

# Select Harvests Limited (ASX:SHV)

Australian Shareholders' Association

8 June 2021

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Managing Director & CEO

Piangil Almond Orchard



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# 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.*



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# Strategy and Sustainability



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# Select Harvests Strategy

Select Harvests – in control of our destiny

## VISION

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

## VALUES



**TRUST &  
RESPECT**

DO THE  
RIGHT THING



**INTEGRITY &  
DIVERSITY**

BE ONE  
TEAM



**SUSTAINABILITY**

PROTECT AND  
GROW



**PERFORMANCE**

OWN IT



**INNOVATION**

THINK OUTSIDE  
THE SQUARE

## 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

## 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

## GOAL

Sustainable Shareholder Value Creation



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# Triple Bottom Line

## People

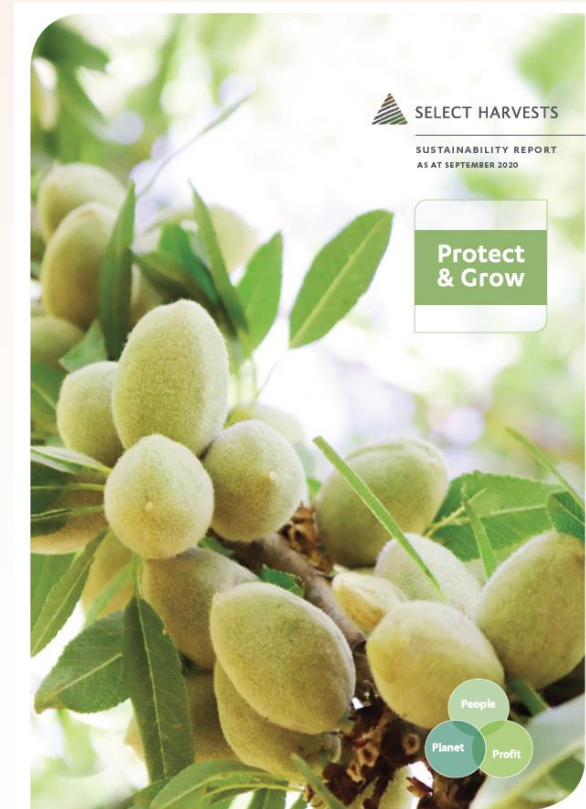
Ethics & Integrity, OHS & Wellbeing, Inclusion & Diversity, Human Health & Nutrition, Food Safety, Sourcing Sustainability

## Planet

Resource Efficiency, Sustainable Farm Management, Climate Change & Water, Bee Stewardship

## Profit

Positive absolute shareholder returns, 20% or higher EPS CAGR over 3 years, TSR at or above 75<sup>th</sup> percentile over 3 years, for capital deployment ROCE > WACC



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



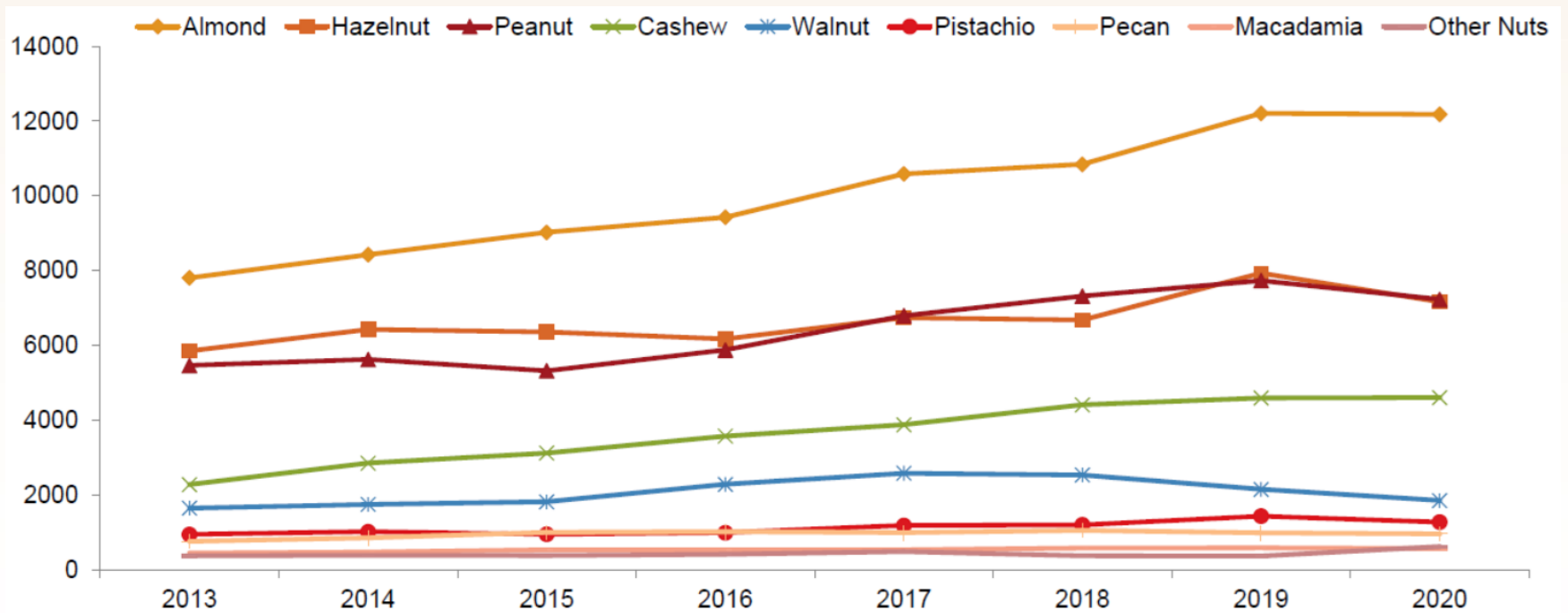
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# Global Almond Product Introductions

Almonds remain the leading nut type for introductions into new consumer food products globally. This is resulting in increasing demand for value-added manufactured almonds.

