

Select Harvests Limited ("SHV")

FY15 Results Presentation

21 August 2015















Disclaimer & Basis of Preparation

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Agenda



Overview & Highlights

Results Discussion & Analysis

Strategy & Projects

Crop Update

Outlook

Appendices

















- Reported FY15 Net Profit after Tax (NPAT) of \$56.8m is a record up 163%
 - (Note: Restated FY14 Reported NPAT* of \$21.6m)
- Reported EBIT \$85.9m (FY14 EBIT* \$31.3m) up 174%
- Operating cash flow \$34.2m (FY14 \$23.1m) up 32%
- Net Debt \$109.7m Gearing (Net Debt to Equity) down to 38%
- Reported Earnings per Share (EPS) 82.9 cents per share (FY14* 37.5 cps) up 121%
- Dividend Final Dividend (unfranked) 35 cents per share total FY15 dividend 50 cents per share (FY14 20cps)
 - Record Date: 31 August 2015
 - Payment Date: 13 October 2015

* FY14 & FY15 Financials have been impacted by changes to the Accounting standards

Strong performance across the business















relating to bearer assets



Reported FY15 Net Profit after Tax (NPAT)	\$56.8m
Impact of non-recurring items	\$2.6m
 Acquisition costs per Amaroo and Mullroo 	
Underlying FY15 Net Profit after Tax (NPAT)	\$59.4m
Underlying FY15 Net Profit after Tax (NPAT) Impact of change to accounting standards	\$59.4m \$3.8m

The trees are now measured at amortised cost and first depreciated from maturity at year 7, to the end of their useful life which is estimated to be year 30.

Underlying FY15 Net Profit after Tax (NPAT) - pre impact of change to accounting standards

\$63.2m

Record Result

















- Record almond crop & price
- Acquisition of 2 orchards
- Funding initiatives Equity Raising, Sale and Leaseback
- Growth of branded and industrial sales
- Improve productivity of processing facilities
- Benefits of risk mitigation strategy
- Further investment in growth

Significant progress in implementing growth strategy – delivering performance















Changes to Accounting Standards

- SHV has elected to early adopt changes to Accounting Standards AASB 116, Property, Plant & Equipment, and AASB 141, Agriculture, which are required to be implemented no later than reporting period commencing 1 July 2016
- The changes impact the Balance Sheet classification of Bearer Assets (Almond Trees, in the case of Select Harvests), from Biological Assets to Property Plant & Equipment
- Almond Trees are now depreciated over their economic useful life, and no longer subject to fair value accounting rules
- The change requires a restatement of the FY14 Financial Statements to compare their impact with the adoption of the change on the FY15 Financial Statements

Impact	FY14	FY15
Earnings before Interest & Tax ("EBIT")	(\$10.5M)	(\$5.5M)
Net Profit After Tax ("NPAT")	(\$7.4M)	(\$3.8M)

The reduced NPAT has a corresponding impact on Earnings Per Share

This change has no effect on the annual valuation of the almond crop















Income Statement

	Restated FY14	FY15
Financial Result	(\$m)	(\$m)
Reported Result		
EBIT - Reported	31.3	85.9
Interest	(4.5)	(5.3)
NPBT	26.8	80.6
Tax Expense	(5.2)	(23.8)
NPAT - Reported	21.6	56.8
Undelying Result		
EBIT – Underlying	31.3	89.6
Interest	(4.5)	(5.3)
NPBT	26.8	84.3
Tax Expense	(5.2)	(24.9)
NPAT - Underlying	21.6	59.4

- FY14 result restated for changes to Accounting Standards
- FY15 Underlying EBIT \$89.6m (FY14 \$31.3m)
- Almond Division Underling EBIT \$87.5m (FY14 \$30.3m)
 - Strong performance
 - 2015 crop (key drivers 14,500 tonnes & A\$11.45/kg & currency AUD devalued 20% y.o.y.)
 - Risk mitigation & productivity
 - Harvest and processing completed significantly earlier
- Food Division Underlying EBIT \$6.8m (FY13 \$5.6m)
 - Industrial sales up 28%
 - Improved sales mix towards branded products
 - Improved price management and cost control
- Underlying NPAT up 175% to \$59.4m

