



The African Seed Company

SEED CO LIMITED

HALF YEAR ENDED 30 SEPTEMBER 2014

ANALYST BRIEFING



Seed Co Group

Half Year Financial Review

By

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**Income Statement
For the Half Year
ended
September 2014**



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Group Income Statement Review

	Half Year September 2014 USD millions	Half Year September 2013 USD millions	% age Increase (decrease)
Turnover	16,04	17,19	(6,67%)
Gross Profit	8,06	6.62	21,75%
Operating expenses	12,44	16,87	(26,26%)
Finance Costs	2,01	3,88	(48,2%)
Loss from continuing operations	6,30	12,80	(50,78%
Loss from discontinuing operations	1,33	-	
Total Loss for the period	7,63	12,80	(40,39%)



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Group Income Statement Review

	Half Year Sept 2014 USD millions	Half Year Sep 2013 USD millions	% age Incr(decr)
Total sales volumes -MT	8 381	8 889	(5,7%)
Maize sales volumes – MT	4 989	4 685	6,5%
Wheat & Barley - MT	2 635	3 509	(24,91%)



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2 Margins

- The Gross margins improved to 50% from prior of 38% due:
 - ✓ Minimal stock write downs
 - ✓ Seed price reviews in all markets



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3.1 Overheads

- The F14 overheads were contained at 26% lower than prior year. Prior year included a \$3,1m provision on a deposit with a Zimbabwe financial institution that was and is still under curatorship



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4. Finance Costs

These were 48% lower than same period last year due to:

- ✓ Intensified debt collections
- ✓ Cost/rate reductions on all USD borrowings to below 9%
- ✓ Positive effects of the tranche 1 Limagrain transaction proceeds toward year end last year



5. Earnings

The Group loss from continuing operations was 51% lower than prior year due to:

- ✓ Improvement in gross margins
- ✓ Reduction in finance costs
- ✓ The 6% Increase maize sales volumes



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6. Discontinued Operations

This is the loss for the half year for all the cotton seed businesses whose assets and liabilities have been classified as held for sale following conclusion of negotiations with an equity partner who is due to take up 60% stake in the cotton businesses



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**Statement Of Financial
Position
As at
30 September 2014**



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6. Current Assets Breakdown

		30 September	31 March	% age of
		2014	2014	Prior
		US \$	US \$	Year
Current assets				
Inventories		43,691,548	32,567,929	134%
Accounts receivable		34,791,105	75,020,642	46%
Prepayments		2,345,800	2,641,858	89%
Seed grower advances		4,030,471	6,932,421	58%
Cash resources		3,700,273	4,026,614	92%
Assets classified as held for sale		20,093,221	-	
		108,652,418	121,189,464	90%



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6.1 Inventories

The inventories have gone up by 34% from year end position due to intake of almost 26k MT from seed production

6.2 Trade Debtors

Trade receivables come down by 54% due to

- ✓ Debtors collections of almost \$25m
- ✓ Reclassification of \$23,9m worth of TBs issued by Zim Gvt towards payment of its debt

Collection efforts still continuing on the remaining debts



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7 Borrowings

Borrowings are up 38% to \$43,7m due to

- Payments to contract growers for seed produced

Interest rates on the USD borrowings now below 9%



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



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General environment

- Zimbabwe
 - Bilateral infrastructure deals to improve power supply
 - Conversion of Gvt debt into TBs
 - Removal of sanctions by the EU
- Zambia
 - Kwacha remains unstable
 - Increased liquidity
 - Gvt Farmer Input support program continuing



General environment continued

- Malawi
 - New political dispensation
 - Economy struggling
 - Kwacha depreciating but expected to improve during tobacco selling season
- Kenya
 - Shilling still stable
 - MLND still the biggest threat in this market



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- Tanzania
 - Economy fairly stable
- West Africa
 - Terror activities in Nigeria still a serious concern
 - Ebola threats negatively affecting travelling



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1. Business Activity during the first half

- Finalizing the CPs in the 60% of disposal of Quton
- New packaging land
- Debt collection
- Joint projects with technical partner for an MLND solution
- Business development in West Africa
- Completion of the Malawi building project & equipping of RARS Lab



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2. Production and Seed Supply

- Maize seed intake of almost 26000k MT almost complete .With carry over stocks of 18600mt, we should have enough to meet demand
- Now targeting to increase production as we are likely to run out of seed in major markets
- Putting in place a grower capital assistance scheme in Zimbabwe



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3. Business Development

- Development work in Nigeria continuing
- More land for production being signed up and Bulking of our First proprietary variety underway.
- In Nigeria, security remains an issue ,
- Demand for product continues to grow in Ethiopia.
 - Land tenure systems (feudal) continues to hamper progress
- Exploring Uganda
- DRC growing steadily
- Demand for our seed products in Rwanda growing



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4. Research and Development

- Joint collaboration work between CIMMYT, Limagrain & Seed Co on developing MLND resistant products progressing
- There were 4 New maize varieties released
- RARS lab equipment to be installed by end of December 2014
- A more ideal research farm in the Kenya highlands secured
- Breeder exchanges and reciprocal regional testing of products between Limagrain and Seed Co already showing positive results



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5. Cotton Seed business

- The cotton industry remains subdued.
- In Zimbabwe , a number of major players in financial problems
- Malawi market seems to be shaping up with major players now agreeing to respect contract growing
- Tanzania still very much a developing business and challenges being encountered with very slow payments



6. Outlook

- Growth in earnings expected
- Improved margins in all markets
- Reduced finance charges from debt reduction
- Adoption by farmers in the drier parts of the continent of the recently released 300 early maturing series.