## Global New Nut Introductions by Type (2013 to 2020)



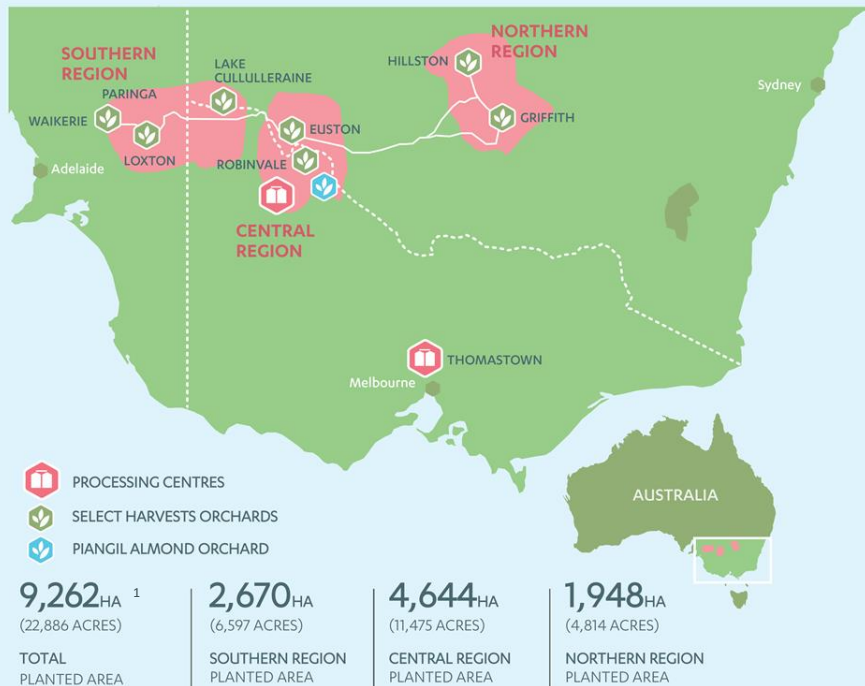
Source: Innova Market Insights, May 2021



# Orchard Portfolio

One of the worlds largest almond growers, with a geographically diverse 9,262 hectare orchard portfolio

## Select Harvests Orchard Map<sup>1</sup>



## Benefits of Geographic Diversity & Scale

- Geographic diversity limits exposure to:
  - Weather
  - Disease spread
  - Insect infestation
- Positions the company to maximise harvest volume and reduce variance
- Enables sequential progression of harvest period across regions for better utilization of:
  - Farm equipment
  - Processing
  - Labour
- Secure access to diverse water sources:
  - River Water
  - Aquifers
- Maximises economies of scales to achieve
  - Global bottom quartile almond farming and processing costs
  - Scalable adoption of proven on-farm technologies and processes



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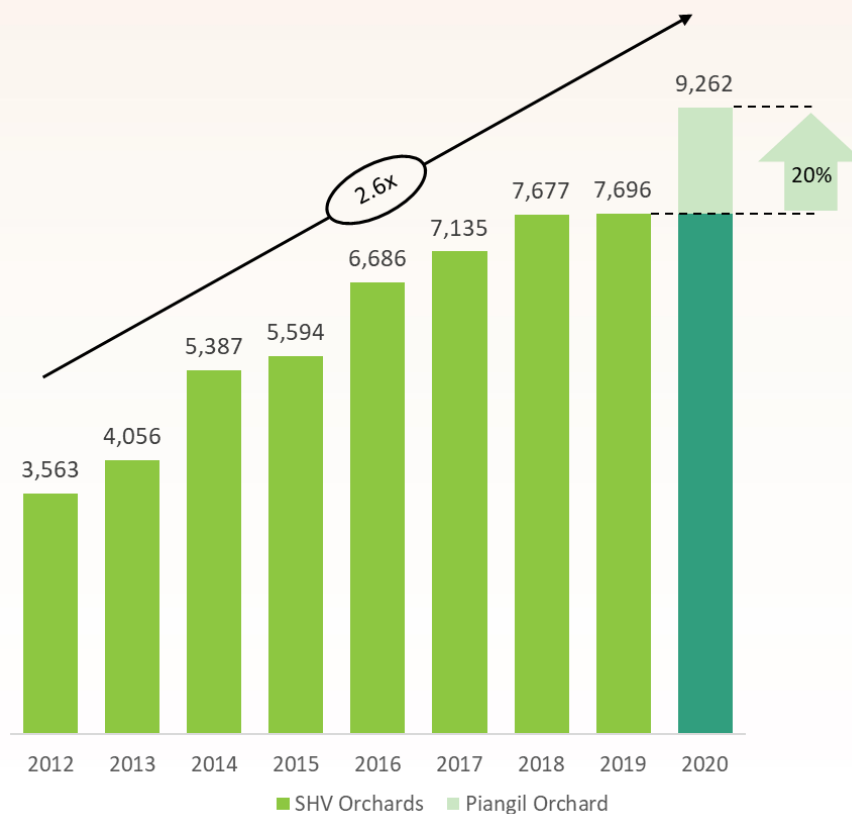
# Orchard Profile

2.6x growth in planted hectares since 2012<sup>1</sup>

## Select Harvests Orchard Profile

Select Harvests	Total Planted	
Almond orchard portfolio	(as at 30 September 2020)	
	hectares	acres
<b>Central Region</b>		
Company Owned	1,693	4,183
Piangil Orchard	1,566	3,870
Leased	1,385	3,422
<b>Total</b>	<b>4,644</b>	<b>11,475</b>
<b>Northern Region</b>		
Company Owned	727	1,797
Leased	1,221	3,017
<b>Total</b>	<b>1,948</b>	<b>4,814</b>
<b>Southern Region</b>		
Company Owned	1,120	2,769
Leased	1,549	3,828
<b>Total</b>	<b>2,670</b>	<b>6,597</b>
<b>Total</b>		
Company Owned	5,107	12,619
Leased	4,155	10,267
<b>Total</b>	<b>9,262</b>	<b>22,886</b>

## Select Harvests Planted Almond Hectares<sup>1</sup>



<sup>1</sup> Excludes West Australia orchards which were sold by Select Harvests in 2016



