



SELECT HARVESTS

Select Harvests Limited (ASX:SHV)

2018 Annual General Meeting - Capitalising on Growth

29 November 2018



Disclaimer & Basis of Preparation

This presentation is provided for information purposes only and has been prepared using information provided by the company. The information contained in this presentation is not intended to be relied upon as advice to investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should consider their own individual investment and financial circumstances in relation to any investment decision.

Certain statements contained in this presentation may constitute forward-looking statements or statements about future matters that are based upon information known and assumptions made as of the date of this presentation. These statements are subject to risks and uncertainties. Actual results may differ materially from any future results or performance expressed, predicted or implied by the statements contained in this presentation.

The Select Harvests Limited financial statements are prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. This includes application of AASB 141 Agriculture in accounting for the current year almond crop, which is classified as a biological asset. In applying this standard to determine the value of the current year crop, the Company makes various assumptions at the balance date as the selling price of the crop can only be estimated and the actual crop yield will not be known until it is completely processed and sold. The resulting accounting estimates will, by definition, seldom equal the related actual results, and have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Michael Iwaniw

Chairman



Agenda

- Chairman's Address
- Managing Director's Address
- AGM Resolutions

Select Harvests Board

- Michael Iwaniw, Chairman, Appointed Chairman November 2011
- Michael Carroll, Non-Executive Director, Appointed March 2009*
- Fred Grimwade, Non-Executive Director, Appointed July 2010*
- Nicki Anderson, Non-Executive Director, Appointed January 2016
- Fiona Bennett, Non-Executive Director, Appointed July 2017
- Paul Thompson, Managing Director, Appointed July 2012

*Standing for election

FY18 Financial Overview

Almond Volume

15,700 MT

↑ 11.3%

Maturity profile continues to deliver underlying volume growth

EBITDA¹

\$51.7 m

↑ 62.3%

Due to higher almond volumes, pricing and lower costs

Operating Cashflows

\$18.3 m

↑ \$13.6 m

Result of higher earnings and working capital management

NPAT

\$20.4 m

↑ 120.3 %

With strong contribution from the Almond Division

Net Debt²

\$70.8 m

↓ \$75.1 m

Balance sheet replenished, debt levels are low and gearing is strong

EPS

23.2 cps

↑ 84.1 %

November 2017 Capital Raising increased shares on issue to 95.5 m

¹ - Non-IFRS measure used by the company are relevant because they are consistent with measures used internally by management and by some in the investment community to assess the operating performance of the business. The non-IFRS measures have not been subject to audit or review.

² - Net Debt includes Finance Lease Liabilities

Improved result due to increased almond volumes, higher almond prices and lower costs of production

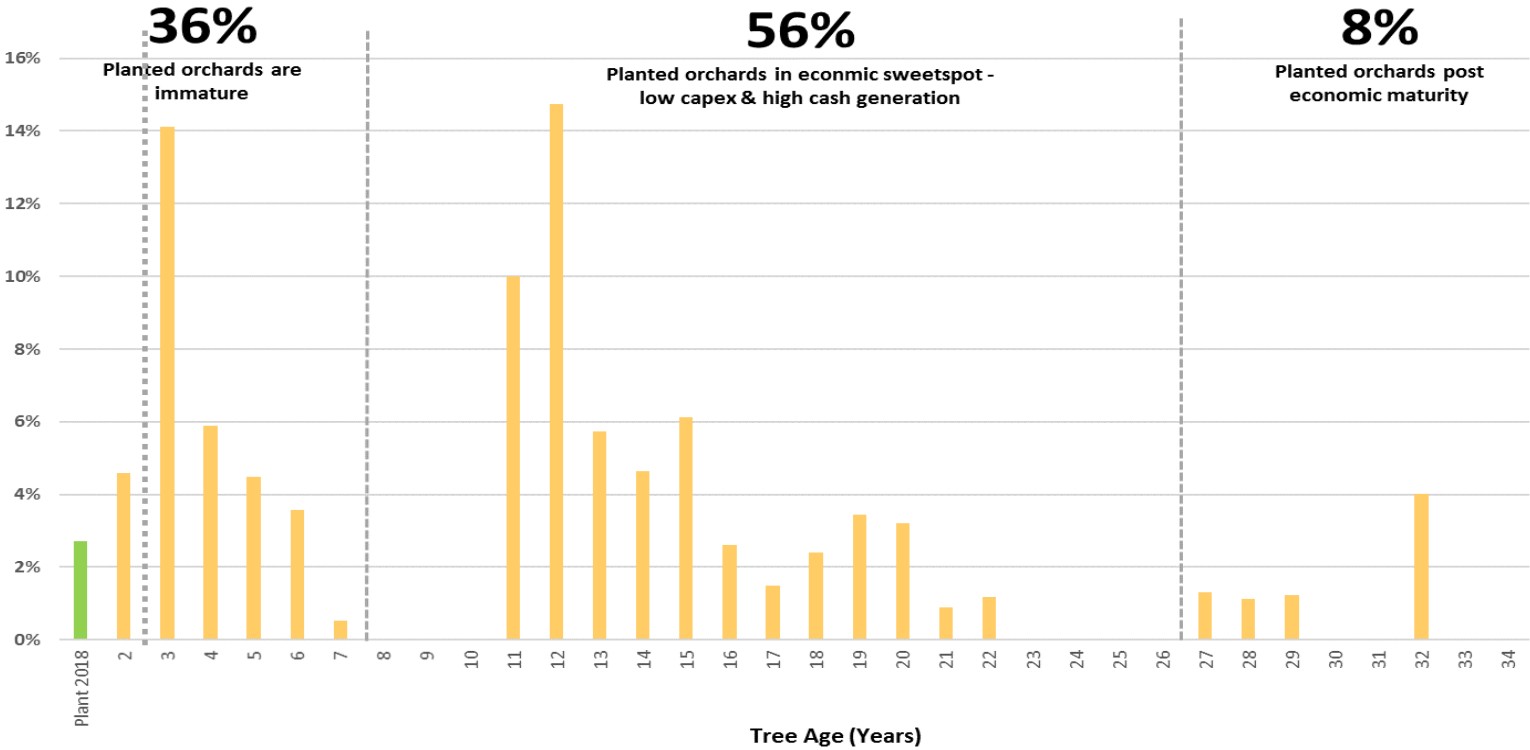


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Select Harvests – Orchard Age Profile

