



The African Seed Company

SEED CO LIMITED

Half Year Ended September 2016
ANALYST BRIEFING



Seed Co is the **REAL DEAL**

Seed Co Group

Half Year Financial Review

By

Matorofa John- GFD



**Income Statement
For the Half Year
ended
Sept 2016**



Group Income Statement Review

	Half Year Sept. 2016 USD millions	Half Year Sept. 2015 USD millions	% age Increase (decrease)
Turnover	24,80	18,79	32%
Operating expenses	15,71	15,69	0%
Other Income	(2,14)	2,48	(86%)
Finance Income	(0,56)	(0,88)	(36%)
Finance Costs	2,14	1,13	90%
Total Loss for the period	(9,29)	(5,57)	74%



Group Income Statement Review

	Half Year September 2016	Half Year September 2015	% age Incr(decr)
Maize sales volumes – MT	7 693	6 124	26%
Wheat & Barley - MT	2 113	2 819	(25%)



2. Margins

Gross margins were 4% down to 40%

Due to:

- Foundation Seed write down amounting to 950mt worth \$782k
- Disposal of chemicals amounting to \$546k in Prime Seeds at cost as part of efforts to discontinue sale of chemicals.



3. Other Income

Other expenditure in current year was from:

- exchange losses on of net foreign denominated monetary items mainly in Zambia and Malawi due to the kwacha movements against the US dollar in these markets.

The position to reverse by year end

4. Overheads

Operating costs of \$15,7m were maintained at prior year levels



Finance costs higher than same period last year due to:

- Sale of treasury bills amounting to USD 7m at discount rates between 7% and 9%.
- The late payment of the Zambian and Malawian government debts which resulted in extended use of loan facilities



6. Earnings

Despite increased sales, the loss after tax increased from \$5,6m to \$9,3m due to :

- Finance charges going up by \$1m to \$2m
- Exchange losses of \$ 2m on translation of net foreign denominated monetary items mainly in Zambia and Malawi due to the kwacha movements against the US dollar in these markets.

**Statement Of Financial
Position
As at
30 September 2016**



1. Assets Breakdown

	30 September 2016 US \$	31 March 2016 US \$	% age of Prior Year
ASSETS			
Non-current assets			
Property, plant, equipment and vehicle	64,421,562	62,145,127	104%
Investment in associate	3,071,260	3,743,261	82%
Other non-current financial assets	24,063,574	30,889,336	78%
Goodwill	264,472	264,472	100%
	91,820,868	97,042,196	95%
Current assets			
Inventories	48,260,198	29,626,772	163%
Accounts receivable	38,028,810	42,175,432	90%
Prepayments	3,440,141	4,258,044	81%
Seed grower advances	4,711,248	6,436,574	73%
Cash and cash equivalents	10,138,088	19,514,900	52%
	104,578,485	102,011,722	103%
Total assets	196,399,353	199,053,918	99%



1.1 PPE

PPE is up by \$2,2m due to

- capital expenditure on purchase of research farm in South Africa ,
- the completion of seed drying and processing facilities in Kenya
- and replacement of some packing lines in Zimbabwe

1.2 Loans and receivables

These have decreased due to disposal of TBs during the period.

1.3 Inventories

The stock levels are up due to deliveries of current year production by growers in preparation of the selling season in the second half of the year.

1.4 Accounts Receivable

Lower than the year end levels as collections offset by credit sales in the same period. Some of the government debts still outstanding are: Zambia \$3m; Malawi \$1.3m; Botswana \$200k; Tanzania \$1.1m and Rwanda \$1.4m. Amounts to be liquidated soon



1.5 Cash and Cash equivalents

Decreased due to:

- Dividend payments
- Seed Grower payments for seed deliveries

1.6 Equities

Total equity declined from \$144m at year end to \$126m due to:

- Loss recorded for the period of \$9,3m
- Dividend payment \$4,7m
- Movements in translation due to currency movements

1.7 Borrowings and Trade payables

Borrowings up due to funding of seed deliveries

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



General environment

- Good rains expected in Southern Africa
- Commodity prices still depressed
- Weak regional currencies
- Struggling rural economy
- Liquidity challenges in most markets
- Continuing Government input programs



Research

- The new research facilities at Potchefstroom, SA, currently being resourced
- Laboratory now fully operational and optimization of protocol in progress
 - Genetic purity tests now being done in-house
- Exciting new products in the pipeline
 - SC 719 released in Ghana
 - SC Tembo 713 and SC Tembo 711 released in Kenya
- Upland Hybrid Rice trials in West Africa.