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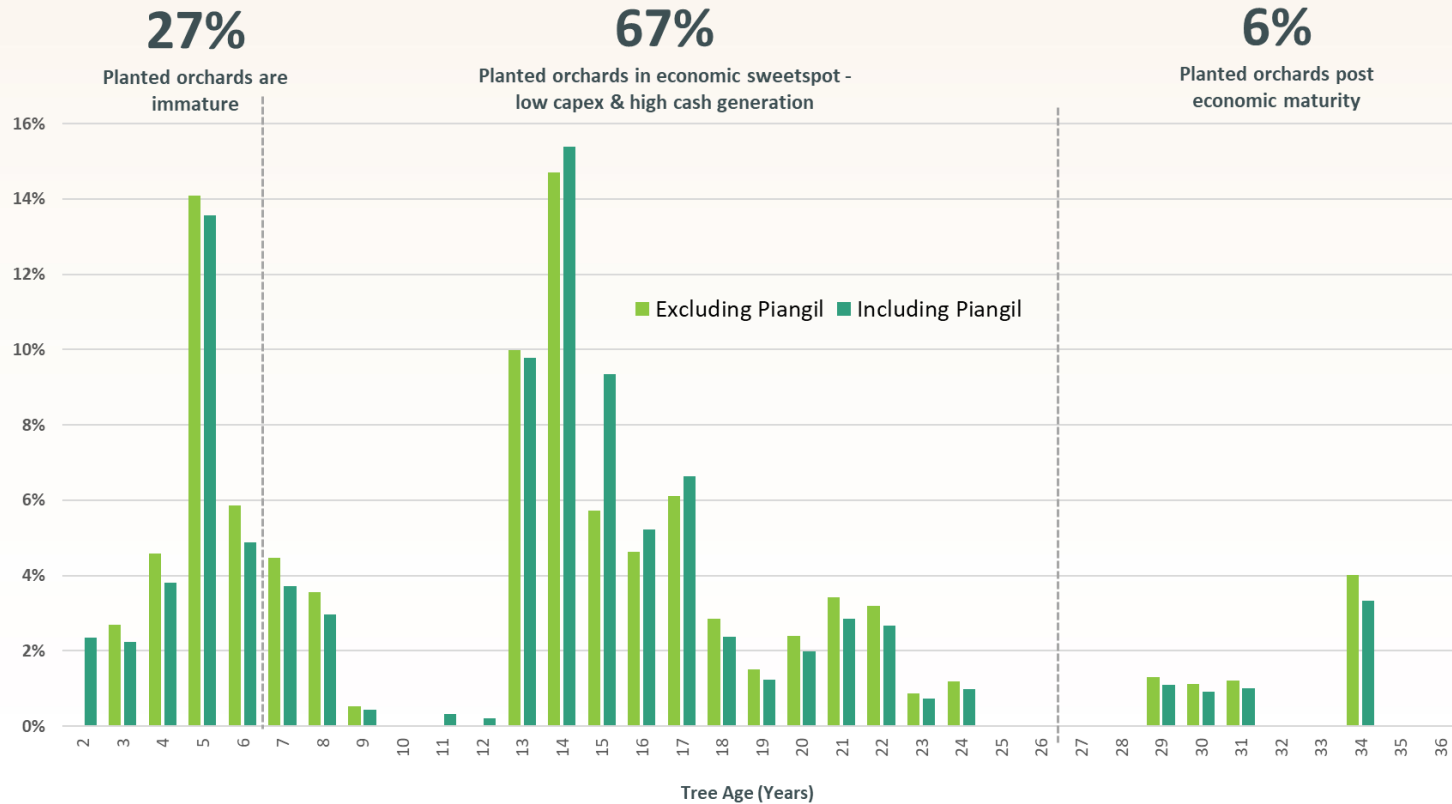


# Orchard Age

Following the Piangil Almond Orchard acquisition, Select Harvests weighted average orchard age is 13.6 years, with 98% of current planted acres cash generative

## Age Profile of Select Harvests Almond Orchards<sup>1</sup>

(98% of current planted hectares are cash generative)

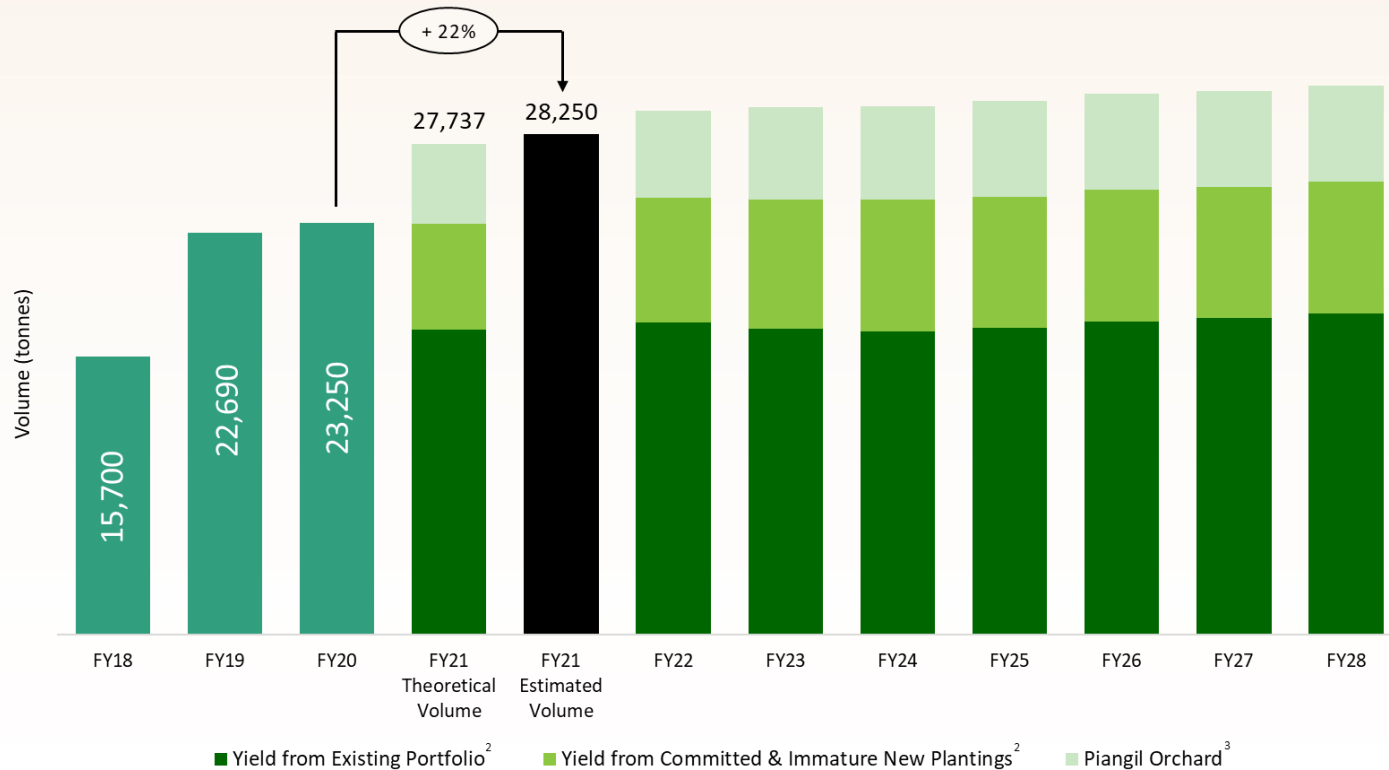


<sup>1</sup> Tree age is in reference to the 2021 crop

# 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.



# Market Outlook

Carina West Processing Centre



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# Global Almond Demand

Demand for almonds is growing in all markets, with record breaking export shipments

- Almond shipments continue to respond strongly to the 10-year low price environment, with record-breaking monthly U.S. and Australian shipments
  - Combined Australian and U.S almond export shipments were significantly higher over the last 3, 6 and 12 month periods of 2020/21 vs. the same corresponding periods in 2019/20.
- Growing consumer demand for healthy snacking and plant-based & vegan diets in all markets will continue to underpin strong global demand growth.
- Almonds remain the leading nut type for introductions into new consumer food products such as milks, confectionary and butters. This is resulting in increasing demand for value added manufactured almonds.
  - According to Innova Market Insights, there were approximately 12,000 new global almond product introduction in CY 2020, with Australian almond introductions increasing by 20% CAGR between 2010 and 2020, reaching 386 new products in 2020.

