



The African Seed Company

SEED CO INTERNATIONAL LIMITED

HALF YEAR ENDED 30 SEPTEMBER 2018

ANALYST BRIEFING



Seed Co the Pan African Giant

Overview

**Seed Co International unbundled out of
Seed Co Ltd & listed on the BSE on
5 October with a secondary listing on the
ZSE**



Seed Co International
Half-Year to 30 Sept 2018
Financial Review
By
Matorofa John- GFD

Seed Co International

SEED CO INTERNATIONAL LIMITED ABRIDGED GROUP INCOME STATEMENT FOR THE HALF YEAR ENDED 30-SEPT-2018	Unaudited HY19 Sept 2018 US\$	Unaudited HY18 Sept 2017 US\$	% Increase / Decrease
Revenue	17 666 246	19 079 509	-7%
Other income/(expenses)	2 983 189	(582 454)	
Operating expenses	(11 541 304)	(11 474 100)	0,6%
Finance income	24 761	231 125	
Finance cost	(948 030)	(1 096 929)	-14%
Share of loss from joint venture	(59 196)	-	
Loss for the period	(1 541 833)	(3 321 832)	-54%

Sales volumes	MT	MT	
Maize	7 317	7 190	2%
Wheat	1 024	1 113	-8,0%
Other	178	512	-65%
Total	8 519	8 815	-3%

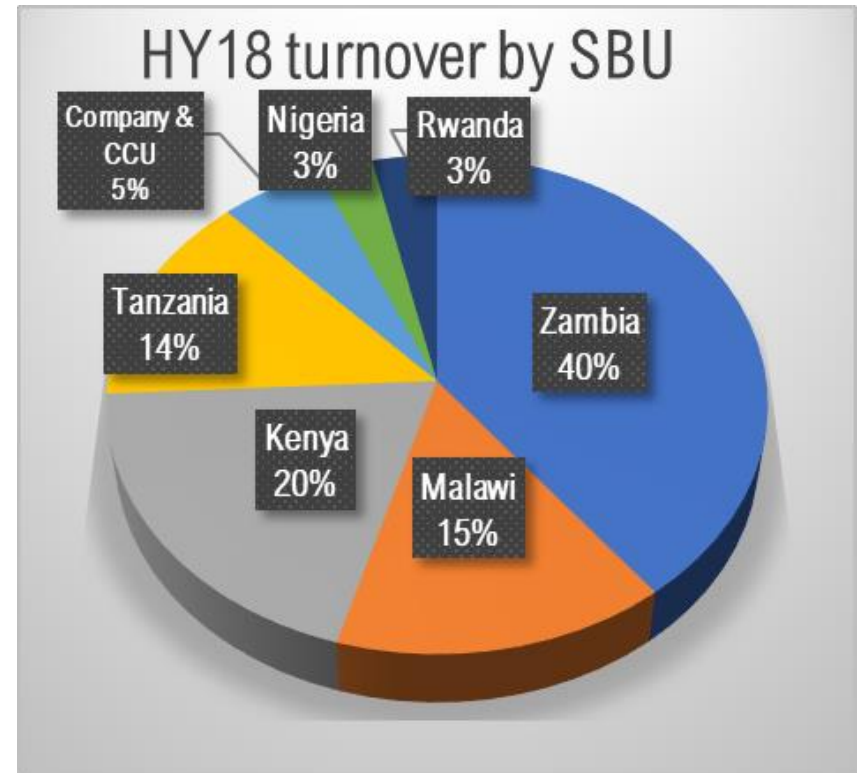
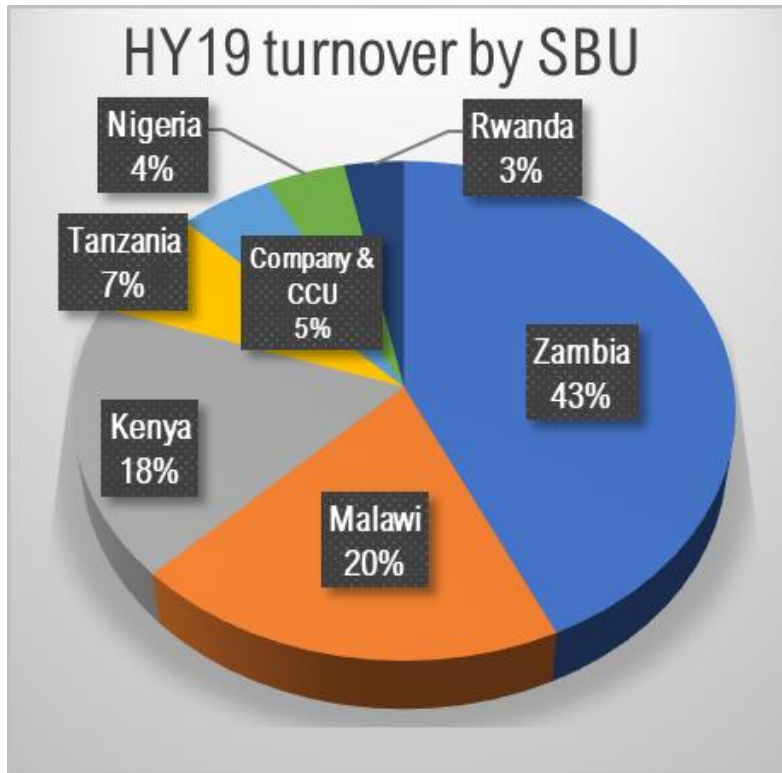
TURNOVER

