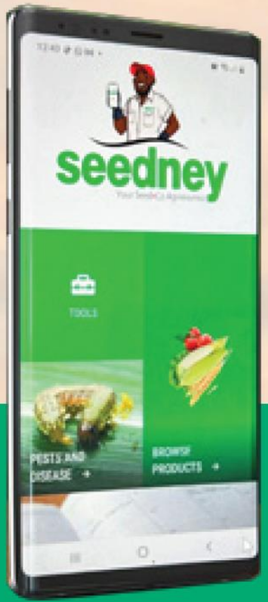
Seed Co International Group

Half-Year Results Presentation F2023/24



SEED CO INTERNATIONAL GROUP OPERATIONS REVIEW BY MORGAN NZWERE -Group CEO

The African Seed Company

THE HOME OF BUMPER HARVESTS

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General environment

- Continuation of the Russo-Ukraine war and outbreak of Israel-Palestine w compounding global challenges (logistics, inflation & soaring interest rates)
- Regional economic headwinds characterized by power shortages, inflation and depreciating currencies with limited global donor support
- Unfavourable weather outlook (drought) in Southern Africa further compounding regional economic headwinds
- Favourable weather and grain commodity prices in East Africa spurring the demand for seed
- Ongoing political instability in key developing markets (Burkina Faso, DRC, Ethiopia, Nigeria, Mali and Sudan), continue to slow business development
- Government programs continuing in most markets though under budgetary constraints

Research

- ❖ Satisfactory product pipeline renewal to address the ever changing climate and farmer needs
- ❖ 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 has been made towards developing fall armyworm tolerant breeding lines

Production

❖FY22/23 production exceeded targets due to significant yield and quality gains achieved.

❖Total available maize seed stocks for sale 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 with intra Group exports

❖Whilst overall stocks are adequate some varieties like SC719 have already stocked-out as they are highly in demand

Processing

- ❖Processing plants working very well but power outages are a challenge in 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

Sales & Marketing

❖ During this year's 1st half, sales by volume were 16% higher than the same period prior year driven by:

- ✓ Growth in East Africa buoyed by good rainfall prospects and early seed availability in the trade
- ✓ Early uptake of maize seed in Mozambique by NGOs in involved in post-Cyclone Freddy relief activities
- ✓ Early seed sales in Zambia and Malawi driven by good grain prices

❖ Maize and wheat constituted 60% and 31% of volume sold

- ✓ Maize sales were largely in Tanzania, Kenya, Zambia, and Malawi respectively

Development files

- **Ethiopia**
  - –Pilot production scaled up this year and expecting 750mt maize yield
  - –Expected maize yield to help launch debut commercial activities next year
  - –Security remains an issue in Ethiopia

- **Ghana & Francophone West Africa**
  - –Business development ongoing in this region covering 13 countries
  - –Instability a major risk in several countries in this region like Mali, Niger and Burkina Faso

Development files

❖ **Angola**

– Business approach remodelled to focus on Agronomy working with local partners to develop the open market.

– Government related inputs support slowly coming back after being suspended because of budgetary constraints (300MT paid up order received this year)

❖ **DRC**

– Lost business being regained on the back of product performance (400MT orders received)

– Open market business development continuing

Development files

- ❖ **Vegetable seed JV**
  - –Posted a loss above 10% from PYr mainly because of exchange losses and unavailability of key products
  - –Product development remains a key strategic focus, particularly for East Africa, which currently faces stiff competition and has a limited product range
- ❖ **RSA JV -20% effective Seed Co equity**
  - –Operating profit significantly better than PYr proving the business case
  - –However, finance costs, exchange losses, and the impairment of acquisition goodwill turned the operating profit into a loss

