

# Select Harvests Limited (ASX:SHV)

**2020 Annual General Meeting – Platformed for Growth**

11am Friday 26 February 2021



SELECT HARVESTS

# Michael Iwaniw – Chairman



SELECT HARVESTS

# 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
- Guy Kingwill, Non-Executive Director, Appointed November 2019
- Paul Thompson, Managing Director, Appointed July 2012

\* *Standing for election*



SELECT HARVESTS



# 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.*



SELECT HARVESTS



# Agenda

## ■ Chairman's Address

- FY2020 Review
- Strategy Update
- Company and Market Outlook

## ■ Managing Director's Address

- Sustainability Report
- Almond Division Outlook
- Food Division and Corporate Outlook
- 2020/21 Priorities

## ■ AGM Resolutions



SELECT HARVESTS



# Virtual Meeting Guidelines



Today's meeting is being held online via the Lumi platform. This allows Shareholders, Proxies and Guest to attend the meeting virtually. All attendees can watch a live webcast of the meeting. In addition, shareholders and proxies have the ability to ask questions and submit votes.



SELECT HARVESTS



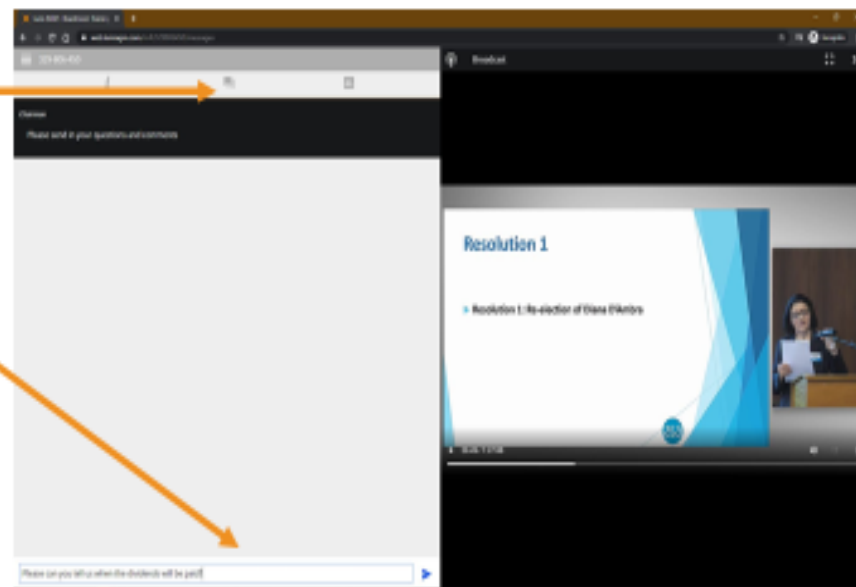


# Online Attendees – Question Process

- When the Question function is available, the Q&A icon will appear at the top of the app.



- To send in a question, simply click in the 'Ask a question' box, type your question and the press the send arrow
- Your question will be sent immediately for review



SELECT HARVESTS

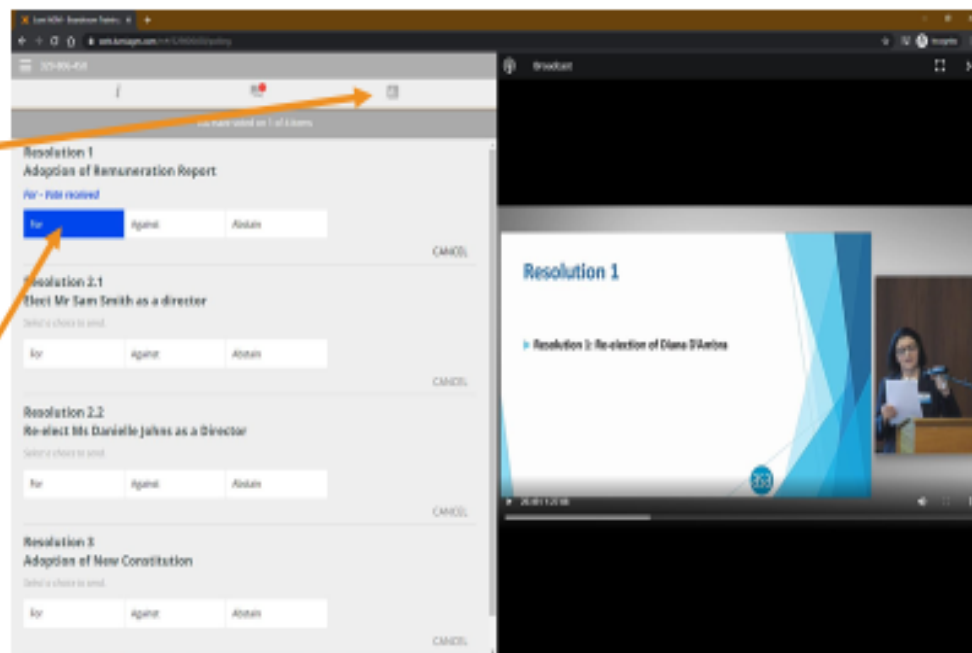


# Online Attendees - Voting Process

- When the poll is open, the vote will be accessible by selecting the voting icon at the top of the screen



- To vote simply select the direction in which you would like to cast your vote, the selected option will change colour.
- There is no submit or send button, your selection is automatically recorded.



SELECT HARVESTS





# Chairman's Address

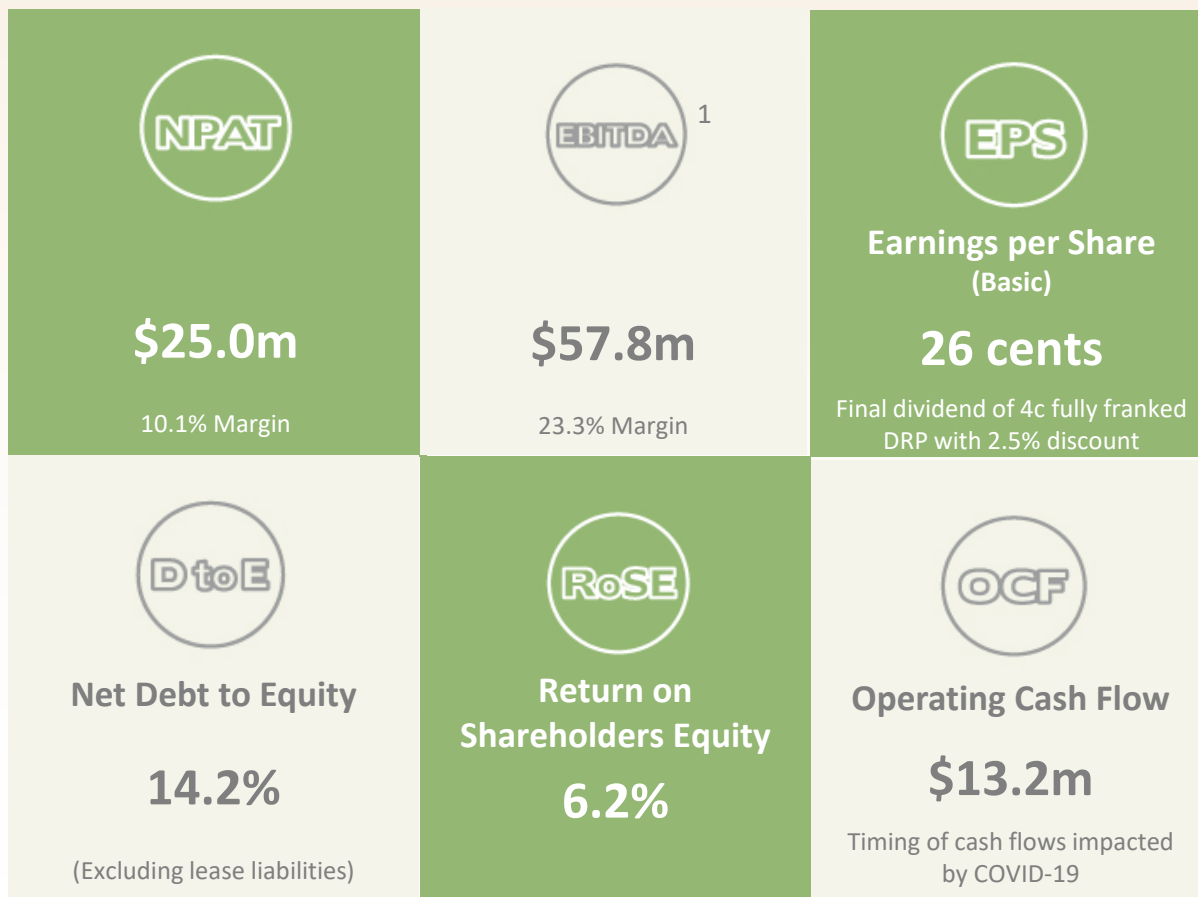


SELECT HARVESTS



# FY2020 Financial Overview

Stable earnings, solid margins and low net debt. Timing of operating cash flows impacted by COVID-19. The company did not receive Job Keeper support.