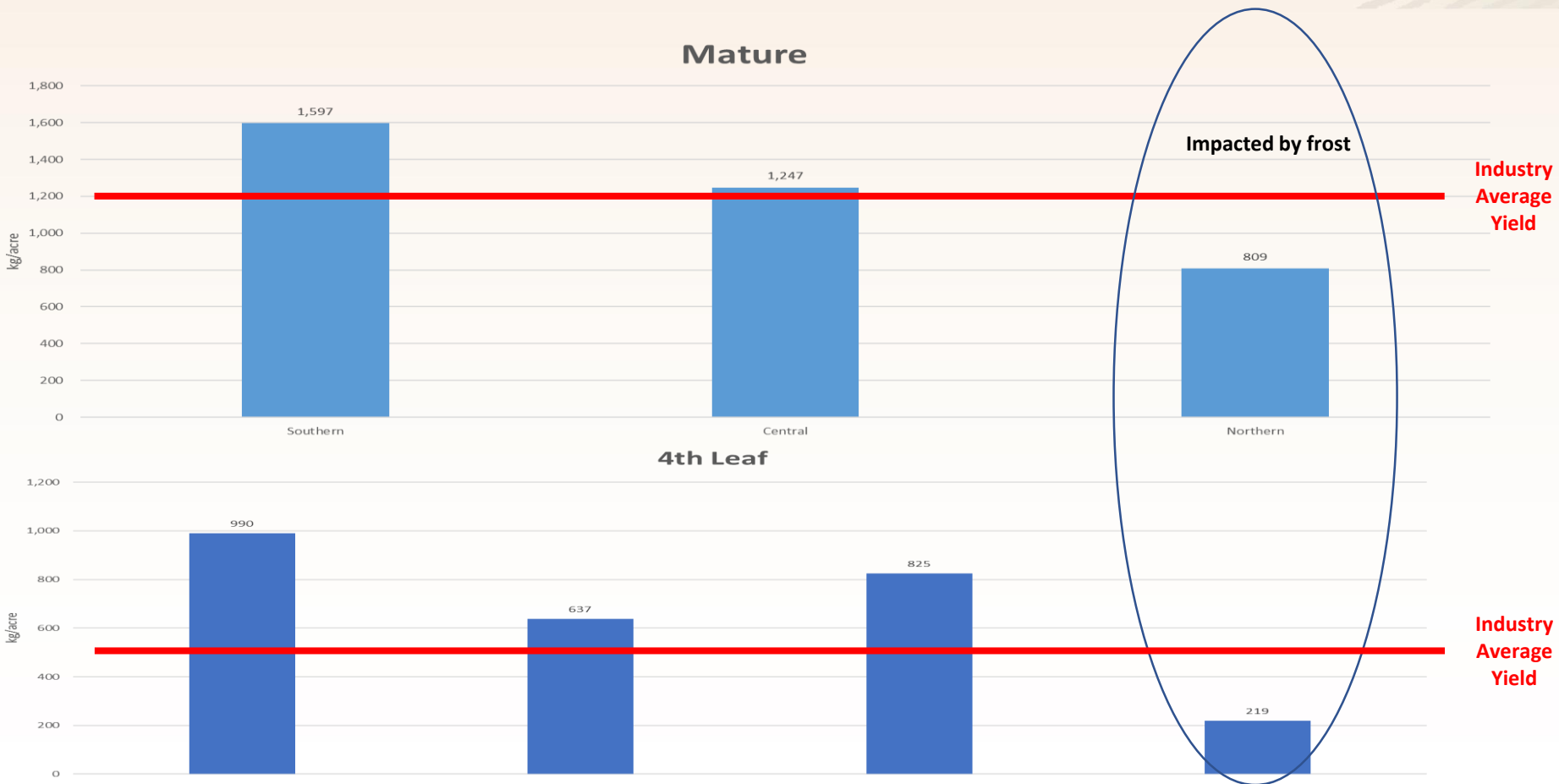
Age Profile of SHV Almond Orchard Portfolio
79% of current planted acres are cash generative



Growth and improvement occurred in SHV orchard portfolio in recent years - acquisition, replants, greenfields



Almond Division - Yield Performance

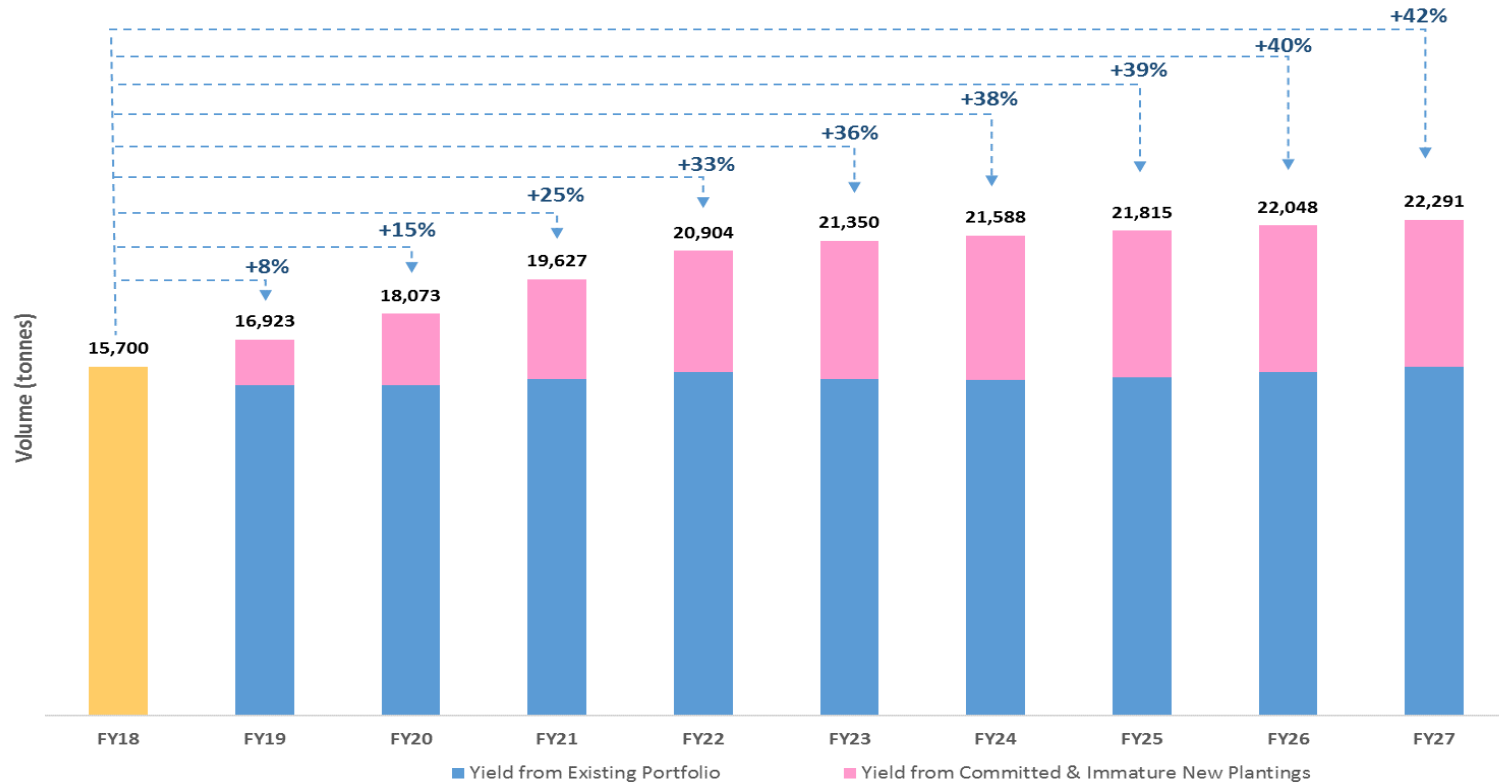


Strong performance vs Industry Standard across all immature age cohorts

Almond Volume Growth

SHV Theoretical Harvest Volume 2018-2027

(Basis: 1.2 Tonnes per Acre at Maturity Yield)



