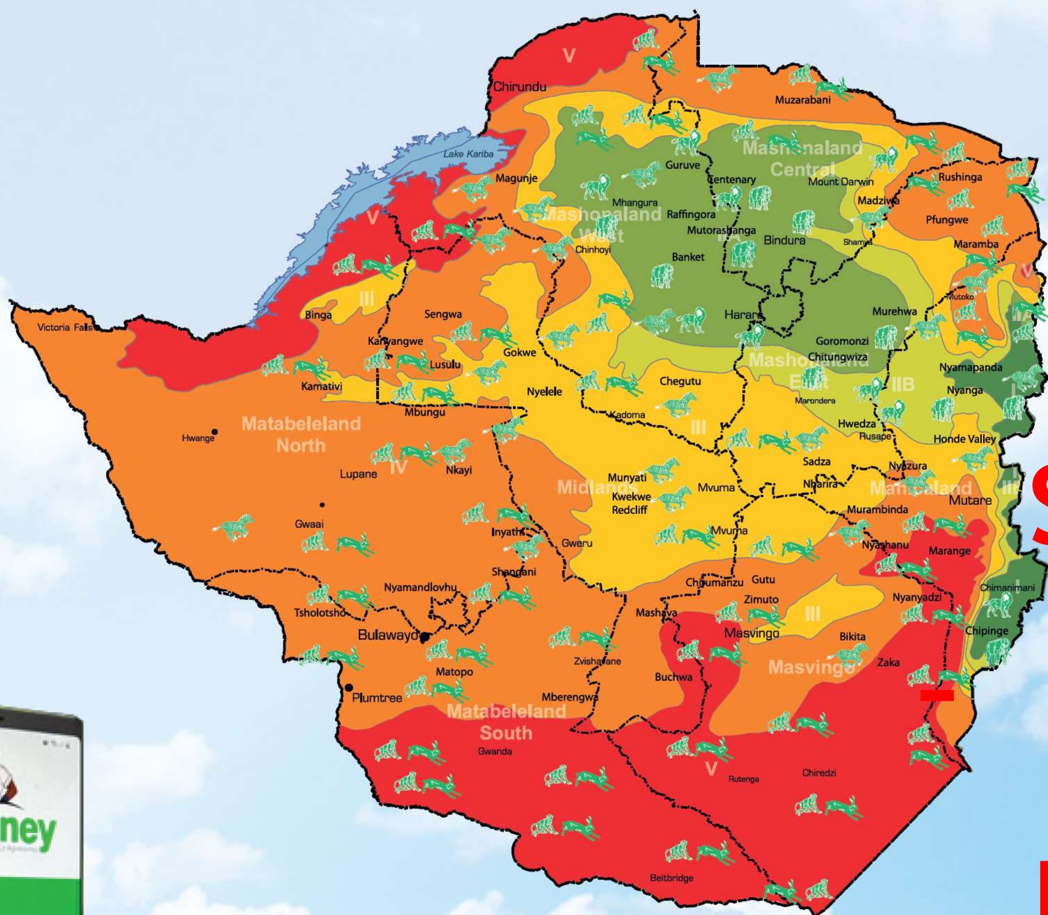

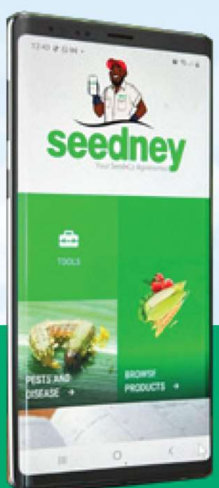

SEED CO LIMITED

HALF-YEAR 23/24

RESULTS PRESENTATION

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Seed Co Group Operations Review

