

S&W Seed Company
(NASDAQ: SANW)



First Quarter Fiscal Year 2022 Financial Results
Conference Call

Thursday, November 11, 2021
11:00 A.M. Eastern

CORPORATE PARTICIPANTS

Mark Wong – President and Chief Executive Officer, S&W Seed Company

Matthew Szot – Executive Vice President and Chief Financial Officer, S&W Seed Company

Robert Blum – Managing Partner, Lytham Partners, LLC

PRESENTATION

Operator

Good day, and welcome to the S&W Seed Company Reports First Quarter Fiscal Year 2022 Financial Results. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star (*) key, followed by zero (0). After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star (*) then one (1) on your touchtone phone and to withdraw your question, please press star (*) then two (2). Please note this event is being recorded.

I would now like to turn the conference over to Mr. Robert Blum. Please go ahead.

Robert Blum

All right. Good morning, everyone, and thank you all for joining us today to discuss the financial results for S&W Seed Company for the first quarter of fiscal 2022 for the period ended September 30, 2021.

With us on the call representing the Company today are Mr. Mark Wong, President and Chief Executive Officer; and Matthew Szot, Chief Financial Officer. At the conclusion of today's prepared remarks, we'll open the call for a question-and-answer session.

Before we begin with prepared remarks, please note that statements made by the management team of S&W Seed Company during the course of this conference call may contain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 as amended and Section 21E of the Securities Exchange Act of 1934 as amended and such forward-looking statements are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements describe future expectations, plans, results or strategies and are generally preceded by words such as may, future, plan or planned, will or should, expected, anticipate, draft, eventually or projected. Listeners are cautioned that such statements are subject to a multitude of risks and uncertainties that could cause future circumstances, events, or results to differ materially from those projected in the forward looking statements, including the risks that actual results may differ materially from those projected in the forward-looking statements as a result of various factors and other risks identified in the Company's 10-K for the fiscal year ended June 30, 2021, and other filings made by the Company with the Securities and Exchange Commission.

With that said, let me turn the call over to Mark Wong, Chief Executive Officer for S&W Seed Company. Mark, please proceed.

Mark Wong

Thank you, Robert, and hello everyone who's on the call today. I would like to just start out by saying commodity prices around the world in agriculture are very, very high. We have sort of record corn, soybean, sorghum and wheat prices and as all of you know, because a significant piece of our business is actually on the continent of Australia where meat prices that would be beef and sheep prices drive kind of farmers' profitability. Those prices are also for proteins very, very high and so -- around the world, in our markets, we find ourselves in a situation where farmers, as we've talked about before, are now willing to pay for that incremental bushel of yield. I mean, at these kinds of returns for farmers, every bushel is a bushel they make money off of. So, in some markets, as we've discussed, when commodity prices are low, the farmer may manage his farm to sort of break even, but in a market like this, he's going a foot on the gas to get as much yield as he can and that's reflected in high demand for seeds in general and for S&W Seeds in particular. We will be seeing, in the 2022-year, price increases pretty much across the board. Some species, obviously prices will increase more than others, but price increases across the board and improving margins for S&W will result from that. That being said though, our strong year, this year is still being buffeted by some of the logistics problems that everyone's reading in the popular press.

These problems are really first generated by the shutdown of worldwide economies by COVID and now with the restarting of those economies and the huge demand being placed on trucking and shipping around the world. We are still feeling that and I would say, versus 12 months ago, I think it's not getting better, it's actually getting a bit worse, but we've also changed some of the things management-wise in the Company to try to deal with that, so we have organized our sales contracts so that some of the freight costs are now borne by our customers and we're doing things like cleaning our new crop seed as rapidly as possible, so we have cleaned to date in the Northern Hemisphere, about twice, at least -- twice as much, sometimes more than that seed than we had cleaned at this time last year and what helps us in the Northern Hemisphere is that we had a very good production season this year. We did not get any early frost and we did not get any rain on the crops, so all of that crop has been harvested in the Northern Hemisphere, U.S. production locations, and is in our two plants in Idaho and Texas now being cleaned.

