



Select Harvests Limited (“SHV”)

Half Year ending 31 December 2012 - Results Presentation

21 February 2013





Disclaimer & Basis of Preparation

This presentation is provided for information purposes only. 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.

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Underlying EBIT and Underlying NPAT are non-IFRS measures that reflect, in the opinion of the Directors, the ongoing operating activities of Select Harvests Ltd in a way that appropriately presents its underlying performance. The non-IFRS underlying profit measures exclude restructuring expenses, asset impairments and asset write-downs



Agenda



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Overview

Results Discussion & Analysis

Outlook

Summary

Appendices



Overview



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- **Reported 1H13 Net Loss after Tax of \$19.5m, compared to reported 1H12 Net Profit After Tax (“NPAT”) of \$6.0m**
 - Result includes impact of write-downs of \$39.9m (pre-tax), \$27.9 m (post tax) relating to WA Greenfield Project
- **Excluding the impact of WA write down**
 - **1H13 NPAT \$8.4m, compared to 1H12 NPAT \$6.0m, up 40% on prior corresponding period (“pcp”)**
 - **1H13 Earnings before Interest & Tax (“EBIT”) \$14.4m, compared to 1H12 EBIT \$9.4m, up 53% vs. pcp**
 - **1H13 Profit before Tax (“PBT”) of \$12.1m, compared to 1H12 PBT of \$6.2m, up 94% vs. pcp**
- **Strong operating cashflow \$11.5m, compared to \$11.7m pcp**
- **Gearing (Net Debt to Equity) post WA write down 43.8%, down from 47.6% pcp**
- **Reported Earnings per Share (“EPS”) - (34.3 cents), EPS (excluding WA write down) 14.8 cents, up 38% pcp**
- **Interim Dividend declared of 3 cents per share (Record Date: 8 March 2013, Payment Date: 26 April 2013)**



Overview



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- **Performance of both divisions improved considerably**
 - Almond Division EBIT \$12.1m, up 53% vs. pcip
 - Food Division EBIT \$4.0m, up 15% vs. pcip
- **Decision to impair WA**
 - Lack of scale
 - Horticultural challenges - high risk
 - Unforeseen uncontrollable costs
- **Capitalising on the benefits of integrated and more diversified business model**
 - Almond Division significant improvement
 - Food Division continue to improve
- **One Select having a positive impact**
 - Productivity gains, cost savings and working capital reductions
 - Balance Sheet has been steadily improving
- **Orchard acquisitions**
 - Acquired 1,286 acres (520 hectares) orchards in 2013 (no impact on 1H13 – but EPS accretive FY13)
- **Growth opportunities**
 - SHV in better shape to grow



Financial Results Summary



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Financial Result (\$m)	1H12	1H13
	(\$m)	(\$m)
Revenue	132.8	108.4
EBITDA	12.3	17.3
Depreciation	(2.9)	(2.9)
EBIT	9.4	14.4
Interest	(3.2)	(2.3)
PBT	6.2	12.1
(Tax Expense)	(1.7)	(3.6)
NPAT pre-adjustments & pre-R&D benefit	4.5	8.4
R&D Tax benefit	1.5	-
NPAT pre-adjustments	6.0	8.4
WA Impairment (post tax) - see Slides 7&8	-	(27.9)
NPAT - Reported	4.5	(19.5)
 EPS – Exc WA impairment loss (cents per share)	 10.7	 14.8
EPS – Reported (cents per share)	10.7	(34.3)
Interim Dividend – cents per share	5.0	3.0

- **1H13 EBIT of \$14.4m (up 53% vs. pcg)**
 - Almond EBIT \$12.2m, up 53% vs. pcg
 - Food EBIT \$4.0m, up 15% vs. pcg
- Corporate costs \$1.8m (down 11% vs. pcg)
- Interest costs \$2.3m (down 28% vs. pcg)
 - Driven by lower net debt and rates
- 1H13 NPAT of \$8.4m (up 40% vs. pcg)
- EPS of 14.8 cps (up 38% vs. pcg)
- Dividend of 3 cps fully franked

