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S&W Seed Company
(NASDAQ: SANW)

Fourth Quarter and Fiscal Year 2022 Financial Results Conference Call

Wednesday, September 28, 2022
11:00 A.M. Eastern

CORPORATE PARTICIPANTS

Mark Wong – President and Chief Executive Officer, S&W Seed Company
Betsy Horton – Chief Financial Officer, S&W Seed Company
Robert Blum – Managing Partner, Lytham Partners, LLC

PRESENTATION

Operator
Good morning, and welcome to the S&W Seed Company Fourth Quarter and Fiscal Year 2022 Financial Results Conference Call.

All participants will be in a listen-only mode. Should you need any assistance, please signal a conference specialist by pressing the "*" key, followed by "0". After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press "*", then "1" on your telephone keypad. To withdraw a question, please press "*", then "2". Please note that this event is being recorded.

I would now like to turn the conference over to Robert Blum with Lytham Partners. Please go ahead.

Robert Blum
All right. Thanks so much and thank you all for joining us today to discuss the financial results for S&W Seed Company for the fourth quarter and fiscal year 2022 ended June 30, 2022. With us on the call representing the company, today, are Mr. Mark Wong, President and Chief Executive Officer, and Betsy Horton, 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

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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, anticipates, 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 welcome everyone to the call. As you probably can tell, I've got a bit of a cold, so I apologize for any rasping that's there cough or too during the presentation, today. But I wanted to basically make the presentation, myself, and be available for all of your questions.

So, as I mentioned, in the press release, we remain focused on developing key centers of value we outlined in the last quarter, while moving to align our cost structure to support these key centers.

As a reminder of what we talked about last quarter, the key centers of value are first, our U.S. sorghum operations, which includes our lead value driver, Double Team, which is our next generation, GMO herbicide tolerant resistance trait solution.

Next, is our international forage business, which encompasses our historically profitable but lower margin alfalfa business, where S&W has a strong customer base and market share.

Third, our specialty crops, we are looking to leverage our unique and research and development and production capabilities in stevia and camelina.

And finally, our U.S. sorghum and alfalfa operations, where we have unique germplasm and valuable research and production facilities. In our opinion, each of these areas has value and that must be extracted by the management of S&W to move to profitability.

In addition to developing these four key centers of value, we need to align our cost structure and execute on various restructuring steps to drive the business towards profitability. On the cost alignment efforts, we have detailed the plan to remove $5 million from our operating expenses in fiscal 2023. We're implementing several of these steps to achieve our goals.

We are closing a joint venture that would combine wheat efforts in Australia with Trigall Genetics, which is a JV between Bioceres Corp Solutions and Florimond Desprez, which is a

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European wheat breeding company. We anticipate finalizing this deal during the second quarter of 2023.

Similarly, as we focus our activities on our key centers of value, we have rationalized our European Sunflower operations with approximately a 700,000 cost savings from that operation. We fully recognize that losing tens of millions of dollars per year is not a sustainable business model.

We will discuss the actions that should drive the company significantly closer to break even in fiscal 2023. And we are going to give, for the first time, our shareholders more detail on our EBITDA projections for 2023, our current fiscal year.

So, let me provide a quick update on our key centers of value. Excuse me, when I drink of water here. U.S. sorghum, the first, obviously, and biggest driver in 2023 is our U.S. sorghum business, which is led by our Double Team trait. We believe Double Team has the potential to revolutionize the sorghum market in the same way other weed control technologies have enhanced yields for crops such as corn, soybeans, and cotton.

As I have stated, the response from farmers has been tremendous to Double Team. As we enter fiscal 2023, in addition to selling Double Team in the S&W sorghum Partners brand, we're also looking at a number of private label opportunities, which we believe will expand distribution. We currently have nine potential private label partners filing Double Team.

The ability to leverage key private label partners and utilize their expertise and distribution systems in other key geographic areas should be highly beneficial to our market share gains in grain sorghum with Double Team.

Additionally, we are making a strong push into North Texas, Nebraska and Kansas with both Double Team, as well as our new conventional genetics, which all have top performance. While Double Team is clearly the key gem, our traditional sorghum genetics provide a number of advantages to farmers.

As a result, we have made some changes to our U.S. sales force, in order to staff five key grain sorghum states, including the ones I mentioned, and focus on Kansas, which is home to 50% of the U.S. grain sorghum acres planted last year, to drive sales within our sorghum portfolio product line.