By

Morgan Nzwere

GCEO

General environment

- ❖ Zimbabwe's economic crisis went on unabated, compounded by:
  - ✓ Post-election political and continued policy uncertainty weighing on economy
  - ✓ Mixed signals around dollarisation despite the 2030 Gvt declared multi-currency use timeframe
  - ✓ Widening of gap between the official and alternative currency markets
  - ✓ Compulsory 25% export surrender across the board
  - ✓ Recommendation to remove 10% FX trading margin cap might help multi-currency pricing
- ❖ Unfavourable weather outlook (drought) further compounding Zimbabwe and regional economic headwinds
- ❖ Globally, the continuation of the Russo-Ukraine war and outbreak of Israel-Palestine war compounding global challenges (logistics, inflation & soaring interest rates)
- ❖ In the region, economic headwinds being experienced characterized by power shortages, inflation and depreciating currencies with limited global donor support
- ❖ Government programs continuing in most markets though under budgetary constraints

Research

❖Satisfactory product pipeline renewal to address the ever changing climate and farmer needs

❖**New varietal registrations in Zimbabwe**

✓**Soyabean:** – Two new releases (SC SZ06 & SC SZ08)

✓**Beans:** – Three new releases (SC PV 04, SC PV 06, & SC PV O8)

✓**Sunflower** – Two hybrids: LG 50745 & SC HAH02 and one Open-Pollinated Variety (SC HA01)

❖**Regional maize varietal registrations:**

- ✓**Kenya:** SC739 & SC805- Highlands adaptable hybrids
- ✓**Zambia:** SC669 & SC 671- Cob rot tolerant 600 series hybrids
- ✓**South Africa:** SC710, SC657 & SC653 came top in silage trial evaluations
- ✓**Nigeria:** 5 hybrids undergoing on farm evaluation including SC417

❖Significant progress made towards developing fall armyworm tolerant breeding

Production

- ❖FY22/23 production exceeded targets due to significant yield and quality gains achieved.
- ❖Total maize seed stocks available in Zimbabwe for sale this year stood at 31,600MT that is 40% higher than PYr
- ❖Total maize seed stocks for sale in the region this year stood at 58,850MT that is 14% higher than PYr
- ❖Available maize seed stocks more than adequate to satisfy anticipated demand this year across markets with intercompany exports
- ❖Whilst overall stocks are adequate some varieties like SC719 have already stocked-out as they are highly in demand

Processing

- The newly commissioned Zim drier handled its design capacity 5,000MT this year.
- Processing plants working very well but power outages are a challenge in Zimbabwe, Zambia, Malawi, and Tanzania
- Back-up power investments are being made but these are however costly to run compared to the grid
- Broke ground to build a new factory in Tanzania to address the needs of this growing market
- Work in progress to increase maize seed drying capacity and storage capacity in Zambia

