



The African Seed Company

SEED CO LIMITED

YEAR ENDED 31 MARCH 2017

ANALYST BRIEFING



"Defending the Core,...



Exploiting the Pan African Opportunities"

Seed Co Group
Full Year Financial Review
By
Matorofa John- GFD

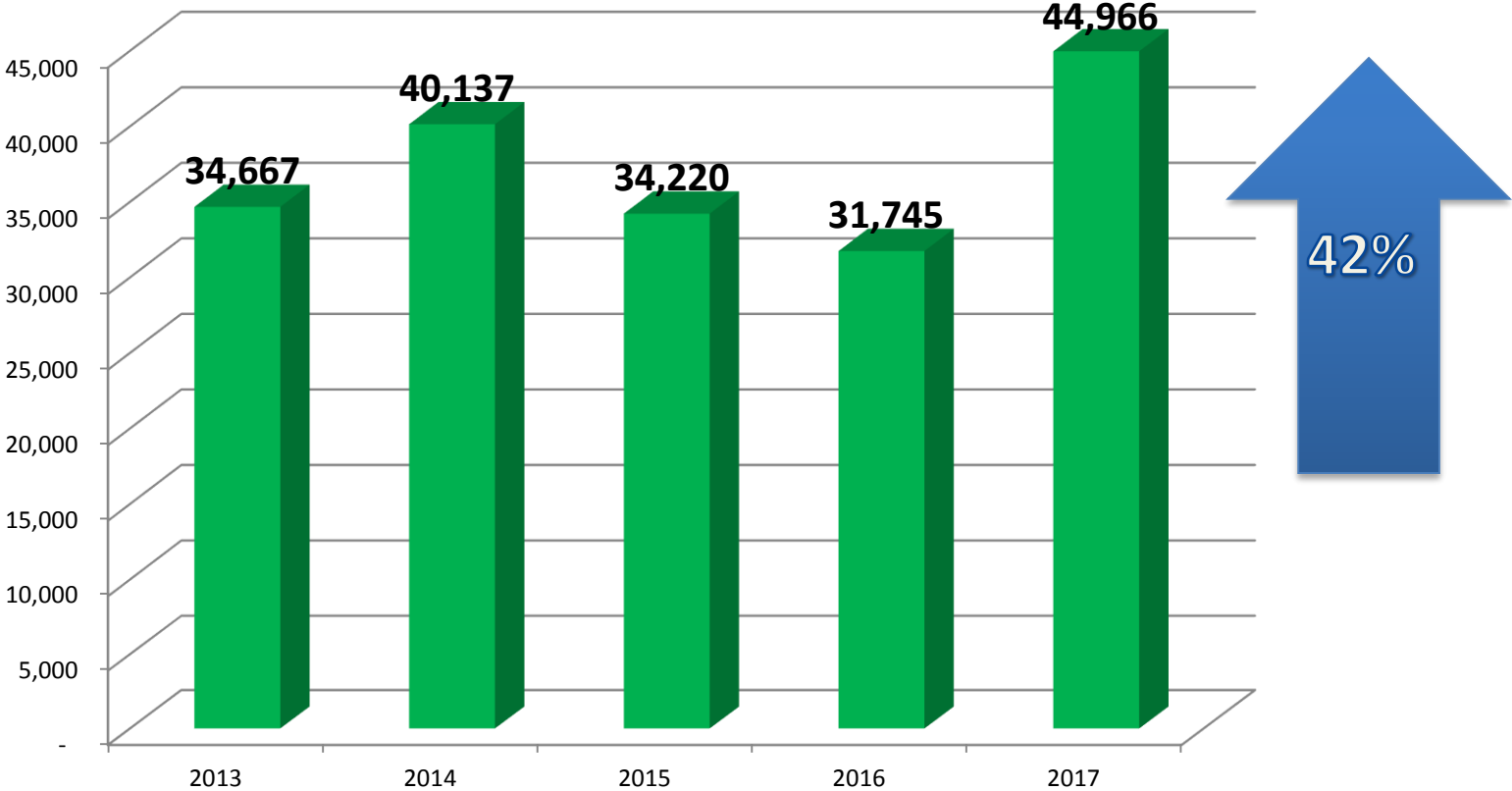
Income Statement For the Year ended March 2017