Turnaround Continues





- **Initial Business Case:**
 - **Size:** 10,000 acres of greenfield orchards & processing facility
 - **Strategy:** Geographic diversity, access to water and proximity to customers
 - **Funding:** SHV & partners
- **Status:**
 - Land 3,949 acres (1,598 hectares) planted
 - Impairment \$20m at 30/6/2012
 - Challenges horticultural and economic
- **Review Process:**
 - **Internal Review current status and future plans:**
 - Horticultural: orchard management, soil and irrigation
 - Economic: capital and operational costs
 - **Independent 3rd Party Review**
 - Review methodology and outcome of internal review
 - Propose and investigate alternative solutions



- **Review Conclusion**

- Almonds can be grown in Dandaragan Region of WA
 - Planted area lower than anticipated
- Water extraction costs 50% higher than Eastern States
 - Higher infrastructure costs, especially bores
- Horticultural environment challenging due to climate and soils.
 - Unforeseen and uncontrollable cost increases
 - Future capital and operational costs to be higher than business case
- SHV does not have financial capacity for entire project
 - No partners could be found

- **Impairment decision**

- Impair Assets by \$39.9m
- Look for other parties to take over investment/maximise value for shareholders
- Valuation at 31/12/2012 post impairment : \$5 million





Business Unit – Almond Division

EBIT (\$m)	Reported		Variance
	1H12	1H13	
Managed Orchards	5.5	3.2	(39%)
Company Orchards	2.5	8.9	260%
Almond Division	7.9	12.1	53%

- **2013 Crop estimate**
 - **Area** - 8,736 acres - this excludes acquisition of 1,286 acres (520 hectares) subsequent to 31/12/2012.
 - **Yield** - FY13 crop est. 8,850 tonnes (5,830 pcg) - up 52% vs. pcg
 - **Price** - \$6.08/kg (\$5.05/kg pcg) - up 20% vs. pcg
- 30% of anticipated full year crop has actually been sold (and currency fixed)
- Company Orchard EBIT \$8.9m (up 260% vs. pcg)
 - Company Orchards now contribute 74% of Almond division EBIT
- Managed Orchard EBIT \$3.2m (down 39% vs. pcg) due to lost orchard management fee from Olam
- Processing costs improved due to increased productivity and better management of 2012 wet crop



Business Unit – Food Division



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	Reported		
EBIT (\$m)	1H12	1H13	Variance
Food Division	3.5	4.0	15%

- Improved performance driven by margin mix and cost saving initiatives
 - Cost reductions driven by better labour management & increased machine efficiencies
- Range rationalisation & supply chain management
 - Working capital down by 14%
 - Customer Service
- Strong Demand
 - Product innovation - Smart Snax up 26%
 - Industrial & Trading sales up 10%



Balance sheet



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(\$m)	Period ending	31/12/2011	31/12/2012
Current Assets excl. Cash		80.5	79.0
Cash		0.3	5.0
Non Current Assets		232.6	167.3
Total Assets		313.4	251.3
Current Liabilities (excl. Borrowings)		32.8	32.6
Borrowings		82.7	66.3
Non Current Liabilities (excl. Borrowings)		24.8	12.7
Total Liabilities		140.3	111.6
Total Equity		173.1	139.7
Net Debt		82.4	61.2
Net Debt/Equity (pre WA write down)		47.6%	36.9%
Net Debt/Equity (post WA write down)		47.6%	43.8%
NTA/Share		\$2.24	\$1.81

- Net Debt is \$61.2m, down \$21.3 (or 25.8%) on pcp
- Gearing (Net Debt to Equity) of 43.8%
 - 36.9% pre WA write down