<sup>1</sup> - 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.



SELECT HARVESTS



# FY2020 Operating Overview

A record almond crop was offset by lower almond prices and higher water costs



Almond Crop

**23,250 MT**

Up 560 MT



Average Almond Price

**\$7.50/kg**

Estimated record US crop and COVID-19 market access issues impacted prices in 2020



Annual Water Costs

**\$21.5m**

Record, or near record, water prices. SHV's water strategy limited the financial impact



Total Almond Production Costs

**\$5.36/kg**

Excluding the impact of higher water costs, total almond production costs per kg were up 6.5%



Almond Division EBIT<sup>1</sup>

**\$41.8m**

Targeted horticulture program and investment in risk mitigation and on-farm technology is paying off



Food Division EBIT<sup>1</sup>

**\$3.3m**

Challenging domestic consumer market. Continue to see strong demand for value-added almonds

<sup>1</sup> - 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.

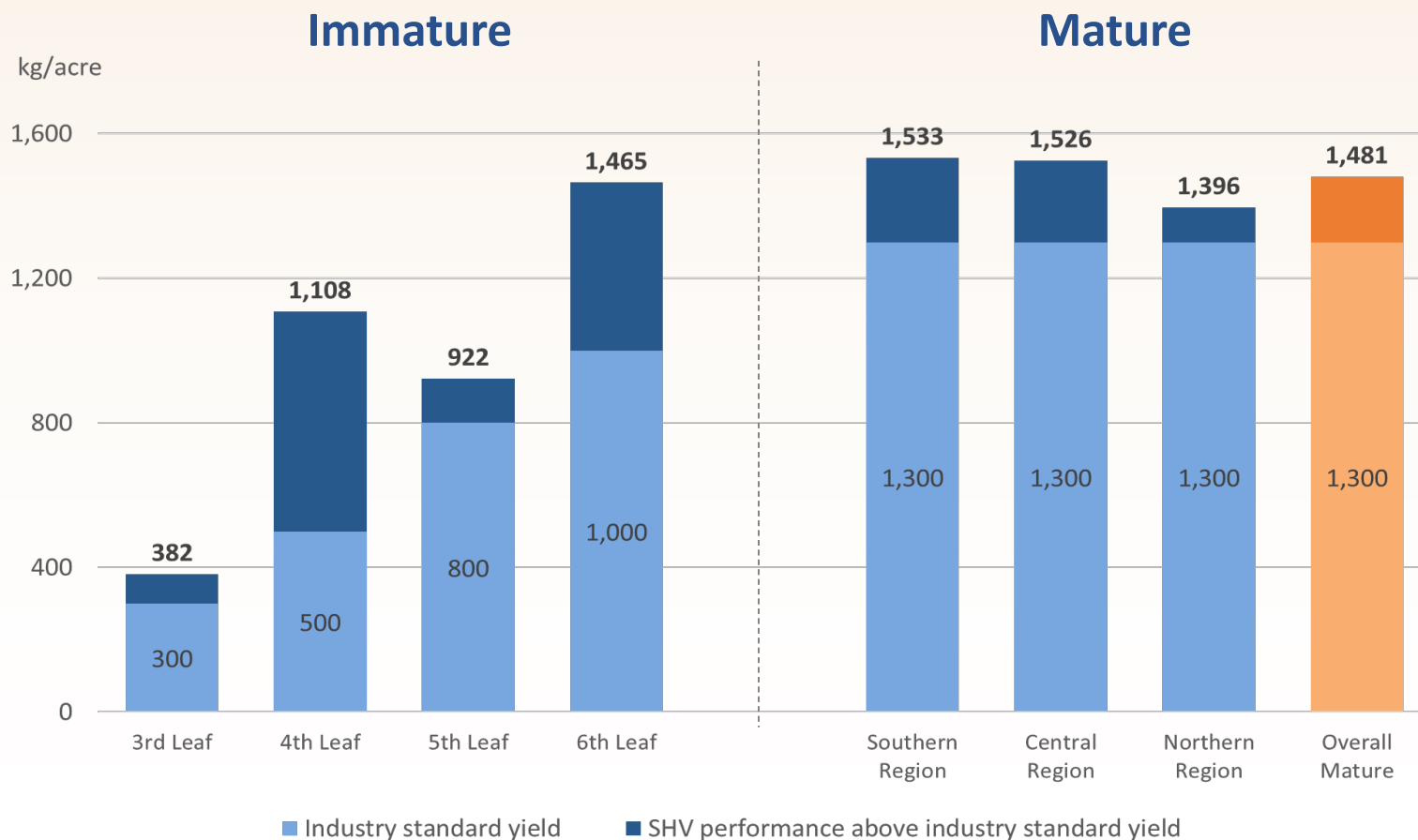


SELECT HARVESTS



# Optimise Our Almond Base - Yield Performance

A second consecutive year of yield outperformance across all age cohorts. Immature orchards delivered an additional 2,029 MT above industry standard yields in FY2020



SELECT HARVESTS



# Expand strategically - Orchard Profile

Company owned orchards 56% and leased orchards 44%

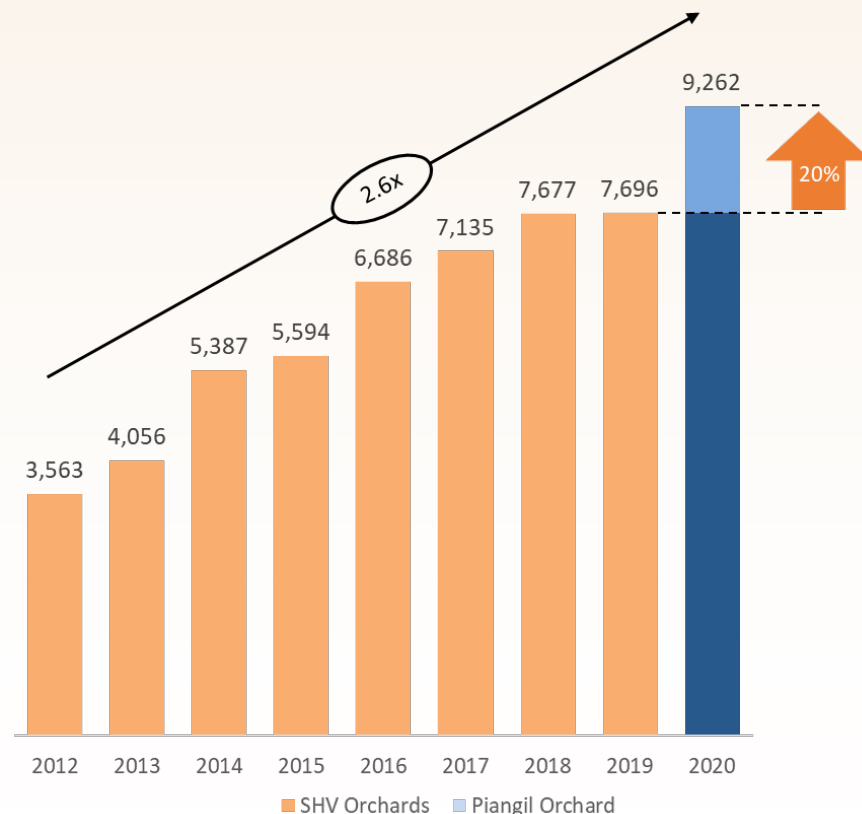
## Piangil Acquisition

- 1,566HA of almond orchards (25% immature)
- 2,499 ML of water entitlements

## Update

- Settlement concluded 18<sup>th</sup> Dec 2020 and staff inducted
- Capital upgrades have commenced
- Health and Safety training and systems in place
- Horticultural programs for 2021 commenced
- Financial systems are being implemented
- Harvest has commenced
- Crop volume is forecast to be in line with business expectations