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6. Outlook continued

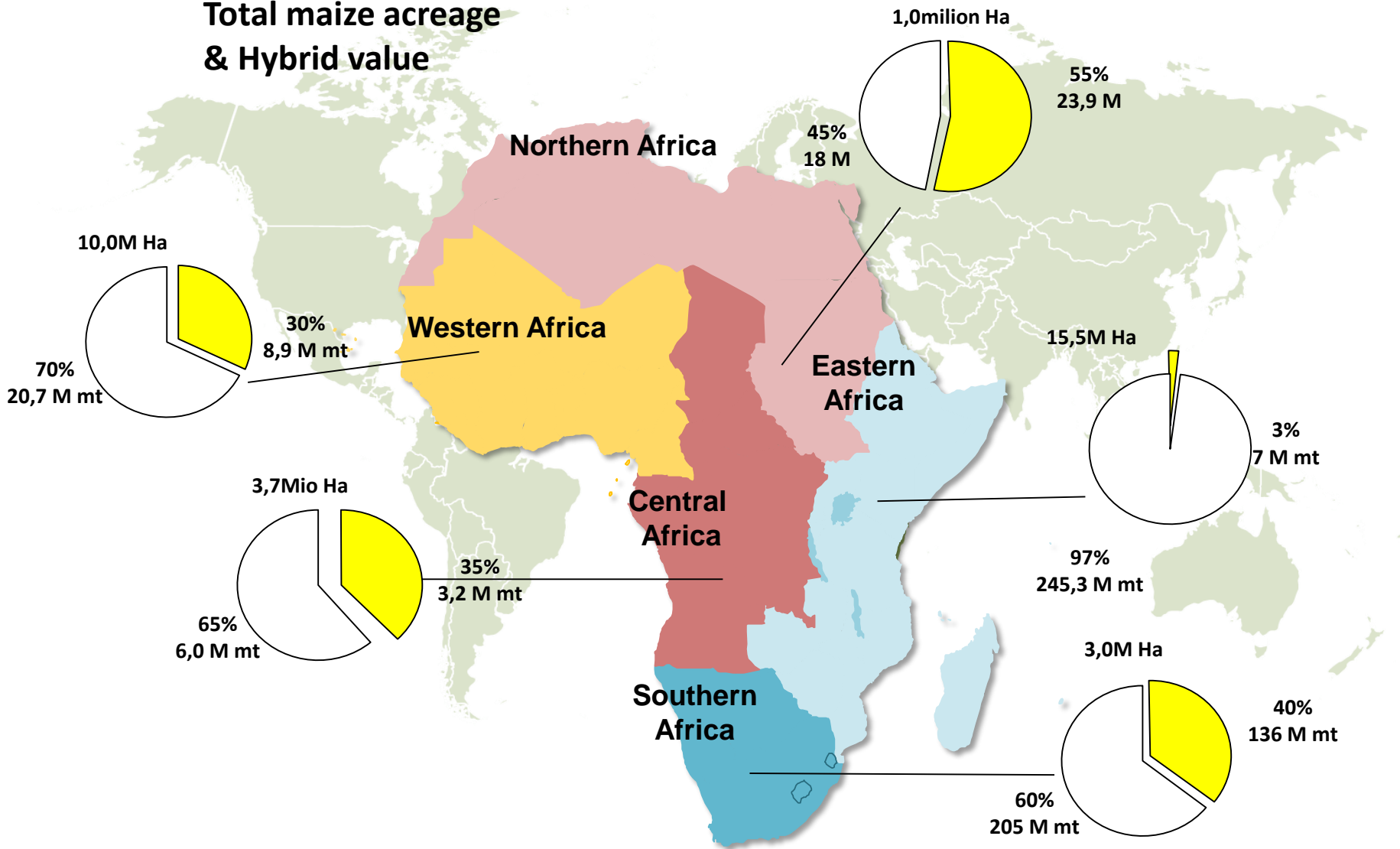
- More efficient working capital cycle with reduced inventories
- New packaging well received by the market
- Incoming technical partner for the cotton seed business
- The Limagrain second tranche to be concluded in the third quarter.



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Business Development activity in Africa

Total maize acreage
& Hybrid value



QUESTIONS???



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