One other key point is that Double Team introductions seem to be pulling sales of our traditional sorghum products, along with farmers. Ultimately, we believe the awareness of Double Team by farmers will lift the entire sorghum portfolio product line.

From a number standpoint, during last year, we sold about $3 million of DT. But as we have stated, one of the biggest limiting factors we have is availability of seed.

On that front, we have done a tremendous job maximizing our seed production and have taken steps to limit the natural risks of farming such as freezing and heat stress. Currently, we are not seeing any quality concerns at our ongoing production harvest, and we remain on track to hit our production targets that will support our sales projections.

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We are estimating revenue from Double Team in fiscal 2023 of approximately $12 million, an increase of $9 million from last year. Given the high profit profile, this should contribute to approximately a $6 million of incremental EBITDA to the bottom line. Betsy will provide more details and specifics in her presentation.

On traditional grain sorghum hybrids, there was a historic drought in West Texas and Oklahoma in the past season. Also, the war in the Ukraine and the record high corn prices impacted farmers' planting decisions, more farmers chose corn over sorghum and that we otherwise thought as the season was coming to a close.

These factors led to a decline in the U.S. sorghum acres by the drop of a million acres, rather than the increase that we had anticipated and, therefore, softer demand based on the lower planted acres for our sorghum products.

Without a repeat of the historic, extreme drought conditions, we expect some recovery of sorghum acres in 2023. Higher acres, overall, combined with farmer interest in DT leads us to expect over, year-over-year, volume increases to our traditional non-DT sorghum hybrids. We believe this will add up to a couple of million dollars in top line and about a $1 million in EBITDA.

Let me now take a drink of water, thank you, and get and talk a little bit about international forage. Our proprietary alfalfa seed and pasture products include such things as medic, sub clovers, annual clovers, batch, forage, cereals, grasses, which are addressing our non-U.S. global markets.

The key component to the value within this segment is the strong and diversified production and distribution capabilities, which distributors in our distributors in more than 30 countries provide in both the northern and southern hemisphere production.

However, this is also the area where we had the biggest revenue missed during the quarter, fourth quarter of 2022 and, ultimately, the year, as we continue to encounter logistical and operational challenges, which have resulted in the delay of shipments at the end of our fiscal year, due to the lack of shipping containers.

This is similar to what we encountered, last year. However, we did ship about $5 million in revenue that was expected in Q4 in Q1 of 2023. So, we are fully anticipating a strong Q1 revenue number. We continue to take proactive actions to prevent these types of delays from repeating in 2023. However, macro forces remain outside our control, given the tight timelines between harvest and shipment at the end of June.

This is the negative side; let me talk about a few positive things. We believe the market for international forage products remain strong and expect to capture the vast majority of any sales and able to be shipped last fiscal year.

Further, global non-dormant alfalfa demand remains strong, and we see average selling prices being 30% higher, year-over-year. Additionally, a third consecutive La Niña has been declared for Australia, which we--which will bring above average rainfall for the year and will improve demand for quick seed options, such as cereals and grasses.

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The driver in International however, is alfalfa pricing. As I mentioned, pricing is up, and we expect to benefit from this in the coming year. We believe we are on a better position this year and should benefit from the global supply and demand dynamics.

Clearly, the logistical issues remain a concern, but we remain optimistic for improved results within the area in fiscal 2023. Betsy will expand on the guidance assumptions. And we think there are upside potential in both the top line and the bottom lines in our international forage operations.

Now a bit about the U.S. forage markets. In the U.S. segment, we basically see steady as it goes. We have a nice base of business within the segment, as key customers desire our germplasm base with its emphasis on high yield and forage quality resistance to diseases and stress.

Operationally, between about $10 (million) to $11 million or so dollars in annual revenue is what we continue to expect. However, beyond the germplasm base, the real assets here remain our breeding station and processing facilities in Napa, Idaho, which we believe we can utilize in the biofuels space with crops such as camelina

In the specialty crop area, as I've said before, we do have interest from many oil potential oil company partners for biofuel production, which leverages our capabilities in breeding, production, processing of the seed, cleaning it and packaging of camelina.

As I stated, we are a fully capable, integrated global seed company with specific expertise in breeding, production, sales and distribution of small seeds, and specialty crops, including camelina, which are highly desirable for biofuel production.