Investment in almond orchards ensures underlying organic earnings growth

Select Harvests Brand Presence in Asia



	India	China	Indonesia	Japan	Philippines	Thailand	Malaysia	Taiwan	PNG	Singapore	Brunei	Middle East	New Zealand
Lucky													
Sunsol													
NuVitality													
Renshaw													
Allinga Farms (inc. Inshell & Bulk Almonds)													

Our branded products are currently distributed across 13 countries in Asia



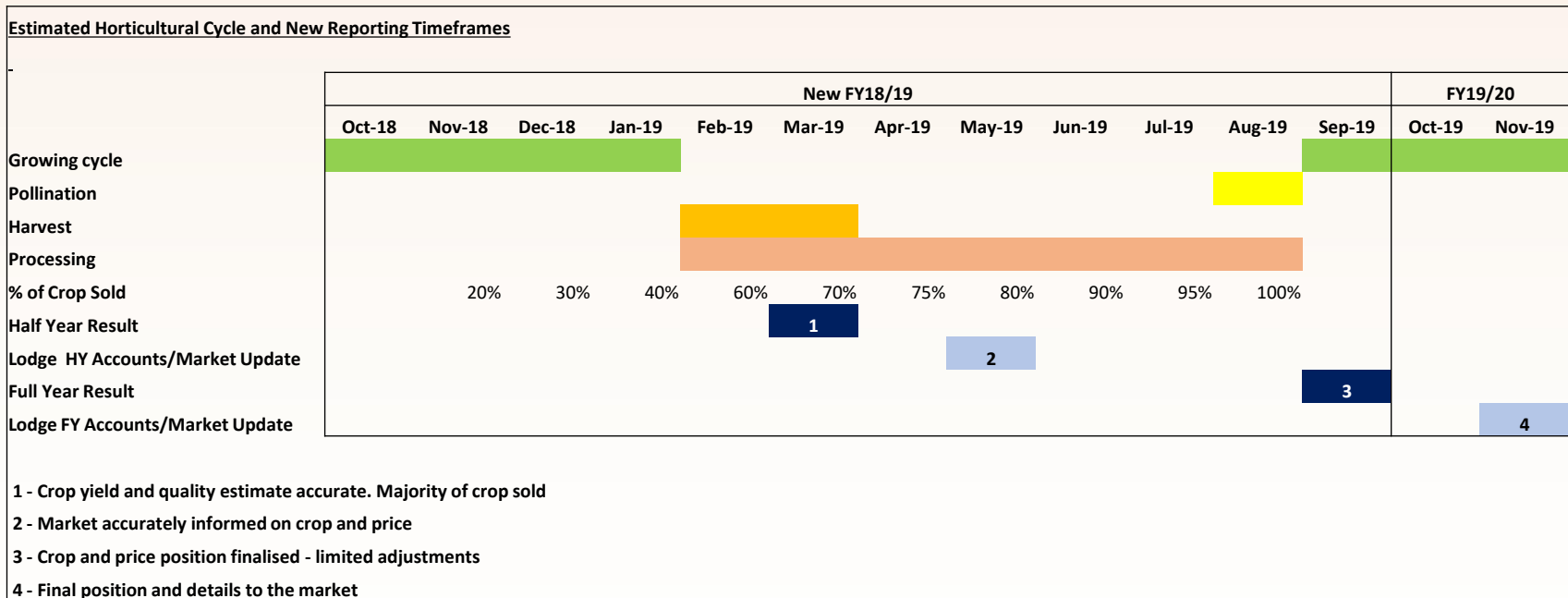
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Corporate

Transition Period (1 July 2018 – 30 September 2018)

- This change is being made to align our financial reporting with the Horticultural cycle to provide greater certainty and transparency



- The Transition Period is too early in the crop cycle to reliably estimate the 2019 crop fair value therefore Almond Division 2019 crop income has not been recognised during this period
- Food Division and income from other activities will be less than corporate and financing costs for the period
- Transition Period recorded a loss of \$1.5M

Corporate (cont.)

Change to AASB16 Leasing Standard will impact Select Harvests and the company will adopt AASB16 for the FY2020 year, beginning 1 October 2019.

- It will result in lease costs that were previously reported above EBITDA to be split into Depreciation and Finance costs, thereby impacting EBITDA, EBIT, PBT and NPAT.
- It is important to note that the impact of these changes have been recognised when we renegotiated our bank facilities
- **These changes will not affect Operating Cashflow**

Asset Valuations

- Our brand and goodwill is valued at cost \$28.9m
- An independent bank valuation was completed for specific assets of our Almond Division (being the company owned orchards and Carina West Processing Facility). The book value of these assets at the time of valuation was \$171.6m and the independent bank valuation was \$250.6m
- The Company completed an assessment of the permanent water rights. The historical cost of these assets is \$31.7m and based on current market rates, have been determined to have a comparable value of \$51.6m
- There has been no value attributed to our leased orchards

Property and water balance sheet values are below market value



Safety, Environment, People and Culture

Safety

- SHV's Zero Harm Safety and Wellbeing Strategy focus is to:
 - Prevent injury before it occurs
 - Improve our safety performance & individual wellbeing
- Driver Risk Awareness Training to be delivered by Rural Ambulance Victoria

Environment

- Zero environmental breaches
- Compost:** Biomass co-product is being processing into compost to be returned to the orchards
- Water:** Using new technology solutions to better monitor and utilises water resources.

People and Culture

- Zero bullying and harassment claims received, proactively supported by Bullying, Harassment and Equal Employment Opportunity Training to be delivered across the business in early 2019.
- Over 70 employees across Vic, NSW, SA have benefited from a partnership with Sunraysia Institute of TAFE through Leadership, Rural Operations, Agribusiness and Irrigation certifications. Funded through Regional Specialist Training Fund an initiative of the Victorian Govt.

Safety measure	FY 2017	FY 2018	FY 2018 outcome
LTIFR (Lost Time Injury Frequency Rate)	15.1	17.4	+15%
MTIFR (Medically Treated Injury Frequency Rate)	19	17	-11%
LTISR (Lost Time Injury Severity Rate)	13	7	-46%
TRIFR (Total Recordable Injury Frequency Rate)	70	82	+17%
	Male	Female	Ethnicity*
Target	33%	33%	33%
Actual	70%	30%	45%

*based on voluntary employee disclosures as at close FY18

Our focus remains on safety and long-term sustainability

Select Harvests – in control of our destiny



To be a Leader in the Supply of Better for You Plant Based Foods

Values

Trust & Respect Treat all stakeholders with trust and respect	Integrity & Diversity All decisions and transactions will not compromise the integrity of the organisation or individual	Sustainability Our focus is on the long-term sustainability of our environment, business and community	Performance Exceed expectations on a daily basis	Innovation Constantly challenge ourselves to improve everything
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Strategic Priorities