## Combined Australian and U.S. Almond Exports

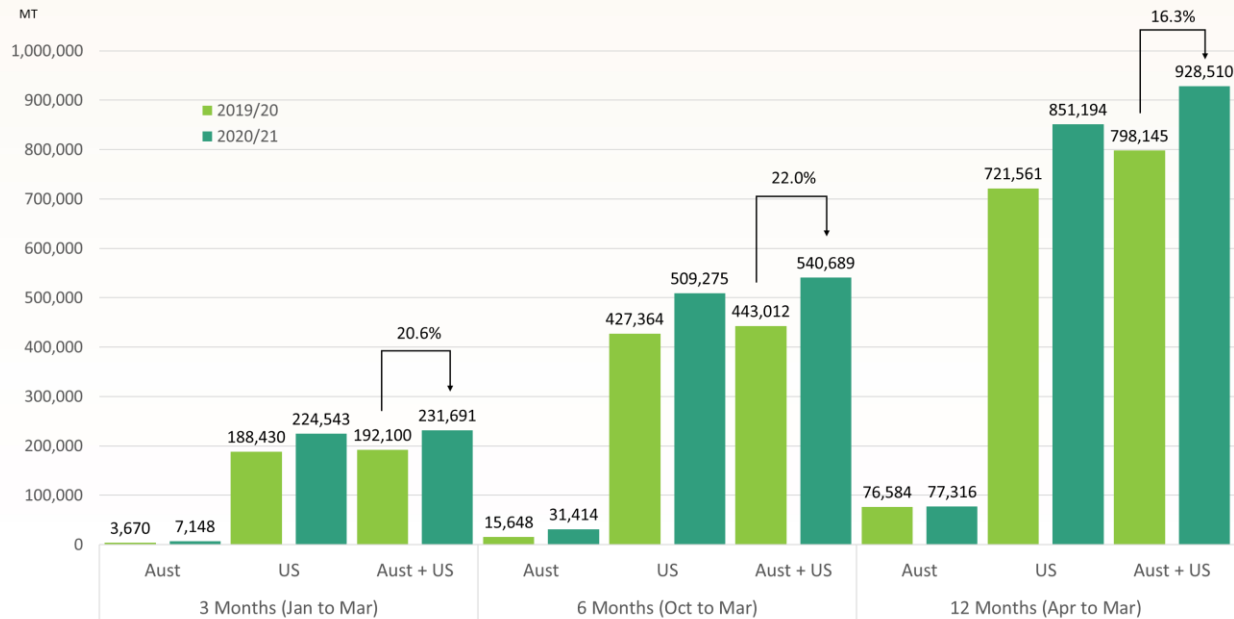


Chart Source: Almond Board of California and Almond Board of Australia



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# Global Almond Supply

SHV remains well positioned through its low operating costs, ability to deliver large scale value-add production and strong balance sheet to benefit from an increase in almond prices going forward

- Australia, the U.S. (specifically California) and Spain account for approximately 93% of global almond production<sup>1</sup>.
  - **California:** on 12 May 2021 the USDA released its initial Subjective Estimate for the 2021 California almond crop of 3.2 billion pounds (to be harvested from August 2021). With California currently in the grip of a serious and worsening drought, most industry forecasts are estimating a 2021 crop of between 2.8 - 2.9 billion pounds. If the Subjective Estimate comes to fruition, Californian almond supply will increase by a manageable 2.9% between 2020 and 2021. At the lower end of industry forecasts, supply would decrease by 10.7%.
  - **Australia:** it is unlikely that the growth the Australian almond industry has experienced over the last 10 years will be repeated over the next 10 years. The major limiting factor on the future growth of Australian almond developments is the price, security and deliverability of water.
  - **Spain:** the 2021 Spanish almond crop is expected to be down 6% vs. 2020, with spring frost affecting some growing areas in 2021.

## California Almond Production (2000/01 to 2025/26)

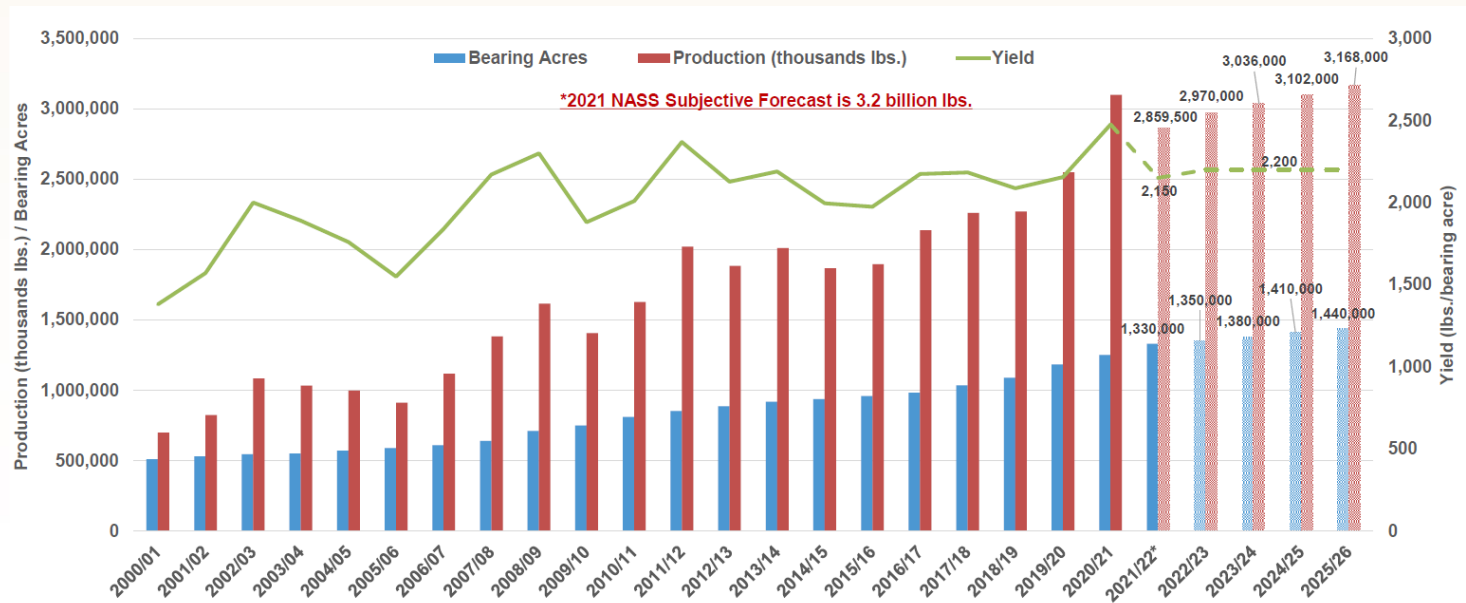


Chart Source: The Almond Board of California, 20 May 2021.  
<sup>1</sup> International Nut & Dried Fruit council (INC) 2020/21 Statistical Yearbook