Group Income Statement Review

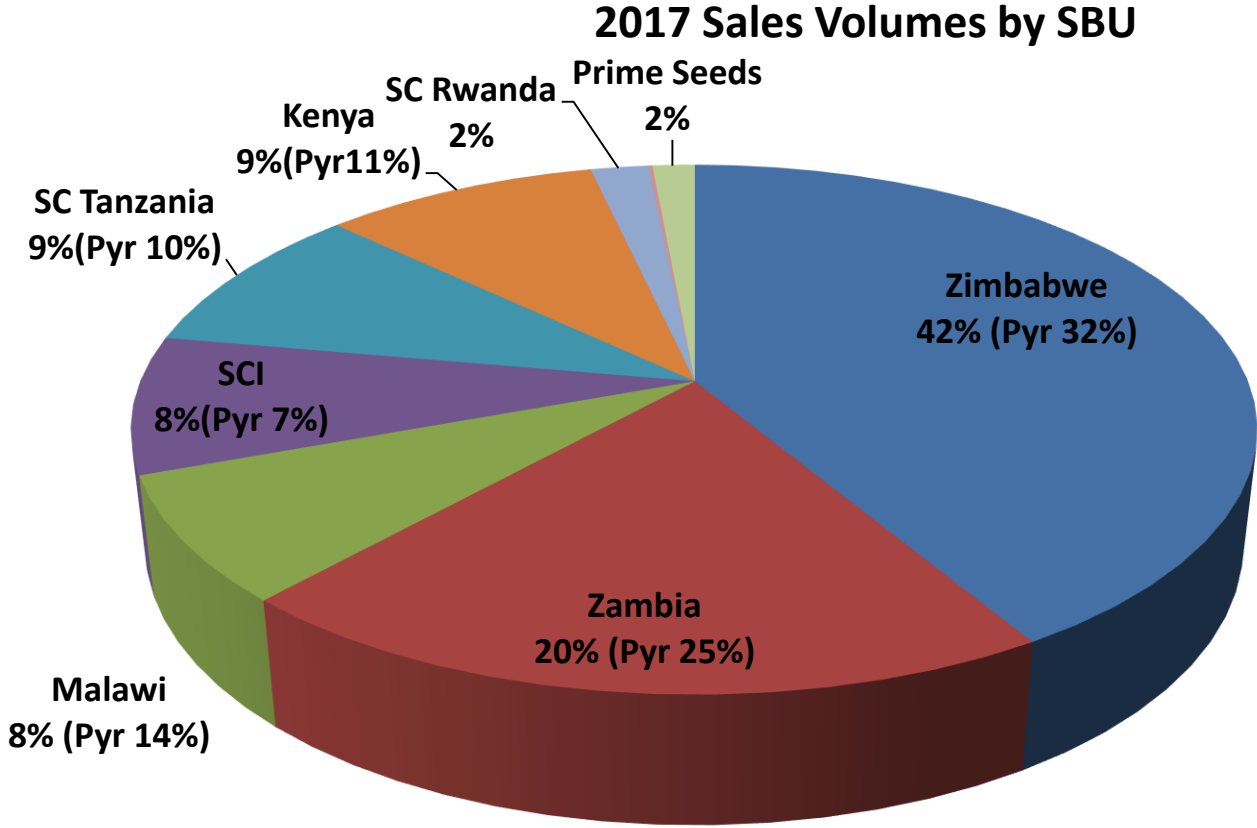
	Full Year March 20 17 USD millions	Full Year March 20 16 USD millions	% age Increase (decrease)
Turnover	134,57	95,96	40%
Gross Profit	73,26	50,93	44%
Operating expenses	44,03	36,12	22%
P B I T	29,12	15,62	86%
Finance Income	1,70	2,39	(29%)
Finance Costs	4,12	1,94	112%
P B T	27,10	16,28	66%

Group Income Statement Review

Maize Sales Volumes in mt



Group Income Statement Review



2. Margins

The Gross margins were 1% up due to:

- Reduced unit cost of production due to improved yields
- Product Mix, more demand for longer maturity range products

3. Other Income

Down due to:

- Currency Movements esp in Zambia and Malawi resulted in exchange losses on foreign denominated monetary items

4. Overheads

Operating costs were up due to:

- Impairment of some receivables relating to the cotton seed business
- Increased Sales and Distribution costs on higher sales volume in Zimbabwe, Kenya and Tanzania

5.1 Finance Income

Finance Income 29% lower

- ✓ Reduction of amounts invested in TBs
- ✓ Reduction in interest rates on short term deposits