The pathway to achieving our vision

Optimise the Almond Base Increase productivity and achieve sustainably high yields from our growing almond orchard base	Grow our Brands Grow our consumer and industrial brands, aligned to the increasing consumption of plant based foods	Expand Strategically Pursue value accretive acquisitions that align with our core competencies in the plant based agrifoods sector
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Operational Focus

What we do everyday

Customers Exceed our current customer's expectations and grow our customer base, focused on the Asian marketplace	Supply Chain Optimise our end-to-end supply chain to achieve maximum value for the business as a whole	People Focus on a safe working environment, well-being, company culture, leadership development and staff training, attraction and retention	Capital Target capital discipline, balance sheet strength, superior shareholder returns and long term growth
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Goal

Sustainable Shareholder Value Creation



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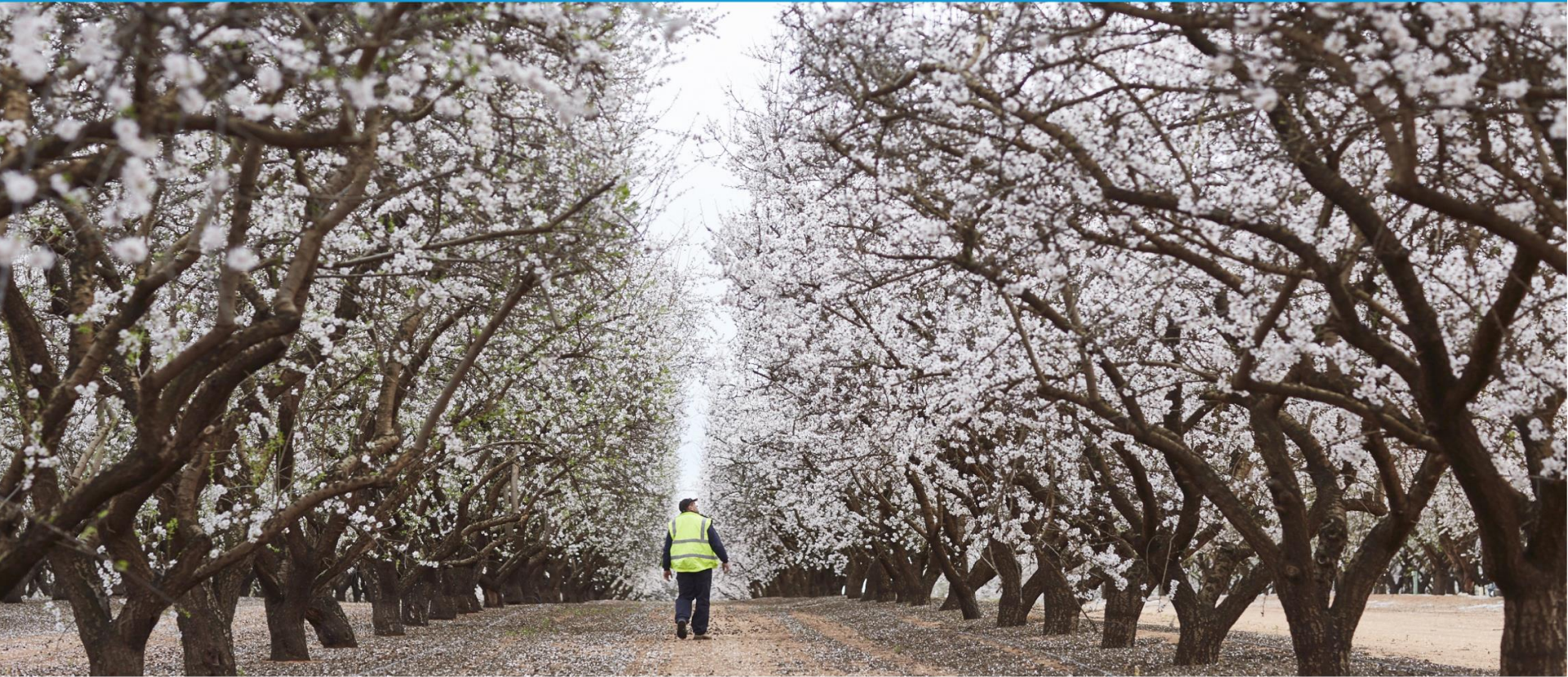




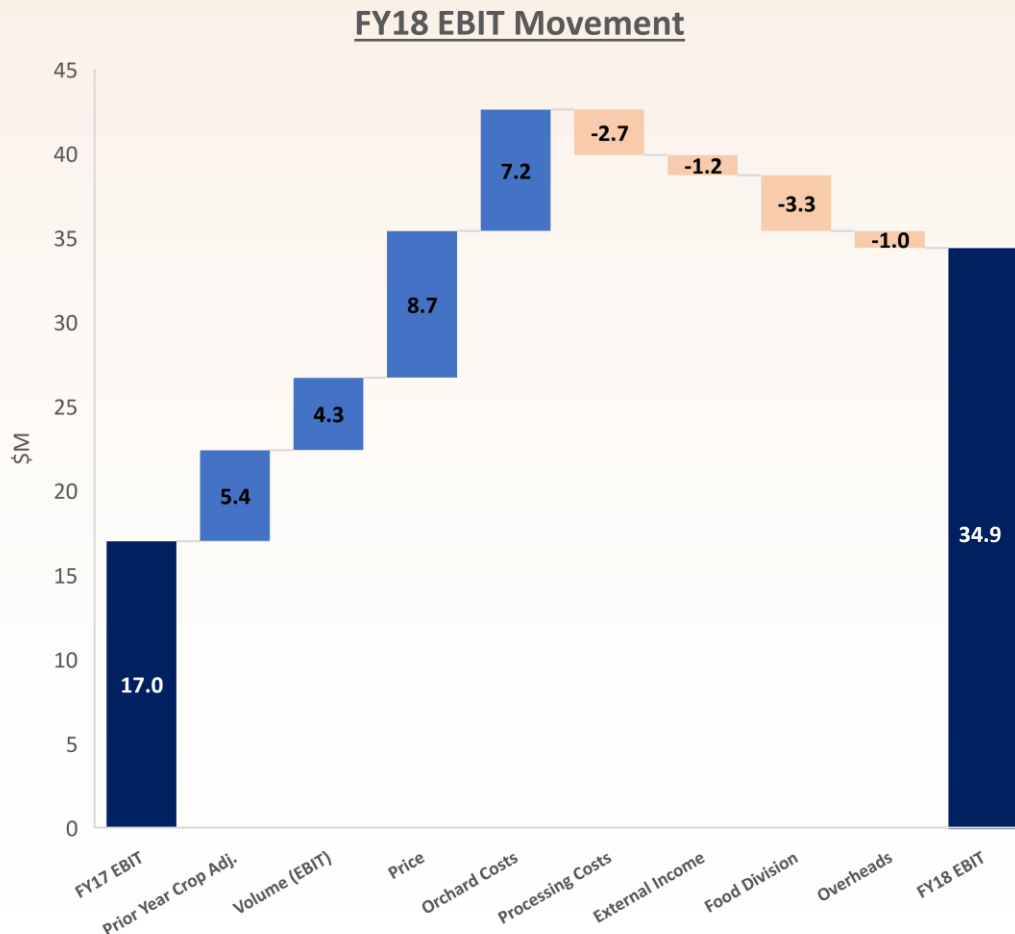
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Paul Thompson