Seed Co International Group

Half-Year ended 30 September 2023 Financial Review

By

John Matorofa- GFD

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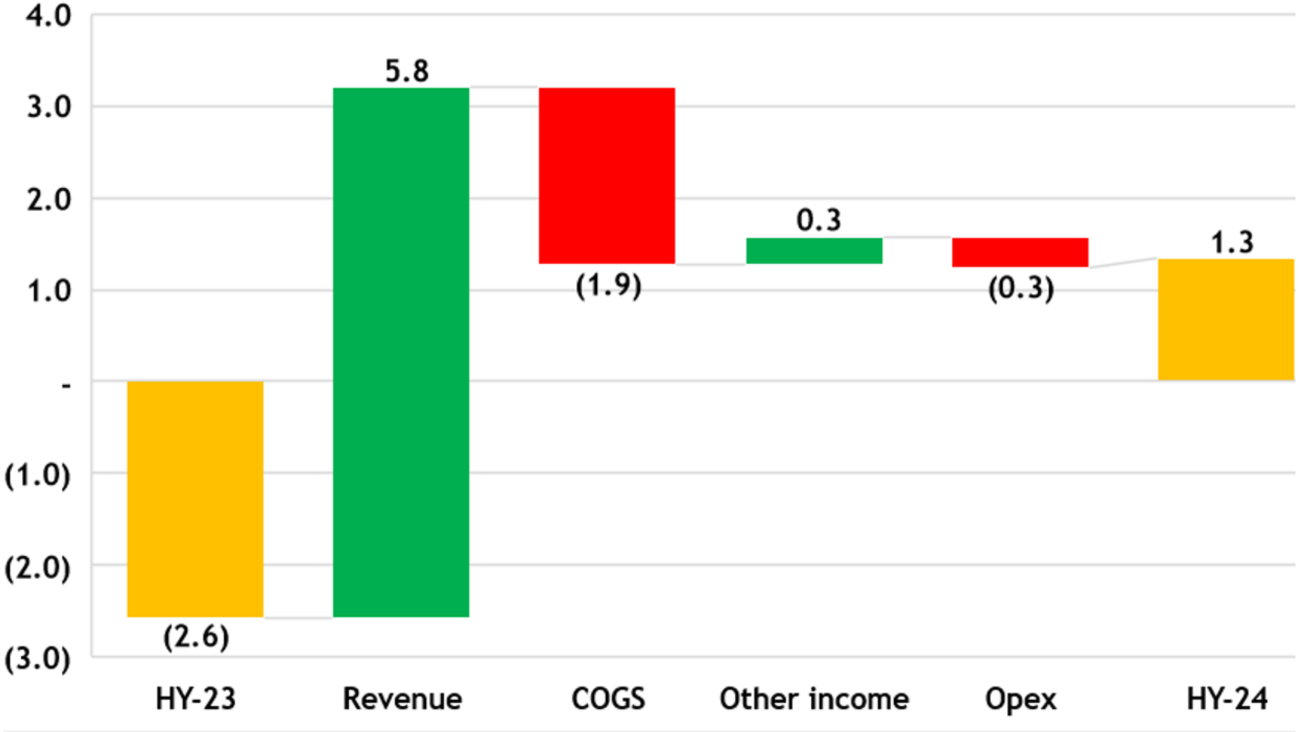
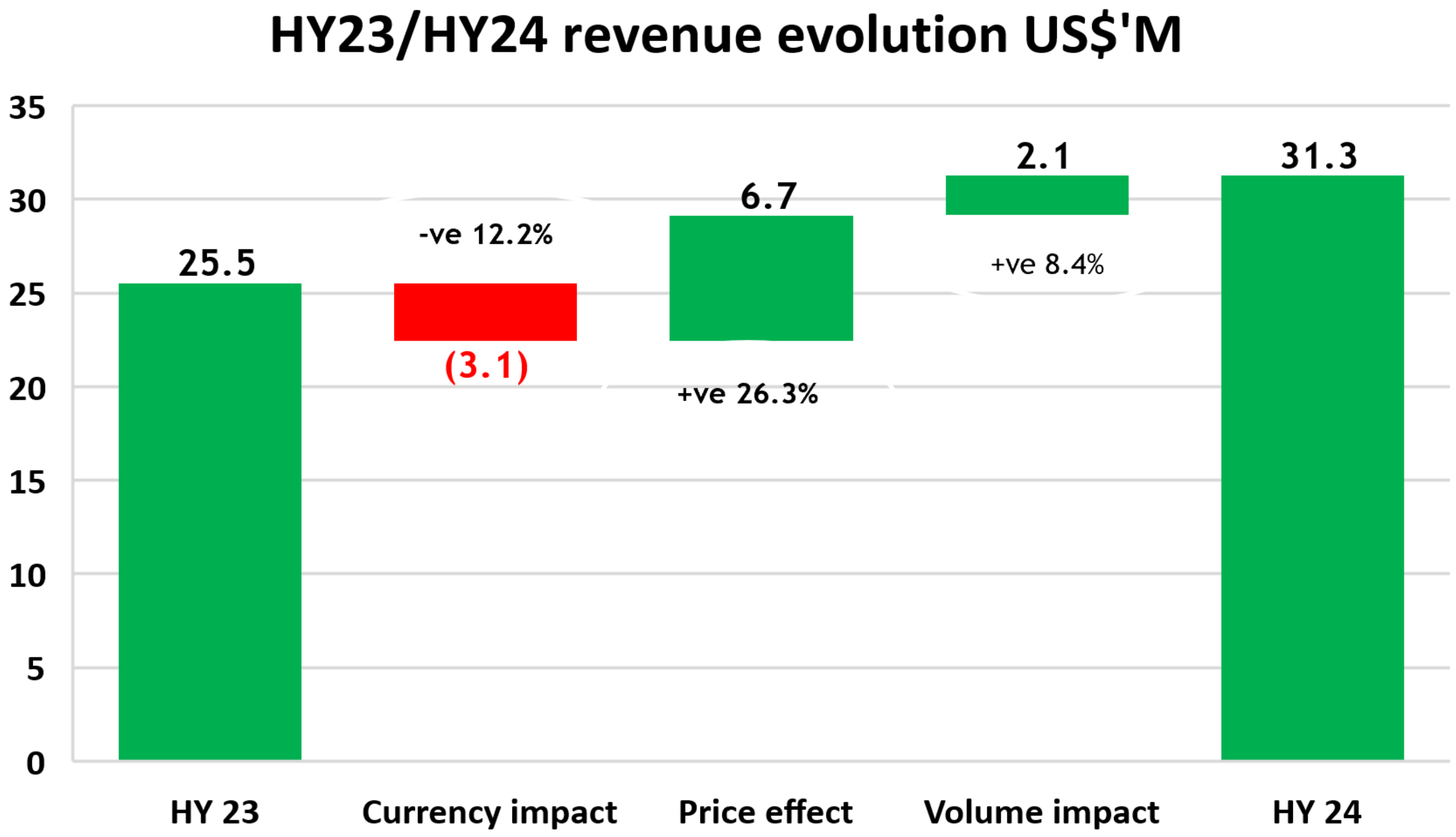
ABRIDGED GROUP INCOME STATEMENT