## Select Harvests Planted Almond Hectares



SELECT HARVESTS



# Balance Sheet

Balance sheet remains in a strong position, with low net bank debt and sufficient headroom for growth

## Year Ending Balance Sheet

\$ millions	FY2020	FY2019
Current Assets excl. Cash	215.9	162.1
Cash	1.5	11.6
Right of Use Assets	236.4	-
Non-Current Assets	371.1	379.2
<b>Total Assets</b>	<b>824.9</b>	<b>552.9</b>
Current Liabilities (excl. Borrowings)	53.6	55.4
Borrowings	59.0	3.6
Lease Liabilities	264.8	35.4
Non-Current Liabilities (excl. Borrowings)	42.5	42.5
<b>Total Liabilities</b>	<b>419.9</b>	<b>136.9</b>
<b>Total Equity</b>	<b>405.0</b>	<b>416.0</b>
<i>Net Bank Debt (Cash)</i>	57.5	(7.9)
<i>Net Bank Debt/Equity</i>	14.2%	N/A
<i>ROCE<sup>1</sup></i>	5.3%	16.5%
<i>ROCE (Excl. AASB16 Leases)<sup>1</sup></i>	7.6%	16.5%

- The book value of SHV owned orchards, the Carina West Processing Facility (CWPF) and permanent water rights is significantly below current market values
  - The FY2020 book value of SHV owned orchards and the CWPF is \$169.8m vs. a September 2019 independent market valuation of \$249.7m
  - The value of permanent water rights recorded at cost is \$37.9m vs. a YE FY2020 market value of \$97.7m
- Net bank debt excluding finance leases \$57.5m (FY2019 Cash of \$7.9m) – due to lower global almond prices and delayed shipping program
- Gearing (net bank debt/equity) is 14.2% (FY2019 N/A)
- Return On Capital Employed (ROCE) reduced due to lower EBIT as a result of reduced global almond pricing and higher water costs

<sup>1</sup> - 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.



SELECT HARVESTS





# Food Division Review & Restructure

- Management and the Board undertook an extensive review of the Food Business. This review included assessments on:
  - Upgrading the existing Thomastown facility
  - Developing a new production facility
  - Outsourcing value-added production
  - Merging the Carina West and Thomastown facilities
  - Segment profitability
- Findings of the review were:
  - Thomastown facility is not appropriate for medium term future supply chain requirements
  - Majority of profitability relates to almond products
  - Consumer branding required significant upfront ongoing investment
  - Carina West facility is capable of increasing its value adding capability
- Conclusion
  - Restructure and focus on almond value adding
  - Kidder Williams has been appointed to seek expressions of interest in the Consumer Branded business and Thomastown plant and equipment
  - Further investment will be made in the Carina West Facility to increase almond value adding capacity

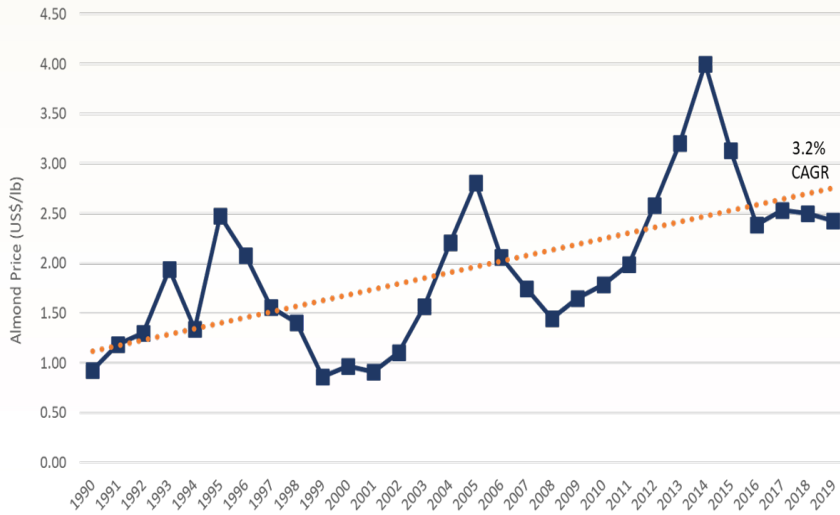
# Almond Prices

Almond prices remain subdued with the realisation that the 2020 US crop will exceed 3.0 billion pounds and uncertainty around the upcoming 2021 U.S. almond crop

## Almond Prices

- An estimated record US almond crop and challenges related to market access issues due to COVID-19 have resulted in a significant softening of almond prices since early 2020
- Market prices remain subdued with the realisation that the 2020 US crop will exceed 3.0 billion pounds and uncertainty around the upcoming 2021 U.S. almond crop, which is currently only at pollination stage

## Almond Price Cycle (1990 to 2019)



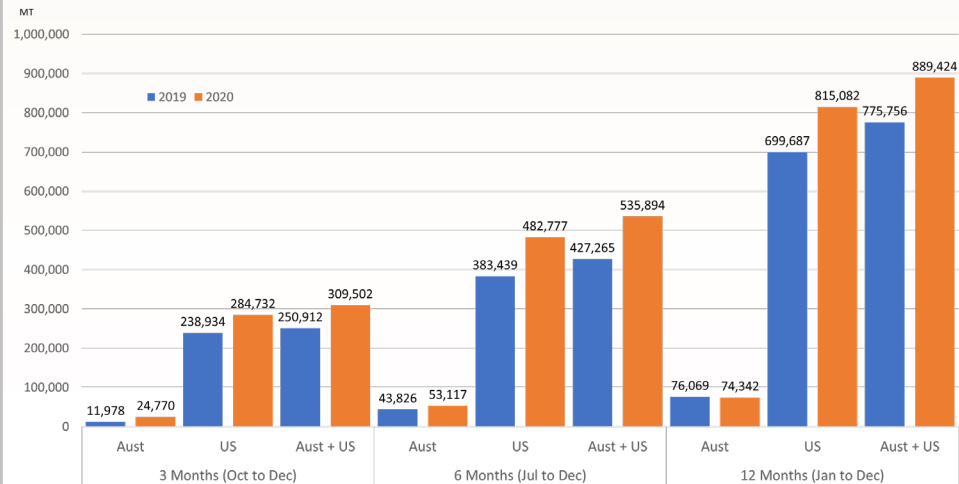
Source: USDA

Note: USDA data is for the August to July Californian almond crop year. The USDA will release its 2020 almond price in May 2021

## Almond Shipments

- The U.S. accounts for around 80% of global almond production. Recent monthly U.S. almond shipment data shows that global demand for almonds has responded strongly to the historic 10-year low almond prices, with record monthly shipments to key markets like China and India
- Combined Australian and U.S almond exports have been significantly higher over the last 3, 6 and 12 month periods of 2020 vs. the same corresponding periods in 2019

## Combined Australian and U.S. Almond Exports



SELECT HARVESTS



# Mike Carroll Retirement

Director 2009 - 2020

- Chair Nominations and Remuneration Committee
- Former member of Audit & Risk Committee
- Member of Mergers and Acquisitions Committee