With that in mind, we are planting 300 acres of camelina this fall for seed harvest, next year. It is our goal to enter the camelina market as a seed and technology provider. We are optimistic that there is a mutual beneficial partnership to be had in the future. I look forward to providing more information to you all in the next quarter.

In Stevia, our other specialty crop, we continue to work with Ingredion. We had a 30-acre pilot plot production in 2022 in North Carolina, which we harvested in the fourth quarter of ‘22, followed by a full-scale harvest in 2023. Remember that our model we harvest the crop for about three years, where in China they only harvest the Stevia for one year.

We also had a 40-acre expansion planned in 2023. We are similarly working through transportation logistics here. The goal is to get the leaf from the U.S. production and have it converted by Ingredion to consumer grade Stevia in 2023. I'll have more to report on this partnership in the third and fourth quarters of 2023.

Let's talk a little bit at a high level, looking forward to fiscal '23. I believe there will be a pickup in our sorghum operations led by high margin Double Team trade products. We think that a $12 million uptick in this business is very reasonable, which $9 million is DT related and a few million from our traditional products, our sorghum products.

All this could drop around $7 million to the bottom line. We think there's upside potential in our international forage operations, driven, both by pricing and volume.

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The high end of our assumptions calls for about $10 million in growth. The low end calls for continued difficulty, due to macro logistics issues that I mentioned, before. The $10 million growth here could drop significantly to the EBITDA outline, and Betsy will give you some details on that, also.

Within U.S. forage we believe the current $11 million is a reasonable base of sales. Further, with the cost reductions we have made in OpEx, coupled with the elimination of LCM charges--and I think that we'll give you some more detail on, that too--we will have a good shot at reducing our losses and profitability for the 2024 fiscal year.

We believe our goals and assumptions are highly attainable. We are working hard to execute to make them a reality. And I want to point out that we have made zero assumptions for any biofuel or stevia related agreements in fiscal year 2023 assumptions, which may provide additional upside to S&W.

Let me now turn the presentation over to Betsy and she'll go through some of the numbers, and then we'll be happy to conclude and answer some of your questions. Betsy, please take over the presentation. Thank you.

Betsy Horton
Thanks, Mark. And thanks to everyone joining us on the call this morning. Let's start on the revenue line. Core revenue, which excludes revenue to Pioneer, was $71.4 million for the year, an increase of 2.1%, compared to $69.9 million in the prior year.

The increase in core revenue for fiscal 2022 can be primarily attributed to increased sales of alfalfa into the Middle East region, partially offset by lower pasture product sales in Australia, and a slight decline in service revenue for treating and packaging services.

In the fourth quarter, core revenue was $20 million, compared to $22.8 million a year ago. The decrease here was the result of shipments within our international forage business that were unable to be made, due to the logistical challenges that Mark discussed.

We referenced this risk during our third quarter call and, unfortunately, it came to fruition. However, we did see about $5 million of revenue ship in July. So,, we are seeing a strong revenue number of $18 million plus for Q1 of FY '23. For your reference, we only had about $15.5 million of core revenue in Q1 of '22 and $12.2 million core revenue in Q1 of '21.

An important note we've made in the past that I want to reiterate one last time, core revenue and total revenue was the same number in fiscal 2022. The Pioneer agreement was completed in the third quarter of fiscal 2021, so the fourth quarter of both periods were not affected by Pioneer.

However, fiscal 2021 as a whole had revenue of $14.2 million, bringing total revenue for fiscal 21 to $84 million. Going forward, there will not be a reference in our financials to core revenue on a comparable basis.

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Next, I want to discuss our FY '23 revenue guidance, which is currently a range of $80 (million) to $92 million. So, as we look to bridge from $71 million in fiscal '22 to $80 (million) to $92 million in 2023, we are making the following growth assumptions.

On the low end of the guidance, we are simply taking into account $9 million in incremental revenue growth attributable to Double Team and a flat revenue in the rest of our operations.

At the higher end of the guidance, we are taking into account approximately $9 million in growth from international forage operations, with about half coming in from pricing improvements and half coming from volume. And then about $3 million in growth from our traditional non-DT related sorghum operations.

Now, turning to margins. GAAP gross margins were 8.9% in fiscal 2022, compared to 16.3% in the prior year. Adjusted gross margins, which excludes the impact of inventory write-downs, were 17.8% in fiscal 2022, compared to adjusted gross margins of 18% in the prior year.