	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



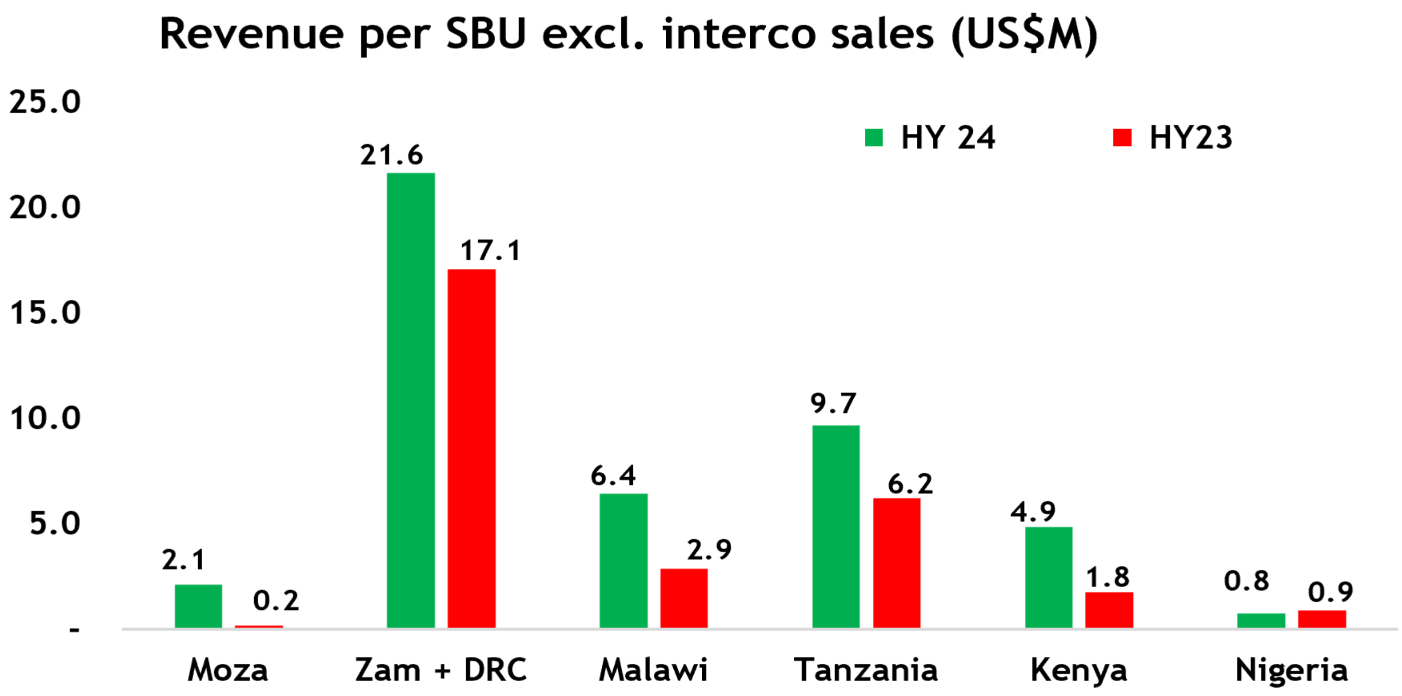
- ❖ $1.3M 1st half operating profit is a rebound from PYr loss of $2.6M due to:
  - ✓ Notable 1st half sales in Kenya, Mozambique, Malawi, Tanzania, and Zambia
  - ✓ Volume growth, price reviews, better margins, and costs management
- ❖ The operating profit was however reversed to a net $3.9M loss by: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