So, because the shipments are still troubling, in terms of getting trucking companies and shipping lines to hold to a schedule, I thought it might be useful just to remind everybody kind



of where the problems for S&W are coming from, so if I can dive into a little bit more detail and this kind of reflects what I said on the last call, when we had a chance Matt and I to speak to all of you, so in the U.S., it's a Northern hemisphere cycle, we harvest in September and October and we sell in May and June, and in a normal year, we have plenty of time to clean the seed and get it ready and that's augmented also by the fact that we carryover some inventory in different varieties and hybrids and so we can ship to our customers both out of new crop harvest and out of carryover inventory. In the Australian home markets, so that's the continent of Australia, we have the same kind of thing, except it's a Southern Hemisphere production cycle and sales cycle. That's another one of our big home markets and it's a significant piece of our sales, and we have 12-14 salespeople in the field they're selling to distributors and dealers. So, the seasons are just opposite, so we are selling now into the Australian farmer customer network that we have, and we normally harvest in that sort of April and May period, and again, we sell out of carryover inventory. We have plants there that we operate ourselves where we receive and clean the seed, and so it's a much similar market to the U.S. and timing only a 6-month sort of delay.

The problem that we have is because we produce a majority of our alfalfa, and in this case it's the non-dormant alfalfa, the ones that are not grown in areas which have severe winter so that we don't need to provide alfalfa varieties that can survive winter because the winters are basically very mild. So, this is the Middle East. What we have is a Southern hemisphere production system, because we're harvesting and growing those crops, mainly an alfalfa in this example. In Australia, so we're harvesting in kind of April/May, but we've got a Northern Hemisphere, even though it's closer to the equator, Northern hemisphere planting season. So, these guys want to plant July -- August, July, sometimes, June and so we always are pressed to get the new crop cleaned in Australia and send it to our customers in the Middle East and a lot of times, we send the first shipments out of carryover inventory, and then the later shipments in the season where we have another 30 or 60 days, we send out of new crop and that will continue, but COVID and logistics issues have made those shipments, the ones that have a timing problem in terms of whether they make it into our fourth quarter or our first quarter of the next year, and so, as we'd happened in the 2021 year, those shipments did not make it into the '21 fiscal year, since we have end of June fiscal year, those shipments are in the '22 fiscal year, and Matt will talk a little bit about that in detail.

So, that's where our problem is. Not in the U.S. market or the Australia home markets, but in the Australia production of alfalfa that then goes from a Southern Hemisphere production cycle to a Northern Hemisphere sales cycle and so, that I just wanted to be specific is, the reason why our guidance of \$80 million to \$85 million is maybe a little bit lower as we talked about in our last call that some people expected and that's just because, we had 2021 sales move to the first quarter of '22, and we will have fourth quarter of '22 sales move to the first quarter of '23 fiscal year.

So, that we are not double counting those sales of alfalfa to the Middle East in one fiscal year. We're not counting them twice and the reason is that, a high demand, in addition to the logistics issues has almost eliminated all of our carryover inventory and so, most of the shipments will have to come out of new crop and it's going to be very, very difficult to get that crop clean and in the environment of logistics issues, get it on a boat and get it to the Middle East in the 2022 fiscal year. So, those shipments will be in the 2023 fiscal year. There is still plenty of time, even with shipping in July and August to get in September, even to get those crop bags of seed to our customers in Saudi.

We're not going to miss the planting season. It's just folding from one fiscal year to the next fiscal year for us, because of the short inventory situation, and that's a good thing because that just means there is high demand from our customers and the logistics issues that we are experiencing in trucking and containers, which is a bad thing, but we are trying to manage that by cleaning our seed as early as we can, paying attention to all the logistics issues, every time there is just even the hint from a trucking company or a shipping company that there is going to be a problem or sort of all over it now trying to look at alternatives and from a cost standpoint, we've passed some of those freight costs onto our customers.

So, I just wanted to touch on that and just absolutely spend a little bit of time, making sure everyone on the call understands why the guidance as Matt's going to tell you, which is still in that \$80 million to \$85 million range and with that said, I'll go on to a couple of high points. As I said, the farmers are very excited about what's happening this year. They're going to make money. So, demand for our seed is really high.

Our Double Team trait in sorghum, that's our herbicide resistance trait-controlled grass weed, is looking very, very strong. As I mentioned in the Northern Hemisphere, we usually set prices around December 1st and so, we're in the process of doing that, but we're hearing very strong reaction from our sales force that farmers were very, very impressed with the performance of Double Team in this past 2021 year, and we expect them to be pretty much sold out in the '22 fiscal year also.

