



## The African Seed Company

# SEED CO LIMITED TRADING UPDATE FOR THE FIRST QUARTER ENDED 30 JUNE 2022

### Trading Environment

The Zimbabwean socio-economic environment remains challenging with hyperinflation continuing, no respite to the wide disparity between the official and alternative market exchange rates while the recent hike in interest rates is making productive financing unviable. The operating environment is also increasingly becoming uncertain with elections scheduled next year. Globally and on the African continent, the adverse socio-economic effects of the thawing Covid-19 pandemic are being refuelled by the Russo – Ukraine war that is further constraining critical global supply chains and in the process stocking inflation.

Primary food production however remains topmost priority in Zimbabwe and on the continent with various government and development partner interventions to boost food security. Seed Co is taking all feasible strategic measures to contribute meaningfully to the concerted efforts to scale-up food production in the country and on the continent.

### Sales Volume Performance

Total sales volumes for the first quarter decreased by 18% from the corresponding period last year with wheat seed making up just under 90% of total volume sold which is typical for the period under review.

The volume decline is because of a 13% reduction in wheat seed sales due to stringent measures applied on farmer selection by input funders and no repeat early legume and sorghum sales during the 1st quarter as happened during the same period in FY22.

### Financial Performance

Historical cost revenue for the quarter more than doubled compared to the same period last year on the back of inflation tracking price adjustments as the local currency depreciating by 332% from ZWL\$85.37/US\$ at the end of June 2021 to ZWL\$368.72/US\$ as of 30 June 2022.

On an inflation-adjusted basis, first quarter revenue is up by 36% compared to the same prior period on the back of price adjustments to preserve value in view of the general increase in the cost of doing business during the comparative period under review.

Compared to prior year, the operating profit swung 12 times and 3.3 times from the prior period historical and inflation-adjusted loss position respectively to a profit this year. The return to profitability is attributable to margin recovery which margins however remain under pressure due to official and alternative market exchange rate disparities whose negative effect on the cost of doing business cannot always be sustainably recouped through local currency selling price adjustments.

As usual, the first quarter is seasonally a cost-accumulation phase in preparation for the main crop, maize, seed selling season in the second half of the financial year.

The average index used for the restatement of the historical cost income statement for the quarter was 6,959 compared to 2,888 for the corresponding period last year, an average index depreciation of 141%. These translated to average conversion factors of 1.296 and 3.017 respectively.

### Outlook

Global supply shocks from Covid and now the Ukraine war continue to cause supply chain bottlenecks and imported inflation that is further compounding the woes of already fragile African economies. The Zimbabwean economic environment remains challenging in the short to medium-term as alluded in the first paragraph. On the continent there is mixed optimism with stability in some markets and headwinds in other markets.

Despite the largely exogenous challenges, the Group has adequate stocks both in Zimbabwe and on the continent to contribute meaningfully to primary food production subject to favourable climatic and economic conditions. The Group is taking various measures to harness real value in the Zimbabwean market where the use of hard currency appears to be dominating transactions. On the continent, Seed Co International is taking various measures to reclaim the erosion of margins that was experienced in the last financial year.

The Group remains resolute in its mission to leverage its innovative seed solutions, agronomy services and strong brand, working with all stakeholders, to contribute to food security and plug global supply chain gaps.

Tineyi Chatiza  
Group Secretary  
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