Gearing steadily improving



Cash flow



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(\$m)	1H12	1H13
EBITDA	9.4	17.3
Change in Working Capital	3.9	(4.2)
Taxes Received	-	0.9
Net Interest	(1.6)	(2.4)
Cash flow from operating activities	11.7	11.6
Investing cash flows	(19.7)	(4.5)
	-	-
Increase/(Decrease) in Debt	3.7	(0.8)
Dividends Paid	(1.5)	(1.3)
Net Increase/(Decrease) in Cash and Cash Equivalents	(5.8)	5.0

- Operating cash flow stable at \$11.5m
- Net cash flow of \$5.0m, up from (\$5.8m)
- Investing cash flows of (\$4.5m), less than Operating cash flow & down substantially from (\$19.7m):
 - Trees \$5.0m - pcp \$12.6m
 - Property Plant & Equipment \$1.8m - pcp \$7.1m
 - Water sales (\$2.3m) - pcp nil
- Positive cash flow allowed
 - debt reduction
 - dividend payments

Significantly reduced future capex



Business Outlook



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- **Almond Division**
 - **Orchards**
 - Harvest is underway
 - Quality and Volume indications are good
 - Positive impact of 1,286 acres (520 hectares) acquired in Jan/Feb 2013
 - **Processing**
 - Increased focus on quality
 - Pasteuriser commissioned by April
- **Food Division**
 - Multiple performance improvement and supply chain opportunities exist
 - Increasing export interest, especially Asia & Middle East
- **The Market**
 - Almond prices firm at four year high due to increasing global demand for almonds
 - Demand for healthy snacks and ingredients continues to increase



Future Direction



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- **Almond Division**
 - **Orchards**
 - Greater emphasis on benchmarking: Yield, Quality and Cost
 - Value enhancing acquisitions
 - **Processing**
 - Actively seeking new business
- **Food Division**
 - Innovation and insight driven strategies to drive product growth
 - Supply chain review
- **The Business**
 - Cost control
 - Improved processes
 - Working capital management





Rationale for Investment in Select Harvests

1. Leadership Focussed on Results

- Performance improvement, delivering results & quality

2. Integrated business model

- Source of strategic advantage
- Creating value at all stages of the value chain

3. Growth Industry

- Developed economies - healthy eating booming
- Developing markets - hungry for almonds
- Market price for almonds at 4 year high

4. Quality Assets

- Geographically diversified orchard portfolio in their productive “sweet spot”
- State of Art Processing facility
- Market leading brands and customers

5. Positioned to Grow

- Prudent Balance Sheet
- Sustainable competitive advantage





Appendix



Business Unit - Almond Division - Detail



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Company Orchards	Orchard Management Area		Almond Processing Area	
	Acres	Hectares	Acres	Hectares
Owned	4,013	1,624	4,013	1,624
Leased	1,481	600	1,481	600
Victoria	5,494	2,224	5,494	2,224
Owned	1,511	612	1,511	612
Leased	3,017	1,221	3,017	1,221
NSW	4,528	1,833	4,528	1,833
Total Company Orchards	10,022	4,057	10,022	4,057
Managed Orchards	1,427	578	3,209	1,299
Total Portfolio	11,449	4,635	13,231	5,356

Orchard Category				
Owned	5,524	2,236	5,524	2,236
Leased	4,498	1,821	4,498	1,821
Managed Orchards	1,427	578	3,209	1,299
Total Portfolio	11,449	4,635	13,231	5,356

Orchard Geography				
VIC	6,921	2,802	8,703	3,523
NSW	4,528	1,833	4,528	1,833
Total Portfolio	11,449	4,635	13,231	5,356



Business Unit – Food Division



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■ MARKET LEADING BRANDS



■ KEY CATEGORIES

- Nuts
- Snack Foods
- Private Label
- Health Foods
- Fresh Produce
- Muesli
- Blends
- Dried Fruits