SELECT HARVESTS



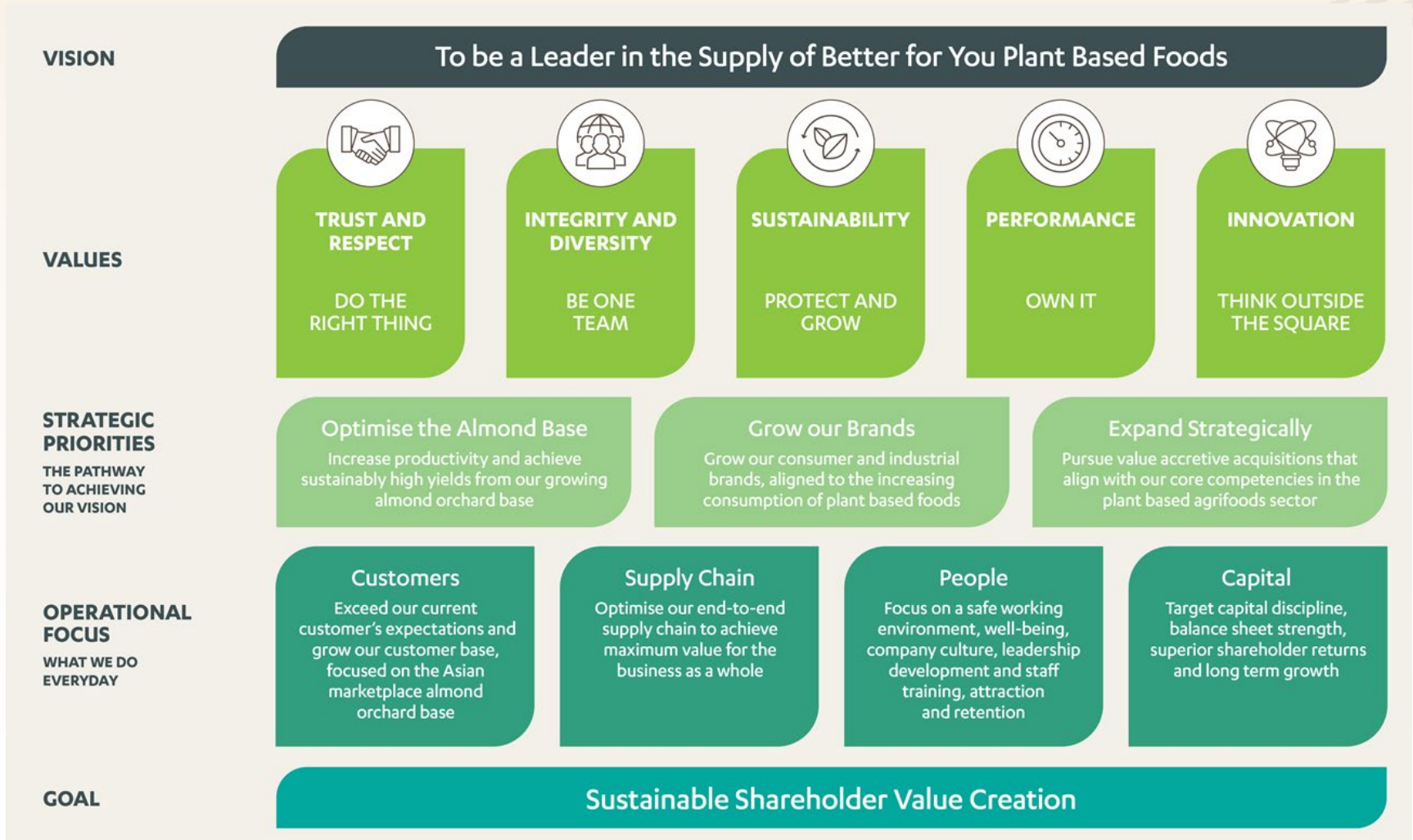
# Paul Thompson – Managing Director



SELECT HARVESTS

# Select Harvests Strategy

Select Harvests – in control of our destiny

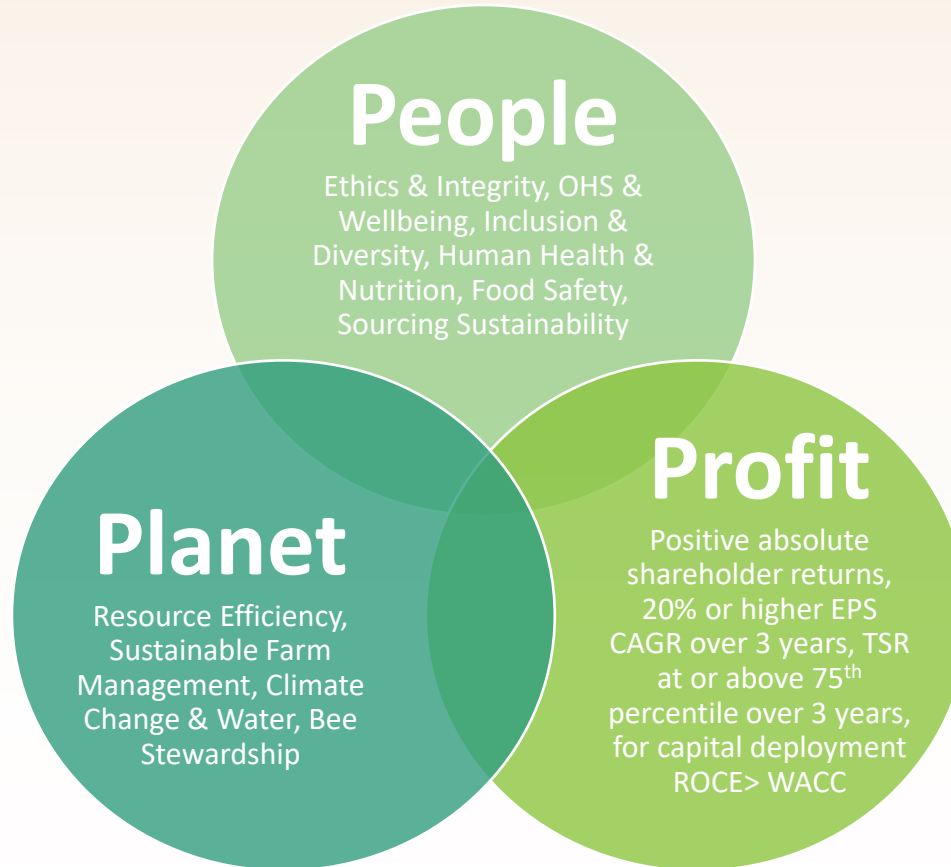


SELECT HARVESTS



# Triple Bottom Line

Committed to reporting our sustainability performance bi-annually



[www.selectharvests.com.au/sustainability](http://www.selectharvests.com.au/sustainability)



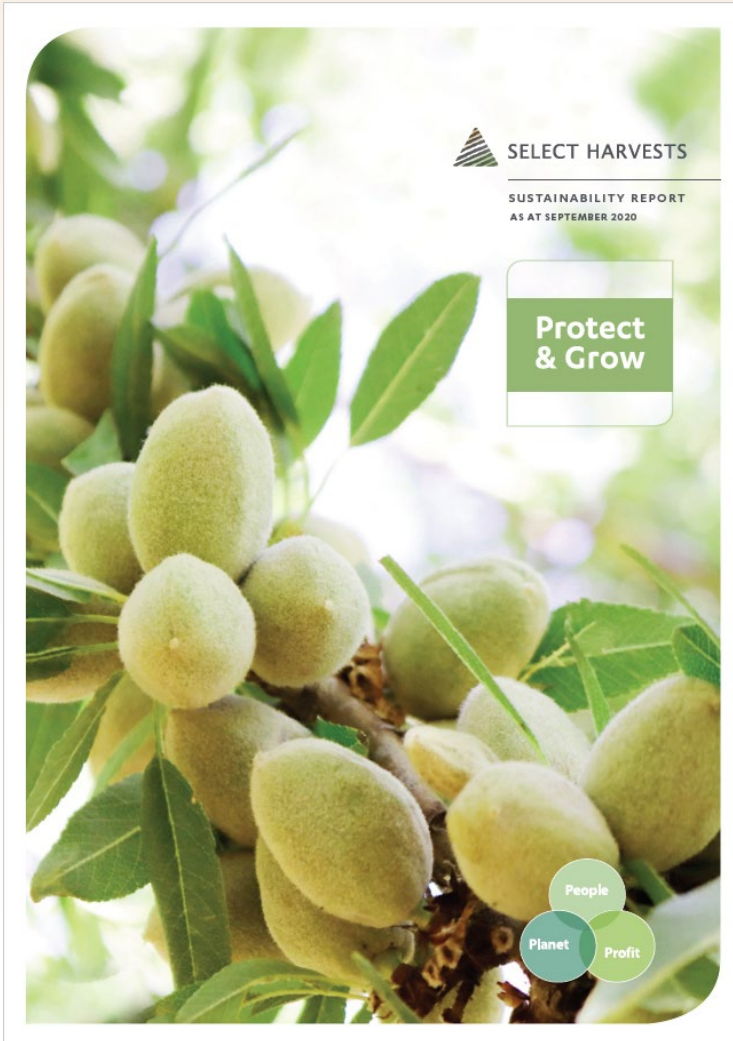
SELECT HARVESTS





# Triple Bottom Line

Committed to reporting our sustainability performance bi-annually




1. Occupational Health and Safety
2. Food Safety, Product Labelling and Quality
3. Water Management and Stewardship
4. Environment Impact
5. Climate Change
6. Financial Performance and Business Strategy
7. Labour Practices, Human Rights, AANTI-Corruption, Ethics and Integrity