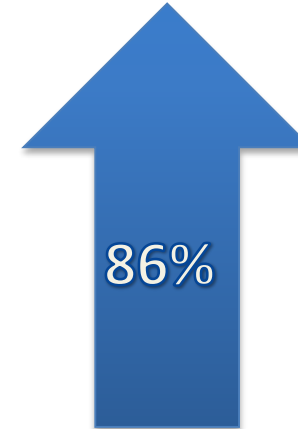
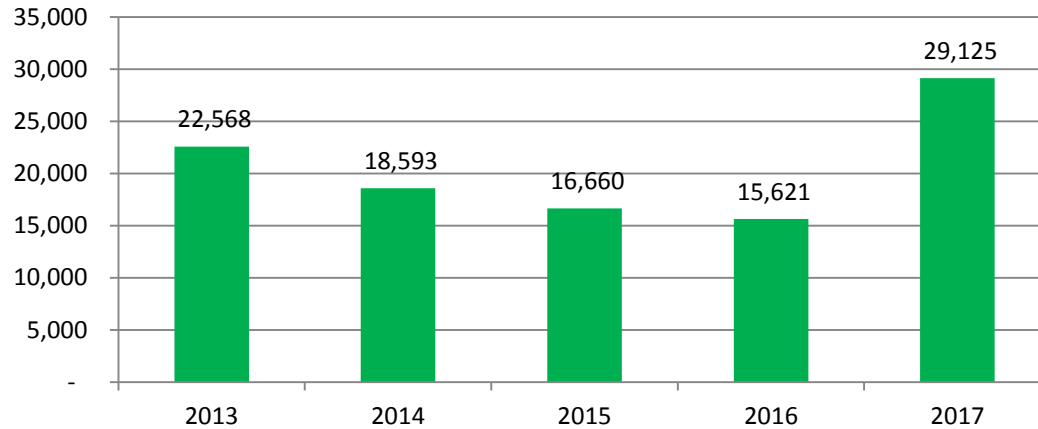
5.2 Finance Costs

These were 112% higher than same period last year due to:

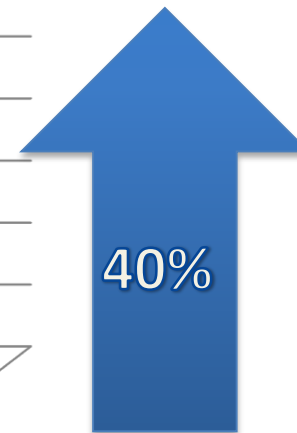
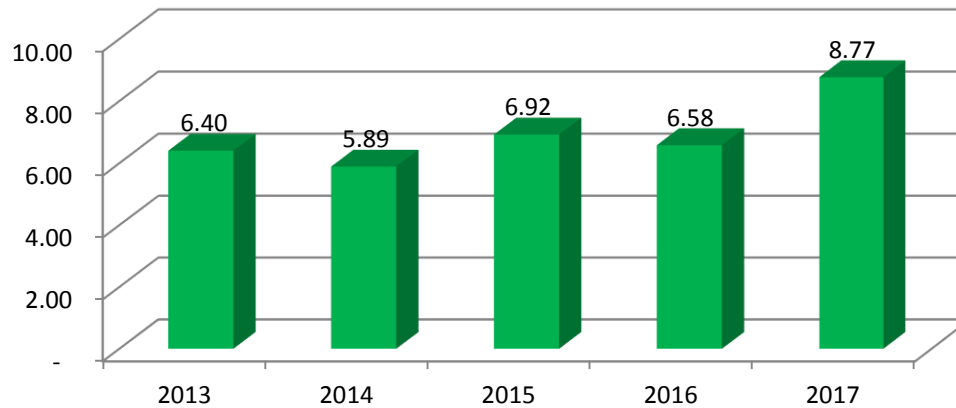
- ✓ Discounting of TBs at 7% to 10 % in Zimbabwe
- ✓ Payment Delays by Zambia and Malawi Gvts resulting in extended loan facilities.

6. Earnings

EBIT (\$'000)



EPS (cents)

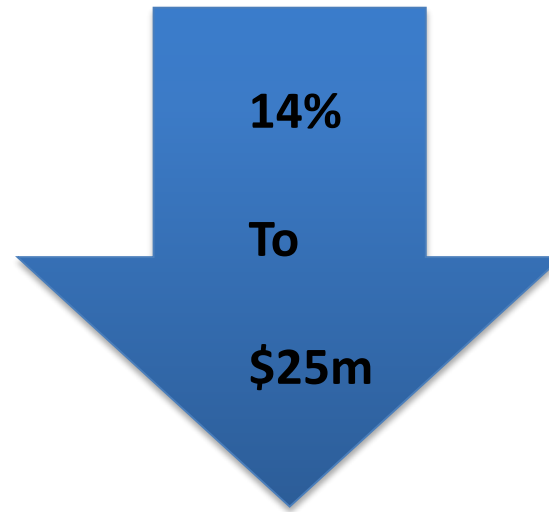


Statement Of Financial Position As at 31 March 2017

1.Current Assets Breakdown

	March 2017	March 2016	% age
	US\$	US\$	Incre/ (Decre)
Current assets			
Inventories	24,997,633	28,994,690	(14%)
Biological assets	250,022	632,082	(60%)
Trade receivables	48,144,922	42,175,432	14%
Prepayments & other receiveales	5,687,122	4,258,044	34%
Seed grower advances	6,296,700	6,436,574	(2%)
Cash and cash equivalentents	55,290,579	19,514,900	183%
Total	140,666,978	102,011,722	103%

1.1 Inventories



Decreased due to increased sales volume with some markets experiencing stock outs