Seed Co Limited

Half-Year ended 30 September 2023 Financial Review

By

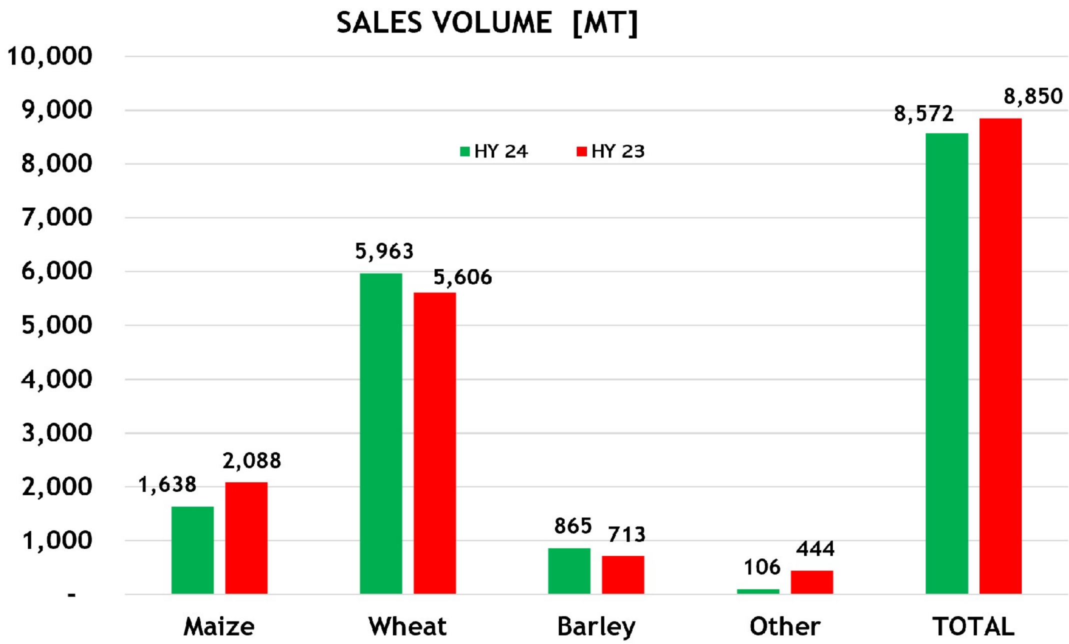
John Matorofa- GFD

SEED CO LIMITED HALF-YEAR ABRIDGED INCOME STATEMENT

ZWL$'B	INFLATION ADJUSTED Sept 2023 (Reviewed)	INFLATION ADJUSTED Sept 2022 (Reviewed)	UNAUDITED HISTORICAL COST Sept 2023	UNAUDITED HISTORICAL COST Sept 2022
Revenue	59.71	29.69	41.69	5.92
Cost of sales	(21.10)	(21.65)	(17.64)	(2.72)
Gross profit	**38.61**	**8.04**	**24.05**	**3.20**
Other income	267.50	71.95	226.06	16.81
Operating expenses	**(38.28)**	**(16.29)**	**(34.63)**	**(3.75)**
Sales and marketing costs	(4.41)	(3.63)	(4.83)	(0.54)
General and administrative costs	(21.20)	(6.75)	(17.48)	(1.94)
Research costs	(9.60)	(4.60)	(9.24)	(1.04)
Movement in expected credit losses	(3.07)	(1.31)	(3.07)	(0.23)
Operating profit	**267.83**	**63.70**	**215.47**	**16.26**
Finance income	0.01	0.01	0.01	-
Finance cost	(9.77)	(13.73)	(6.84)	(3.40)
Net monetary gain/(loss)	(100.41)	(29.61)	-	-
Share of profit from associates and joint venture (JV)	5.28	(4.09)	8.73	(0.59)
Profit/(Loss) before tax	**162.94**	**16.28**	**217.36**	**12.27**
Income tax expense	(75.64)	(7.10)	(80.18)	(6.25)
Profit/(Loss) for the period	**87.30**	**9.18**	**137.18**	**6.02**

- **Revenue** Value tracking price adjustments on the backdrop of inflationary pressures and comparative exchange rate distortions resulted in inflation-adjusted turnover being 101% higher than prior year
- **Volume** decreased by 3% from PYr:
  - ✓Gvt related input support initiatives for the summer selling season started slowly
- **Finance costs** declined 29% from PYr
- The regional associate, Seed Co International, registered an encouraging start in terms of volume and turnover and this resulted in a reduced first half loss compared to prior year.

Seed Co Limited 1st Half ended 30 Sept 2023



- **<u>Maize</u>** sales started slower because of the forecast El Nino induced drought this cropping season
- **<u>Wheat</u>** 5,962MT sold in Zimbabwe was 6% higher than PYr despite challenges experienced by farmers in the winter cropping season
- **<u>Barley</u>** sales were higher at 864mt compared to 550mt PYr

- **NB:** While total volume was 3% below prior year, historical revenue is more than 7 times prior year in line with inflation and 101% higher in IAS 29 terms as pricing is linked to official exchange rates

Seed Co Limited Group 1st Half ended 30 Sept 2023

GROSS MARGIN: - improved by 4%age points in historical terms from 54% to 58% benefiting from price reviews and older wheat stocks

OPERATING EXPENSES: - increased 135% in inflation-adjusted terms as costs tracked exchange rate movements.

FINANCE COSTS 16% of turnover compared to 57% in prior year. Average interest rate was 95% on ZWL$ borrowing's lower than the 113% same period prior year.