Down 7% due to:

- ❖ wheat sales volume decline which was however offset by better prices
- ❖ late rains in Tanzania
- ❖ seed shortages in Kenya due to seed production challenges

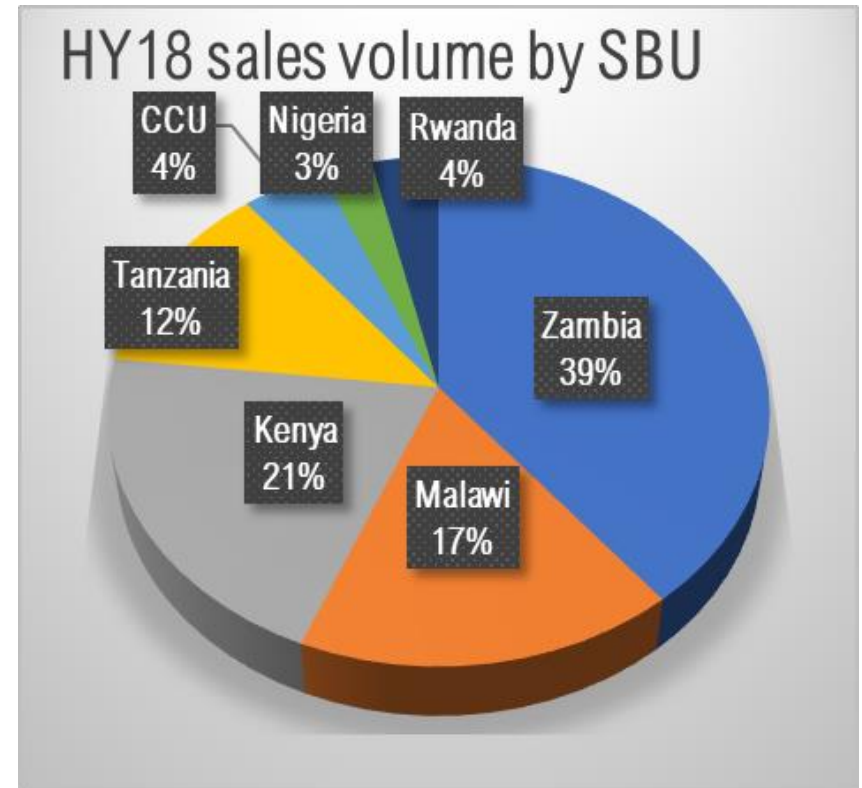
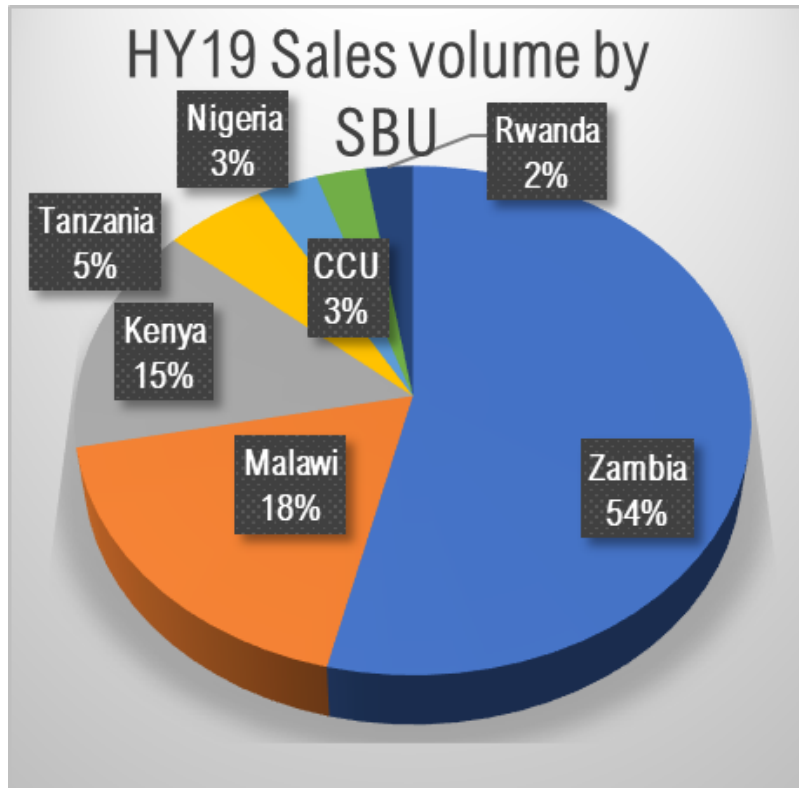
Malawi, Zambia and other export markets performed reasonably well