- 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

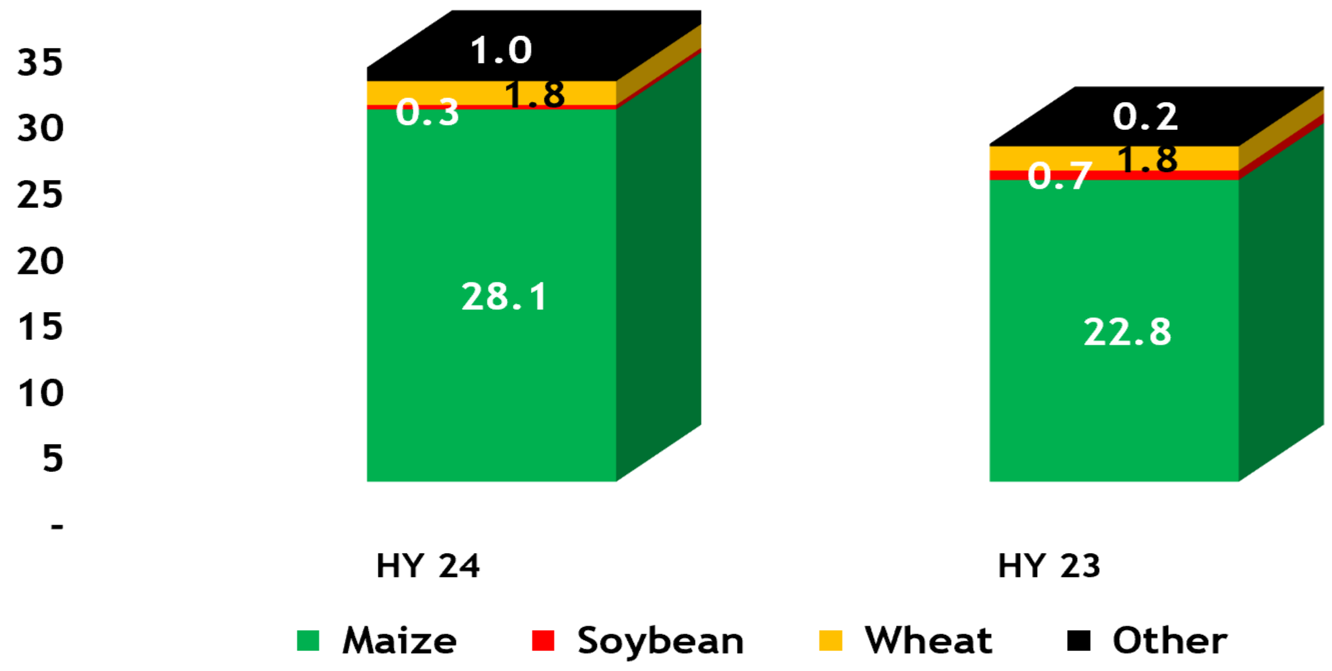
✓ **Currency effect**

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

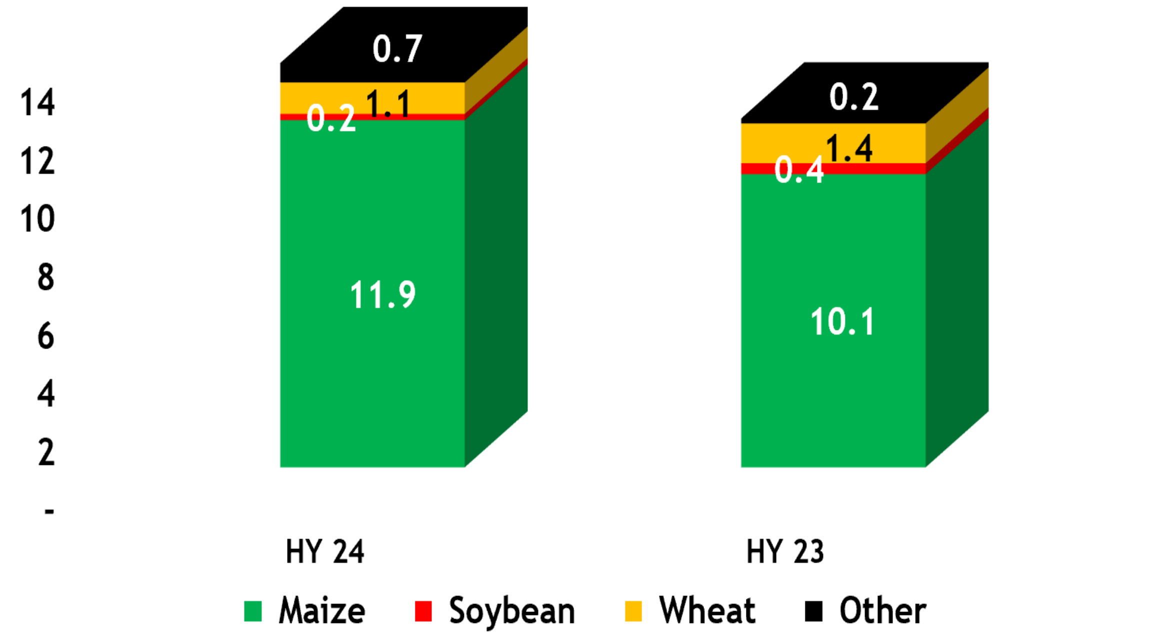


- **Mozambique:** Opportunistic NGO cyclone Freddy orders were exploited using readily available stock
- **Zambia + DRC:** Performance better than PYr as high value seed was distributed early.
- **Malawi:** Successful winter sales and price reviews helped to record revenue higher than PYr
- **Tanzania:** Price reviews and volume increase contributed to the good performance
- **Kenya:** Good volume performance drove revenue higher than PYr
- **Nigeria:** Turnover lower than PYr as the open market did not perform as anticipated in the absence of meaningful Gvt inputs support

Revenue per crop (US$'M)