However, if we were to exclude the contributions from Pioneer from last year's results, which again, were not repeated this year, adjusted gross margins last year would have only been 16%. So, without Pioneer and excluding inventory write-downs, our gross margins improved from 16% to 17.8%.

I do want to take a moment to address the inventory write-down in Q4 of $4.5 million. As we discussed in Q3, we have been very focused on inventory management and really digging into our inventory valuation.

In Q3, we established a reserve process, whereby we match the timing of the reserve with the revenue generation period of the lifecycle of each hybrid. At that time, we believe the plan to build that reserve over the coming year was sufficient to cover future write-downs.

However, the severe drought in Texas and Oklahoma, as well as the global commodity disruption resulting from the war in Ukraine, drove softer demand for our traditional sorghum hybrids in Q4. This, combined with lower germination rates for inventory at year end, led us to, proactively, reduce our inventory values.

We know that inventory management is so incredibly critical for our industry. And we are very focused on improving our lifecycle management, so we can avoid these big write downs in the future.

We have a multi-point strategy to address this issue, which includes, among other things, number one: streamlining our portfolio with fewer hybrids but larger volumes; two, aligning our U.S. and Mexico portfolios to extend the opportunity to sell hybrids for an additional two planting seasons in Mexico; three, pricing strategically to sell products earlier in their lifecycle; four, improving our forecasting; and five, enhancing our seed production quality and storage procedures.

And like I mentioned last quarter, having some inventory write downs is part of participating in the seed industry. However, through this reserve methodology and our lifecycle management efforts, we should avoid these large one-time impacts.

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We do have a solid reserve in place that we think reflects an appropriate amount for the lifecycle of our inventory on hand. I assure you this will continue to be an area of focus to drive meaningful improvements, so this one-time sizeable amount does not repeat.

With that, part of the EBITDA improvement expectations we have is the reduction of our lower of cost or market charges of approximately $5 million in fiscal 2023. I will provide a full EBITDA bridge, shortly.

Now let's transition to operating expenses. Our GAAP operating expenses for fiscal 2022 were $39.2 million, compared to $33.9 in the prior year. Of the $39.2 million, SG&A R&D comprised of $32.2 million with $5.5 million of depreciation and amortization and $1.5 million from a goodwill impairment charge.

This compared to $30.4 million in SG&A and R&D operating expenses in fiscal '21. The $1.8 million increase, year-over-year, is largely attributable to approximately $2.5 million in expenses related to change in executive leadership and other severance, offset by reduced R&D spend in our now shuttered Sunflower program. So when adjusting for all those non repeating items, we were nearly flat on a year over year basis.

The $1.5 million impairment charge related to the full impairment of the company's goodwill was a result of the sustained decline in the market capitalization of our common stock, during the fourth quarter of the fiscal year ended June 30, 2022.

Looking back at the R&D and SG&A related expense, as we communicated last quarter and Mark touched on again today, it is our goal to decrease those expenses, by $5 million. We have already implemented some changes to make this a reality, including a reduction in force, back in June.

We believe operating expenses, excluding stock-based comp, will be about $25 million. This $5 million decrease is another significant contributor to our improvement in adjusted EBITDA expected in fiscal 2023.

At the adjusted EBITDA line, we had a negative EBITDA of $23.8 million for fiscal 2022, compared to negative EBITDA of $13.1 million in the prior year. A full reconciliation of adjusted EBITDA is in the press release.

Let's bridge this out to see how we look to achieve our adjusted EBITDA guidance in fiscal 2023. Let's start with the high end of our assumptions, which is a $2 million adjusted EBITDA loss for the year.

Starting at a negative EBITDA of $24 million for 2022, we believe we will see the following: a $5 million improvement to our LCM charges, $7 million in incremental gross profit, due to DT and traditional sorghum revenue growth; a $5 million improvement in international forage gross profit, due to both the higher end of our expected growth, as well as overall improvements on our production costs; and $5 million in improvements from our cuts to operating expenses. All of that gets us to a $2 million adjusted EBITDA loss for FY '23

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For the low end of our EBITDA guidance, I'll remind you what we did for the low end of our revenue guidance. We simply took into account incremental revenue growth attributable to Double Team and assumed flat revenue in the rest of our operations. On the low end of our range for EBITDA, we did the same and assumed only growth in DT, which would be $6 million EBITDA.

We made some additional assumptions. $2 million of the international forage benefit would be captured, due to increase in margins. And between our lower of cost or market charges and OpEx combined, we have $9 million of benefit versus 2022. This would end with an adjusted EBITDA loss of about $7 million.