Strong Result – opportunity for growth from increased yield potential and food turnaround















Balance Sheet

Year Ending Balance Sheet	Restated Jun-14 (\$m)	Jun-15 (\$m)
Current Assets excl. Cash	130.3	207.5
Cash	6.3	0.3
Non Current Assets	194.1	280.1
Total Assets	330.7	487.9
Current Liabilities (excl. Borrowings)	25.7	40.8
Borrowings	101.1	110.0
Non Current Liabilities (excl. Borrowings)	28.5	49.7
Total Liabilities	155.3	200.5
Total Equity	175.4	287.4
Net Debt	94.8	109.7
Net Debt /Equity	54.0%	38.2%

- Equity raising (Aug 2014) to fund growth & acquisitions
- Net Debt \$109.7m (FY14 \$94.8m)
- Gearing (Net debt/equity) 38.2%
- Greenfield orchard expansion to be predominantly funded under long term lease structure

Achieve & maintain a prudent and flexible balance sheet to support growth strategy















Cash Flow

Cash Flow	FY14 (\$m)	FY15 (\$m)
EBITDA	45.6	96.4
Change in Working Capital	(17.8)	(61.0)
Net Interest	(4.7)	(5.0)
Cash flow from operating activities	23.1	30.4
Investing cash flows	(29.9)	(99.9)
Increase in Debt	12.5	5.8
Increase in Equity	-	64.7
Dividends Paid	(8.8)	(10.1)
Net (Decrease) in Cash/Cash Equivalents	(3.1)	(9.1)

- Increased working capital due to acquired orchards and increased value of unsold 2015 crop
- The majority of the 2015 crop held at 30 June expected to convert to cash in FY16
- FY15 Investing cash flows driven by:
 - Orchard acquisitions \$54.6m (FY14 \$16.6m)
 - Investment in cogen, new orchards in SA and additional harvest and farm equipment and irrigation upgrades \$31.0m
 - Water \$11.2m
 - Tree Development \$2.8m
- FY15 Investing cash flows funded by:
 - Aug 2014 Equity raising (placement & share purchase plan) raised \$64.7M
- Capex FY16
 - Projects Cogen, Parboil
 - Replant Kyndalyn Park 350 acres
 - Continued upgrade of irrigation infrastructure
 - Permanent water purchases

Strong operating cash flow conversion from existing assets – capital commitments in FY16 are funded















Almond Division

Almond Division (\$m)	FY14	FY15
Underlying EBIT	30.3	87.5

Financials

- Volume: FY15 crop volume est. 14,500 tonnes (FY14 10,500 tonnes) up 38% in line with guidance
- Processing: Hulling & shelling complete mid August yield and quality good
- Price: FY15 price est. A\$11.45/kg (FY14 A\$8.50/kg) up 35%
 - Avge. FY15 AUD/USD Rate = 0.77
 - 75% of crop sold.

Highlights

- First year of night harvest & increased harvest matrix 38% more crop volume, 14 less days
- Frost fans mitigated 13 frost events
- Field dryer plant productivity improvement 20% y.o.y.
- Stage 1 of Project H2E (cogen) complete energy costs flat y.o.y.
- Acquisition of 2 orchards Amaroo & Mullroo
- Growth funding development of over 3,000 acres (1,215ha) on & off balance sheet in next 2 years
- Tree health higher nutrient program is starting to reflect in tree health and ultimately yield

We have a solid foundation for future growth















Food Division

Food Division (\$m)	FY14	FY15
Underlying EBIT	5.6	6.4

Financials

- Revenue of A\$138.8 million was up 17.7% (A\$117.9 million FY14)
- Improved sales mix driven margin improvement
- Industrial sales up 28%
- Branded consumer sales up 9%