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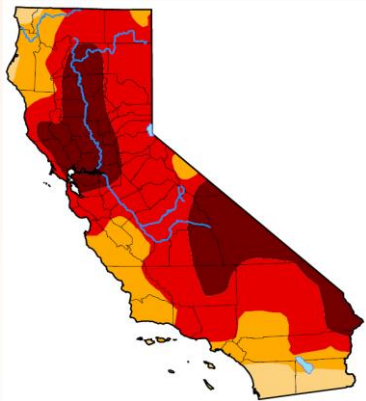


# California Drought Monitor

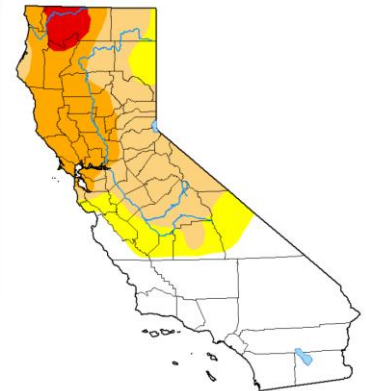
94% of California is currently in a Severe Drought, with 74% of the state in Extreme Drought and 26% in Exceptional Drought

## U.S. Drought Monitor California (May 25, 2021)

May 25, 2021



May 25, 2020



Drought Conditions (Percent Area)						
	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	0.00	100.00	100.00	94.61	74.46	26.04
Last Week 05-18-2021	0.00	100.00	100.00	94.31	73.33	15.91
3 Months Ago 02-23-2021	0.70	99.30	84.88	56.98	29.54	3.75
Start of Calendar Year 12-29-2020	0.00	100.00	95.17	74.34	33.75	1.19
Start of Water Year 09-29-2020	15.35	84.65	67.65	35.62	12.74	0.00
One Year Ago 05-26-2020	41.80	58.20	46.67	20.84	2.97	0.00

### Intensity:

None	D2 Severe Drought
D0 Abnormally Dry	D3 Extreme Drought
D1 Moderate Drought	D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>

## Points to Note

- 74% of California is currently experiencing Extreme Drought, with the state on track for one of the driest years in modern history.
- Almonds are relatively tolerant to drought from a survival standpoint; however, yields are impacted when water applications are reduced.
- Water shortages caused by the drought could lead to lower yields and smaller nut sizes distribution for both the 2021 and 2022 Californian almond crops.
- High water costs due to the Extreme Drought and the impact of California's Sustainable Groundwater Management Act (SGMA)\* are leading some Californian almond growers to accelerate the removal of planted acres and reduce new plantings.
- SGMA requires governments and water agencies of high and medium priority basins to halt overdraft and bring groundwater basins into balanced levels of pumping and recharge.

\* [www.water.ca.gov/programs/groundwater-management/sgma-groundwater-management](http://www.water.ca.gov/programs/groundwater-management/sgma-groundwater-management)



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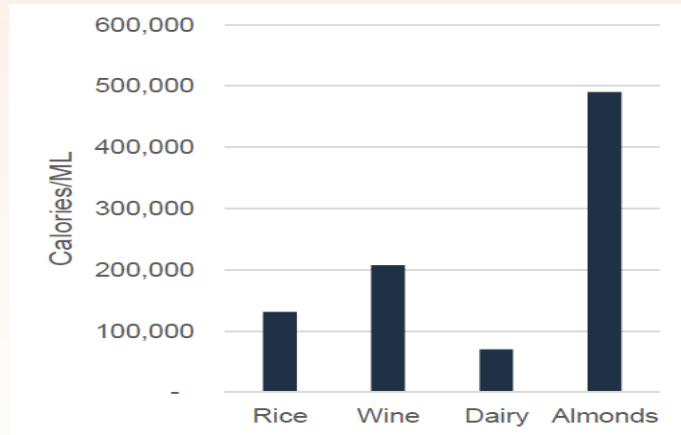




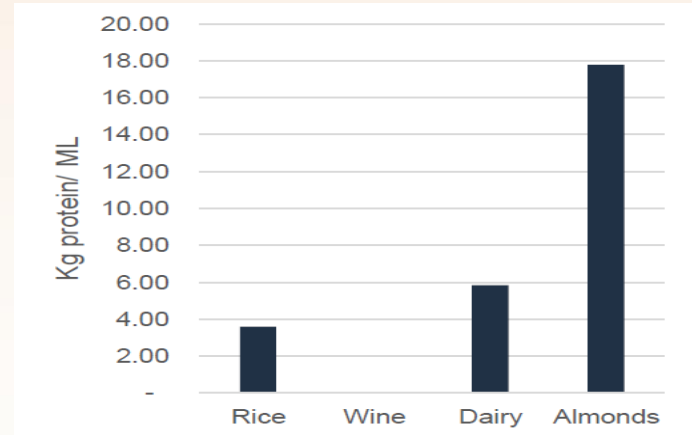
# Water Use Efficiency of Almonds

Almonds have the highest calories per ML of water used, the highest protein per ML of water used and the highest dollars generated per ML of water used

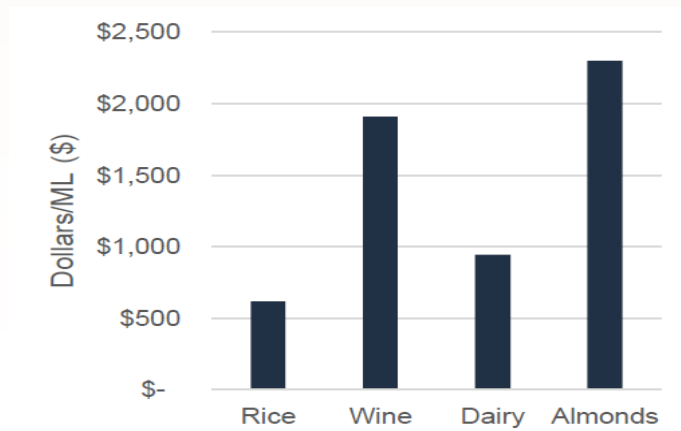
Calories per ML



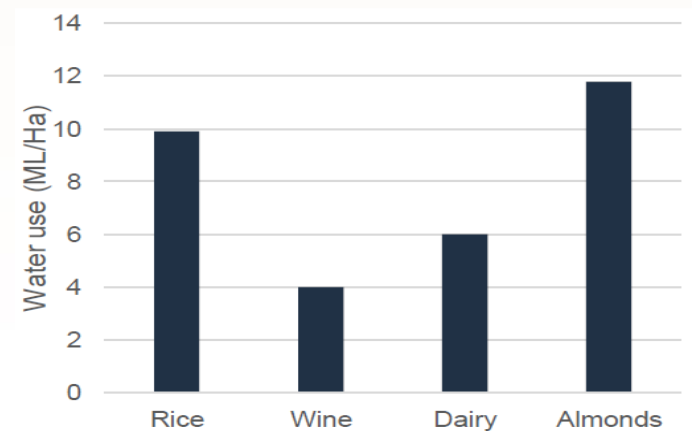
Kg Protein per ML



Dollars per ML (\$)