So, Double Team is going really well, that's a big thing for S&W because margins are very strong on traits as all of you know, and we're very, very pleased with that and it also gives our salespeople something to talk about with their customers. Hopefully, it will drag along additional sales of other sorghum lines that we sell that are not Double Team. So, both Double Team and non-traded hybrid sorghum -- grain sorghum look like we're going to have a good year.

We are also, as I said, following the Monsanto strategy where we based on this strong demand, are pressing other seed companies to license the trait from us, and that continues to go well. I don't have any new news specifically to tell you right now, but there are some of the bigger players in grain sorghum now looking at the trade and in discussions with us about a license.

On the stevia front -- on the stevia front, as you all know, we signed the agreement with Ingredion. We have an agreement to ship containers of leaf to China to put it through their extraction plant and their purification plant. Those plants remain on schedule. We planted the crop in North Carolina this fall, and we will plant more acres in the spring and we expect to be able to meet those requirements for leaf, dry leaf that we are going to deliver to Ingredion in China. So, that all looks fantastic so far.

Again, that's just the beginning of a longer-term relationship where eventually, we hope that, we will -- we being Ingredion and S&W will embark to really build the U.S. market, which is supply market, which is the biggest demand market for stevia and that there will be a new production plant built in the U.S. to both extract and purify stevia from dry leaf, and that as our agreement with Ingredion indicates that we will be the supplier of that leaf to Ingredion over the next decade.

We've touched a little bit on margins, but I'll just say we're in the process of setting prices. As I mentioned in the U.S., we sort of do that in December, early December. We have set prices in Australia as we are selling into that Australian market and margins look good, and that's going to give you some indications of that and as the new prices hit in our big quarters, which is the third and fourth quarter, we expect margins to actually improve some more over what they currently are.

Lastly, I'd just like to say, it did attract some interest in the shares I think, when shareholders both current and potential saw that management and the Board stepped in to raise through a private placement, \$5 million of equity and we're pretty simple guys, so we just sell common; it wasn't any kind of high powered special equity. It's the same kind of shares that we've always sold and I am personally happy to say that I was also an investor in that round of 5 million and I just think that all the work that we have done as a management team is starting to really show in the form of better margins and our work in alfalfa in the Middle East with the market's coming back, our deal with stevia, with Ingredion and more -- the most important thing in the short term, it's our Double Team trait, which is going to add significantly to the financial returns in 2022.

So, with that, I'll turn the presentation over to Matt and then I'll conclude with a couple of comments. Matt, please?

Matthew Szot

Thanks Mark, and thanks to everyone joining us on the call this morning. Core revenue, which excludes revenue to Pioneer was \$15.5 million for the first quarter, an increase of 27% compared to \$12.2 million in the first quarter of the prior year. The increase in core revenue for the first quarter came primarily from the MENA and Australia regions.

Now, I want to clarify that core revenue and total revenue will be the same number in fiscal '22, but we still referenced core revenue as long as we are comparing against fiscal '21 numbers, as a point of reference our prior year Q1 results included revenue from Pioneer of approximately 1.6 million.

Now, as we discussed during our last call, the supply chain on logistical challenges resulted in approximately 5 million of sales orders that were originally expected to ship in Q4 of fiscal '21, to shift into the first quarter of fiscal '22. The limited availability of overseas containers that Mark talked about and just the ongoing congestion at the ports continued to delay shipments and really complicates our ability to precisely forecast the timing of shipments in any particular quarter.

At this point, we're expecting these dynamics to persist throughout the year. So, as we look to our annual fiscal '22 guidance, we are reiterating that core revenue and total revenue will be within a range of \$80 million to \$85 million. This estimate represents core revenue growth of approximately 15% to 20% year-over-year.

Now, as Mark mentioned, during our fiscal '21 year-end call in September, it's important for everyone to remember that despite the shift in revenue from '21 to '22, we are expecting a similar shift of revenue from '22 into '23, and as mentioned, we expect shipping challenges to



continue, which will likely impact the timing of our Middle East sales orders, which typically get shipped in that June time period.