1.2 Trade Receivables

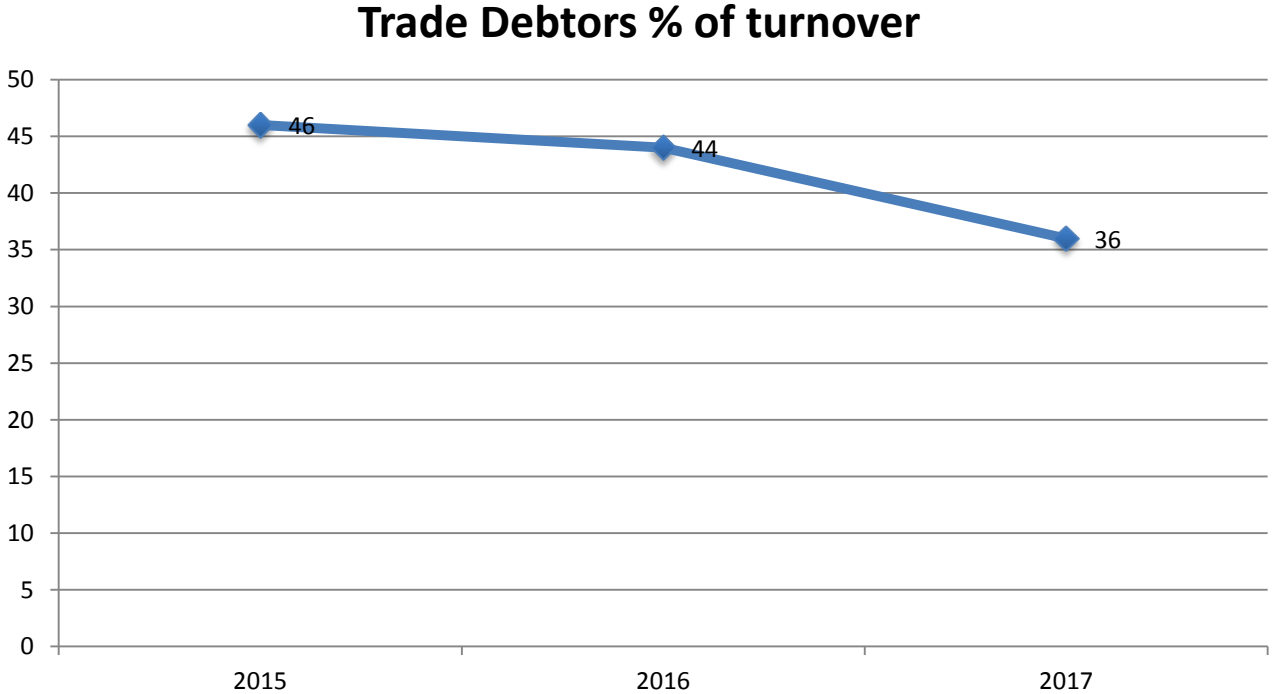
Various Governments owing \$20m

- Zambia \$6,3m,
- Malawi \$2,9 m,
- Zimbabwe\$2,3m
- Tanzania \$1,8m
- Rwanda \$1,4m
- Bots \$5,4

Payments expected before September

1.2 Trade Receivables

Collections improving, % outstanding decreasing
\$7,5m collected since year end



1.3 Prepayments & Grower advances

These are for inputs and interim payments that are recovered from the seed deliveries post year end

1.4 Cash & cash equivalents

Up due to increased cash collections and cash sales during the year in addition to TB discounting

Free cash generated increased from –ve\$13 last year to a +ve \$25m due to increased profit and cash collections

1.5 Financial Assets

Decreased due to discounting of some TBs during the year at rates between 7% and 10%

2 Borrowings and trade Payables

Up due to funding of increased seed production

**Seed Co Group
Operations Review
by
Morgan Nzwere : GCEO**



General environment

Context

- Depressed commodity prices
- Weaker Currencies in all markets except Zambia
- Acute cash shortages in Zimbabwe
- Crippling drought in East Africa
- Further reduction of Malawi Gvt input programs(40%)