POSITIVE SHARE FROM ASSOCIATES & JV this half compared to PYr loss contribution:

- **SCI's** performance was elevated compared to prior year due to volume growth, price reviews, better margin and costs management.
- **Quton Zim** posted a higher profit driven by exchange gains on USD denominated receivables
- **Prime Seed Co Zim**- recorded improved performance owing to higher margins distorted by exchange rate movement and containment of operating expenses

SEED CO LIMITED FINANCIAL POSITION

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	Sept 2023 (Reviewed)	March 2022 (Reviewed)	Sept 2023	March 2022
	ZWL$'B			
ASSETS				
PPE	119.32	119.15	39.62	37.16
Investment in associate & JV	138.21	81.47	133.41	25.30
Other financial assets	19.64	13.13	19.64	4.10
Inventories	169.43	34.69	145.92	10.23
Trade and other receivables	282.32	173.40	280.95	54.01
Cash and cash equivalents	6.13	2.37	6.13	0.74
Total assets	**735.05**	**424.21**	**625.67**	**131.54**
EQUITY AND LIABILITIES				
Equity				
Share capital	0.45	0.45	0.002	0.002
Non-distributable reserves	245.59	192.19	150.40	49.10
Retained earnings	150.34	63.06	169.36	32.18
Total equity	**396.40**	**255.70**	**319.76**	**81.28**
Liabilities				
Deferred tax liability	74.51	50.83	41.78	13.55
Bank borrowings	133.26	79.70	133.26	24.86
Trade and other payables	130.88	37.98	130.87	11.85
Total liabilities	**338.65**	**168.51**	**305,91**	**50.26**
Total equity and liabilities	**735.05**	**424.21**	**625.67**	**131.54**

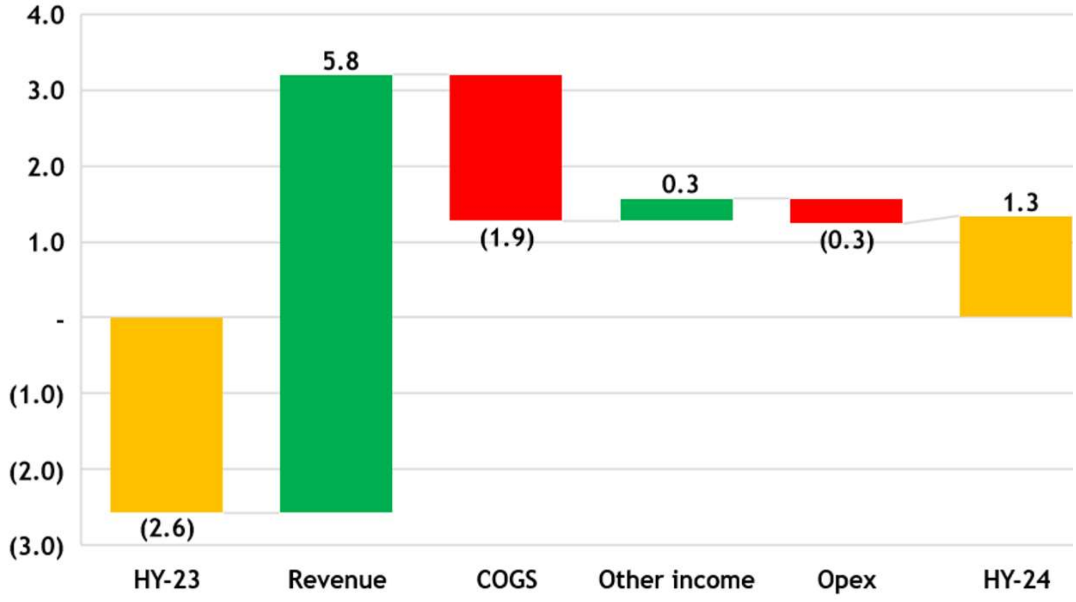
- **PPE** lower carrying value due to depreciation and lack of liquidity to venture into Capex
- **INVESTMENTS** carrying value higher because of the 1st half share of profit
- **INVENTORY** up due to increased yield and quality production this season
- **RECEIVABLES** up mainly because liquidity crisis and govt being the dominant debtor has been withholding repaying its creditors
- **EQUITY** Shareholders' equity grew 217% compared to the same period last year largely driven by the profit generated and the impact of revaluation of assets.
- **DEBT** The business accessed existing facilities to fund incoming deliveries and other key operational costs.
- **PAYABLES** High trade and other payables because of the liquidity challenges