PROCESSING CAPABILITY

- Blanching
- Slicing
- Slivering
- Meal
- Pastes
- Roasting
- Blending

KEY CUSTOMERS



Unilever



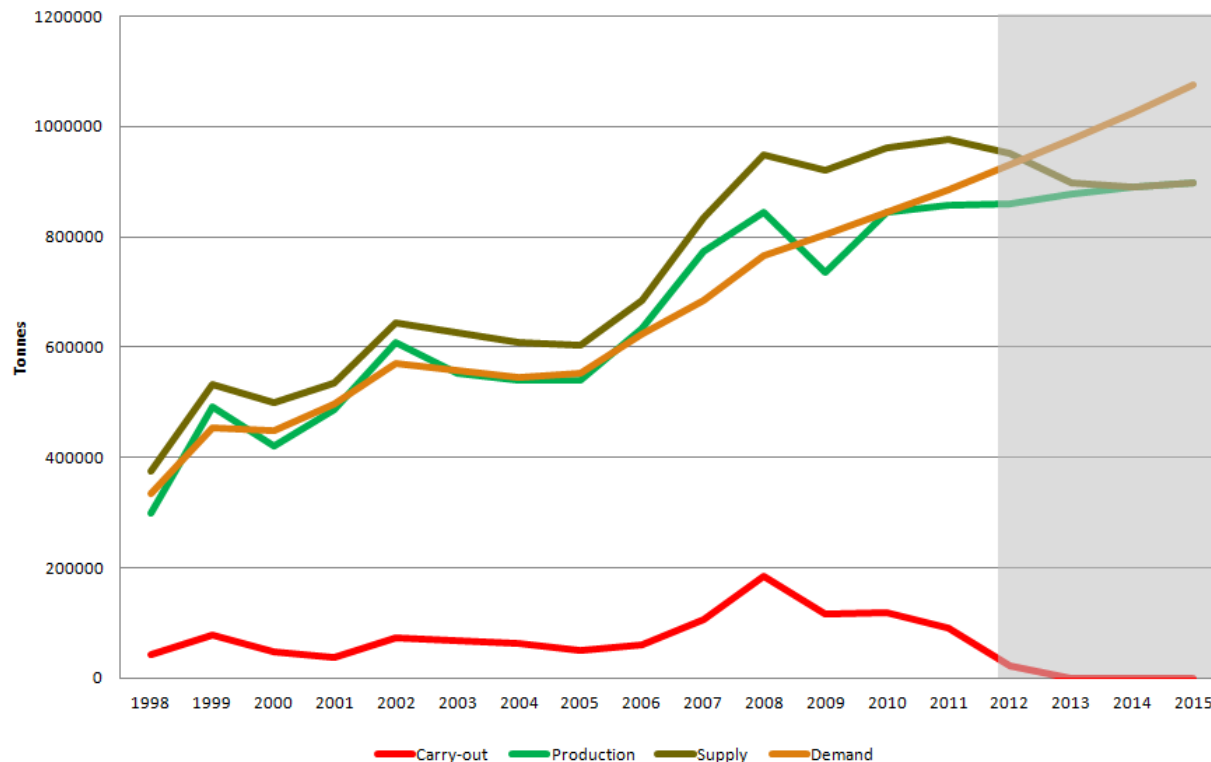
Woolworths
the fresh food people

Global supply-demand dynamic attractive



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World Almond Supply vs Demand



- Global market worth an estimated US\$4.5 billion
- Supply and demand have grown at 8% CAGR over past decade
- Current demand growth trending above average growth rate; average supply growth cannot be maintained due to slow-down in recent planting activity
- Annual consumption has exceeded production over past two years
 - Post GFC carry-over stock has softened upward price pressure so far