We know these are only assumptions and that there are a tremendous number of variables, but we believe it is important for our investors to understand the methodology behind the numbers we provided.

Now, let's talk about our financing. As you would have seen from the 8-K we filed earlier this week, we have amended a couple of our financing agreements. MFP, our largest shareholder, continues to show their belief in S&W by issuing a $9 million standby letter of credit to back our CIBC facility.

We felt this was a relatively non-dilutive way to improve our balance sheet. And we, thoroughly, appreciate the ongoing support from MFP. CIBC partnered with us to adjust our facility to meet our needs, as we continue to actively pursue refinancing with a new lender.

As I mentioned last quarter, we feel that a non-bank lender is a better fit for us at this point in time and expect to close a new deal, prior to the maturity of the CIBC facility at the end of the calendar year.

We know there's a lot of work ahead of us. But I continue to believe that we are making the right changes and improvements that, over time, will play out in our results.

With that, I will turn the call back over to Mark.

Mark Wong
Thank you, Betsy. Let me just conclude with a few remarks. We remain, first, focused on developing the key centers of value that I have outlined in the last quarter, which I've gone through here in today's presentation.

Double Team, for sure, is everything we expected it to be and will be a significant driver for our business in fiscal 2023, and beyond. We believe there's tremendous value in our other key operating centers, both from an operating perspective, as well as asset perspective.

Finally, we see some potential upside with our specialty crops that may be the real driver for our business in the years to come. And as I have said to you in past calls, both stevia and camelina, I think, are going to be big, big opportunities for S&W.

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So, kind of looking back, I've spent kind of the five years with your management team, looking for long term value in the seed industry. We believe our four key centers for value will bring S&W to long term profitability. And I'd just like to leave you with a thought, today.

A good friend of mine just recently told me, and I quote, "Judge each day, not by the harvest you reap, but by the seeds you plant." And I think that's a valuable lesson to remember about S&W.

But that's--the harvest is yet to come, and all of the seeds of value have been planted and are now in the ground and will produce a bountiful harvest in the future. So, thank you all for joining us, today.

And I apologize, again, for my cold. But I hope that you could understand what I was saying, and I wasn't too hoarse, and I will look forward to questions. And I turn the presentation back over to the operator, who will organize the questions. Thanks so much, everybody.

QUESTION AND ANSWERS

Operator
We will now begin the question-and-answers session. To ask a question, you may press "*", then "1" on your telephone keypad. If you are using a speaker phone, please pick up your handset, before pressing the keys. To withdraw your question, please press "*", then "2".

At this time, we will pause momentarily to assemble our roster. Our first question here will come from Ben Klieve, with Lake Street. Please go ahead.

Ben Klieve
All right. Thanks for taking my questions. First, I have a question on the fourth quarter performance on—particularly, on the revenue line. You both commented about a $5 million revenue contribution here getting pushed from Q4 to Q1. But there's still a bit of a delta relative to what I think we're looking for in the reality.

So, my question is, did you have kind of material sales that you were expecting in the kind of towards the end of the fiscal year that didn't come to fruition? Or did you have material sales that you were expecting that were unable to be shipped and, ultimately, lost? What other headwinds did you face at the end of the quarter that weren't just simply pushed into the first quarter?

Mark Wong
Betsy, you want to try to take that one from Ben?

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Betsy Horton
Yeah, sure. Thanks for the question, Ben. I would say it was, in addition to the international shipping issues that we had on the alfalfa side, we also--the softness that we talked about in the traditional sorghum, and just sorghum, overall, and the sorghum market also hurt our revenue in Q4.

I would say, too, the international shipping delays, the five came right away in July. And we've seen additional amounts kind of trickle through. But the combination of the shipping delays and the sorghum, softness and demand were the two things that had us missing our guidance for last year.

Ben Klieve
Okay. And then, on the various cost rationalization estimates, can you talk a bit about, kind of how flat lined your expectations are for those, for that $5 million number? Is that something that we should look for right away? Or is that going to be kind of backhand loaded, towards the end of the year? How, and what timing on that, Betsy?

Betsy Horton
Yeah, it s out, throughout the year. Like I mentioned, we took some action right at the end of last year, beginning of this year, both with reduction in force that we did. We also have the Hungary shutdown of sunflower that will be part of that number.

And then there's some other actions that we're continuing to take, throughout the year. So, I would say you'll start to see it right away, but not the full amount, all at once.