[www.selectharvests.com.au/sustainability](http://www.selectharvests.com.au/sustainability)

# Sustainability Scorecard

## PLANET

 <p>100% of our orchards use <b>drip irrigation</b> tree and soil monitoring systems</p>	 <p>51% of energy sourced from <b>renewables</b></p>	 <p>H2E co-generation plant delivered approximately 27.5% reduction of <b>Scope 2 emissions</b></p>	 <p>Produced 31,179Mt of <b>compost</b> for FY2020 season</p>
 <p>20% reduction in lost time <b>injury severity rate</b></p>	 <p>23% reduction in total <b>recordable incidents</b></p>	 <p>Completed <b>externally assessed culture survey</b></p>	 <p>100% of labour providers have complied with Select Harvests policies</p>
 <ul style="list-style-type: none"> <li>• Repatriation and management of wet areas</li> <li>• Upgrade dripper lines with low friction tape</li> <li>• Composting to increase irrigation efficiency</li> <li>• Recycle Carina West wastewater into compost</li> </ul>	 <ul style="list-style-type: none"> <li>• On orchard solar energy generation</li> <li>• Increase renewables purchases</li> <li>• Change over to energy efficient driers and motors</li> </ul>	 <p>Launch of probiotic muesli range with low sugar content under the <b>Sunsol</b> brand</p>	 <p>Re-development of 145 Ha (358 acres) of almonds in July 2019</p>

## PEOPLE

## PROJECTS



SELECT HARVESTS



# Almond Division Outlook



## 2020/21 Crop Estimate

- Current estimate is subject to ongoing favorable conditions and includes the Piangil acquisition.
- All regions have had good growing conditions to date.
- Based on historical average yields and the current maturity profile we anticipate a crop in excess of 27,700MT. 19% higher than last year.

## 2021 Crop

- Favorable water price will deliver YOY savings of \$3m.
- Harvest matrix has been redesigned to reduce cost per kg.
- Forecast is to maintain a similar cost per kg to last year.
- Harvest commenced during the week starting 15th Feb 2021.
- Sizing and quality are in line with expectations.

## Crop Marketing Status

- To mitigate the risk of a wet harvest, SHV has entered into an agreement with Rice Growers to dry 30% of the 2021 forecast crop.
- Anticipating a firming in the almond price<sup>#</sup>. Less than 20% of the 2021 crop has been committed at a price of \$6.70
- 50% of the forecast 2021 crop has been covered at USD 0.72c.

<sup>#</sup> refer Appendix



SELECT HARVESTS



# FY2020 Food & Corporate Division Outlook

Management is currently undertaking a comprehensive review of the Food Division

## Corporate

- Capital and cash management remain a key focus. Forecast delayed cashflows have corrected. Anticipate future crop cashflows will be in line with historical cashflows.
- Continued focus on growth opportunities in almonds.

## Industrial Sales

- Demand for industrial products remains strong. Volumes are strengthening as office workplaces return to work.
- Further investments in the Carina West Value-Adding Facility will enhance our capacity to produce industrial almond products.

## Consumer Brands

- Woolworths has agreed to range an additional 16 Lucky products.
- Sunsol sales continue to grow with sales up on the same period last year.
- Commence Food Division restructure:
  - Kidder Williams: consumer branded food business.
  - Development of Carina West.

## People & Culture

- Number one objective is to ensure the safety of our people.
- COVID safety remains a priority.
- Recent culture survey results has highlighted opportunity to improve collaboration across the business.

## Sustainability

- Publish new SHV Sustainability Report.
- Review and set 2022 Sustainability targets.
  - Establish carbon footprint.
  - Work on increasing value of co-products.



SELECT HARVESTS





# FY2021 Top Priorities


Continue to execute on our growth strategy, underpinned by a world class portfolio of almond assets

1. **Safety and Wellbeing** - Ensure the safety and wellbeing of our employees
2. **Horticultural Program** – Deliver optimal tree health and production and set a strong base for the 2022 crop
3. **Cost Reductions** - Continue to reduce cost per kg across all production stages
4. **Piangil Almond Orchard** - Invest in P&E to improve yield quality, harvest risk mitigation and irrigation efficiency
5. **2021 Harvest & Marketing Program** – Maximise the value of the 2021 almond crop
6. **Manage Cash Position** – Manage cash, working capital and capital
7. **Strategic Growth** – Assess organic and inorganic options to deliver additional growth
8. **Almond Product Sales** – Continue to capitalise on the growing global demand for value-added almonds
9. **Capital Investment** – Prioritise investment to deliver improved quality and efficiency outcomes
10. **Food Division Restructure** – Manage redevelopment of supply chain and review of Consumer brand options



SELECT HARVESTS





# Annual General Meeting

## 26 February 2021

### Consideration of The Financial Statements & Reports



SELECT HARVESTS







## Q&A Session



SELECT HARVESTS



# Resolution #1: Remuneration Report



SELECT HARVESTS





## Resolution #1: Remuneration Report

For:	66,922,116
Against:	819,947
Open-Usable:	571,121



## Resolution #2: Director Elections



SELECT HARVESTS



## Resolution #2(a):

## Election of Michael Iwaniw



SELECT HARVESTS





## Resolution #2(a): Election of Michael Iwaniw

For:	68,132,669
Against:	305,574
Open-Usable:	671,068





# Resolution #2(b):

## Election of Fred Grimwade



SELECT HARVESTS





## Resolution #2(b): Election of Fred Grimwade

For:	46,534,923
Against:	22,139,733
Open-Usable:	674,534



## Resolution #3: Approval of issued securities



SELECT HARVESTS





## Resolution #3: Approval of issued securities

For:	46,585,627
Against:	547,519
Open-Usable:	610,220



## Resolution #4:

### Remuneration Arrangements for the Managing Director

### Participation by the Managing Director in the Long Term Incentive Plan



SELECT HARVESTS



## Resolution #4: Remuneration Arrangements for the Managing Director

### Participation by the Managing Director in the Long Term Incentive Plan

For:	67,095,504
Against:	1,323,881
Open-Usable:	614,081





# Thank You



## Please direct any queries to:

Paul Thompson  
Managing Director  
+61 3 9474 3544

Brad Crump  
CFO and Company Secretary  
+61 3 9474 3544

Andrew Angus  
Investor Relations  
+61 402 823 757

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



# Appendices

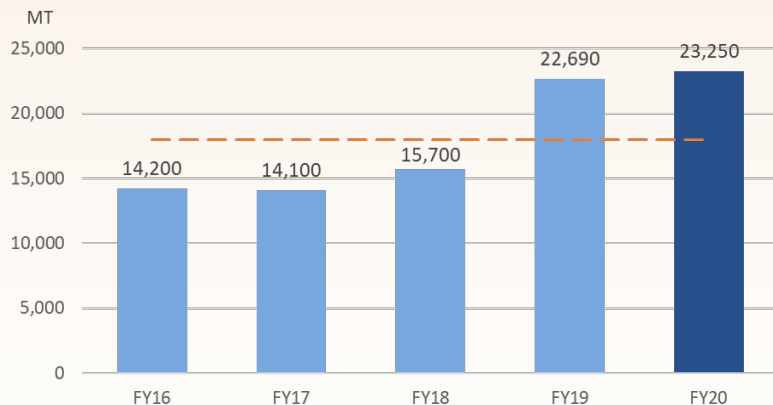


SELECT HARVESTS

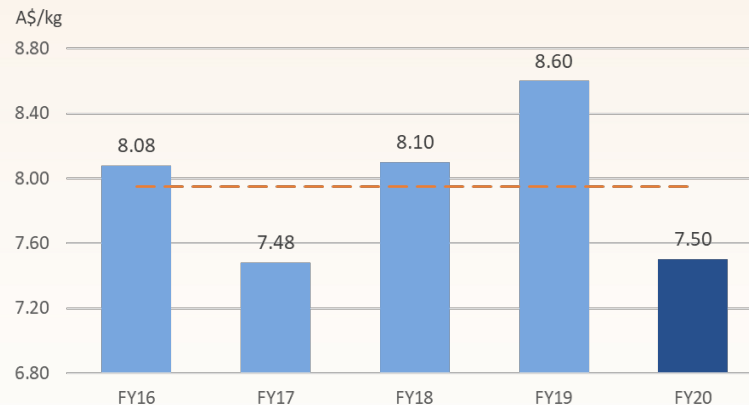
# FY2020 Results in Context

Higher volumes and contained production costs per kg enabled a strong 'through the cycle' FY2020 performance