Managing Director



FY18 Movement in SHV Group EBIT (\$M)



FY2018 result was positively impacted by the following:

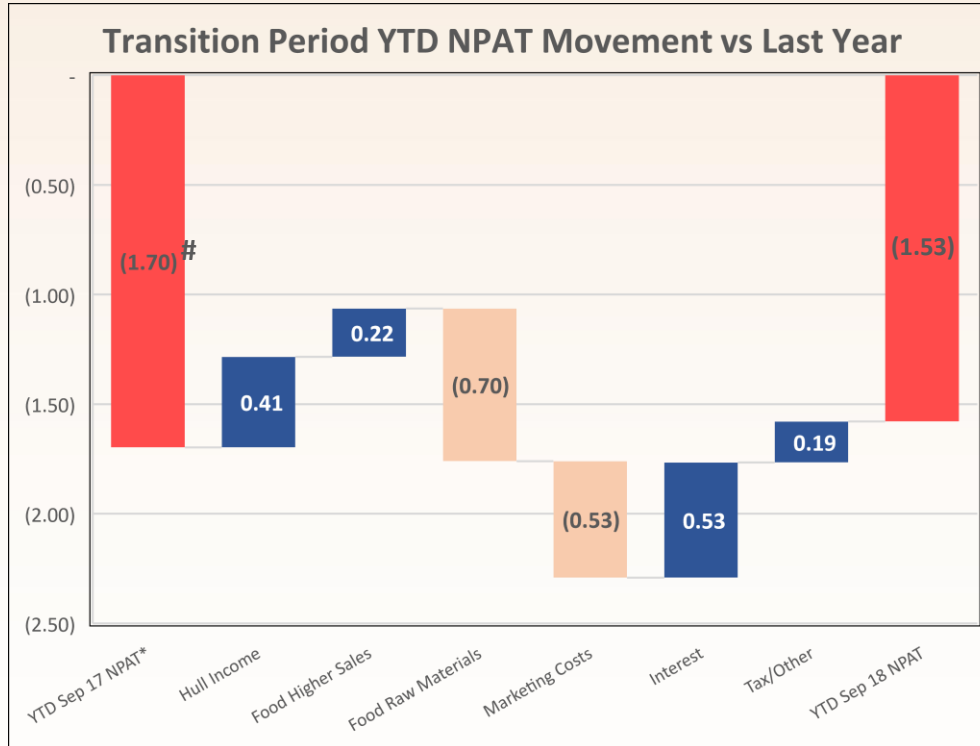
- Positive movements in the fair value of prior year crops
- Increased volumes through additional bearing acres (15,700 MT in FY18 vs 14,100 MT in FY17)
- Higher almond prices (\$8.05/kg in FY18 vs \$7.43/kg in FY17)
- Reduction in FY18 orchard costs reducing cost/kg

The above positive factors were partially offset by:

- Additional processing costs due to value adding activities in Parboil
- Lower external processing fees
- Lower branded food contribution due to domestic private label launch
- Increased overheads due to one off transaction costs

Increased volumes, higher pricing and lower cost of production have led to an improved FY18 result

SHV Transition Period NPAT Result



YTD Sep 2017 is not an audited result. Tree depreciation costs of \$1.5m (now in crop fair value) and grant income \$3.4m have been excluded from Sep 2017 management results to give an underlying comparison to Sep 2018's audited result.

No 2019 Crop profit has been recognised during the Transition Period:

- All 2018 crop profit recognised in FY 30 June 2018
- At point of preparing accounts the fair value of the crop cannot be reliably estimated
- Full 2019 crop profit recognised during new FY19 financial year

Transition Period result positively impacted by:

- Increased hull sales volume and price
- Increased export sales (packaged foods and industrial)
- Lower interest charges (lower debt levels)

The above were offset by:

- Additional processing costs due to value adding activities in Parboil (sales benefit in Food Result)
- Lower margins in the food division (raw input cost increases and product mix)
- Marketing investment
- Other one-off food division costs and provisions

More detail will be provided at February 22nd 2019

SHV - Balance Sheet

Balance Sheet

	Jun-17	Jun-18	Sep-18
	\$M	\$M	\$M
Current Assets (exc. Cash)	135.4	161.7	152.8
Cash	1.1	0.4	6.9
Non-Current Assets	343.1	354.4	362.9
Total Assets	479.6	516.5	522.6
Current Liabilities (excl. Borrowings)	20.0	27.9	44.6
Borrowings	146.9	71.2	65.8
Non-Current Liabilities (excl. Borrowings)	35.2	38.8	41.6
Total Liabilities	202.1	137.9	152.0
Total Equity	277.5	378.6	370.6
<i>Net Debt (Including Finance Leases)</i>	145.8	70.8	58.9
<i>Net Debt/Equity</i>	52.6%	18.7%	15.9%

Working Capital

	Jun-17	Jun-18	Sep-18
	\$M	\$M	\$M
Trade and Other Receivables	46.8	51.4	47.0
Inventories	87.5	109.3	99.4
Trade and Other Payables	(14.3)	(23.0)	(40.3)
Net Working Capital	120.0	137.7	106.1

Comparative Cashflow

	Full Year		Three Months	
	Jun-17	Jun-18	Sep-17#	Sep-18
	\$M	\$M	\$M	\$M
Cashflow from Operations	4.7	18.3	23.8	24.9
Cashflow from Investing Activities	(56.8)	(25.9)	(7.6)	(13.0)
Cashflow form Financing Activities	53.8	6.8	(15.9)	(2.5)
Net Cash Movement	1.7	(0.8)	0.3	9.4

September 2017 was not an audited result. This reflects management reporting results.

Balance Sheet movements for the period reflect:

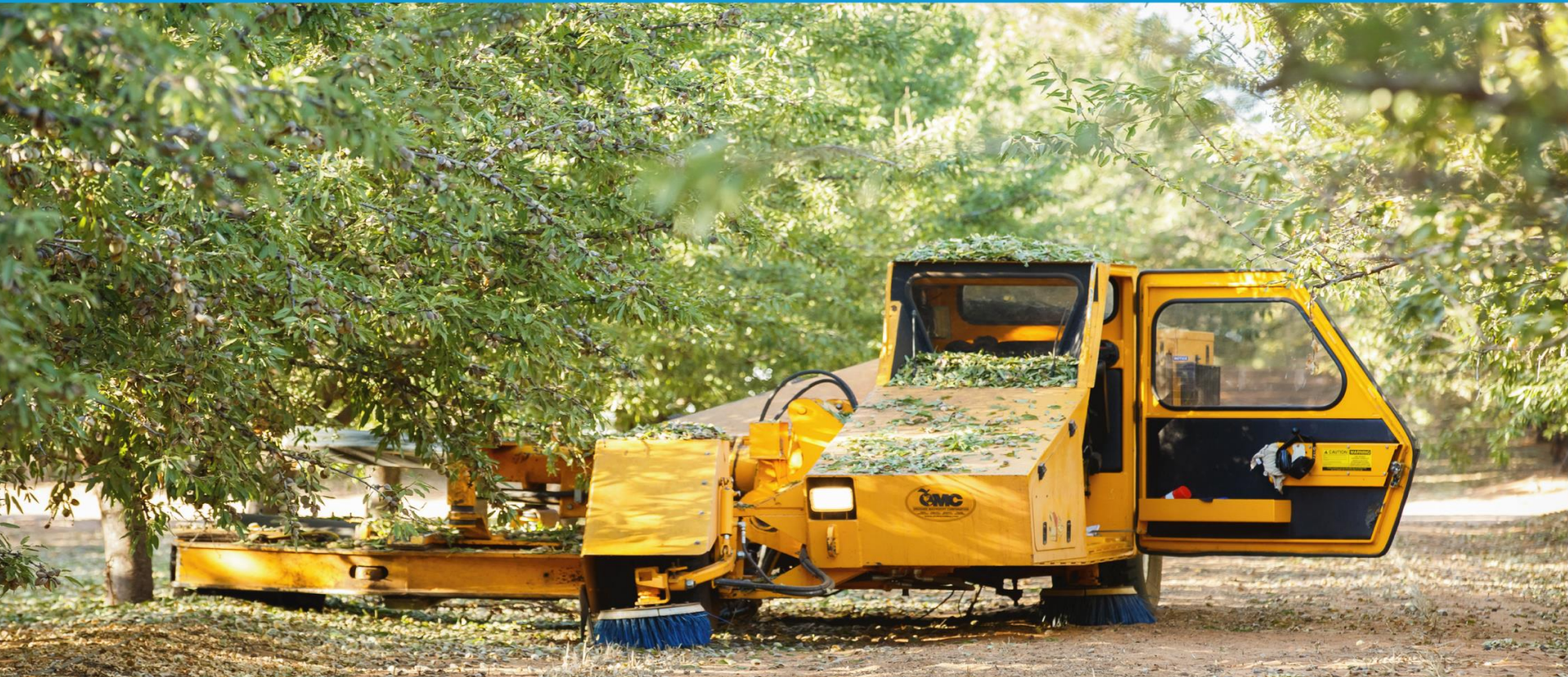
- Operating cashflows of \$24.9m leading to further reduction in net debt while funding capital purchases and permanent water
- Net debt levels (including finance leases) of \$58.9m (June 2018 \$70.8m)
- Inventories reduced as 2018 crop sales continue
- Reduction in working capital of \$31.6m from June 2018

Balance Sheet remains strong with managed cashflows and improved working capital management



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Almond Division



FY18 & Transition Period - Almond Division

- **2018 Crop volume increased to 15,700 tonnes (FY2017 14,100 tonnes) - up 11.3%**
 - Crop potential significantly impacted by frost particularly in NSW, with mature tree average yield marginally down
 - New plantings maturity contributed 700 MT
 - Jubilee acquisition contributed 960 MT
 - 2018 crop fully committed or sold
- **Sales price of \$8.05/kg (FY2017 \$7.43/kg) - up 8.3%**
 - Similar quality to last year and improved pricing
- **Hulling & shelling completed early-August**
 - Production cost/kg reduced by 8.6%
 - During the Transition Period additional investment has been made in optical sorting capability
- **Project Parboil (Almond value-adding facility)**
 - Efficiency improving slowly
- **Project H2E (Biomass electricity cogeneration facility)**
 - Currently operating and powering the processing facility with excess supplied to the grid (currently operating at ~ 85% capacity)
 - Working with supplier to get the plant to full operation, which will require further capital works
- **Greenfield plant out**
 - 352 ha (870 acres) completed July 2017 (funded on FSS balance sheet)
 - 208 ha (513 acres) in July 2018 (funded on FSS balance sheet)
 - Currently looking to acquire suitable land or mature orchards

Almond Division EBIT up 159% - driven by cost savings, higher almond volume and pricing



2019 SHV Crop Update



■ Crop

- SHV 2019 Theoretical Crop (based on our orchard age profile and industry average yields) is 17,000 MT
- Sufficient chill hours between seasons
- Similar Frost events in Northern and Central regions to 2018, but the installation of 77 frost fans have provided good protection
- Initial visible inspection concluded the frost damage minimal
- Current water price well above 2018 average. Directors and management are comfortable with current purchases to this point. 2019 crop is expected to be above theoretical estimate, if positive conditions remain.
- A further estimate will be provide at the February AGM (for the Transition Period 1 July -30 September 2018)

■ Market

- Current market pricing A\$8.00 - A\$8.50/kg
- 10% - 20% of the forecast crop has been presold within this range

■ Sensitivity

	Impact on EBIT (\$m)
Volume +/-500 tonnes	+/- A \$2.0M
Almond Price (A\$/kg) +/- A\$0.10/kg	+/- A \$1.8M
Exchange Rate -/+ 1 cent movement in AUD/USD cross rate	+/- A \$2.0M
Growing and Processing Cost +/- 10%	+/- A\$ 5.5M

Aside from higher water costs, 2019 crop outlook is positive if conditions remain positive



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Video - Phytech

Press CTRL and right click on the link below to get the video to appear – then press play.

<https://vimeo.com/303210123>



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Food Division



FY18 & Transition Period - Food Division

■ Strong Industrial Sales

- Industrial revenue and volumes increased due to higher demand for almonds by Asian food processors
- Value-added products (Parboil) attracting strong interest

■ Sales growth for Sunsol

- Strong demand in domestic sales, seek range extensions
- Strong export interest has continued

■ Lucky sales and market share stabilized

- Impact of Coles house brand on Lucky market share has stabilised
- Domestic investment in brand has commenced
- Lucky brand Trademark, License and Distribution Agreement with PepsiCo China

■ Private Label Contracts

- Commenced supply of local Private Label contracts

■ ERP System

- Corporate and Food Division will move to JDE system in November, bringing the business onto one platform



New Jar line capability

FY18 a disappointing result - positive signs as we increase focus on export

China



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Singles Day Gift Pack Promotions available via Alibaba channels