So, as Mark discussed earlier, we also see additional risk of being able to process and ship the upcoming Australian harvest, which is coming out of the ground, roughly in the April timeframe, and therefore the timeline to harvest the seed, clean, package it and ship it is going to be likely more difficult this year than in the past. This is further impacted by the fact that this year we're going into the sales season with lower levels of carryover crop.

Now turning to gross margins, GAAP gross margins were 20.1%, compared to 12.9% in the prior year. Adjusted gross margins which excludes the impact of inventory write downs or 22.1% in the first quarter, compared to adjusted gross margins of 19.4% in the first quarter of the prior year. Now, despite the overall rising costs for shipping and transportation, we delivered higher gross margins in our alfalfa and pasture product lines this quarter.

As we previously mentioned, we are expecting gross margins in fiscal '22 to show solid improvement over '21. This improvement is expected to come from the various initiatives we've put in place, including the implementation of price increases, passing along the incremental cost of freight and transportation as well as focusing on several other operational efficiencies. We believe that the Q1 results reflect the early innings validation of the various initiatives that we are putting in place.

Now quickly turning to operating expenses. Our GAAP operating expenses for the first quarter of '22 were \$8.9 million compared to \$8.1 million in the first quarter of the prior year. During our call in September, we provided full year operating expense guidance, and I'll provide that recap again. So, we project full year fiscal '22 operating expenses as follows. SG&A to be approximately \$25.5 million, which includes non-cash stock-based compensation of approximately \$10 million. R&D to be approximately \$8 million and depreciation and amortization to be approximately \$6 million. So, as you can see, our Q1 actual operating expenses were lower than the Q1 pro-rata portion of our annual guidance. We're focused on holding and reducing operating expenses wherever possible, and of course, growing revenue on the margin line items.

Now at the EBITDA line, we had negative EBITDA of \$4 million for the current year -- I'm sorry for the current quarter, I should say, compared to negative EBITDA of \$4.6 million in the prior year. If we exclude the Pioneer contribution from last year's EBITDA, the year-over-year improvement to EBITDA is actually \$1 million. Please keep in mind that our Q1 and Q2 quarters are typically our slowest quarters. So, we expect to see a meaningful improvement in EBITDA as we move into the second half of the fiscal year.

Now, as we mentioned in the year-end call in September, given the impact of revenues and gross margins primarily from the logistical challenges in fiscal '21, we fell short of our adjusted EBITDA and cash flow targets in '21 and as a result, we worked with our lenders, and we entered into amendments and waivers with them to adjust the noncompliance with certain financial covenants as of June 30, 2021.

I'll point out that, we are in the final process of renewing our facility with our bank in Australia, and this new agreement will not only expand the size of our credit facility, but also extend the

maturity date to September of '23 and lastly, as Mark mentioned, and many of you seen in our recent disclosures, we did complete a \$5 million equity raise in October led by our Board and management. So, we're certainly pleased with the insider participation as we continue to work on improving the strength of our balance sheet.

So, with that, I'm going to turn the call back over to Mark.

Mark Wong

Thanks very much, Matt. I'd just like to remind people in my final comments here. The ag markets are very, very strong. At S&W, we expect it's going to have also a very strong year in 2022. We are working hard to get the Company to maximize our sales and profits and margins in the third and fourth quarter, which as Matt said are our big quarters and we expect seed volumes to be up and also prices to be up and as I said, we expect to be sold out of some of our hybrids and varieties in various species.

So, with that, I will turn the call back over to the operator, and Matt and I would be happy to take some questions. Thanks very much.

QUESTION AND ANSWERS

Operator

We would now begin the question-and-answer session. To ask a question, you may press star (*) then one (1) on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys and to withdraw your question, please press star (*) then two (2). At this time, we will pause momentarily to assemble our roster.

The first question will come from Sarkis Sherbetchyan with B. Riley Securities. Please go ahead.

Sarkis Sherbetchyan

Good morning, Mark and Matt. Thank you for taking my question here. I just wanted to start on the margins front. Clearly, the margin improvement should be tied to the sales line and typically in the fiscal year. The back half of your fiscal year is where the sales come. So, I guess, can you help me understand the cadence of the margin build, especially as you posted a 20% plus adjusted gross margin here in 1Q? How do we expect that to evolve as the year progresses?