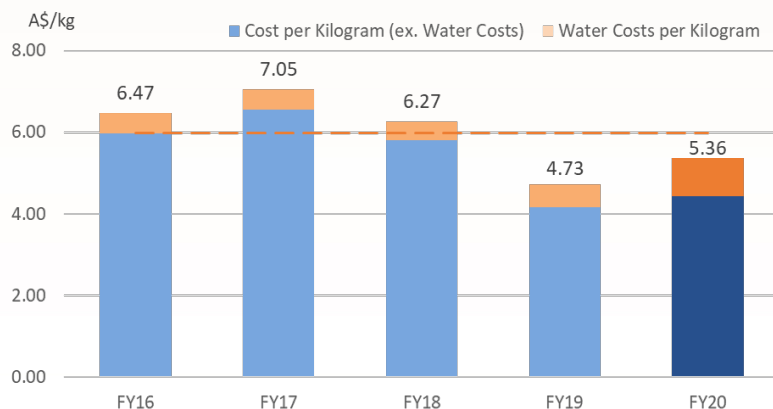
## Almond Volume



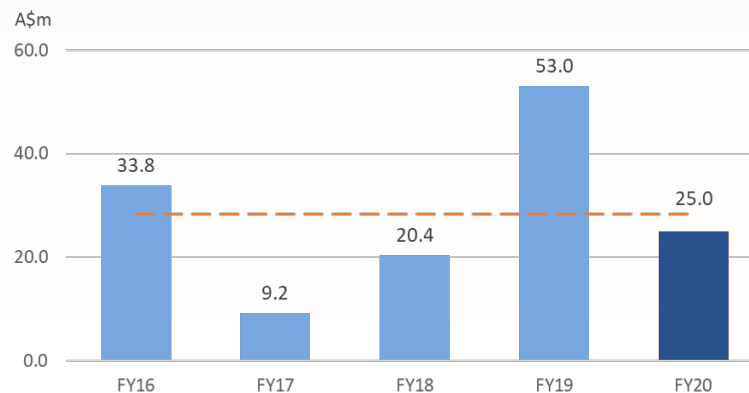
## Almond Price



## Total Almond Production Cost



## NPAT



— 5 Yr. Average

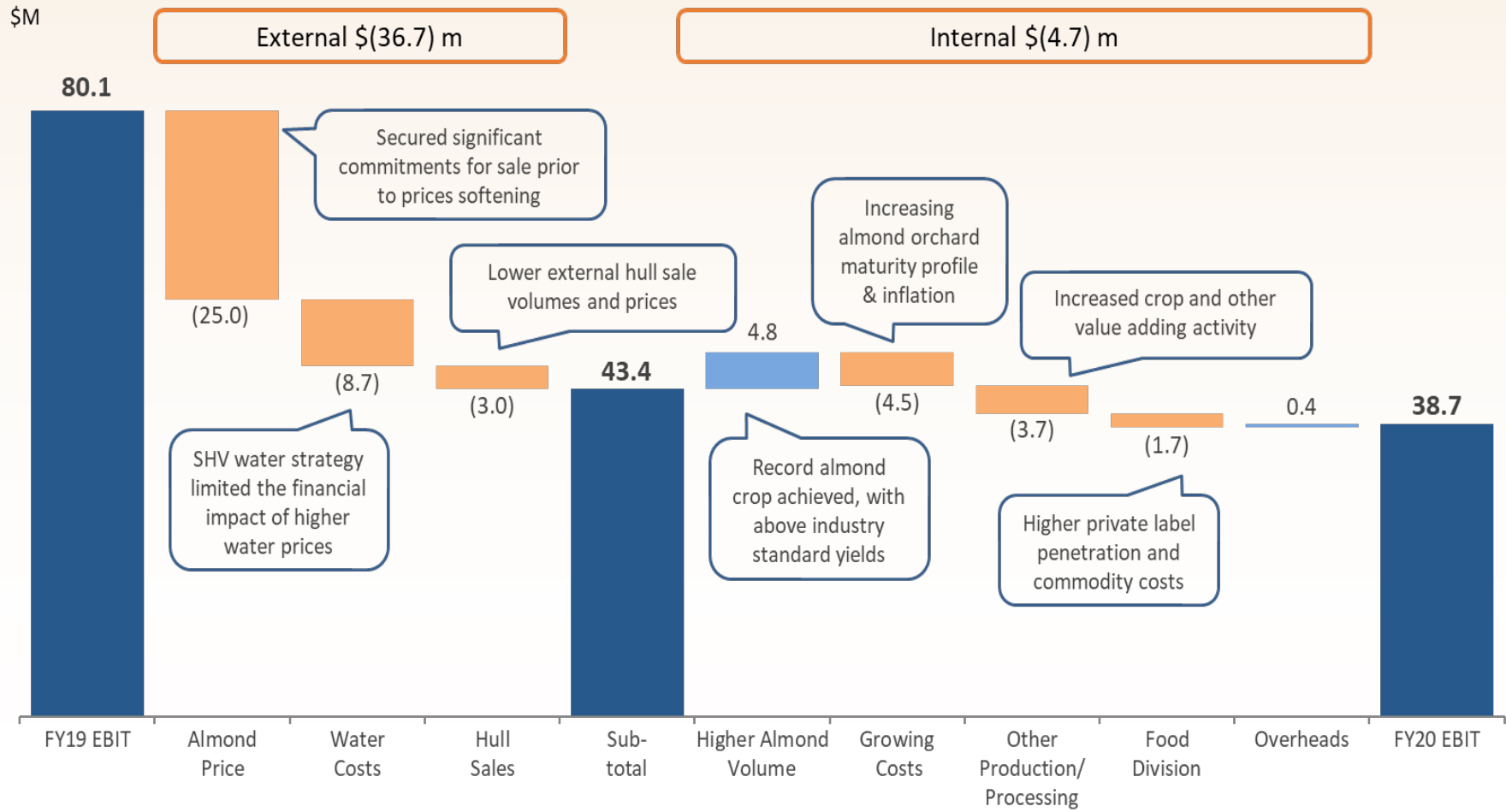


SELECT HARVESTS



# Group EBIT Movement

FY2020 Group EBIT impacted by lower almond prices and higher water costs



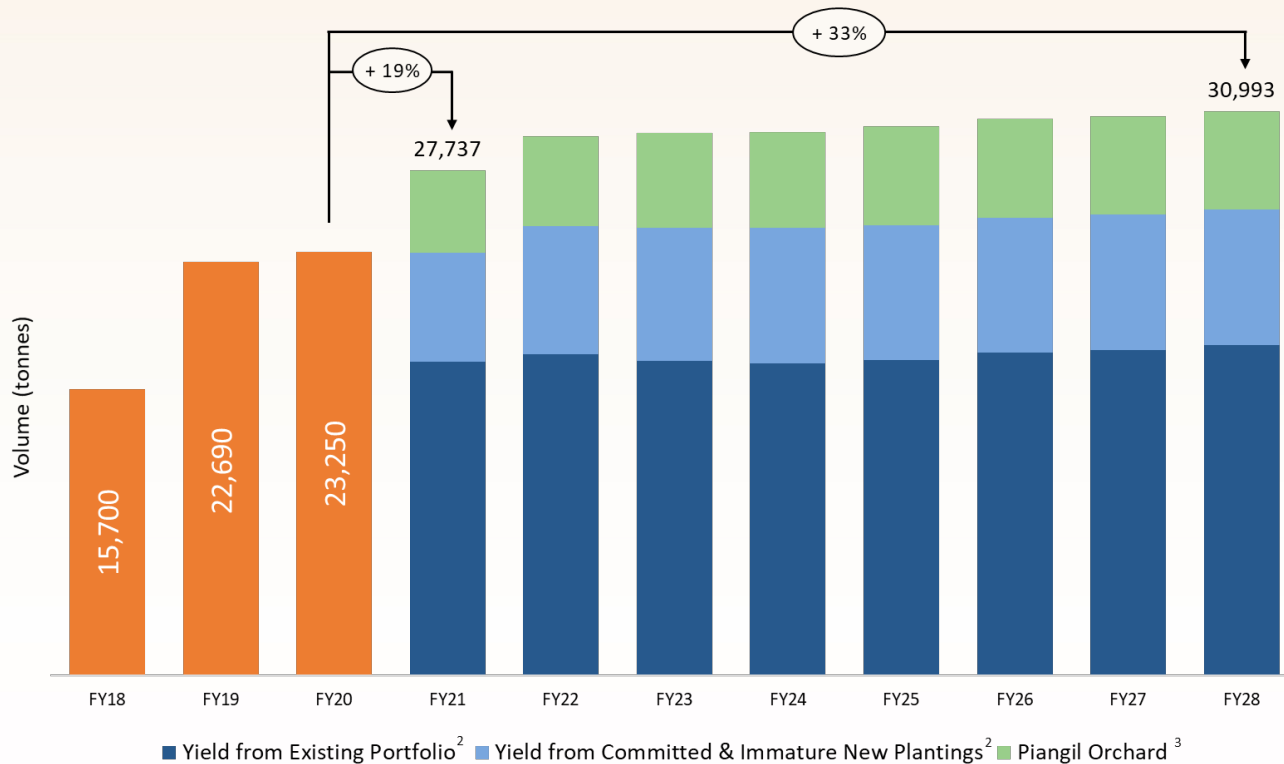
SELECT HARVESTS



# Volume Growth

Our investment in greenfield developments and orchard acquisitions will platform long-term growth

## Select Harvests Theoretical Harvest Volume (2021 – 2028)<sup>1</sup>



<sup>1</sup> The almond crop is biennial in nature with expected +/- 10% per annum variation in tonnage  
<sup>2</sup> Assuming a 3.3MT per ha (1.35MT per acre) maturity profile for Select Harvests' orchards and immature yields based on the average of the 2019 and 2020 crops  
<sup>3</sup> Assuming a 3.5MT per ha (1.4MT per acre) maturity profile for Piangil Almond Orchard.

# Almond Shipments Update

Shipments have responded strongly to lower almond prices

## U.S. and Australian Almond Shipments

U.S Shipments:	2020/21 Crop YTD (Million Lbs.) Aug 2020 to Jan 2021	2019/20 Crop YTD (Million Lbs.) Aug 2019 to Jan 2020	% Change
Carry-in from 2019 crop	450	318	41.4%
Estimated 2020 crop size <sup>1</sup>	3,080	2,520	22.2%
Less 2% loss/exempt <sup>1</sup>	62	50	24.0%
Less shipments to date:			
US Domestic:			
Shelled	245	230	6.6%
Manufactured	186	171	9.0%
Products	3	3	(8.5%)
Inshell	3	3	(24.8%)
Internal Industry Activity	-46	-38	20.0%
<b>Total Domestic</b>	<b>390</b>	<b>369</b>	<b>5.9%</b>
Export:			
North East Asia (inc. China)	200	158	27.0%
Sth East Asia (inc. Vietnam)	32	22	45.7%