Water Use (ML/Ha)



Source: March 2021 Report on the 'Economic contribution of the Australian Almond Industry' by RMCG Consulting for Horticulture Innovation Australia



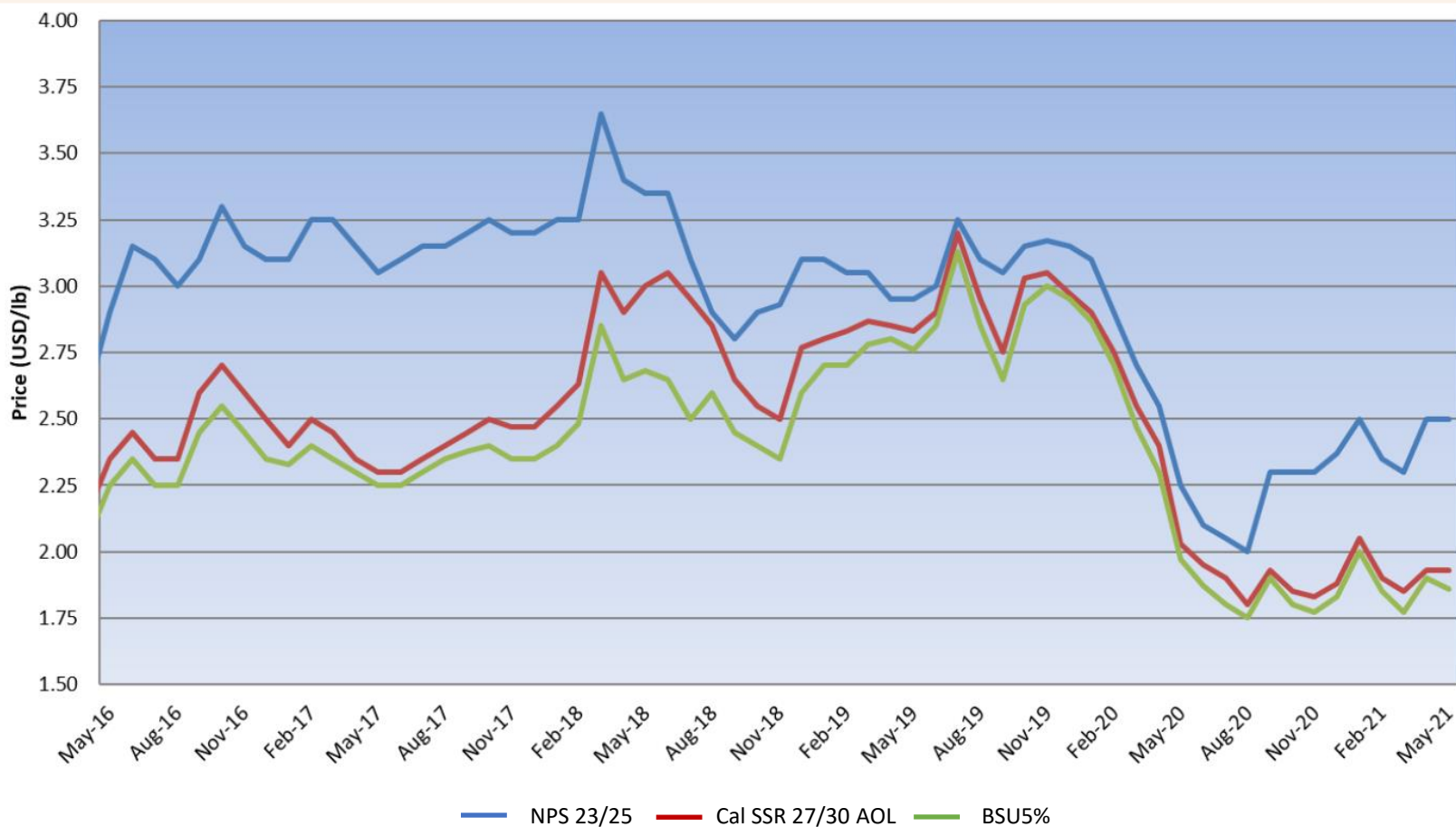
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# Almond Prices

Higher quality almond varieties are in short supply and have benefitted from rising prices

## Farm Gate Almond Prices (USD/lb)



Source: Derco Foods



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# Business Performance

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# 1H FY 2021 Financial Overview

Lower global almond prices have negatively impacted earnings



**\$1.3m**

1.1% Margin



<sup>1</sup>

**\$12.8m**

11.1% Margin



Earnings per Share  
(Basic)

**1.1 cents**

Due to the current unfavourable market conditions no dividend has been declared for the interim financial period.



Net Debt to Equity

**21.7%**

(Excluding lease liabilities)



Almond Division EBIT<sup>1</sup> - **\$3.1m**

Food Division EBIT<sup>1</sup> - **\$3.1m**

Strong yields and a focus on operating costs helped delivered a positive EBIT<sup>1</sup> in a challenging almond price environment



Operating Cash Flow

**\$6.3m**

Positive operational cashflow due to Covid-19 related timing of sales

<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.



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# 1H FY 2021 Operating Overview

Continue to maintain better than industry standard yields, with a record almond crop estimated for 2021



**Almond Crop**

**28,250 MT**

Continue to maintain better than industry standard yields



**Average Almond Price**

**\$6.00/kg**

50% of the 2021 SHV crop contracted for sale



**Currency**

**\$0.73 AUD/USD**

Over 80% of crop export sales hedged at approx. \$0.73



**Total Almond Production Costs**

**\$5.56/kg**

Growing costs remain well controlled



**People and Safety**

**6% reduction in TRIFR<sup>1</sup>**



**Piangil Almond Orchard**

Acquisition completed  
Capex program commenced



<sup>1</sup> - Total Recordable Incident Frequency Rate (TRIFR). Based on our Annual Moving Total (MAT) for March 2021.



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# Current Year Almond Crop Sensitivities

40% of SHV's 2021 total crop has been processed to date, with 50% contracted for sale.

80% of export sales forecasts are hedged against the USD at \$0.73

- A portion of the current year almond crop is classified as a biological asset and valued in accordance with AASB 141 "Agriculture". In applying this standard, the consolidated entity has made various assumptions at the interim balance date.
- The actual crop quality and yield will not be known until it is processed.
- The actual price will not be known until the crop is fully contracted and sold.
- Assumptions and sensitivities are outlined below.