Highlights

- Industrial sales Aligning to key regional industrial customers has delivered growth
- Brands growing through a combination of new product development and customer alignment
- Market share July 2015 MAT 39.8% vs 36.8% last year
- Export New distribution into Malaysia, Japan Thailand & China
- Trading Astute trading has delivered profit gains

Turnaround is gaining traction













SHV - Strategic Objectives & Activities Overview

			FY13 INITIATIVES	FY14 INITIATIVES	FY15 INITIATIVES	FY 15 +
1.	CONTROL CRITICAL MASS OF ALMONDS	Secure the critical mass of nuts needed to maximize profitability and leverage the global almond opportunity.	 Acquired 1,286 acres almond orchard Ceased WA investment 	 Acquired 680 acres planted orchard Acquired 1,000 acres unplanted Replanted 512 acres @ higher densities 	 Acquired 2,481 acres planted orchard Acquired 4,465 acres unplanted Acquired 6,215 ML high security water Planting 948 acres Allinga 	 Acquire mature orchards Develop 5,000+ arces of greenfield almonds
2.	IMPROVE YIELD &	Improve yield and overall	Restructured Horticulture	Total review of Horticultural	Additional harvest equipment	Increase Hort program to

INVEST IN

INDUSTRIAL &

TRADING DIVISION

FIX OUR SYSTEMS

ENGAGE WITH OUR

PEOPLE & OUR

STAKEHOLDERS

& PROCESSES

crop value by perfecting

target 1.3T/acre yield

- **CROP VALUE** on-farm and farm to
- Division Investments in Benchmarking/Tech. Improve efficiency/protect vield \$500K frost fans
- assets Further \$500K frost fans Additional harvest equipment
- Biostimulants trial Trial catch & shake harvest technology
- On farm drying Irrigation management

- factory practices. **BE BEST IN CLASS SUPPLY CHAIN** supply chain, achieving
 - **Restructured Operations** Division
- Evaluate operational
- High voltage network (H2E) Cogen Plant
- Reduce cost (Parboil) Refrigerated storage

- high quality, low cost and
- Grew Industrial Division 40%
- improvements & refine proposals New Optical Sorter at Thomastown
- Carina West Dryer
- Biomass (H2E)

- Allocate resources to leverage our trading skills
- Grew Industrial Division 24% through local and SE Asia
- Expanding business with food processors in local and SE Asian
- Increase value adding capacity (Parboil)

and grow sales in the industrial channel

systems and processes

required to be a global

Engage with investors and

industry leader.

our industry while

industry leader.

developing the team

required to be a global

- Exited unprofitable Retail
- customer base Innovations assisted growth Product Development -Innovation/Renovation/Reform

ulation/Repackaging

- markets Multiple relaunches & new products
- Relaunch key brands Accelerate NPD rate of

- **TURN AROUND** Develop a new model for **PACKAGED FOOD** the packaged food category that will deliver BUSINESS sustainable returns above the cost of capital.
 - Brand business Product Research/Collect Insights **Develop the business**

Range rationalisation New distributors - Thailand & Malaysia

Further development of

Diversity Committee

Performance Review process

branded business Again distribution in SE Asia

OHS improvement - LTI's dropped 60%

Investor engagement -

road shows

conferences, site tours and

Smart Snax OHS improvement - LTI's dropped 73% New risk management framework

Hort 3 training for Farm

Management

New OHS policies/procedures

Refreshed company website

Introduction of employee

newsletters/intranet

Brand relaunch - Sunsol & Lucky

- IT upgrade
- Single Company ERP Reduce LTIs by 25% Y on Y

Improve skill levels on farm

& processing QA

Employee diversity



Almond Orchard Expansion

Strategic Objective:

Grow the critical mass of almonds 20,000 tonnes by FY24/25

Project Objectives

- Identify & secure suitable funding methods to fund the development of greenfield almond orchards.
- Develop existing infrastructure at Amaroo, Mullroo and Mendook to support existing orchards and growth
- Develop existing greenfield areas at: Allinga, Amaroo, Mullroo and Mendook
- Identify additional acquisitions of mature orchards and greenfield opportunities
- Redevelop older orchards: Kyndalyn Park, Wemen

