



The African Seed Company

SEED CO LIMITED TRADING UPDATE FOR THE THIRD QUARTER ENDED 31 DECEMBER 2020

Trading Environment

The country was under a partially relaxed lockdown during the quarter under review which had a positive effect on the movement of customers buying seed from the Company's distribution network nationwide during its peak selling season.

The period was characterised by a slowdown in local currency inflation in tandem with the stability of the local currency to USD exchange rate on the Foreign Currency Auction System and this allowed for stability in the pricing of the Company's products.

However, the tight monetary policy characterised by limited liquidity and high interest rates, which partly contributed to the exchange rate stability and inflation rate deceleration, had an adverse impact on the Company's funding and finance costs.

Sales Volume Performance

Coming off last financial year's low base, sales volumes increased by 42% for the full period and by 57% for the quarter mainly attributable to better rainfall forecasts and the continuation of Government input programs on an increased scale.

Maize and wheat seed sales volumes were 59% and 20% higher than prior year for the nine months ended 31 December 2020 benefiting from demand growth in the wake of the improved rainfall received this season.

Cumulative wheat seed sales volumes rose by 56% from the same period last year on the back of improved irrigation capacity locally and a first-time export opportunity to Nigeria.

Financial Performance

Revenue grew by 739% year to date and 689% for the quarter in historical cost terms and by 49% and 51% respectively after IAS 29 inflation-adjusted restatements. This is consistent with the volume growth recorded.

The average consumer price indices used for inflation adjusted calculations were 1,881.6 and 286.7 while average conversion factors were 1.47 and 11.45 for the current and comparative periods respectively.

The foreign associate, Seed Co International Limited, made a positive contribution to the Group performance driven by strong volume and revenue growth across the region. On the other hand, the local associates had mixed results with the cotton seed business achieving a profit while the vegetable seed entity recorded a loss induced by exchange differences on foreign denominated liabilities not covered under the legacy debt framework.

Effect of COVID-19 on the Company and Group

The Group has been able to continue with its operations in all its jurisdictions as an essential business in spite of the various restrictive measures put in place to contain the pandemic during the reporting period.

The escalation in COVID-19 cases towards the end of this quarterly reporting period resulted in some governments re-instituting tougher lockdowns in the subsequent period. The impact of these subsequent lockdowns which happened towards the end of the peak of the main selling season, is yet to be fully ascertained by the Group.

The continuous evolution of the virus and the concomitant responses by governments make it virtually impossible to accurately predict the future impact of the pandemic on the Group. Management is constantly adjusting the Group's Business Continuity Plan to adapt to the prevailing situation.

As a responsible citizen in the various countries it operates, the Group adheres to the safety guidelines recommended and legislated by medical authorities and governments respectively at all its facilities.

Outlook

With the selling season largely over at the time of issuing this update, the Company's focus shifts to collecting receivables, managing operating costs and ensuring that seed supply for the next financial year is secured.

Despite funding challenges and lockdown induced delays, the Company has made substantial progress in the construction of the artificial seed dryer in Zimbabwe. Commissioning is expected during this calendar year.

Depending on the outcome of the offer made by Seed Co International Limited to the shareholders of Seed Co Limited, the ongoing Group consolidation transaction is on course for completion soon.

By Order of the Board

T.N. Chimanya
Group Secretary
1 February 2021

Directors: D E B Long (Chairman), M Nzwere (CEO)*, R C D Chitengu, D Garwe, P Gowero, D P F Jacquemond, J Matorofa (CFO)*, M.S. Ndoro, F Ruwende, F Savin, P Spadin.
*Executive

