

Select Harvests 2015 AGM: Chairman's Speech



SELECT HARVESTS

26 November 2015

SLIDE: Michael Iwaniw Introduction

Good Morning Ladies and Gentlemen and welcome to the 2015 Annual General Meeting of Select Harvests Limited. Thank you for joining us. My name is Michael Iwaniw and as your Chairman, I will be conducting today's meeting.

Shortly I will deliver my address on behalf of the Board, then Paul Thompson, our Managing Director, will provide an overview of the performance and activities of the business in the FY15 financial year along with more recent initiatives and an update on the almond market and our crop.

Following Paul's presentation, we will provide some time for questions before then moving on to the formal business of the meeting.

I would now like to introduce your Board members.

Accompanying me on stage are Ross Herron, Michael Carroll, Fred Grimwade and Paul Riordan and the Managing Director of Select Harvests, Paul Thompson. Next to Paul Thompson is our Chief Financial Officer and Company Secretary, Paul Chambers. I would also like to welcome Bart Oude-Vrielink from our lawyers, Minter Ellison and Andrew Cronin from PricewaterhouseCoopers, our auditors.

SLIDE: Market Cap, Share Price & NPAT

FY15 has been an outstanding year for Select Harvests – it was a record result with a crop of 14,500 tonnes, a record average pool price of \$11.45/kg and the third consecutive year of stronger financial performance. The company has continued to drive its

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transformation into a High Performance, Fully Integrated, Export Focussed, Australian Food Business, delivering against its strategy.

The company generated a Reported Net Profit after Tax of \$56.8 million – significantly up on the previous year’s Restated Net Profit after Tax of \$21.6 million. Earnings per share was 82.9 cents – up 121% on FY14 EPS of 37.5 cents.

Our total dividend for 2015 was 50 cents per share (comprising a final unfranked dividend of 35 cents per share and an interim unfranked dividend of 15 cents per share). This is up 30 cents per share or 150% on last year’s total dividend of 20 cents per share.

In March this year, Select Harvests achieved the milestone of being admitted to the ASX200 Index.

Management has been diligent in executing our 7 point strategy and the outcomes against our original strategic targets have been largely achieved.

The Board undertook a review of this strategy, with areas of focus being safety, culture, core business, performance, growth, risk mitigation, cost reduction, diversity, sustainability and continuous improvement. New goals and targets have been set and we are confident that we can further improve the core business and accelerate growth.

People are the key to our success. The Board are pleased to observe that the culture of the business has changed significantly in recent times – it is abundantly clear that our workforce are more engaged and committed and are seeking continual

improvement. We measure this objectively, we observe it in our interaction with staff and it ultimately reveals itself in improved financial results.

SLIDE: Growth in Planted Acres

Two key strategic platforms in recent years have been to control the critical mass of almonds and to increase crop yield. We have significantly grown and improved our almond planted area. We have employed a range of measures to do this - from the acquisition of mature and immature orchards, the securing and planting of green field orchards and the replanting of older trees in our portfolio whose yields had become less economic. In the last 3 years we have acquired 1,800 hectares of planted almond orchard and have planted or replanted another 927 hectares – this accounts for 49% of our orchards. We now have the second largest and the most geographically diverse portfolio of almond orchards in Australia. As we near the end of the current replanting program and with average tree age in the portfolio being 10.7 years, we are well placed to enjoy the substantial cash generation that these orchards will sustainably deliver for many years.

We are focussing on the areas we can directly control – increase orchard plantings, more efficient use of water and fertiliser, renovate and upgrade existing orchards and orchard infrastructure. Importantly, we are confident improved yields will be delivered over the next 2 years.

SLIDE: Risk Mitigation Initiatives

Where we can't directly control, for example with adverse seasonal conditions, we seek to mitigate and influence in a

measured way – the frost fans and almond dryer are two examples.