Key Outcomes

- Acquire Amaroo, Mullroo & Mendook
- Allinga greenfield development
- Signed agreement with First State Super
 - SHV manages the development of the orchards
 - SHV maintains all operational responsibility and benefits
- Upgraded irrigation infrastructure at Allinga & Amaroo
- Kyndalyn Park replant continues

Key Facts:

- 948 greenfield acres developed (SA)
- 500 acres replanted (VIC, NSW)
- SA Govt grant for Allinga \$5m















Project H₂E – Hull to Energy

Strategic Objective:

Substantially improve the almond processing plant's competitiveness and ongoing viability by reducing its cost base by 20%

Project Objectives:

Stage 1

- Bundle Carina West Processing and 2 nearby dams by laying connecting cable into one meter point thereby lowering the maximum demand charge between the 3 - Complete
- Convert all Victorian low voltage transformers greater than 1MWe to high voltage, thereby realising significant network supply cost reductions - Complete
- Install electronic monitoring equipment to control usage patterns to maximise off-peak usage

Stage 2

Install a biomass boiler/turbine power plant to directly supply electricity and steam to Carina West Processing Plant and 2 nearby dams and indirectly off-set costs across SHV (other farms) with remaining generated power.

Key Outcomes:

- Reduce processing plant's cost base by 20%
- Reduce Select Harvests carbon footprint by 23,645 tonnes annually
- Employ 8 additional skilled full time employees
- Waste from biomass boiler will be used for agricultural products
- Consumes Almond waste product (hull & Shell) and orchard prunings
- Improves Select Harvests CSR

Key Facts:

- Capital Investment \$12.0M
- Fuel consumed: 30,000MT p.a.
- Operational hours: 24 hrs x 7 days x 48 weeks
- Operators employed: 8
- Excess power delivered into local grid
- Commissioning Q3 2016















Project Parboil – Almond Value Add

Strategic Objectives:

- Address the current capacity shortfall of "value add" almond products
- Open sales opportunities from customers demanding peanut-free processing environments

Project Objectives:

- Establish a new state-of-the-art 'value add' almond processing facility, adjacent to the existing almond hulling & shelling plant at Carina West
- Install new highly efficient almond blancher, roaster, slicers, grinders and packing lines
- Lower overall supply chain cost

Key Outcomes

- Consolidates all Almond assets close to the almond trees
- Facilitates almonds sales to customers that require peanut free facility
- Allows direct shipping to customers
- New equipment has higher throughput and efficiencies
- Higher yields will be achieved with new equipment
- Provides capacity to meet current blanching shortfall & growth opps.
- Cost benefits from steam and electricity supplied by new Co-gen plant
- Employ 12 additional skilled full time employees
- Address Almond Kernel warehousing shortfall
- Replaces need to upgrade existing equipment at Thomastown facility

Key Facts:

- Capital Investment \$10.0M
- Operational hours: 8 hrs/5 days/48 weeks
- Single integrated Almond blanching/roasting line
- Operators employed: 12
- Commissioning Q3 2016

















Demand

- 2014/15 Global supply has been absorbed by demand, with US carryover stock between seasons remaining flat.
- US and Indian demand remains strong
- Australia March 2014-Feb 2015: 212 products with almond ingredients were launched in Australian supermarkets.

Supply

- US Market 2015/16 crop estimate 1.80 B pounds (down 4% v last year)
- US Harvest has commenced (too early to have an accurate read of crop)
- Little inventory held by customers, Australian or Spanish growers and processors

Little inventory held by customers, Australian or Spanish growers and processors















Select Harvests Crop Update

- There was sufficient time for good post harvest programs to be applied after 2014/15 harvest.
- Colder than normal temperatures has ensured adequate chill hours in all regions.
- Bloom has commenced in all regions and all bees are in place.
- Pollinator and Non Pareil crop appear to have good synchronisation
- Weather outlook favourable for the next 2 weeks