Significant Associate Seed Co International Limited Half-Year Financial Review

SEED CO INTERNATIONAL ABRIDGED INCOME STATEMENT

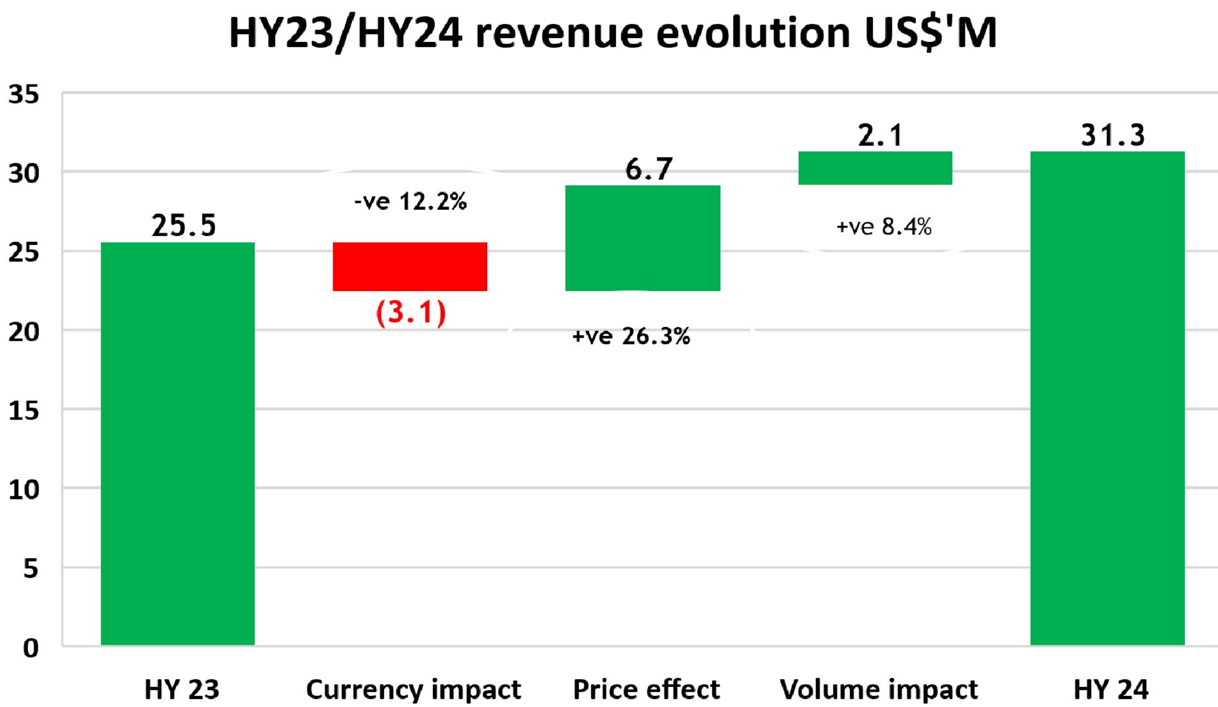
	Unaudited period ended	
	Sept 2023 US$'M	**Sept 2022 US$'M**
Revenue	31.3	25.5
Cost of sales	(16.1)	(14.2)
Gross profit	**15.2**	**11.3**
Other income	1.4	1.1
Operating expenses	(15.3)	(15.0)
Operating (loss)/profit	**1.3**	**(2.6)**
Net finance cost	(3.4)	(1.4)
Share of loss from associate & JVs	(1.4)	(0.5)
(Loss)/profit before tax	**(3.5)**	**(4.5)**
Income tax expense	(0.4)	0.2
(Loss)/profit after tax	**(3.9)**	**(4.3)**

INTERIM OPERATING PROFIT EVOLUTION



- ❖ $1.3M 1st half operating profit is a rebound from PYr loss of $2.6M due to:
  - ✓ Notable 1st half sales in Kenya, Mozambique, Malawi, Tanzania, and Zambia
  - ✓ Volume growth, price reviews, better margins, and costs management
- ❖ The operating profit was however reversed to a net $3.9M loss by:
  - ✓ Higher share of JV losses than anticipated
  - ✓ Higher finance costs mainly in Zambia and Malawi