Matthew Szot

Yes. Mark, do you want me to take this?

Mark Wong

Yeah, yeah, please.

Matthew Szot

So, Sarkis as we've talked about before, from a revenue perspective, keep in mind that, about roughly 70% of our revenues are on the back half of the year. For the first half of the year, particularly Q1 and Q2 are primarily dominator or concentrated with non-dormant alfalfa's sales orders, which you know are typically a lower margin crop.

Now, we are seeing pricing improvements in non-dormant alfalfa, particularly in the MENA region, that contributed to the gross margin improvement in Q1, probably a similar gross margin profile for Q2, because again it's primarily going to be concentrated in alfalfa.

Then certainly, as we move into the back half of the year, when we start selling more of our higher margin products particularly our Double Team sorghums and our other hybrid sorghums, the margin profile really ramps up. So, as we look to the full year, we are looking at roughly 25% margins. This answers your question Sarkis?

Sarkis Sherbetchyan

Yes, absolutely, very helpful there and then as far as just kind of the outlook on the ag markets, I think. Mark, you're calling out the record prices for some of the other grains, and then also the meat prices driving farmer profitability, especially in your Australia market, I guess, as you kind of look out and look at the other grains, are you seeing some of your crop lines become more competitive in the farmer's eyes? And how do you see those discussions playing out as your sales force goes out to sell products?

Matthew Szot

Yes. I think a rising tide is lifting all boats, as they say, and the high grain prices and farmer profits are really changing kind of the psyche of farmers. So, for a few years now, we have had low prices and farmers have been in survival sort of mode and governments have been paying big subsidies. So, this is really a fairly new thing in this cycle. It's the beginning of an up cycle, how long it's going to last itself. It's not really known Sarkis, but I think it's a great time to be buying ag stocks. Obviously, we all benefit from the farmer's ability to make money. I think our crops in particular, we try to focus on things that we can bring technology to, like our Double Team sorghum, which is, as I said, looking very, very high in demand and we also try to manage our portfolio with longer-term issues like water use and things like that in mind. We think it's very important for the long-term to basically always understand how much value is created for every unit of water and so, we do that analysis kind of on the crops that we decide to go into.

So, I think for us, trying to focus the Company on these high-demand kinds of things, carbon, obviously, it's important. So, we're looking at how we might participate in those markets, more clearly. Basically, how do you make more things in a plant? So that's another target that we're doing some work on. So, I don't think there's going to be obviously cement made in plants or steel made in plants, but other things, obviously, are made in plants today, like, the basic materials for some of the fuels and so, we're looking at all of those kinds of opportunity also.

I mean, the world is a changing place and for small companies like us with really experienced management who are getting a little, for myself at least, old in the tooth, but you have the experience to look at the markets and remember what happened over the last 40 years. It's just -- it's just fantastic to get up in the morning, come into the office, talk to our people. For



me, it's just the culmination of a lifetime's worth of work, and now the markets are giving us opportunities and by gosh, we're going to take some of them, so we're very optimistic.

Sarkis Sherbetchyan

Great. Thank you. That's all for me. I'll hop back in.

Operator

The next question will come from Ben Klieve with Lake Street Capital Markets. Please go ahead.

Ben Klieve

All right. Thanks for taking my questions. Just a couple of kind of high-level ones for me. One, Mark, you've talked a lot about kind of how robust the ag economy is now and farmers kind of making planting decisions, differently now that that commodity prices are up so nicely. Wondering, if you can talk a bit about how you see farmers considering the tradeoff between corn and sorghum particularly given how high nitrogen prices are? Are you guys seeing that your sorghum varieties are able to take acreage in an increasing manner from corn given the kind of underlying price dynamics in the market right now? Or am I over thinking it?

Mark Wong

No, you're not over thinking it Ben and you're showing -- your insight to the market, I think, which something we always appreciate when we talk to you. The whole sort of balance between corn and sorghum, I hope is going to be changing, but this is only the first year, really in what is hopefully going to be a cycle. I mean, in the 90s, I think there were ingrained sorghum, at least let's focus on that, and that's the most valuable sorghum family. There's also forage sorghum, but of grain sorghums, there was almost 20 million acres of grain sorghum in the U.S. at one point, and now it's down to sort of 6 million to 8 million and I think some of that's going to come back that's why the Double Team trait is so popular because it gives farmers the ability to substitute a sorghum for corn on sort of the same acre.