Updates to be provided as the crop develops















2016 Business Objectives

- 1. Roll out Zero Harm OH&S strategy deliver 25% y.o.y. reduction in LTI's
- 2. Improve mature tree yield equal to / greater than 1.3 tonnes/acre (3.2 tonnes/ha)
- 3. Acquire orchards at the right price
- 4. Implement greenfield program
- 5. Implement Biomass/Cogen plant
- 6. Implement Parboil
- 7. Continue strategic plan to turn around Food Business
- 8. Implement consolidation of One Select ERP platform

Continuing to drive our successful strategy















Thank you

Join us on Instagram for regular snaps on Orchards, Food Business & Products

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Select's Financial history

		2006	2007	2008	2009	2010	2011	2012	2013	2014*	2015
SHV Historical Summary	Units										
Total Sales	(A\$M)	217.9	229.5	224.7	248.6	238.4	248.3	251.3	191.1	188.1	223.5
EBIT	(A\$M)	38.4	40.5	27.1	26.8	26.0	22.6	19.6	37.7	31.3	89.6
EBIT Margin (EBIT/Sales - %)	(%)	17.6%	17.6%	12.1%	10.8%	10.9%	9.1%	7.8%	19.7%	16.6%	40.1%
PBT	(A\$M)	37.9	40.0	25.4	23.0	23.6	18.5	13.4	32.7	26.8	84.3
NPAT	(A\$M)	26.5	28.1	18.1	16.7	17.3	17.7	9.5	22.9	21.6	56.8
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
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
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
Payout Ratio	(%)	80.0%	80.0%	96.7%	28.2%	48.5%	38.6%	47.6%	29.9%	53.3%	60.3%
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
Net Interest Cover	(times)	82.3	75.8	15.6	7.1	10.7	6.7	3.2	7.5	7.0	16.9
Net Debt	(A\$M)	1.3	1.6	46.8	52.4	45.0	73.1	66.8	79.3	94.8	109.7
Shareholder Equity	(A\$M)	101.5	95.5	94.1	100.9	113.6	168.8	160.3	159.5	175.4	287.4
Net Debt to Equity Ratio	(%)	1.3%	1.7%	49.7%	51.9%	39.6%	43.3%	41.7%	49.7%	54.1%	38.2%
Share Price	(A\$/Share)	13.02	11.60	6.00	2.16	3.46	1.84	2.40	3.90	5.14	11.79
Market Capitalisation	(A\$M)	517.0	449.4	234.1	85.4	137.6	103.5	120.0	224.3	298.1	835.1
P/E Ratio		19.5	16.0	12.9	5.1	8.0	5.8	12.6	9.8	13.8	14.7

*2014 figures have been rebased according to early adoption of Accounting Standards, AASB 116, Property, Plant and Equipment, and AASB 141, Agriculture, impacting "bearer plants".

Source: Company Data

















Almond orchard	Planted Orchard	Planted Orchard	Bearing Orchard	Bearing Orchards
portfolio	Area (acres)	Area (hectares)	Area (acres)	Area (hectares)
Northern Region				
Owned	1,491	604	1,423	576
Leased	3,017	1,221	3,017	1,221
Total	4,508	1,825	4,440	1,798
Central Region				
Owned	4,165	1,686	3,554	1,439
Leased	1,481	600	1,481	600
Total	5,646	2,286	5,035	2,039
Southern Region				
Owned	3,156	1,278	2,467	999
Leased	-	-	-	-
Total	3,156	1,278	2,467	999
Total All Regions				
Owned	8,812	3,568	7,444	3,014
Leased	4,498	1,821	4,498	1,821
Total	13,311	5,389	11,943	4,835

Source: Company Data

Impact of Replant Program:

2015/16 Bearing Area: 11,776 acres

Impact of Sale & Leaseback Transaction (Planted Acres):