Sth Asia (inc. India)	258	164	57.0%
Europe	366	336	9.1%
Mid East/Africa	157	160	(1.8%)
Others	74	63	17.1%
<b>Total Export</b>	<b>1,088</b>	<b>903</b>	<b>20.4%</b>
Less Commitments	932	599	55.5%
<b>Remaining Unsold Supply</b>	<b>1,058</b>	<b>917</b>	<b>15.3%</b>

Australian Shipments:	2020/21 Crop YTD (MT) Mar 2020 to Dec 2020	2019/20 Crop YTD (MT) Mar 2019 to Dec 2019	% Change
Exports:			
Nth East Asia (inc. China)	25,658	40,275	(36.3%)
Sth East Asia (inc. Vietnam)	7,933	4,280	85.4%
Sth/Central Asia (inc India)	11,636	8,732	33.3%
Europe	15,735	13,387	17.5%
Mid East/Africa	4,280	3,679	16.3%
Others	6,736	3,839	75.5%
<b>Total Exports</b>	<b>71,978</b>	<b>74,192</b>	<b>(3.0%)</b>

## Points to Note

- Shipments and forward commitments have responded strongly to the lower pricing environment and record estimated U.S. almond crop of 3.1 billion pounds<sup>1</sup>.
- U.S. domestic shipments are up 5.9% for the 2020/21 Crop Season YTD. Value-added manufacturing almonds shipments are up 9.0%, as consumers increase at home consumption due to COVID-19 related restrictions.
- U.S exports are up 20.4%, with very strong demand seen from the Asian Markets, with shipments up 42.4%.
- Lower almond pricing appears to have softened the impact of Chinese tariffs on U.S almonds, with U.S shipments to China up 50.2%.
- Australian export shipments are down 3% for the 2020/21 Crop Season YTD. The second half of the 2020/21 Crop Season (Sep to Dec) has seen record monthly shipments, up 15,862 MT (87.5%) vs. last season.

Source: Almond Board of California and Almond Board of Australia

<sup>1</sup> Estimates sourced from Derco Foods Jan 2021 and Jan 2020 Almond Reports