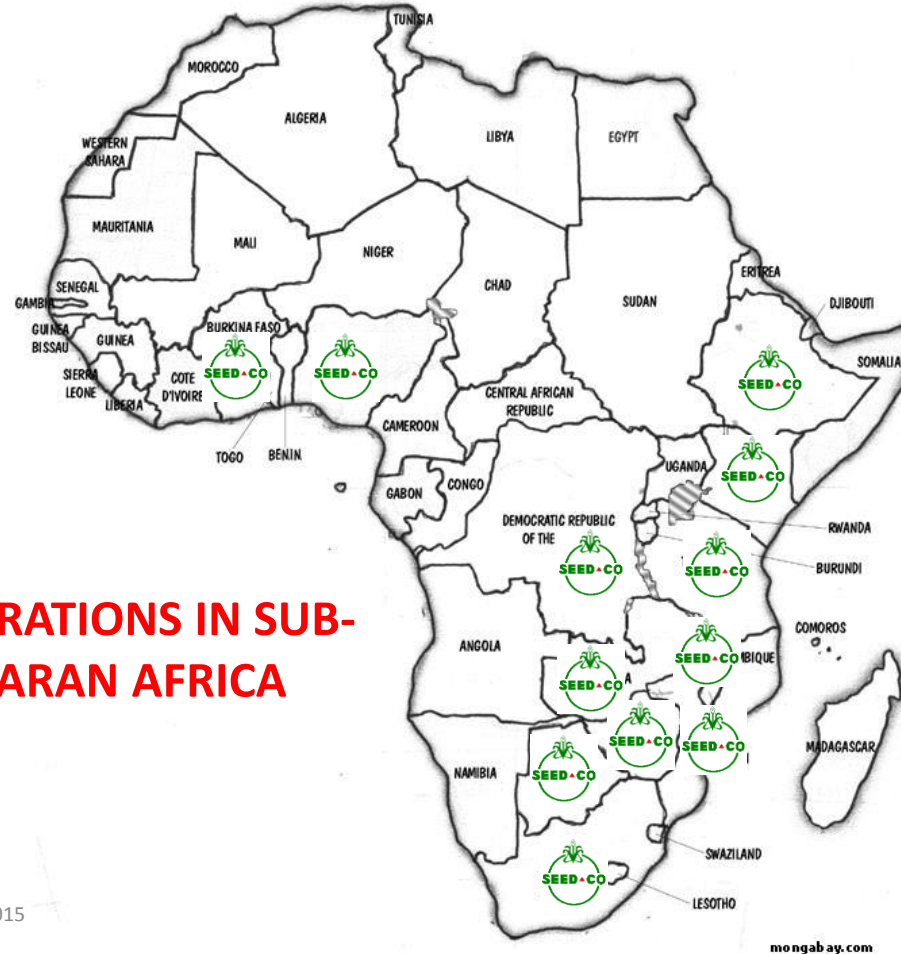


The African Seed Company

Group Focus



Our sphere of influence



OPERATIONS IN SUB-SAHARAN AFRICA

11/26/2015