Turnover contribution by country



- ✓ Kenya and Tanzania turnover contribution declined due to seed shortage and late rains

Sales volume contribution by country



- ✓ **Zambia sales contribution increased from exports to new markets**
- ✓ **Kenya and Tanzania volume contribution declined due to seed shortage and late rains**

MARGINS

Slight improvement in the gross margin attributable to better wheat prices in Zambia

OTHER INCOME

- ❖ Increased on account of exchange gains on net foreign denominated assets due to depreciation of the Kwacha

OVERHEADS

Marginally higher by 0,6% than last year due to restructuring costs i.e. the unbundling and listing exercise

FINANCE COSTS

- ❖ **Decreased as the net debt position declined following receipt of Private Placement capital ahead of listing**

JOINT VENTURE INCOME

- ❖ **Marginal loss from the vegetable seed joint venture which is being rolled out in the Region**

EARNINGS

a) 1st half loss:

- ❖ Reduced seasonal loss largely due to exchange gains in Zambia

b) Outlook

- ❖ Recovery of sales in Kenya and Tanzania in 2nd half to lift Group earnings for the year
- ❖ The partial return of the Farmers Input Support Programme (FISP) to tender in Zambia is also expected to boost Group profitability

ASSET POSITION

ASSETS AS AT 30 SEPTEMBER 2018	Unaudited as at September 2018 US\$	Audited as at March 2018 US\$
Property, plant and equipment	38 135 572	41 850 963
Investment in associates and joint ventures	1 084 632	1 143 828
Deferred tax asset	1 118 935	987 774
Other financial assets	1 800 114	1 304 954
Inventories and biological assets	19 772 811	13 324 910
Trade and other receivables	53 292 469	45 542 457
Cash and cash equivalents	25 432 676	16 413 398
TOTAL ASSETS	140 637 209	120 568 284

2.1 PPE

- ❖ **\$3.3M decrease in PPE mainly as a result of Kwacha depreciation on conversion of asset balances to US\$**

2.2 Investments in associates and joint venture

- ❖ **Mainly represent the investment to date in the vegetable seed joint venture which is now established in Zambia, Kenya, Malawi and Tanzania**

2.3 Other Financial Assets

- ❖ **Balance mainly represent Promissory Notes from the Government of Malawi which were settled soon after half-year**

2.4 Inventories

- ❖ **Higher than last year-end due to intake from seed growers in preparation for the selling season which commences in the 2nd half of the financial year**

2.5 Trade and Other Receivables

- ❖ Increased compared to last year-end owing to:
 - ✓ slow Government settlements in Tanzania, Zambia and Rwanda (Significant Gvt payments were however received after cutoff in Zambia)
 - ✓ delayed remittances from Zimbabwe due to nostro liquidity challenges

2.6 Cash and Cash equivalents

- ❖ **Increased following receipt of Private Placement proceeds**

EQUITY & LIABILITIES

EQUITY & LIABILITIES AS AT 30 SEPTEMBER 2018	Unaudited as at September 2018 US\$	Audited as at March 2018 US\$
Total equity	81 867 980	80 271 715
Liabilities		
Deferred tax liability	1 736 281	2 040 148
Bank borrowings	37 509 385	28 940 192
Trade and other payables	19 523 563	9 316 229
Total liabilities	58 769 229	40 296 569
TOTAL EQUITY & LIABILITIES	140 637 209	120 568 284

2.7 Equity

- ❖ **Marginal increase as the capital injection was partly offset by a negative foreign currency translation reserve**

2.8 Bank borrowings

- ❖ **Increased to fund increased seed production in the forthcoming production season**

2.9 Payables

- ❖ **The increase arose from delayed receipt of seed from growers which were settled subsequent to the reporting date**