SELECT HARVESTS

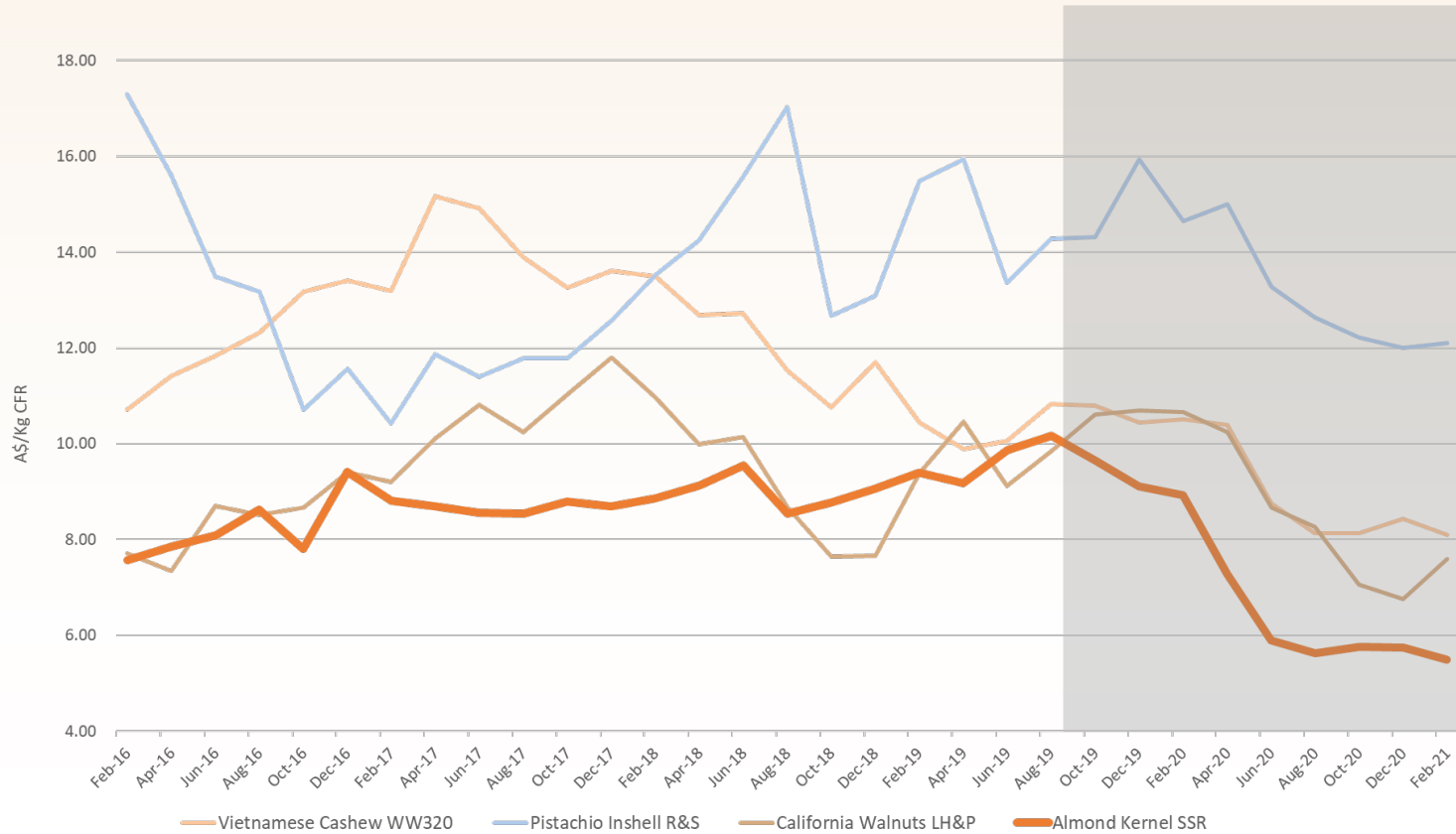




# Tree Nut Pricing

Almonds are the best value of the major tree nuts

## Selected Tree Nut Pricing



Source: Select Harvest Company Data

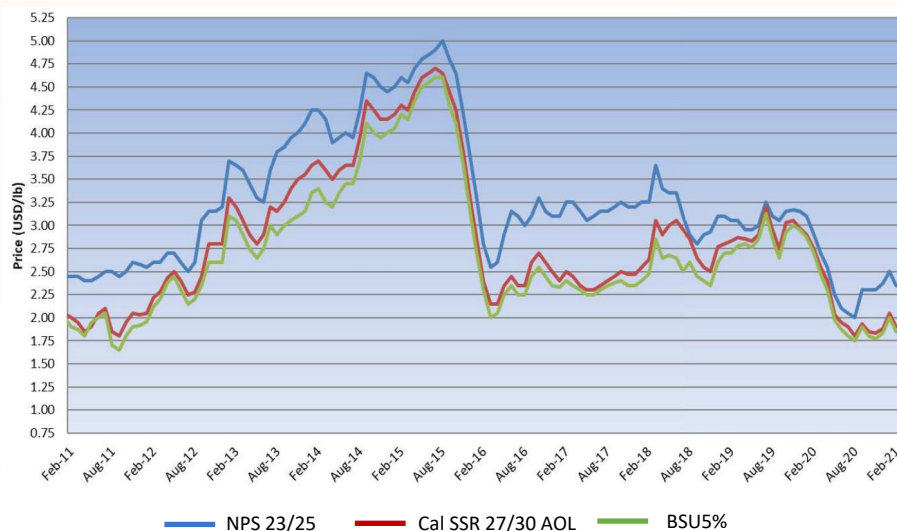
# Almond Prices

Almond prices remain subdued with the realisation that the 2020 US crop will exceed 3.0 billion pounds and uncertainty around the upcoming 2021 U.S. almond crop

## Almond Prices

- An estimated record US almond crop and challenges related to market access issues due to COVID-19 have resulted in a significant softening of almond prices since early 2020.
- Market prices remain subdued with the realisation that the 2020 US crop will exceed 3.0 billion pounds and uncertainty around the upcoming 2021 U.S. almond crop, which is currently only at pollination stage.

Almond Prices (USD/lb)<sup>1</sup>



— NPS 23/25 — Cal SSR 27/30 AOL — BSU5%

(1) Source: Derco Foods (2) Source: Almond Board of California & Derco Foods (Estimated Crop and Less 2% loss/exempt)

# Company and Market Outlook

Plant based foods and especially almond consumption continues to grow



## Global Supply

- Large US and Spanish crops are well sold.
- Northern hemisphere crops are at pollination stage, too early to determine 2021 crop.
- Californian snowpack and rainfall well below historical averages.
- Old orchards in California are being removed.
- Impact of Sustainable Ground Water Management ACT (SGMA) is just starting.

## Global Demand & Pricing

- Despite market assess issues demand has continued to grow with record global shipments being recorded.
- High growth continues in value added products such as milks, confectionary and butters.
- Demand in India continues to grow. Tariffs are constraining the big opportunity in China.
- Pricing remains at historical ten year lows.

## Select Harvests

- We will pursue value accreditive almond orchards acquisitions of scale.
- We are looking to invest in our drying, value adding and sorting capacity to match our Hulling and Shelling capacity.
- Creating value from our co-products remains an exciting opportunity.
- Cost reduction remains a priority as does improving our quality and price realisation.
- A \$0.50/kg price increase equals a \$14m EBIT uplift based on this year's crop forecast.

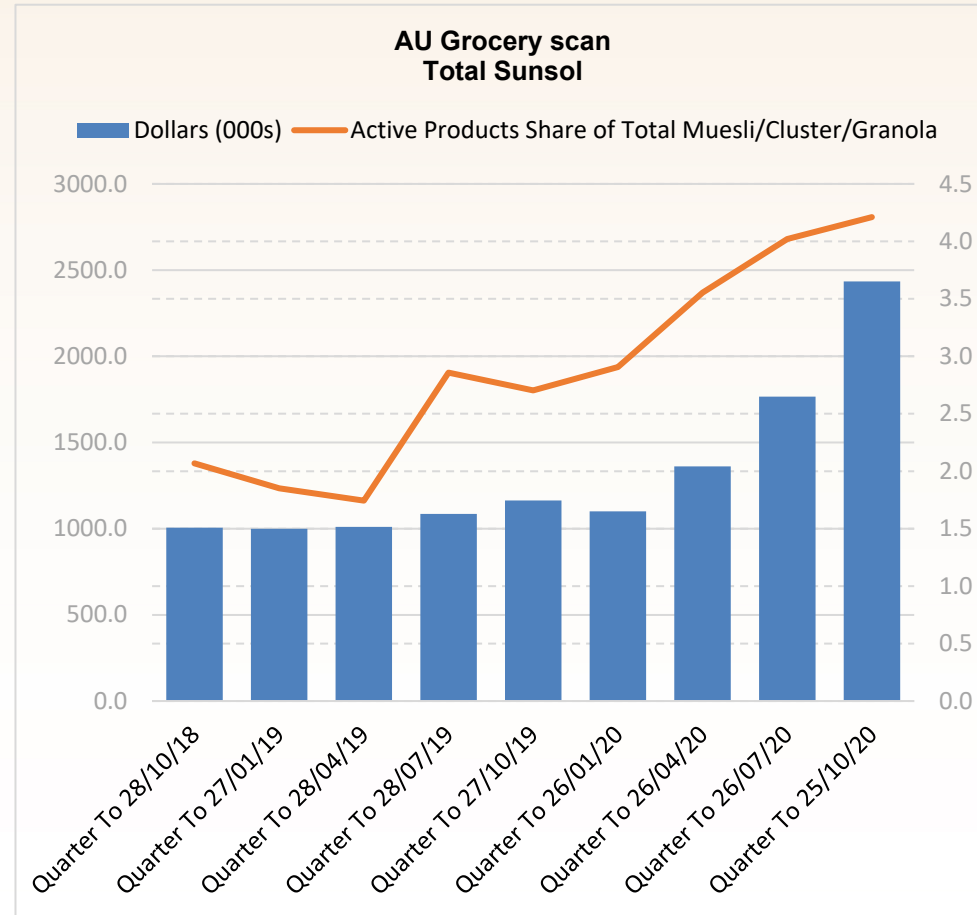


SELECT HARVESTS



# Grow Our Brands – Sunsol

Sunsol Muesli sales in the Australian grocery segment grew strongly in F2020 supported by product innovation and brand advertising.



\*Source: IRI MarketEdge | QTR to 25/10/2020



SELECT HARVESTS