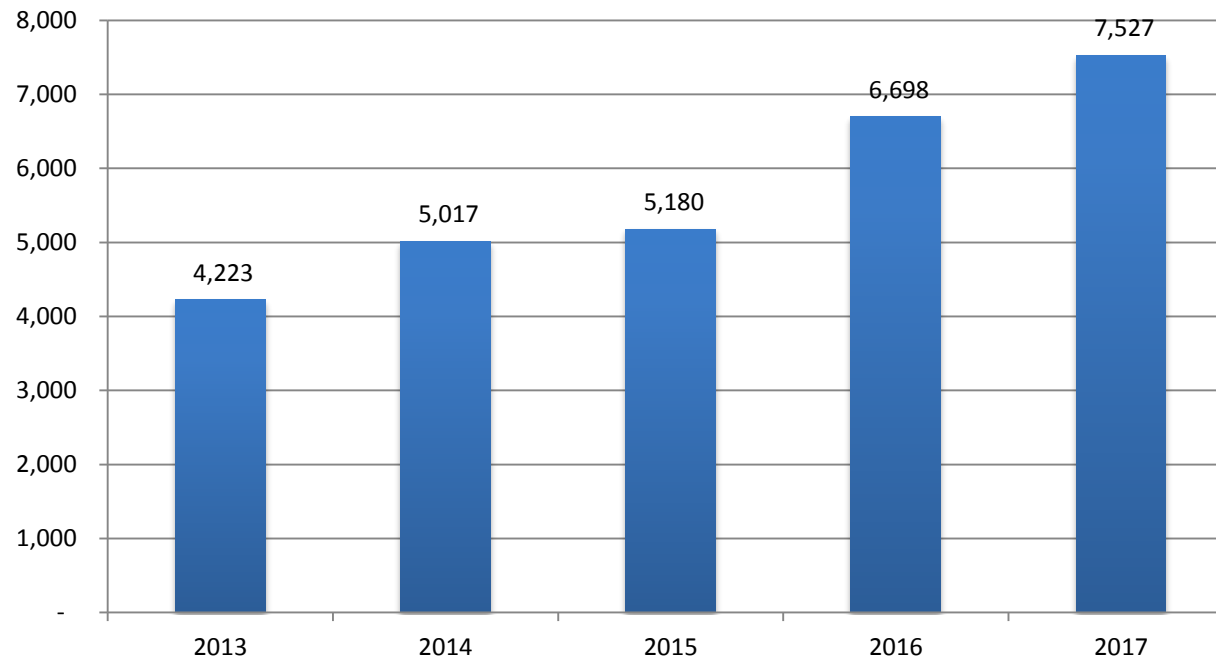
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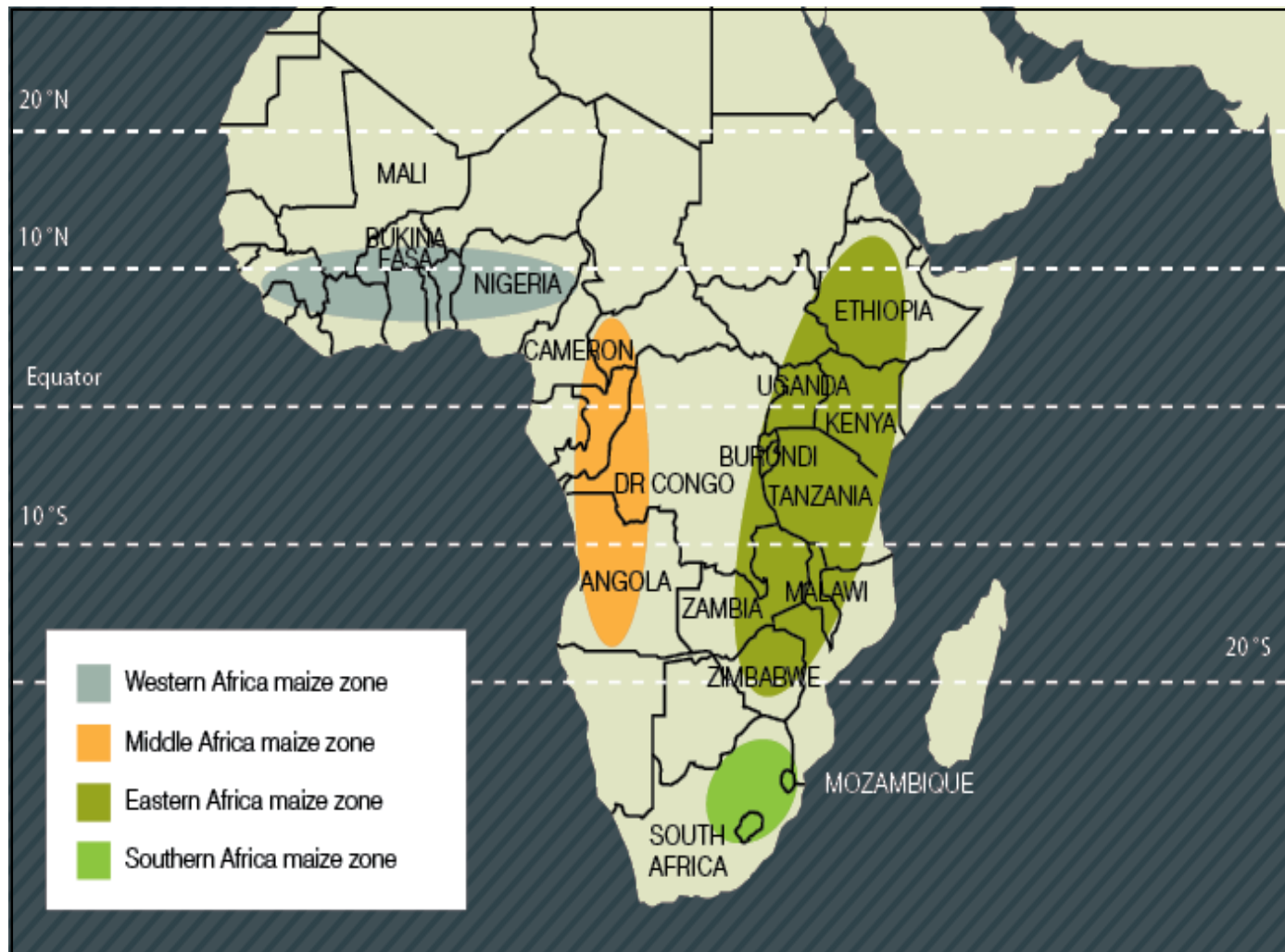
Research – the difference that matters