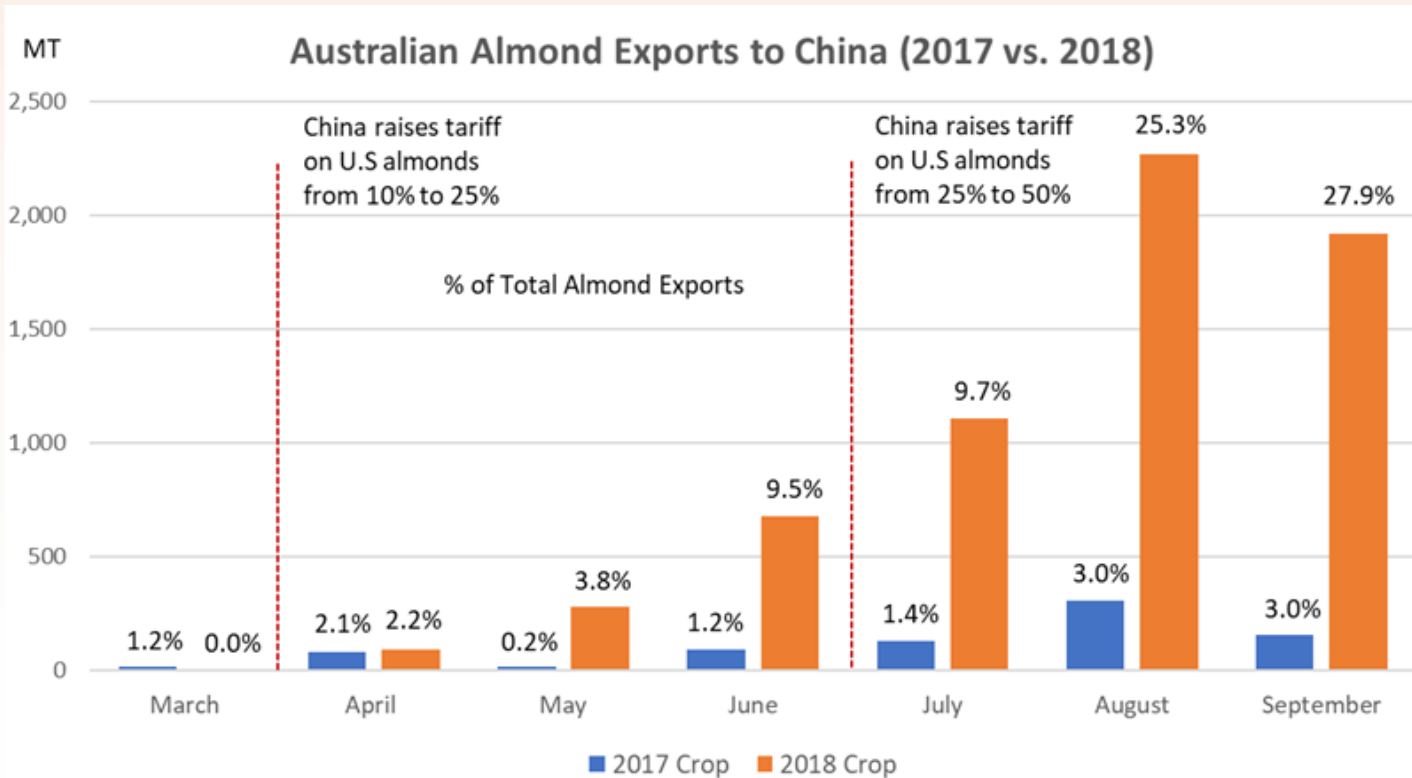


China Lucky product range at Jing Hui Shanghai Supermarket

China Lucky range at PepsiCo stand during China International Import Export (CIIE) Shanghai (>150,000 visitors)



Australian Almond Exports to China are Increasing

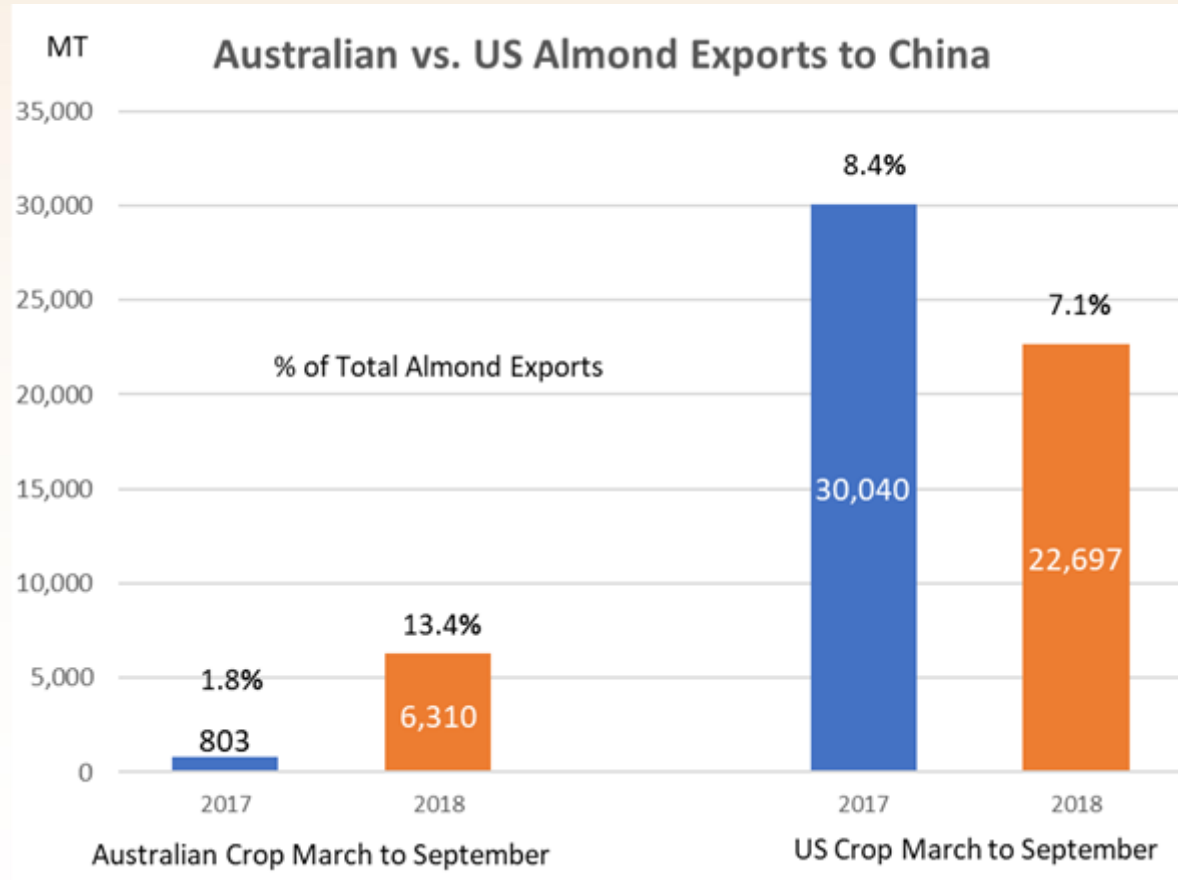


Source: Californian and Australian Position Reports

SHV has been part of this growth, with strong value-added sales into food processors



Australian vs. US Almond Exports to China



Source: Californian and Australian Position Reports

Market demand is strong despite US/China disruption

Ongoing Demand for plant-based foods

Baby Boomer staples



Sugars (g)	Protein (g)	Sat Fat (g)	Sodium (mg)
137.9	37.2	43.4	1,120

Millennials staples



Sugars (g)	Protein (g)	Sat Fat (g)	Sodium (mg)
90.4	70.4	28.8	4.21
-34.5%	+89.2%	-33.7%	-62.5%



* Source: Product packing

Almonds are large part of the plant-based diet

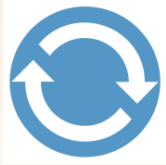


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Business Outlook



Prepared for the Future



Closing the Loop

Waste for H2E is potash. Potash is being composted with other orchard waste and returned to orchards to ameliorate the soil

Objective: Sustainability & cost savings



New Varieties Trial

New local high-yielding and/or self-pollinating variety trials have been planted in Victorian and South Australian orchards

Objective: Increase yield & lower cost



Water Efficiency

Sap flow is being measured in real time to understand tree stress and better manage irrigation timing and volume. Other trials include harvesting excessive subsoil water

Objective: Sustainability & cost savings



High Density Planting Trial

Traditional orchard plantings - 325 trees/hectare.
Trial plot has been planted with dwarf root stock - 1,111 trees/hectare

Objective: Increased yield & lower cost



People & Culture

Develop and recruit leaders to implement Asia growth platform

Objective: Increased insights & capability

Video – H2E

Press CTRL and right click on the link below to get the video to appear – then press play.

