



The African Seed Company

SEED CO LIMITED TRADING UPDATE FOR THE FIRST QUARTER ENDED 30 JUNE 2023

Trading Environment

The current state of Zimbabwe's socio-economic environment is marked by the ongoing familiar uncertainty that often precedes elections. Liquidity challenges in the market are expected to continue as authorities try to anchor the local currency. Tight liquidity management is however negatively affecting the availability of productive working capital for businesses as well as aggregate demand. Cognisant of the foregoing, the Group is striving and confident of its efforts to ensure it is sufficiently funded and stocked to meet the demand for food crop seeds in both the upcoming winter and summer planting seasons.

Performance highlights

| For the first quarter ended 30 June 2023 | Inflation-adjusted [ZWL\$'BN] | | Historical [ZWL\$'BN] | |
|--|-------------------------------|---------|-----------------------|---------|
| | FY24-Q1 | FY23-Q1 | FY24-Q1 | FY23-Q1 |
| Revenue | 28.7 | 9.4 | 19.2 | 2.6 |
| Operating profit/(loss) | 22.2 | (2.4) | 14.3 | 0.7 |

| | | |
|------------------|-------|-------|
| Volume sold (mt) | 7,051 | 6,406 |
|------------------|-------|-------|

During the first quarter, total seed sales volumes experienced a 10% growth compared to the same period in the previous year. Sales of wheat constituted 85% of the overall volume, a pattern consistent with the period under review. The volume growth was primarily propelled by a 7% and 19% surge in the sales of wheat and barley seeds, respectively. These increases are attributable to enhanced dam water levels and improved electricity availability for irrigation purposes.

Typically, the initial quarter usually serves as a phase of cost accumulation in anticipation of the primary crop, maize, seed sales season in the latter part of the fiscal year.

Revenue for the quarter grew by 648% and 305% when compared to the same period in the prior year in historical and inflation-adjusted terms, respectively. This growth is consistent with the sharp depreciation of the exchange rate and the consequent inflationary effects.

In contrast to prior year, the operating profit showed a positive swing of 10 times and 19 times when compared to the previous period's inflation-adjusted loss and historical profit, respectively. The improved profitability outturn is attributed to the recovery of profit margins and the alignment of the exchange rate with open market forces.

For the restatement of the historical cost income statement for the quarter, the average index utilized was 390 (blended index), whereas it stood at 6,959 (all ZWL\$ index) for the corresponding period in the prior year. These figures correspond to average conversion factors of 1.492 and 1.296, respectively.

It is therefore important to note that the comparability of financial performance has been significantly distorted by the substantial fluctuations in exchange rates and the shift in the base of inflation statistics from solely the local currency to a computation involving blended currencies.

Outlook

Presently, the Nation is focused on the upcoming elections, and we expect a more stable socio-economic environment, soon after the elections, that is more conducive for business and general economic activities to thrive. Despite these circumstances, the Group is well-equipped for the upcoming sales season, both domestically in Zimbabwe and within the broader region. The Group's production and processing plans have been strategically planned to accumulate an ideal mix of seed stock varieties to cater to preliminary El Nino forecast scenarios of below normal to normal rainfall.

By Order of the Board,

16 August 2023
Tineyi Chatiza
Group Secretary