Metric	Assumption	Sensitivity - EBIT Impact
Crop Size	28,250 MT	1% movement = \$1.7m
Crop Price	AUD \$ 6.00/kg	1% movement = \$1.7m
AUD/USD FX Rate	\$0.73	1¢ movement = \$2.3m

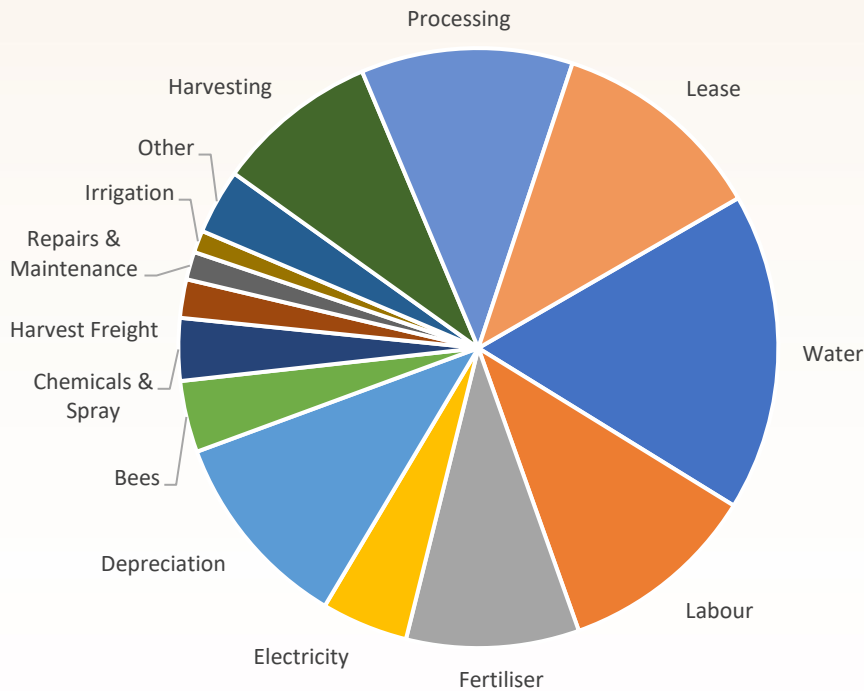


# Crop Costs

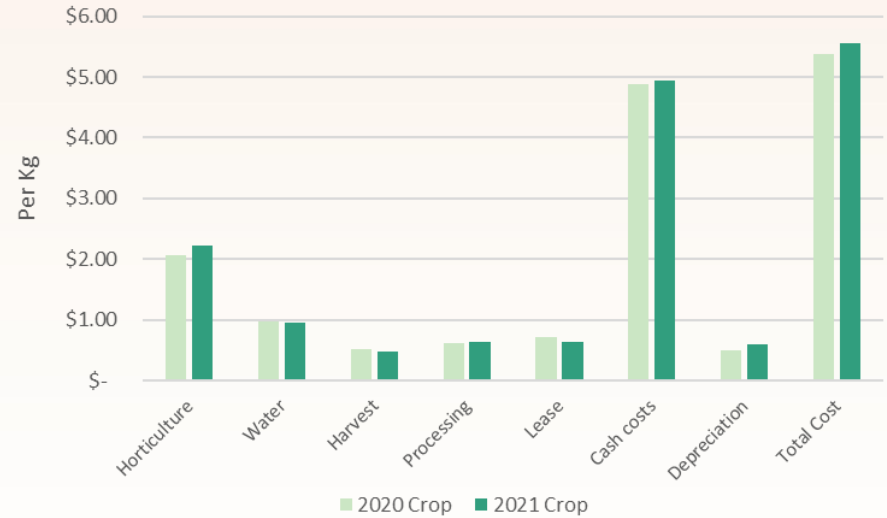
Increase in cost per kg due to maturity profile and lower net yield



## Crop Costs by Type



## Cost per Kg – 2020 Crop vs. 2021 Crop



	2020 Crop	2021 Crop	Change
<b>Hort. Cost Per Kg</b>	\$2.06	\$2.23	8.3%
<b>Water Cost Per Kg</b>	\$0.98	\$0.95	-3.1%
<b>Cash Cost Per Kg</b>	\$4.88	\$4.95	1.4%
<b>Total Cost Per Kg</b>	\$5.37	\$5.56	3.5%



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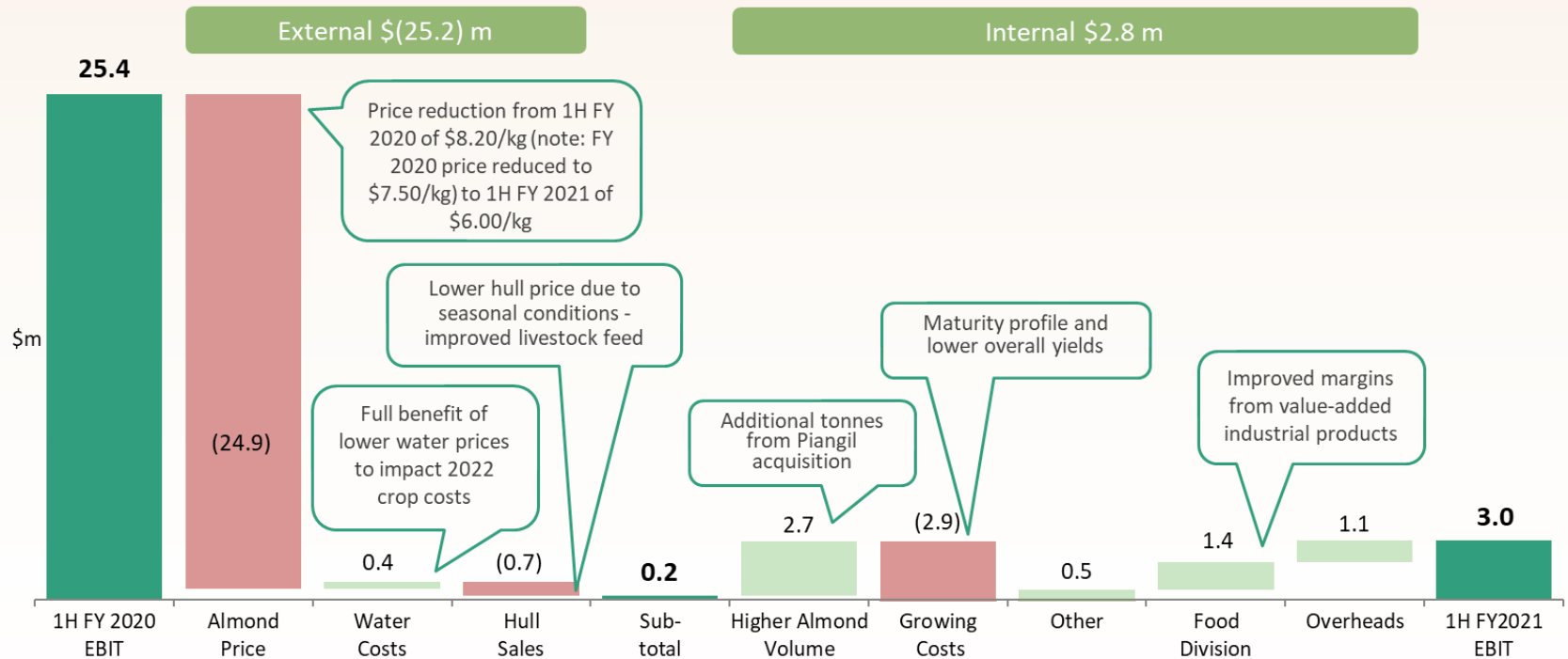