- Investment in RD up 12% to \$7,5m in addition to RD Capex of \$0,8m

R&D Investment in US\$ 000

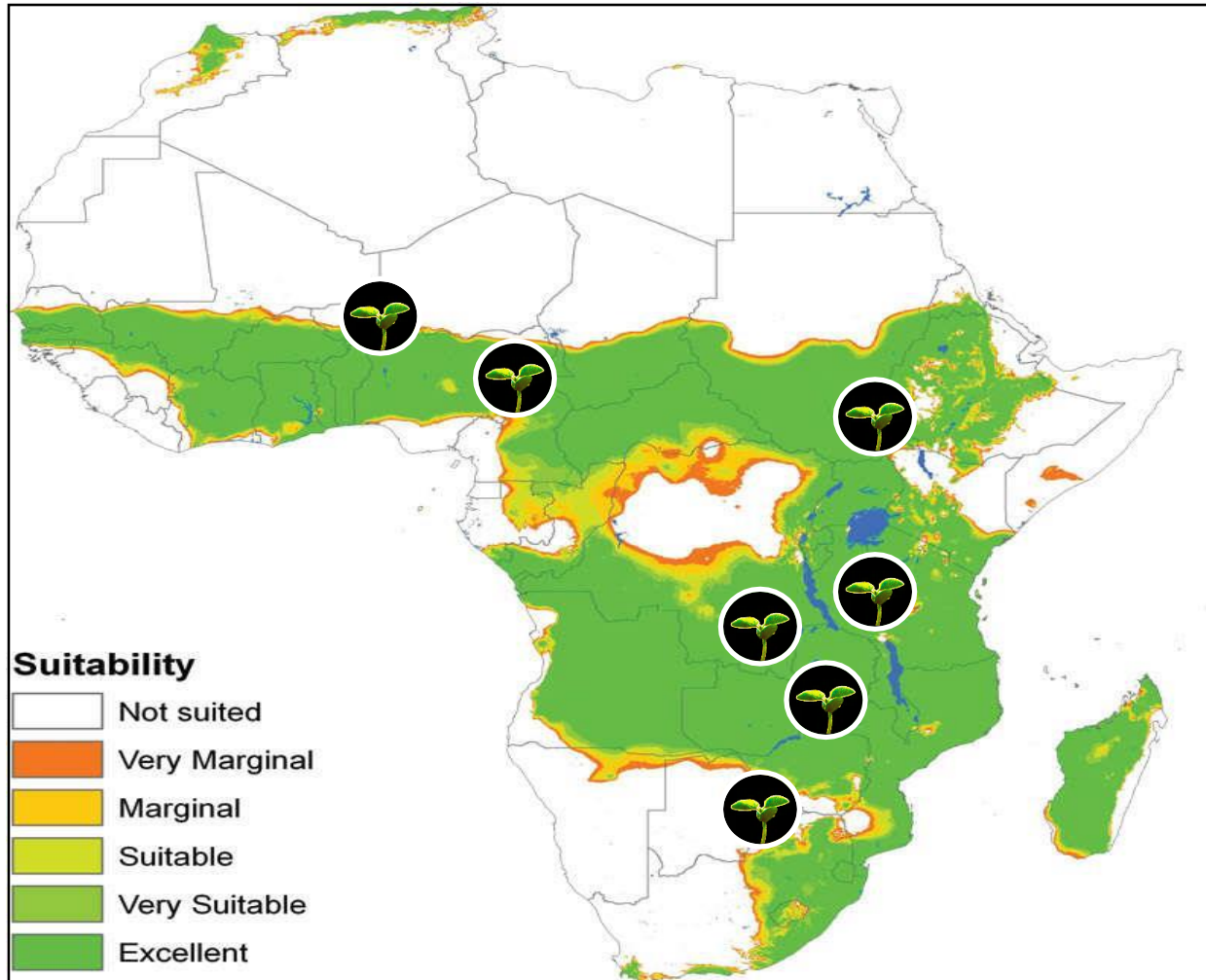


Priority Target Zones in Sub-Saharan Africa



(After Fischer, Byerlee and Edmeades, 2014.)

Soybean Operations



Research & Development

- Two new maize products released in Kenya Highlands
- Genetic purity tests now being done inhouse at the RARS Lab
- Expanded collaboration activities with International R&D institutions to quicken pace of product releases
- Potchefstroom facilities in RSA now operational

Breeding for Heat & Drought tolerance in Western South Africa



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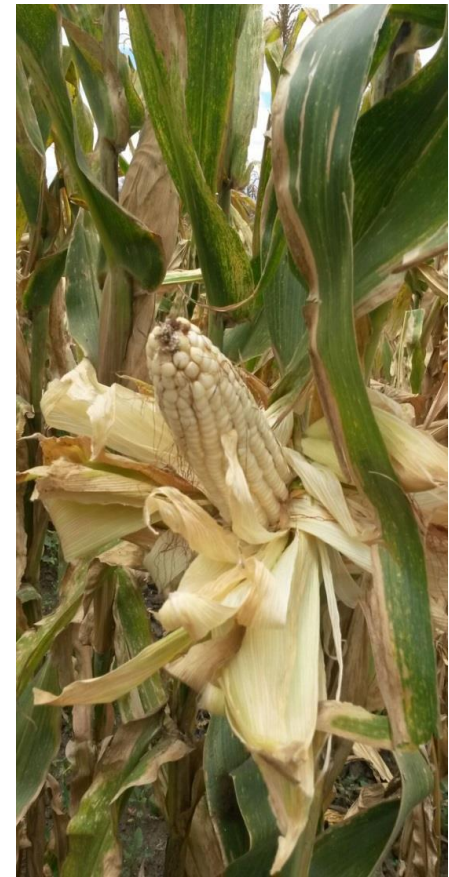
Breeding Progress for MLND Disease Resistance