Ben Klieve
Okay. Very good. And then on kind of revenue expectations for '23. Great to hear that the trajectory of Double Team sorghum, wondering what, if any, contributions you have baked into those numbers for other kind of next generation products in the pipeline, namely IQ alfalfa and the dhurrin-free sorghum. Are those in there at all, or is that that not expected until '24, or beyond?

Betsy Horton
That is not expected in a material way. Oh, go ahead.

Mark Wong
No, go ahead, Betsy. That's exactly what I was going to say. Go ahead.

Betsy Horton
Yeah, exactly. We expect a test launch of Dhurrin-free in the coming year, but nothing is baked into those numbers. And we expect that more in fiscal year '24.

Ben Klieve
Okay, so, and also alfalfa, is that on the table at this point for a commercial launch in the next couple of years? Or is that something that, given market conditions with the alfalfa space is kind of a lower priority item, at this point?

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Mark Wong
Yeah, I think it's a lower priority, Ben, at this point. The alfalfa business is pretty rough in the U.S. It varies, obviously, wherever you are in the world, but the international business is very strong with rising prices in the U.S. businesses continuing to shrink in acres.

It's really competition with distillers grains feeding. So, most of the dairy farmers are using distillers grains, because they're a little bit cheaper than alfalfa. So, alfalfa seeded acres continue to go down. So, the U.S. alfalfa market is, frankly, weak on an overall basis, and while the international markets remain strong.

Ben Klieve
Okay, very good. One more for me, and then I'll jump back in queue. We're going to talk camelina initiatives. Three hundred acres being planted here in coming weeks or months is more than I expected. Do you have some kind of a scale expectation for what that will enable you to plant at this time, next year? And kind of expectations then around would a commercial launch potentially come this time next year, or maybe the following year, or beyond.

Mark Wong
Yeah, as you know, the biofuels market, and that market is now defined not just as ethanol, corn starch being converted to alcohol. But growing of these crops, which are oilseed crops, like camelina as a second crop after a food crop. That's a really big market, right now. And there's a lot of capacity going in to produce diesel fuel from these kinds of vegetable oils.

And we think that that's going to be a very lucrative market, certainly for the next five years. And so, we're ramping up production. 300 acres camelina has a fairly high multiplication rate.

And so, 300 acres is a lot of acres. We'll be able to grow some grain, camelina grain acres so that would be what farmers will be producing to be crushed for camelina oil that will be taken to one of these biodiesel plants for conversion to diesel fuel. And then, we'll also be able to trial some new varieties, just keep and continue to build the program, as we think that demand is going to be super strong.

Ben Klieve
Okay, very good. Well, Mark, feel better soon. And that's with all these ongoing initiatives and thanks for taking my questions. I'll get back in queue.

Mark Wong
Thanks so much.

Operator
Again, if you have a question, please press "*", then "1" to join the question queue.

Our next question here will come from Arvind Mallik with KMF Investments. Please go ahead.

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Arvind Mallik
Yes, thank you for taking my question. Mark and Betsy, thank you for all of your efforts amid these challenging circumstances, and to your team, as well. As long-term shareholders, we're definitely glad to see the non-dilutive financing agreement. So, great to see that with MFP support, and others.

I had a related question. Between these financing agreements, and the prospect of improved sales during the current fiscal year, do you--are you expecting to be able to avoid further dilution at the stock level, or at least minimize it in the next few quarters from cash generation?

Betsy Horton
Hi, Arvind. Thanks.

Mark Wong
Yeah, well, go ahead.

Betsy Horton
Thanks for the question. Yes, and we definitely look for a way to do the financing agreement in a way that was certainly less dilutive than issuing equity. Moving to a non-bank lender, which is what we're working on right now, before the refinance of the CIBC facility at the end of December, is a way to really maximize our borrowing capacity under our balance sheet. We have quite a bit of inventory that we are not borrowing against today, that I think would allow us to have a financing agreement that would carry us through.

And certainly, the goal is to not issue more equity. I can't say--we have an active ATM program. And we use it as a tool in our toolkit. But the plan is to--we take it very seriously, the decisions to use that and are trying to avoid it and look for other ways to take care of the financing needs, as we move toward EBITDA positive and then cash flow positive after that.

Arvind Mallik
That's great to hear. Just bridging between the short term to long term picture, appreciate the commentary about the inventory write-off explanation and the EBITDA bridge that you walked us through.

