



The African Seed Company

SEED CO LIMITED TRADING UPDATE FOR THE THIRD QUARTER ENDED 31 DECEMBER 2023

Trading Environment

Economic difficulties are persisting in Zimbabwe characterised by shortages of both foreign and local currency, leading to exchange rate-induced inflation and a dominance of the informal economy over the formal sector. Compounding these challenges, the current agricultural season is experiencing adverse weather conditions attributed to the El-Nino effect, further exacerbating economic strains.

Performance highlights

Third quarter ended 31-Dec-2023	Inflation-adjusted [ZWL\$'BN]		Change %	Historical [ZWL\$'BN]		Change %
	FY24-Q3	FY23-Q3		FY24-Q3	FY23-Q3	
Revenue	266.5	189.4	+41%	194.8	39.9	+443%
Operating profit	484.6	28.8	+1582%	96.0	18.6	+415%

	FY24-Q3	FY23-Q3	Change %
Volume sold (MT)	18,520	25,814	-28%

In the third quarter, the total volume of Zimbabwe seed sales witnessed a 28% decline compared to the corresponding period in the preceding year, a consequence of delayed rains and diminished enthusiasm for cropping due to the El-Nino phenomenon.

The increase in revenue, whether assessed historically or adjusted for inflation, aligns with increasing proportion of USD denominated sales against the pronounced depreciation of the exchange rate and the resulting inflationary impacts.

The enhanced profitability outcome can be credited to the restoration of profit margins and the alignment of the exchange rate with open market forces experienced in the better part of the first half.

IAS 29 basis	FY24-Q3	FY23-Q3
Blended Index	65,703	13,673
Conversion factor	1.56	6.1

It is imperative to emphasize that the comparability of financial performance is considerably affected by the volatility in exchange rates and the transition in the base of inflation statistics from the local currency to a combination of currencies.

Outlook

At present, Zimbabwe is actively working to establish consensus for the implementation of this year's National Budget while simultaneously addressing the stabilization of the foreign exchange market, curbing inflation, and restoring business confidence. Throughout the region, economies are also grappling with challenges such as shortages of foreign currency, inflationary trends, and escalating interest rates.

From an operational perspective, the delayed rains this season led to increased demand for small grains and legumes, extending into the last quarter of the financial year in Zimbabwe and neighbouring countries. This demand for small grains holds significant potential to clawback annual sales volume performance not only in Zimbabwe but also in neighbouring countries.

Regionally, record sales in East Africa and certain parts of Southern Africa were registered, which is anticipated to mitigate the overall impact of decreased trading in some Southern African markets that were adversely affected by El-Nino conditions.

By Order of the Board,

Tineyi Chatiza
Group Secretary
31 January 2024