<https://vimeo.com/303210589>

Key Take Outs

- **Fundamentals of the business & industry remain strong**
 - Global consumption of plant protein & almonds continues to grow at 6-8% per annum
- **Orchard health**
 - Strong crop potential that should be above industry standard yield and no quality concerns
- **Cost Focus**
 - Focus continues to remain on reducing operating expenditure, working capital, minimising capex & maximize leverage from increasing volumes
 - Water pricing will remain high for this season
 - H2E and Parboil ongoing focus to bring returns to business case target
- **Almond Pricing**
 - Outlook stable A\$8.00 - A\$8.50/kg
- **Almond strategy is in place with our crop building to**
 - 18,000 MT in 2020
 - 21,000 MT in 2022
 - 22,000 MT in 2026
- **Food Business is ready to grow**
 - Lucky China will continue to evolve
 - Industrial business will continue to grow and deepen relationships in Asian region
 - Investment in local market to invigorate brands
- **Zero Harm**
 - Number One Priority

SHV is well placed to take advantage of global demand, positioning shareholders to benefit from improved returns



Annual General Meeting

29 November 2018

Consideration of The Financial Statements & Reports

Resolution #1: Remuneration Report

Resolution #1: Remuneration Report

For:	
Against:	
Open-Usable:	

Resolution #2(a): Election of Michael Carroll



Resolution #2(a): Election of Michael Carroll

For:	
Against:	
Open-Usable:	

Resolution #2(b): Election of Fred Grimwade



Resolution #2(b): Election of Fred Grimwade

For:	
Against:	
Open-Usable:	



Discussion

Thank you

Please direct any queries to:

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Please note that background material/data regarding the global almond industry can be found on the Select Harvests website.

www.selectharvests.com.au



Select Harvests - Financial History



SHV Historical Summary	Units	2006	2007	2008	2009	2010	2011	2012	2013	2014*	2015	2016	2017	2018
Total Revenue	(A\$M)	218.0	229.8	224.8	248.7	239.1	250.0	251.3	191.1	188.3	223.6	286.2	242.1	210.2
EBIT	(A\$M)	38.4	40.5	27.1	26.8	26.0	22.6	19.6	37.7	31.3	89.6	41.3	17.0	34.9
EBIT Margin (EBIT/Sales - %)	(%)	17.6%	17.6%	12.1%	10.8%	10.9%	9.0%	7.8%	19.7%	16.6%	40.1%	14.4%	7.0%	16.6%
PBT	(A\$M)	37.9	40.0	25.4	23.0	23.6	18.5	13.4	32.7	26.8	84.3	35.8	12.0	29.5
NPAT	(A\$M)	26.5	28.1	18.1	16.7	17.3	17.7	9.5	22.9	21.6	59.4	27.9	9.2	20.4
Issued Shares	No. of Shares	39.7	38.7	39.0	39.5	39.8	56.2	56.8	57.5	58.0	71.4	72.9	73.6	95.2
Earnings Per Share	(AUD Cents per Share)	67.1	71.0	46.7	42.6	43.3	33.7	16.8	40.1	37.5	82.9	46.7	12.6	23.2
Dividend per Share	(AUD Cents per Share)	53.0	57.0	45.0	12.0	21.0	13.0	8.0	12.0	20.0	50.0	46.0	10.0	12.0
Payout Ratio	(%)	80.0%	80.0%	96.7%	28.2%	48.5%	38.6%	47.6%	29.9%	53.3%	60.3%	98.5%	79.4%	51.7%
Net Tangible Assets per Share	(A\$/Share)	1.83	1.57	1.41	1.56	1.87	2.17	2.19	2.14	2.38	3.35	3.22	2.95	3.34
Net Interest Cover	(times)	82.3	75.8	15.6	7.1	10.7	6.7	3.2	7.5	7.0	16.9	7.5	3.4	6.5
Net Debt	(A\$M)	1.3	1.6	46.8	52.4	45.0	73.1	66.8	79.3	94.8	115.9	68.7	145.8	70.8
Shareholders Equity	(A\$M)	101.5	95.5	94.1	100.9	113.6	168.8	160.3	159.5	175.4	287.4	290.9	277.6	378.6
Net Debt to Equity Ratio	(%)	1.3%	1.7%	49.7%	51.9%	39.6%	43.3%	41.7%	49.7%	54.1%	40.3%	23.6%	52.5%	18.7%
Share Price	(A\$/Share)	13.02	11.60	6.00	2.16	3.46	1.84	2.40	3.90	5.14	11.00	\$6.74	\$4.90	\$6.90
Market Capitalisation	(A\$M)	517.0	449.4	234.1	85.4	137.6	103.5	120.0	224.3	298.1	785.4	491.5	360.7	657.1
P/E Ratio		19.5	16.0	12.9	5.1	8.0	5.8	12.6	9.8	13.8	13.2	17.6	39.0	32.3
Return on capital employed				25.1%	23.8%	15.2%	8.7%	8.7%	16.6%	10.5%	21.0%	11.2%	4.9%	7.3%

Source: Company Data



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Useful Almond Industry websites

Industry Associations

- Californian Almond Board www.almondboard.com
- Almond Board of Australia www.australionalmonds.com.au
- Nuts for Life www.nutsforlife.com.au
- Nuts for Life – Almond Health Facts www.nutsforlife.com.au/nut-fact-sheets/almondhealthfacts/

Industry Reports

- US Crop Forecasts (Subjective, Objective) <http://www.almonds.com/growers/resources/crop-forecasts/tc-NASS-Crop-and-Acreage-Reports>
- Monthly Almond Position Reports <http://newsroom.almonds.com/position-reports>
- Almond Almanac <http://www.almonds.com/sites/default/files/2017%20Almanac%20Final%20-%20updated%207.5.18.pdf>
- UC Davis Almond Development Costings <https://coststudies.ucdavis.edu/en/current/commodity/almonds/>

Almond Companies

- Blue Diamond Growers www.bluediamond.com
- Blue Diamond Ingredients www.bdingredients.com/category/almond-market-analysis
- Almond Insights www.almondinsights.com
- Derco Foods www.dercofoods.com/en/english-reports/english-almond-reports
- RPAC Almonds www.rpacalmonds.com/marketnews
- Wonderful Pistachios & Almonds www.wonderfulpistachiosandalmonds.com/#ourdifference

Definitions & Explanations

¹ – **EBITDA & EBIT are Non-IFRS measures** used by the company are relevant because they are consistent with measures used internally by management and by some in the investment community to assess the operating performance of the business. The non-IFRS measures have not been subject to audit or review.

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