Owned:Leased Ratio Pre Transaction 60:40, Post Transaction 50:50











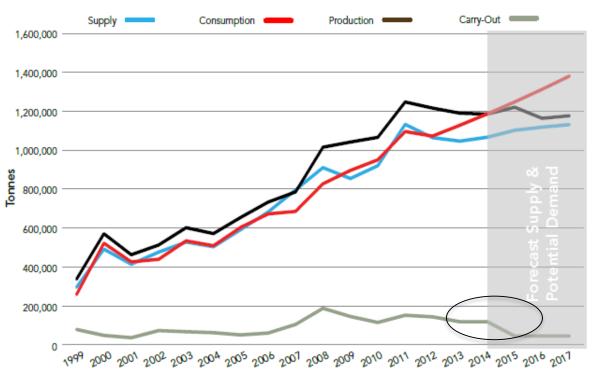




Global Supply & Demand

- Worldwide demand for almonds has doubled over the past ten years
- Global almond production has increased from 900 million pounds in 2000 to 2.4 million pounds in 2015
- The increase in global supply represents an averaged increase of 100 million lbs per year over 15 years.
- International almond consumption has grown at an average of 11% per annum over the past five years, and 8% over the past decade.

Global Almond Supply Versus Demand Forecast



Country	g per capita
Aust	1,013
Germany	854
USA	700
Middle E	272
China	91
India	53









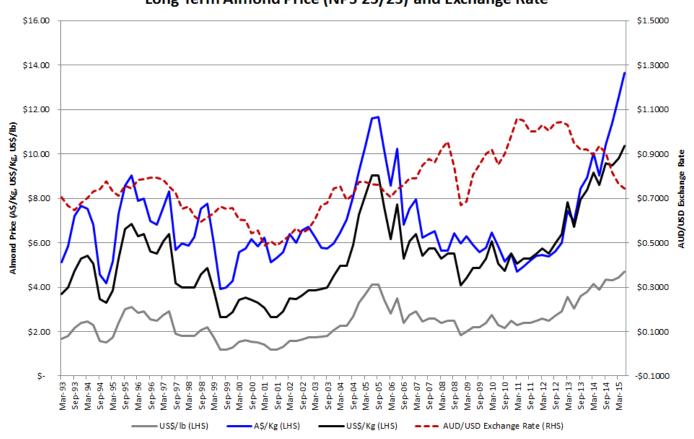






Almond price

Long Term Almond Price (NPS 23/25) and Exchange Rate



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.

Source: Company Data

Price has remained strong despite substantial production increases and A\$ appreciation







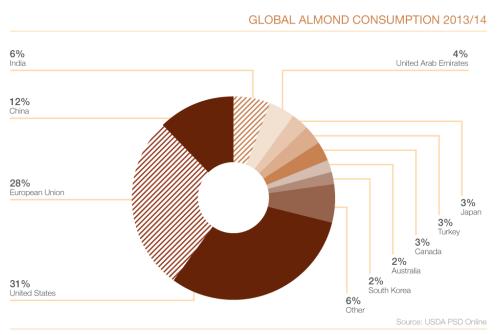


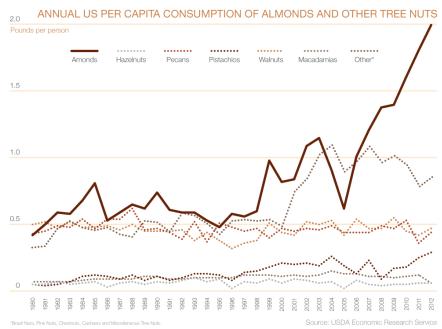




Global Demand - Diverse. High Growth







Almonds have held the No.1 position in global tree nut innovations since 2006 (35% market share 2013).