SEED CO INTERNATIONAL



- Revenue increased to $31.3M from $25.5M due to:
  - ✓ **Price effect:** $6.7M positive impact partially offsetting $3.1M adverse currency effect, leaving a net gain of $3.6M against currency depreciation
  - ✓ **Volume:** Significantly pushed up by low margin Mozambique ($2.1M) whose currency was stable, as well as notable volume gains in Tanzania, Malawi and Zambia

✓ **Currency effect**

- $3.1M adverse FX impact significant in HY1 driven by increased trading in most SBUs with depreciating currencies (Zambia, Kenya and Tanzania)

SEED CO INTERNATIONAL

Gross margin

- 4 points better than PYr driven price reviews and better economies of scale from volume growth

	HY 24	HY 23
Gross margin	48%	44%

Other income

- Better than PYr boosted by increased non-seed sales

Other income	HY 24	HY 23
US$'M	1.37	1.06

Operating expenses

- The 2% increase attributable to general inflation across markets

Operating expenses	HY 24	HY 23
US$'M	(15.29)	(14.95)

JVs and Associate

- Combined loss contribution nearly tripled because of finance costs, exchange losses, and the impairment of acquisition goodwill in the RSA associate.

Loss share from JVs & Associates	**HY 24** US$'M	**HY 23** US$'M
West & Central Africa - 50% JV	0.01	(0.19)
Vegetables - 50% JV	(0.12)	(0.11)
RSA - 20% Associate	(1.34)	(0.19)
Total	**(1.44)**	**(0.49)**

SEED CO INTERNATIONAL Balance Sheet (US$’M)

	Unaudited Sept 2023 US$'M	Audited Mar 2023 US$'M
Assets	**156.4**	**156.9**
Property, plant & equipment (PPE)	37.4	38.8
Intangible assets	4.4	4.5
Right-of-use assets	0.8	1.5
Investments in associate & JVs	2.6	4.1
Deferred tax asset	0.5	0.7
Inventories & biological assets	44.0	33.2
Receivables	48.7	54.9
Cash & cash equivalents	18.0	19.2
Equity and liabilities	**156.5**	**156.9**
Shareholders' equity	77.9	86.3
Loans & borrowings	54.7	46.2
Lease liabilities	0.8	1.1
Deferred tax liability	1.7	1.9
Payables & provisions	21.4	21.4

- **PPE:** Decreased due to translation losses and no interim revaluations as regional currencies depreciated
- **Inventories:** Increase mainly attributable to deliveries from growers and processing value add for the current selling season
- **Receivables:** Decreased due to collection of prior period debtors with impact offset first half sales
- **Investments in associate % JVs:** Decrease arising from share of loss for the period
- **Equity** decreased due to 1st half loss
- **Debt** increased from last year-end due to increase in short term financing of operations
- **Gearing** also increased from 53% to 70% because of decrease in equity against the increase in debt

SBU Updates

ZIMBABWE

❖Performance impacted by uncertainty around interest rates, FX rates, dollarization mixed signals, and Gvt policies

❖Volume dropped 3% overall:

- ✓maize declined 22% to 1,638mt
- ✓wheat volumes contributed the highest following the just ended winter season

❖However, maize, due to timing of sales and inflation, contributed the most revenue followed by wheat, barley, and beans.

❖Operating expenses increased on year to year 78% of turnover compared to 55% PYr

❖Profitability improved despite rising operating expenses due to exchange gains and decrease in finance costs

Regional SBU Updates

ZAMBIA

- ❖1st half $21.6M turnover was 28% above PYr as volume was 24% higher due to early seed uptake buoyed by good grain prices
- ❖Overheads were contained 6% below PYr
- ❖Half-year profit at $4.7M better than $2.7M prior year due to:
  - ✓Price reviews, better margin product mix, and increased volume
  - ✓Better margins and contained overheads
- ❖$1.4M in finance costs compared to $0.7M PYr significantly offset the operating profit gain
- ❖Increase in finance costs caused by the refinancing of USD liabilities with local borrowings to manage exchange losses
- ❖Despite the huge finance costs, the business posted a net result of $3.3M that is 83% higher than PYr

Regional SBU updates continued

TANZANIA

❖ Turnover grew 56% on the back of volume growth and price reviews due to:
  - ✓ improved product availability
  - ✓ high grain prices; and
  - ✓ Government fertilizer subsidy programs

❖ GP margin improved to 49% from 39% PYr helped by better economies from increased volume, price reviews and more SC719 sales.