# Group EBIT Movement

1H FY 2021 Group EBIT significantly impacted by lower global almond prices



## Group EBIT<sup>1</sup> Movement



<sup>1</sup> - 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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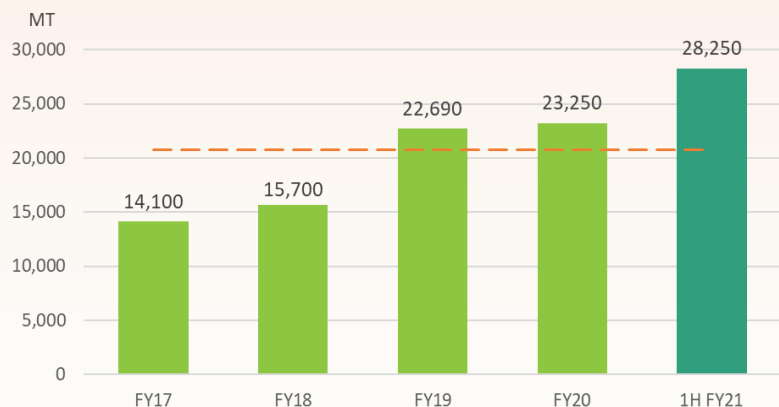




# 1H FY 2021 Results in Context

The company remains focused on factors within its control such as almond volume, quality and production costs

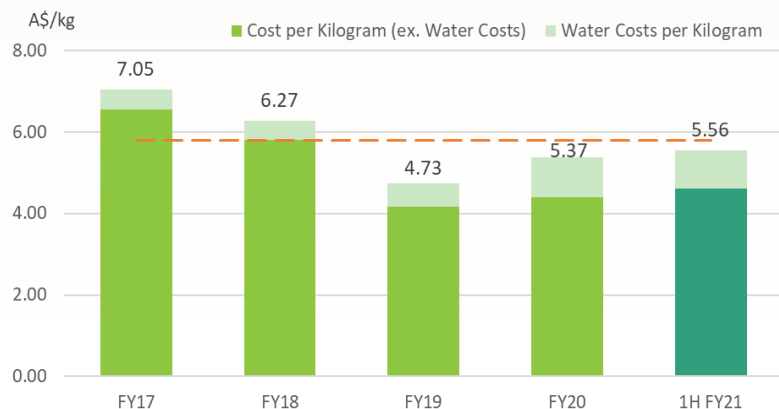
## Almond Volume



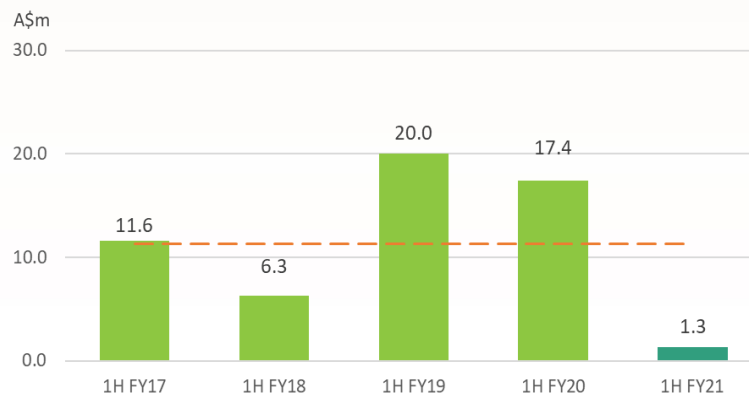
## Almond Price



## Total Almond Production Cost



## NPAT



--- 5 Yr Average



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# Operating Performance

It is anticipated that the second half of 2021 will be similar to the first half result



## Almond Sales

The 2021 crop has been fully harvested and delivered to our Carina West processing facility. The company's focus is on selling the remainder of the 2021 crop. Without an improvement in pricing, it is anticipated that the second half result will be similar to the first half.



## Processing

40% of the 2021 total crop has been processed to date with no major issues identified. Prior year investment in processing technology has enhanced quality levels and efficiency. Higher inshell production rates and the use of on-farm conditioners is forecast to increase throughput rates and decrease processing costs per kilogram for the 2021 crop.



## Water

2021 crop water commitments have been completed, with a lower cost per kg achieved. FY 2021 water costs impacted by a large volume of 2020 carryover water. The spot price of temporary water rights has significantly reduced.



## Food Division Restructure

The sale of SHV's Consumer Branded and non-almond Industrial business is progressing well. A number of parties are engaged in due diligence and SHV expects to conclude the process by the end of FY 2021.



## Carina West Investment

Prior to the 2021 season capital works were completed to add capacity to stock pad, storage and inshell sorting.



## Corporate

Capital and cash management remain a key focus. Cashflows continue to be impacted by Covid-19 related impacts on the global shipping supply chain. As the 2021 crop is sold, 2H FY 2021 operational cashflows will increase leading to a forecasted positive net operating cashflow for FY 2021.



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# 2021/22 Focus Areas

## Planet



### Water Efficiency

100% of our orchards use drip irrigation tree and soil monitoring systems



### Sustainability

Develop sustainability targets to build on 2020 Sustainability Report



### Orchard Composting

Seeking a license to sell surplus compost to third parties

## People



### Securing Labour

Commenced securing harvest labour for 2022



### HRIS System

HRIS System to be implemented over the next 12 months



### Investment in Skills

Graduate program and ongoing career development in place

## Profit



### Food Division Restructure

Expected to concluded by the end of FY 2021



### Carina West Investment

Increase the volume and range of value-added almond products to integrate Thomastown capacity



### Water Costs

Lower water costs to flow into FY 2022, with estimated savings of \$6m to \$8m due to favourable carryover rates



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# Useful Almond Industry Websites

## Industry Associations

- Californian Almond Board [www.almondboard.com](http://www.almondboard.com)
- Almond Board of Australia [www.australionalmonds.com.au](http://www.australionalmonds.com.au)

## Industry Reports

- US Crop Forecasts (Subjective, Objective) <https://www.almonds.com/tools-and-resources/crop-reports>
- Monthly Almond Position Reports <https://www.almonds.com/tools-and-resources/crop-reports/position-reports>
- Almond Almanac <https://www.almonds.com/tools-and-resources/crop-reports/almond-almanac>
- UC Davis Almond Development Costings <https://coststudies.ucdavis.edu/en/current/commodity/almonds/>

## Almond Companies

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

## Definition & Explanations

<sup>1</sup>**EBITDA, EBIT & ROCE 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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# Thank You

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



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