Research contd

- Projects
 - Infrastructure being enhanced at Kitale in the Kenyan highlands
 - A doubled haploid greenhouse and sun screen block being constructed at RARS
 - Misting block for cob-rot screening completed at Stapleford

Production

- Adequate seed available across Group to cover anticipated demand
- GTI paying dividends with yields / hectare increasing by over 30% and consequently unit costs decreasing
- Enough carryover stocks to take advantage of early opportunities next season
- Tanzania and Kenya nearing production self-sufficiency

Processing

- Malawi and Zambia still facing serious electricity challenges
 - Having to operate night shifts to meet processing deadlines
 - In Zimbabwe situation somehow operational
- Seed drying and processing facilities in the Kenya Highlands almost complete
 - Official opening in February 2017

Kenya Highlands seed drying and Processing facilities



Benchmarking with Limagrain



Sales & Marketing

- Early placement of seed into market leading to increased sales volumes
- Volumes sales up 12%
 - Maize up 26%
 - Winter cereals sales down 25% due to water and power challenges



Network fully-stocked



Network fully stocked



Farmers in Bushu, Zimbabwe...



Development files

- Nigeria
 - Seed production now taking shape
 - Expecting our first meaningful harvest



Seed production – Katsina, Nigeria



Development files contd

- Rwanda
 - Supplies slowed to enable redemption of prior debt
- Uganda
 - SC 637 and SC 719 released
 - Agronomy and extension work continuing

Development files continued

- Ethiopia
 - Still chasing the business license
- Pakistan and India
 - One variety being produced for sale in this market



SBU Updates

- Zimbabwe
 - Good progress in government programs with 6700mt having been supplied so far
 - All outlets fully stocked and merchandiser activities increased
 - Adequate processing capacity
 - Discounted TBs at rate of between 7-10%
 - Earnings expected to be higher than prior year



SBU Updates contd

- Zambia
 - FISP Program continuing
 - Winter cereal sales down
 - Electricity
 - Water for irrigation
 - funding
 - SBU awarded 20% of input scheme
 - Districts using e-vouchers increased from 13 to 39
 - Prices reviewed upwards by 19-30%
 - Using Intercompany trade as a hedge
 - Prior government debt now cleared
 - Fx situation worrying



Agro-dealer, Choma, Zambia



SBU updates contd

- DRC
 - Political instability
 - Mines struggling
 - Traders arbitraging taking advantage of weak kwacha and buying directly from Zambia instead of our DRC operations



Bicycles carrying seed into DRC



SBU Updates contd

- Malawi
 - Subsidy program reduced by 40%
 - Open market promising
 - Tobacco struggling
 - Rural economy suffering
 - NGOs indirectly funding some relief activities
 - Pricing challenges due to Malawi kwacha movement and Government setting prices for input scheme in kwacha

Agro dealer – Chiradzulu, Malawi



SBU Updates continued

- Kenya
 - Drought in central, eastern and coastal Kenya
 - Short rains very erratic , affecting uptake of seed
 - Long rains season expected to be normal
 - Western Kenya
 - Highlands
 - MNLD remains a challenge with outbreak in new areas previously unaffected
 - Highlands processing facility almost complete and equipment being installed

Farmer education – Nakuru, Western Kenya



SBU Updates contd

- Tanzania
 - Economy benefitting from Magufuli policies
 - Volumes up on prior year and growing
 - Increasing market coverage and footprint
 - Increasing activities in the southern highlands – Tanzania's bread basket
 - Prices adjusted upwards by 5%
 - Local production being increased
 - Shilling very stable

SBU Update contd

- CCU
 - Early start to ISPAAD program
 - Botswana Government taking time to clear prior year debts -still owing \$200k from last year

SBU Updates contd

- Prime Seeds
 - Business stabilizing and turnover 6% ahead of last year
 - Rolling out the business to Malawi, Kenya and Tanzania using Seed Co infrastructure
 - Collaborating with HM Clause



Tengeru seed production - Tanzania



Collaborating with HM Clause



SBU Updates Contd

- Quton
 - 40% associate, weighing exit options
 - Zim govt input programme of 6000mt this year
 - Structured finance arranged
 - Program has one more year to run
 - Tz and Malawi still struggling
 - Technology and skills transfer from Mahyco in progress

Outlook

- The predicted above normal rains expected to spur demand
- Early season seed demand very encouraging
- Adequate and well balanced stocks take advantage of opportunities
- Emphasis on open market sales
- Vegetable seed sales growing
- Zim showing rebound signs
- East Africa growing
- Currency risk still high



Tapping into old wise heads at LG



QUESTIONS????



The African Seed Company