As you say, with corn has much higher input costs and much higher water costs, and so, I think the farmers making a portfolio decision and I think we're going to see a return of sorghum acres at some of the expense of other crops, some of it will be corn acres, some of it'll be soybean acres, some of it will be wheat acres, because remember sorghum in sort of a western part of the corn belt, where it's dry, so that's the Mississippi River to the Rocky Mountains, but I think we believe there is going to be a trend and we believe our ability to control weeds, which has been the problem that has eliminated acres historically versus corn as a crop choice for the farmers. We think that that's changing and we're hoping that's going to come back and if you, I'll send you some information on our advertising and stuff, but that's kind of the theme of our advertising, as sorghum is back as kind of the theme of this year sales program in the field. So, thanks.

Ben Klieve

Got it. That's interesting. Perfect. My other question regarding stevia, I believe I heard you say that you planted the kind of initial pilot plots in North Carolina in the fall and you're expecting more to come in spring. First of all, did I hear that correctly?

Mark Wong

You did.



Ben Klieve

Okay and then, I understand this is kind of a long process, but I'm curious if you can kind of elaborate on your expectations around communicating the results from those plots. Is this something that you think maybe, by the spring, we'll get kind of information on a yield on a per acre basis, from the plots that were just planted? Or is this going to be a longer-term thing that we need to just sit tight on?

Mark Wong

Well, we should have some preliminary information, I would think, by kind of the end of the fiscal year, the '22 fiscal year, but remember, we have got to harvest the crops, the stuff still has to grow. We don't make a stevia or any of our other crops, in a production plant. It is in the ground. Mother nature is doing all the work and so we've got to harvest that crop. We've got, and remember we do harvest these crops three seasons, sometimes six times, two times per season, but we've got to take leaf, dry it, send it to China, get through all of the issues of transportation and then get the data back in terms of extraction and then purification and look at the yields per ton of dry leaf of the different stevianoids that we are interested in producing. So, we'll have maybe some preliminary information by the end of this year, but remember, it is sort of the way we farm it, a three-year crop and the first year's information will be important, but we'll also be following up on the future years from the same acres.

My hope is that the U.S. market is the biggest market right now. It's maybe \$600 million of stevia ingredient sales, and it's going to food companies, beverage companies, baking companies, all of those pretty wide sector of companies that want to make use of stevia, since it's not a sugar that causes diabetes. So, we're still optimistic that at some point, especially with COVID and all of these issues of transportation, both just getting it there and then the cost of getting it there, right? In some cases, the container is costing us four or five times what it costs us last year to get it across the country, et cetera. So, what I'm saying is there is more and more cost savings in having the production as close to the market as it possibly can be, and I think that the wind's at our back and that production coming from China cannot last forever, especially pushing up against these high transportation costs and I think that there will be a source of purification and extraction in the U.S. for stevia leaf and that's going to come sooner than later, and that will be a good thing for Ingredion and for us.

Ben Klieve

Got you. Understood. Well, looking forward to that on, whenever we're able to get that information and good luck going forward with that. That's probably a good place for me to leave it. Thanks for taking my questions. I'll get back in queue.

Mark Wong

Yes, you're welcome.

Operator

The next question will come from Tom Harenburg with Carl M. Hennig, Inc. Please go ahead.

Tom Harenburg

Yes. Thanks for taking my question here. The carryover from the fourth quarter into the first quarter, was there any carryover from the first quarter into the second quarter?

Mark Wong

Well, Matt, maybe you should probably answer that.

Matthew Szot

Yes. So, good morning, Tom. So, to answer your question. Yes, the carryover from Q4 all was shipped out in Q1, but certainly, with these ongoing logistical challenges that we've been talking about, quite extensively, absolutely orders that typically would have been shipped in Q1 got pushed to Q2, and we'll likely see that sort of dynamic payoff for the remainder of the year.

Tom Harenburg

Can you give us an indication as to the approximate size?

Matthew Szot

Tom, it's really a moving target. I think what's most important is, we manage our business on an annual basis. What we're most concerned about is making sure, we get products to our customers in time for the planting season. Fortunately, at this point of time, we're not losing any sales. So, while things are moving from quarter-to-quarter, we are not missing the planting window for our customers, which is the most important thing that we're most focused on.