Australian Almond Statistics 2011, Almond Board of Australia

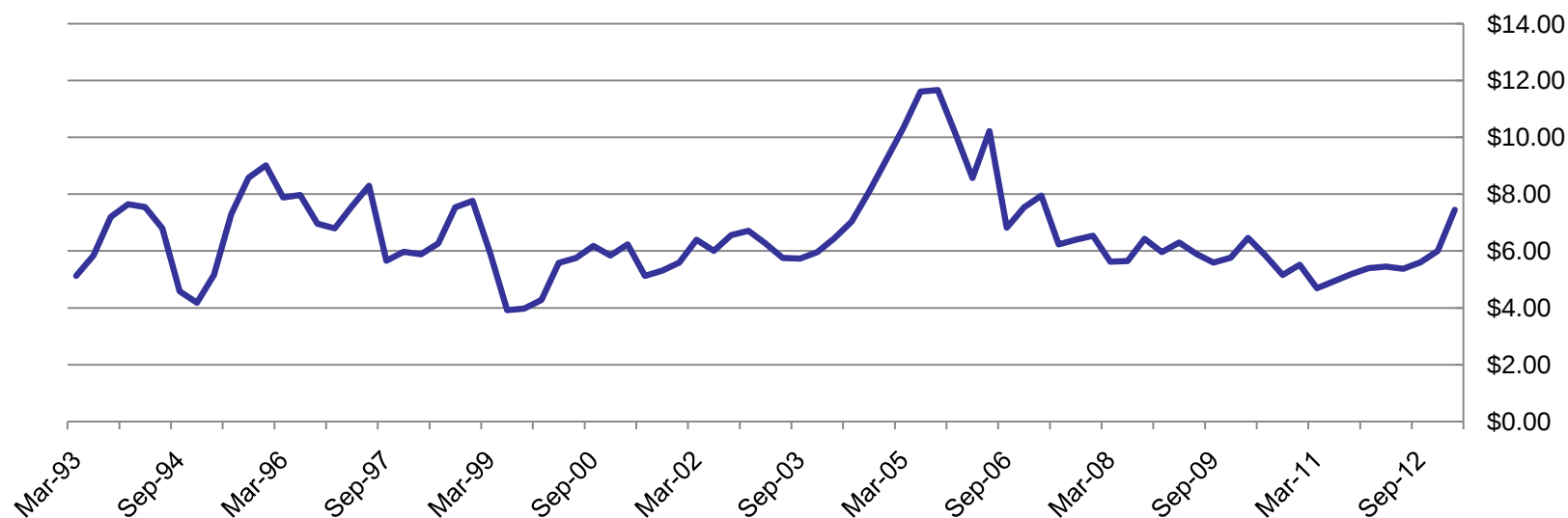


Long-term almond price



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Almond Price AUD/KG Nonpareil (1993 - 2013)



Note: this chart is for indicative purposes only – it represents one premium almond grade (of the many that Select Harvests produce and sell) and its sole reason for inclusion is to give the reader an understanding of the historical relativity of the current almond price and the trend which is generally common across almond grades. It should not be construed as the average price that Select Harvests sells at.



Select Harvests Food Products - Brand Summary



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- Market leader in the cooking nut category.
- Cooking Nut product range: almonds, walnuts, cashews, hazelnuts, brazil nuts, pine nuts, pistachios, macadamias, sunflower seeds and pepitas (value share 37% in the MAT to 22.07.12)
- Snacking product range: portion control packs, Lucky Smart Snax and Lucky Snack Tubs.
- Distribution: major supermarkets and export markets including the Middle East, Indonesia and Papua New Guinea.



- Product range: nuts, dried fruit, legumes and pulses, cereals, grains, seeds, flour, muesli and organic foods.
- Bulk and convenient packs.
- Distribution: health food stores and pharmacies nationally.



- Product range: muesli, dried fruit, nuts and snacks.
- Distribution: major supermarkets (muesli) and export markets including Hong Kong, Singapore, Malaysia, Indonesia and the Pacific Rim.



- Product range: muesli, dried fruit, nuts and snacks.
- Distribution: Health aisle of major supermarkets and export markets including Hong Kong, Singapore, Malaysia, Indonesia and the Pacific Rim.



- Product range: almonds and other nuts, dried fruit, seeds, nut pastes and pralines.
- Bulk pack.
- Products are sold to local and overseas food manufacturers, wholesalers, distributors and re-packers.