Long term US per capita consumption of almond outpaces all other tree nuts (376% growth since 1980)







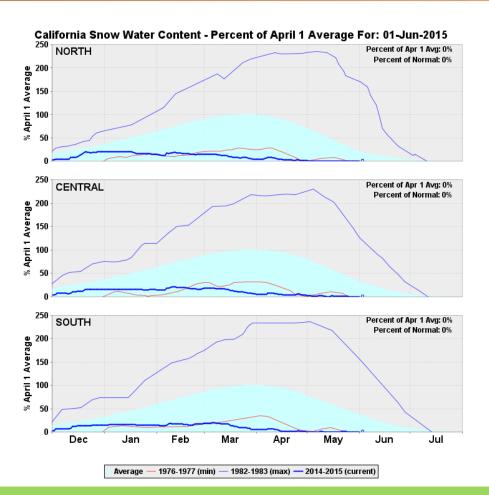








US Snowpack



1976/77 was previous worst snowpack on record – current situation is consistent with that









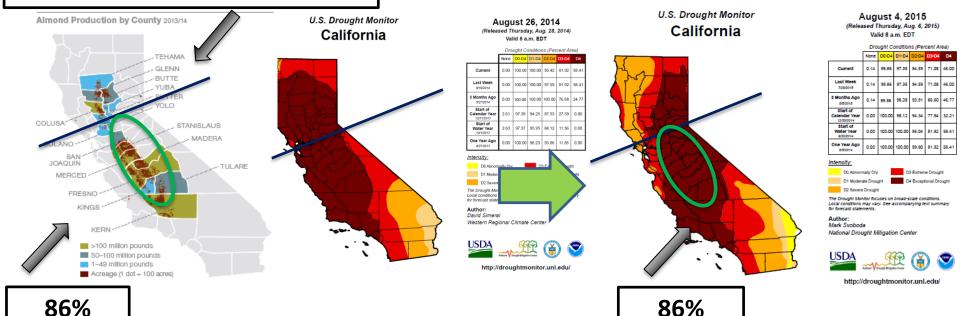




Global Supply - US Almond Production & Drought







26 August 2014 – 58% Exceptional Drought, 82% Extreme Drought, 95% Severe Drought

21 August 2015 – 46% Exceptional Drought, 71% Extreme Drought, 95% Severe Drought

SITUATION IS SIMILAR TO 2014 – IT HAS JUST BEEN DRAINING LIMITED WATER RESOURCES FOR ANOTHER 12 MONTHS



South Counties

% of US

Almond Prod'n





Dark Brown States – Exceptional Drought

Orange States = Severe Drought

Red States = Extreme Drought





South Counties

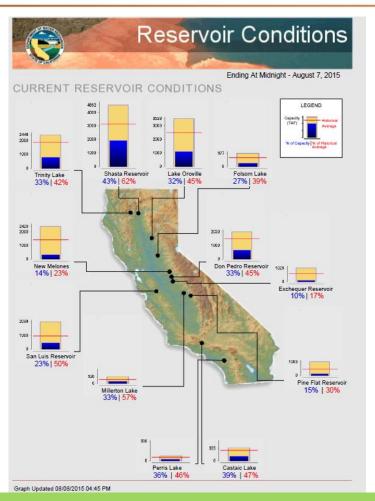
% of US

Almond Prod'n





US Reservoirs



All reservoirs are well below their historical average levels, some considerably.









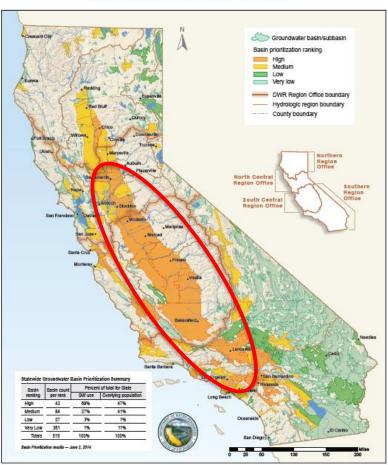






US Groundwater

CASGEM Groundwater Basin Prioritization



Groundwater Basins designated High Priority (Brown) for monitoring & conservation – location of US almond industry













SHV Key Assets - Food - Brands





- 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 36.8% as at 20/7/14. Source Aztec National Chains Scan data)
- 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, wholefoods, 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 sold to local and overseas food manufacturers, wholesalers, distributors and re-packers.



Source: Company Data and Aztec National Chains Scan data















Thank you

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