But I wanted to kind of bridge that over to--about a year ago, you had a great presentation, talking about the long-term vision for the company and the financial aspects of that. You had a three-year, five-year 10-year type of picture. I know that the near term has been clouded by logistical challenges, in particular, but do you have any thoughts on what the longer-term earning power, I'm looking back at your slides from November of 2021 around getting to 35% gross margins and 10% EBITDA margin, and of course, significant revenue growth. Do you see that longer term trajectory as still sound, or do you feel some sort of a course correction to that is likely?

Mark Wong
Yeah, let me try to answer that for you, Arvind, because that was pre-Betsy joining the company and I was the one who sort of put that together with the management team in 2021.

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So, the original idea of that projection was to look forward three and five years and to give our investors an idea of what, really, the opportunity and capability of our proprietary research program was going to be.

When we did that projection, we knew that Double Team, at least we had hoped that Double Team was going to take off like we think it is going to now. So, that was baked into the projections. We've done a lot of work, since that projection was put in place. And so, some of the new work on some of the other traits, like Dhurrin-free, was not named as a line item in there. And certainly, we didn't expect that camelina was going to take off.

All of the work that the big oil companies have been doing in camelina has been just in this last past year. And so, there's always new information. Some of its good, some of it, bad most of it’s good in terms of that projection and where we find ourselves.

And I would say that that projection is probably pretty spot on still, in terms of the sales that are coming from proprietary products that we develop ourselves. And so, the margins and sales numbers are pretty good on that sector. But we also had built in a faster growth rate on some of our businesses, internationally, in forages.

And even in the U.S., we did not expect the alfalfa situation to turn so negative. So, we had more aggressive numbers on sales of traditional product lines. And so, those probably are not going to be as high. But I think that the camelina opportunity is going to make up for those.

We’re thinking about issuing a new three-five-year view of what investors should think, when they think about S&W. We may do that towards the end of 2023, when we see a little bit more better picture of where camelina and where stevia are going to land. We think that's going to be an important part of those projections.

And so, the projections in general, they're pretty close to where we think we're going to be. The makeups a bit different, more sales on things like camelina, lower sales on things like forages. But in general, the numbers, especially the profit numbers are probably still pretty close.

Arvind Mallik
Thanks, Mark. That's really helpful. And given those projections, the stock clearly is extremely undervalued. So, we're eager to hear about how the plans for the company to unlock that value and for shareholders. So we'll definitely appreciate hearing more from you and Betsy on that in coming quarters, and then perhaps, end of this fiscal year. Thank you very much.

Mark Wong
Yeah, thank you for that comment. We certainly believe that the stock is undervalued. The programs that we've outlined in the last couple of years take a long time to get a foothold. And then to get a running start, we think now we're in the phase of the company where a lot of those programs are in a running start, in the sense that DT is taking off, that margins are improving in our forage business, internationally, and that camelina is going to be a big mover and shaker for us in future years.

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So, look, we're all part of this whole financial markets with a changeover from cheap interest rates by the Fed to high interest rates by the Fed and what that's doing to bond and stock markets. We all understand that.

So, we appreciate that, but I have to admit that it makes things difficult and that's, hence, my comment at the end of our presentation in the summary is, we've worked hard to create these opportunities; now, we need to harvest them.

And we need to show people that we can make money on EBITDA, and as Betsy said, a cash flow basis, that we can be a self-sustaining company without taking a huge amount more of dilution. We think we can do that. And we think that our stock is horribly undervalued.

But I'm sure a lot of other companies also think that their stock is horribly undervalued in this market. So, we don't really think that we're alone there. But we would hope that investors would give us a chance. I know it's been a long road, especially for people like yourself who have held our stock, for a while. But please don't give up on us. The best is yet to come, for sure.

Arvind Mallik
Well, thank you very much. Appreciate it.

CONCLUSION

Operator
This will conclude our question-and-answer session. I would like to turn the conference back over to management for any closing remarks.

Mark Wong
Thanks very much, Operator, and I would just like to thank everyone for being on the call today. We presented our first guidance to not only sales but EBITDA because we felt that it was really important for investors to understand how we were going from these large losses to more profitability and then profitability in the next couple of years.

So, we hope that that story got across, and we look forward to having future discussions with any of our shareholders or potential shareholders. It is, I think, a wonderful story but a complicated story. And thanks, everybody for being on the call, today. Bye-bye now.

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

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