Tom Harenburg

Okay and can you give us an idea of what kind of yield you had on the sorghum here, in the North America this year?

Mark Wong

No, we can't, Tom. That's a company secret. We don't want to know -- people to know how many bags of seed we've got. I'm telling you; we're going to be sold out of some things and we are going to get our price for that because we took the risk on inventory.

Tom Harenburg

Absolutely.

Mark Wong

I'm being a bit facetious, but yields were good. The crop season was excellent this year. The bad things that can happen to you is, as you get closer to harvest, you can get a frost or you can rain, one of those two on your crop before you get it in the warehouse and get it under a roof and protection, right? None of those things happened. This was one of the best crop seasons for sorghum, and it's all in the barn now, it's all out of the field and we are cleaning seed like mad men.

Tom Harenburg

Excellent. Well, I appreciate a chance to ask the questions and we will look forward to you turning that into profits. Thanks much.

Mark Wong

Thank you. Thanks very much.



Operator

Again, if you have a question, please press star (*) then one (1). Our next question will come from Jonathon Fite with KMF Investments. Please go ahead.

Jonathon Fite

Hey. Good morning, Mark. Good morning, Matt. Thanks for taking my call.

Mark Wong

Good morning Jonathan.

Jonathon Fite

Just two quick questions. I wanted to understand if the October capital raise from your perspective kind of bridges you to the back half of the year as gross margins and EBITDA grow? Or if you think another capital raise maybe required some time over the fiscal year we continue to have negative EBITDA?

Mark Wong

Yes. Great question. Look, I'm a small company guy that has built companies starting with venture capital, right and so I push the balance sheet pretty hard. I just believe that the return that we generate from eventually the final returns that we generate from invested capital in S&W are going to be good, and I want to maximize those returns and so, I really keep a pretty short string on surplus cash. I mean, there isn't any ever, that's always -- Matt is a good CFO and that's always an issue in the sense of -- he and I sometimes differ on how much liquidity we really need, but we push it hard and I think that we have several different scenarios of things that we portfolio sort of decisions about where our focus is in the Company, that we're sort of working on, that we haven't announced yet, and obviously we raised enough money that there -- that we believe in the intermediate term that that will carry us through. We don't think for this fiscal year that we'll be raising any significant amounts of money. There might be a small amount raised for, if our growth is higher or something like that, but it's -- there's not going to be a big raise now.

Jonathon Fite

Okay. I appreciate that commentary, as we look over the next couple of years, especially as we kind of get into year two, years three of the Ingredion deal and assuming things go well there, and there is -- this opportunity to build a new production facility. Does any of the CapEx associated with that type of build-out fall on S&W shoulders or is that we're really providing the trait technology and that physical infrastructure build-out is really where our partners would be deploying their capital?

Mark Wong

Yes. I mean look we have a proprietary position based on the genetics of our varieties in stevia, that's unsalable. Like, there are no other companies to have stevia breeding programs like ours or have had them as long as ours. So that's why we did a deal with Ingredion, we see a benefit and obviously working with them, they have a long reach towards the final customers in food industry. It would be normal for them to build the production facility, but we're in discussions with them all the time about how much capital will it take and depending on sort of our projected returns and what those might look like for investing in a facility like that in the U.S., we've told them that we'd like to at least be part of the discussion about how the capital is

raised, and we haven't made any final decisions, but we wanted to keep that window open, but for us, it's based on returns because we and Ingredion are locked at the hip. I mean, there's no place else for us to sell to someone as big as Ingredion, and for Ingredion, there's nowhere else to get stevia leaf at the cost that we can produce it in the U.S., no one else can duplicate that.

Jonathon Fite

Interesting. Okay, we'll look forward to more updates along those lines. I appreciate your time guys.

Mark Wong

Sure, thanks.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to management for any closing remarks. Please go ahead.

CONCLUSION

Mark Wong

So, thank you, everyone for being on the call today. It is exciting times at S&W and in ag in general. These are the kind of years that we worked this hard to be part of, and it's much easier selling to a farmer customer, who has got a smile on his face because he is making money and so, look for good results from us this year and thank you for your interest in S&W. Bye, bye now.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