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

General environment

- ❖ Seed drying challenges in most production centres as the rainfall season ended late
- ❖ Late seed drying meant late delivery of seed by growers to our processing plants
- ❖ Kenya 1st half sales most impacted by late seed processing in-country and out of Zambia which support Kenya with seed supplies
- ❖ Late onset of rainfall season in Tanzania affected 1st half seed

Research

- ❖ Approved for internal release and advancement 11 new maize hybrids across maturity profiles focussing on yield performance, cob rot resistance & green mealie native traits
- ❖ 4 new maize seed hybrids for the South African market were approved for internal release
- ❖ Development of Potchefstroom Research Centre in South Africa nearing completion

Production

- ❖ Product demand continue to outstrip supply in all markets due to climate induced production challenges
- ❖ Despite challenges, current season production higher than prior year
- ❖ Group seed available for sale expected to close the year 20% higher than last year -80% of the seed has been received from growers
- ❖ 2018/19 summer seed production underway and planned to be 40% higher than last year

Processing

- ❖ **Cob harvesting & seed drying technology to be piloted in Zimbabwe first**
 - contract recently awarded and commissioning of a seed drier in Zimbabwe expected by 2020
- ❖ **Seed processing plants in good working condition across the Group with limited capacity constraints in some SBUs**
- ❖ **Plans underway to expand seed processing facilities in East Africa to increase capacity for this growing market**

Sales & Marketing

- ❖ Winter cereals were lower but of higher margin compared to same period last year
- ❖ Overall, Group sales volumes down 3% at half-year

Development files

❖ Nigeria

- Seed production capacity being scaled up
- Marketing function resourced and distribution channel is being developed
- Security an issue

❖ Ethiopia

- Progress being made in acquiring a Business License

❖ Ghana

- Operations and a Research Station now established in Ghana
- Field trials showing success
- Regional market development underway targeting Francophone West Africa

Development files

Export markets

❖ Angola

- showing strong potential

❖ Mozambique

- promising opportunity with increasing orders coming through

❖ Vegetable seed JV

- now fully operational in the region – specifically in Malawi, Kenya, Tanzania Zambia

SBU Updates contd

Zambia

- ❖ Local maize seed sales up 27% but turnover in US\$ was flat due to strong dollar than kwacha
- ❖ Export maize seed sales flat due to:
 - ✓ late deliveries of seed for processing
 - ✓ temporary ban of grain exports by the Government of Zambia and this affected the movement of untreated seed
- ❖ Partial return of the FISP program to boost sales
- ❖ Winter wheat sales up 70%
- ❖ Cob rots and high moisture content adversely impacting SBU local and export potential
- ❖ SBU making strides to increase own seed production in order to manage quality and costs
- ❖ Kwacha depreciation favour exports but has negative effect on local assets and income at translation

SBU Updates contd

Malawi

- ❖ Turnover up 21% compared to prior
- ❖ Maize seed sales were 16% up
- ❖ the stronger Kwacha and better export opportunities and improved pricing resulted break-even position in 1st half
- ❖ Potential was affected by weevilled seed from growers which reduced seed intake for processing
- ❖ 3rd quarter is the peak selling season in Malawi

SBU Updates continued

Kenya

❖ 20% and 17% reduced sales volumes and turnover respectively in 1st half due to unavailability of seed owing to:

- ✓ Early start of the Sept/Oct season before the SBU was ready with seed**
- ✓ production challenges**
- ✓ late availability of seed imported from Zambia**

❖ The SBU is working to increase in-country production to ensure adequate seed supplies

SBU updates contd

Tanzania

- ❖ Maize commodity prices softened against prior year levels and coupled with late rains this season, seed demand declined during the 1st half
- ❖ Seed sales recovered from October
 - ✓ sales volumes expected to close the year 11% higher and turnover 6% higher
- ❖ The SBU is growing its local seed production to reduce reliance on imports from other SBUs

SBU updates contd

CCU (Botswana, Swaziland and South Africa)

- ❖ Awarded 227MT cowpeas and 229MT sorghum tenders by the Government
- ❖ Lost maize tender on pricing due to undercutting by competitors hungry for foreign currency
- ❖ Introduced vegetables in Botswana and demand is exciting
- ❖ Now focusing on the open market in Botswana as well as Swaziland and South Africa

Outlook

- ❖ Improved seed supplies in most markets despite production challenges
- ❖ Recovery of sales in East Africa in 2nd half to lift associate earnings for the year
- ❖ Exchange gains and the partial return of the Farmers Input Support Programme (FISP) to tender in Zambia is also expected to boost associate profitability

QUESTIONS????