Volumes per crop (MT'000)



- **Maize:** $28.1M revenue 23% ahead of PYr driven by 20% volume increase contributed by Tanzania, Mozambique, Zambia and Malawi
- **Wheat (Zambia only):** $1.8M revenue at par with PYr helped by price adjustments which offset the impact of volume drop
- **Other:** $1M revenue notably higher than PYr boosted by sale of beans and cowpeas in Mozambique

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)

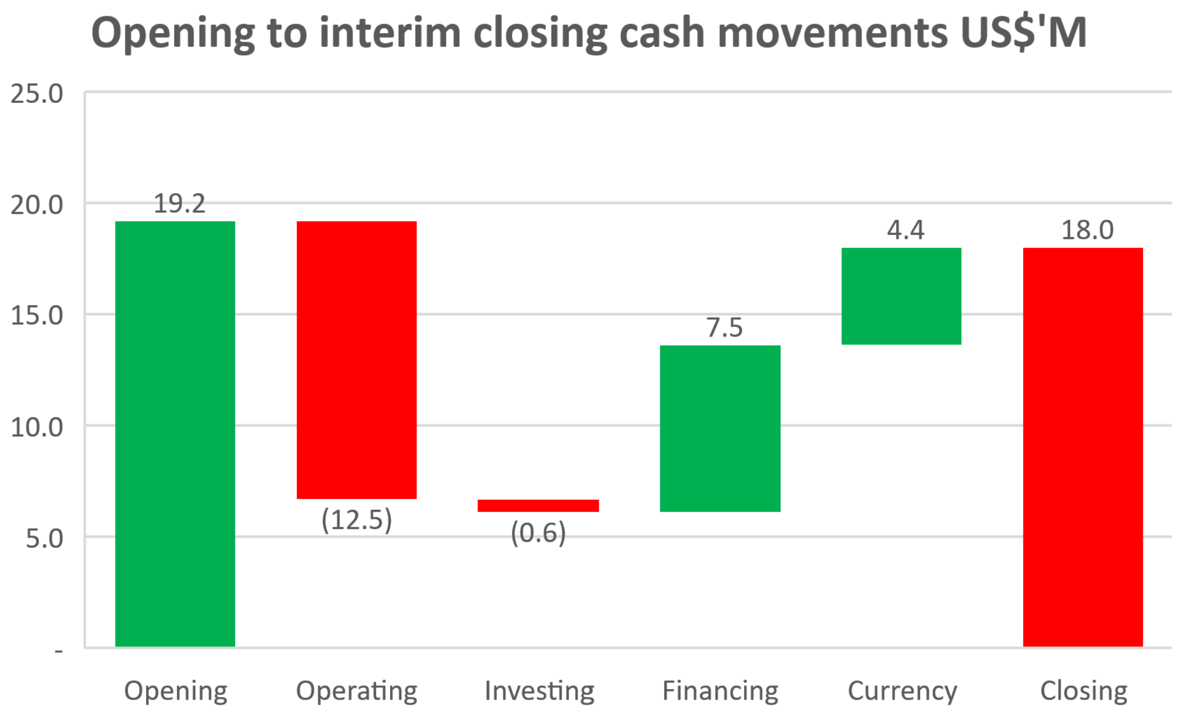
JVs and Associate

- 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)**

ABRIDGED GROUP STATEMENT OF CASH FLOWS

	Unaudited Sept 2023 US$'M
Opening cash and cash equivalents 01/04/2023	19.2
Operating cash flows	(12.5)
Investing cash flows	(0.6)
Financing cash flows	7.5
Exchange rate changes effects	4.4
Closing cash & cash equivalents 30/09/2023	18.0



- ❖ **Operating cash outflow:** -Negative operating losses from business units during offseason period
- ❖ **Investing cash outflow:** -Capex deployment in Tanzania and Zambia
- ❖ **Currency:** -Effect of exchange rate movements on net debt

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

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

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

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

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

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

Seed Co International Limited

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 – small-scale farmers will still try to plant with any rains
- 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

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


Questions


LET THE RAINS FIND
OU WELL PREPARED