❖ On the back of business growth, the business unit’s PAT increased 5 times to $2M from $0.4M prior year

Regional SBU Updates continued

MALAWI

❖ $6.4M turnover increased 123% from prior year driven by
- ✓ open market and export volume growth
- ✓ price reviews
- ✓ higher margin weighted sales volume i.e. 40% of the volume was SC719

❖ Operating result while significantly better than PYr and the bottom line was in negative territory ($0.3M) adversely impacted by finance charges to fund higher stock holding

Regional SBU Updates continued

KENYA

- $4.9M turnover and 2,175mt volume outturn double PYr 1st half due to:
  - ✓ favourable weather conditions;
  - ✓ attractive grain prices in the market;
  - ✓ Gvt input support on fertilizers; and
  - ✓ price reviews.
- Overheads were contained 6% below prior year also helped by translation gains from the weakening shilling
- Significant bottom line improvement with the net loss narrowing to $0.1M compared to $1.5M net loss during PYr first half

Regional SBU updates continued

MOZAMBIQUE

- ❖$2.1M turnover a significant jump from $0.1M last half
- ❖Turnover was contributed by opportunistic post-cyclone Freddy NGO relief orders of maize, beans and cowpeas
- ❖Resultantly, the business unit posted a profit of $0.1M compared to $0.3m loss prior period

BOTSWANA

- ❖Offseason period in Botswana with no meaningful sales during the first half
- ❖Operating loss and net loss in line with prior year same period.

OUTLOOK
BY THE GROUP CEO

ZIMBABWE OUTLOOK

- ❖The Zimbabwean operating environment remains highly uncertain
- ❖Recent national budget taxation proposals are causing anxiety, and we await the passing of the Finance Bill
- ❖The country is facing a drought induced by the El-Nino and this is dampening farming activities
- ❖Small-scale farmers will still however attempt to plant, and we have seen increased open market demand despite the challenges of weather and the economy
- ❖We have an optimal varietal mix suitable for both drought and good rainfall
- ❖To preserve shareholder value in a highly uncertain environment we are:
  - ✓increase exports and harnessing USD sales from the open market
  - ✓containing overheads in line with the obtaining level of business
  - ✓liquidating costly borrowings from cash collections

REGIONAL OUTLOOK

- A mixed selling season is being anticipated benefiting from:
  - ✓ the Group's diversified geographical footprint; and
  - ✓ a diverse climate-smart product portfolio.
- Potential downside from unfavourable rains in Southern Africa though sales to date are not showing signs of being adversely impacted by the bad weather
- Attractive commodity prices in the region motivating farmers to stock seed regardless of weather forecasts in Malawi and Zambia
- YTD sales are well ahead of same period PYr and expectations despite the El-Nino
- Tanzania solid performance growth trajectory continuing riding on growing demand driven by good rains and the fertiliser subsidy
- Kenya is on the rebound buoyed by good rains and fertiliser subsidy

Regional Outlook continued

- ❖Nigeria is however expected to perform below expectation due to low disposable incomes and absence of Gvt agricultural inputs support
- ❖Business unit balance sheets successfully restructured:
  - ✓to mitigate exchange losses by refinancing USD liabilities with local currency borrowings
  - ✓increased finance costs from local currency borrowings expected to be significantly lower than potential exchange losses without the refinancing
- ❖Key risks being monitored and managed going forward:
  - ✓Inflation in most regional markets due to imported global inflation
  - ✓Currency devaluation pressures in most regional markets
  - ✓Mixed rainfall outturn –El Nino phenomenon


SEED-CO
The African Seed Company
Questions
If you ate today,
thank a Farmer