0159/C550



1519283/C550



1519284/C550



SP51W



SP51W MLND Conversion at BC5

Rice Hybrids Trial in Ghana



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Benchmarking

- Product benchmarking with best practice in the US corn-belt
- Our commercial farmer yields are comparable with US corn-belt average yield of 10 t/ha for maize and 3 t/ha soybean.
- We have looked at 5 year averages (2011 – 2015) of maize and soybean in the USA (see case study data in the following slides)



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YIELD POTENTIAL OF PRODUCTS

Best practice benchmark: US National Maize Yield
Average

Sample of 6 States in 2014 and 2015

Bushels/Acre

State	2014	2015	Average	t/ha
Minnesota	158.0	184.0	171.0	10.7
Iowa	178.0	170.6	174.3	10.9
Illinois	200.0	170.0	185.0	11.6
Indiana	188.0	156.0	172.0	10.8
South Dakota	161.0	148.0	154.5	9.7
Nebraska	179.0	184.0	181.5	11.4
Mean	177.3	168.8	173.1	10.9



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Production

- Production expected to increase by 20%
 - Excessive rains in some areas
 - Fall army worm
- GTI continuing
- Unit costs being driven down through improved yields
- Winter production to supplement shortage of block buster varieties esp in the long maturity

Processing

- New Seed Drying and processing facilities in the Kenya Highlands commissioned
- Processing capacity adequate in all markets
- Scouting for new facilities in Tanzania to cover the increased market

Kitale officially opened



Kitale officially opened



Kitale officially opened



Sales & Marketing

- Total sales volume up 37% on prior year with maize increasing by 42%
- A very **strong performance** underpinned by
 - Resurgence of Zimbabwe under command Agric
 - Increased market coverage in Tanzania & Botswana
 - Steady open market Growth in Zambia
 - Good rains in Southern Africa

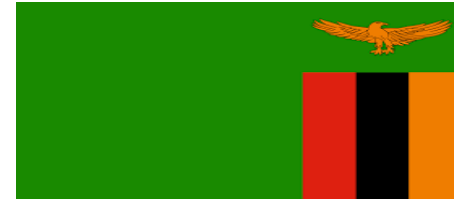
SBU Updates

ZIMBABWE.



- a) Increased cash shortages during the year
- b) Excessive rains in most areas
- c) Government command agriculture dominated the season
- d) Market share up to 81%
- e) Turnover up 80%
- f) Gross margins up 2%
- g) PAT more than doubled

ZAMBIA



- a) Firming of copper prices induced economic recovery and strengthening of kwacha
- b) Turnover up 15% , Gvt sales increased by 35%
- c) More demand for longer maturity products improved margins
- d) Local Open market registered growth of 18%
- e) PAT eased slightly due to exchange losses

MALAWI



- a) Turnover 2% lower than prior year in USD.
- b) Government Input Programme reduced by 40% following on from fallout with donors support
- c) Poor Gvt debt performance resulted in extended borrowings
- d) High finance charges on kwacha borrowings and exchange losses resulted in an overall loss of \$0,5m

KENYA



- a) Turnover 28% higher than prior year in USD.
- b) Strong demand for short season varieties due to drought increased volumes by 24%
- c) Gross margins down 6% due to product mix
- d) Increased marketing & distribution costs to strengthen foothold in the highlands
- e) Significant presence established in the highlands
- f) New seed drying & processing factory opened
- g) PAT up 1%



TANZANIA.



- a) Another successful year for the business
- b) Turnover 36% higher than prior year in USD.
- c) Increased Market coverage pushed volumes 37% up
- d) Intensified market coverage and distribution pushed operating costs 28% up
- e) PAT up 77%

CCU



- a) Turnover 54% higher than prior year in USD
- b) Very good rains for the first time in many years pushed volumes up 32%
- c) Increased market coverage pushed operating costs up 31%
- d) Gross margins up 6 %
- e) CCU PAT up 157%

Prime Seeds.



- Turnover up 23% as compared to prior year
- Gross profit up 4%
- The business registered a profit of \$0,4m compared to a loss of \$0,9m last year
- Business now adequately resourced

- Quton.

- 40% associate

- Business benefited from another year of Zim govt input programme

- Program to run for three years

- Tz and Malawi still struggling



Development files





- West Africa
 - Production increasing but still slow
 - Breeding activities continuing
 - Medium sized seed processing line installed
 - 1000ha farm in Kaduna

- Ethiopia.
 - Parent seed focus
 - License still an issue



- Pakistan and India.
 - Pilot seed production



Pakistani collaboration





- DRC.
 - Political and economic stability affecting mines and farming activities
 - Limiting activities to safe areas



Outlook

- Good rains forecast
- Command agriculture being up-scaled
- Steady open market growth in Zambia
- Drought in East Africa to spur demand
- Increased market coverage in Tanzania
- Highland varieties to increase share
- Vegetable business to start contributing
- Continuing economic challenges in Malawi