales on near cash terms and
- the second tranche of the capital injection from the Limagrain transaction.



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Seed Co Group
Full Year Operations Review
by
Morgan Nzwere : GCEO



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General environment

➤ Zimbabwe

- General deflation as evidenced by published results of most corporates
- Liquidity biting hard

➤ Zambia

- Kwacha depreciation – low copper prices
- Increased Govt liquidity constraints
- Govt Farmer Input Support program to continue



General environment contd

- **Malawi**

- Donor fatigue -“cash-gate” scandal
- Economy in turmoil
 - Interest rates around 40%
 - Inflation hovering around 24%

- **Kenya**

- Terrorism affecting economic progress
- Shilling beginning to lose value
- MLND still the biggest threat in this market



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➤ Tanzania

- Elections in October
- Shilling weakening to an all time low
 - ✓ 1600 to 2130

➤ West Africa

- New political dispensation with Buhari victory
- Terror activities
- Ebola threats negatively affecting travelling



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Operational Highlights

- Zim Govt Debt converted to TBs
- Tax setoffs
- Sales to Zim govt for cash - through a financing structure
- Successfully concluded the 2nd part of the Limagrain deal
- Prime Seeds acquired (vegetable business)
- Balance sheet reorganised



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Operational Highlights

- Grower Transformation Initiative
- Malawi construction project completed
- RARS technology lab completed
- 60% stake in Quton disposed off to Mahyco
- Progression of Limagrain joint projects
- First production of Kenya highlands varieties



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Production and Seed Supply

- 42000mt maize seed under production - 20% carryover targeted
- Production skewed towards short season varieties
- Local production in East Africa increased
- Capacitation of growers being intensified



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Business Development

➤ Nigeria –

- renewed optimism following new political dispensation
- Land for production
- Terrorism still a threat



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NIGERIA

Physical



LEGEND

- International Boundary
- National Capital
- City
- Mountain Peaks
- Intermitent Rivers
- River

Business Development

➤ Ethiopia

- Demand increasing but license still an issue

➤ DRC ,

- Ground staff beefed up
- Growing distribution network



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Research and Development

- Joint Projects with Limagrain progressing well
 - MNLD Collaboration
 - Germplasm exchange
 - Diversity mapping
 - Reciprocal testing
 - Doubled haploids
- 7 new varieties released
 - 5 maize varieties
 - 4 soya
 - 2 sugar bean



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Research and Development contd

- RARS lab now functional
- New research farm acquired in Kenya
- Ultra early seed varieties released in most major markets



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Processing facilities

- Modern plants now operational in key markets
 - Zambia
 - Malawi
 - Kenya
 - Tanzania
- Capacity to process about over 80000 mt per annum



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Cotton Seed business

- Industry remains subdued.
- Testing of cotton hybrids commenced



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Markets

- We continue to consolidate market share with pole position in
 - Zimbabwe
 - Zambia
 - Malawi
 - Tanzania
 - and a credible second in Kenya
- In Zimbabwe this year we supplied 90% of the Govt order



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People

- Two breeders completed their PhD studies this year
- We continue to strengthen skills by recruiting the best in the industry
- Seed Co Zambia MD voted best MD in that country for last calendar year
- Very cordial industrial relations



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Outlook

- Major grain deficit across Southern Africa to spur seed demand in coming season
- Increased product availability after shortages experienced in prior year
- Govt Input schemes to continue
- New income stream from Prime Seeds acquisition
- Improved working capital through reduced inventories



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Outlook contd

- Acceleration of product release through Limagrain collaboration
- New ultra early varieties to boost sales
- Increasing market share in Kenya, Tanzania and DRC
- Increased brand equity with new packaging
- Competitors reduced production



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QUESTIONS????



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