The commissioning of the almond dryer not only mitigated the risk of a wet harvests into the future, but also improved in-shell yield and assisted productivity gains in the Carina West hulling and shelling processing centre. The introduction of the Biomass Electricity Cogeneration Plant will ensure that not only do we economically and sustainably manage orchard waste by generating electricity, but we also secure a cost reduction and a reliable power supply for our processing and growing almond value-added operations.

Management of water is critical – we are meeting this challenge by implementing our strategy of owning/long term leasing 33% of our water needs, securing another 33% through medium term 3-5 year leases with the remaining 33% being acquired annually. We continually review and assess the suitability of our water strategy and in light of the developing climate we may seek to increase ownership levels to achieve greater water security. To date this strategy has not only delivered a lower water price to the Select Harvests orchards, but has given greater water supply certainty through a diversified mix of contract and allocation mechanisms, rather than relying solely on an allocation mechanism. This strategy has enabled valuable capital to be deployed to significantly increasing the company's exposure to almonds – a strategy that has delivered significant shareholder value.

Given the capital intensive nature of almond farming, particularly in the development phase, it is vitally important to have a diverse range of funding alternatives. The recent Sale & Leaseback with

First State Super has sped up the planting program – we plan to plant 962 hectares under this scheme in the next 2 years. This has freed up the balance sheet to support growth alternatives. We now have a healthy and competitive mix of potential funding options, both on and off balance sheet that will fund growth opportunities into the future, in an efficient manner.

The Food Division has made important steps this year, delivering improved financial performance on the back of astute trading, increased supply of value added product and despite a tough retail environment, the launch of new branded products and cost increases across the product range. We expect by developing quality products, control of the supply chain and expansion into export markets will make further contributions to the FY16 result.

The Industrial and Trading Business has again delivered innovation and growth, supplying kernel and value-added almond products to customers in Australia and across the globe. The Trading Business is the vitally important glue that connects our orchards with global customers, and secures supply of other tree nuts from around the world to our Packaged Food Business, securing additional value for shareholders.

SLIDE: US Almond Crop - History

The global almond environment continues to present some great opportunities for the company. Global consumptions remains firm with all almond production being consumed. The situation in California has been well documented, particularly the adverse impact on the water supply. Notwithstanding these constraints, the area planted to almonds continues to increase and over the last 4 years California area has produced 3 of the biggest crops

on record. Although some buyer price resistance has been evident, the continued firm prices indicate that prices are demand driven, not the result of a supply shortage. The fundamental supply/demand situation remains intact and healthy and we expect continued relatively high almond prices in the short to mid-term.

Select Harvests is a complex business. The Board has ensured governance and guidance to the business with particular focus on commodity pricing, Occupational Health & Safety, and both horticultural and business processes. OH&S receives the highest priority in our business and is something the Board takes very seriously. We launched the Zero Harm Strategy this year to all employees with a focus on increasing employee engagement and identifying and eliminating hazards. The company has zero tolerance to safety breaches. I would like to thank the Board Members for their active participation in the three operational committees. Remuneration & Nominations lead by Mr Michael Carroll, Audit and Risk lead by Mr Ross Herron and the Horticulture Committee lead by myself.

The Board has recognised a need for an increase in Board resources to implement its revised strategic plan. We have identified a need to add board expertise in the areas of product innovation and development, brand management, food retailing, distribution and supply chain management. We have engaged a professional recruitment firm to assist in recruiting a person with these skills. This process is well underway and we expect to announce the successful candidate within a month.

In FY16, our priority will be to drive continued improvement and performance in our core business while delivering the capital projects that have been announced.

Select Harvests is now a highly profitable, significant cash generating business with a solid balance sheet. The company has a fully integrated, profitable and performing business with its foundation around company owned orchards. We have a plan and a strategy to perform at a high level and to grow – we are in a position to control and drive our growth agenda. We have structures and people – and we are developing a high performance culture that can deliver our objectives.

We are committed to building on the strong result achieved in 2015 and producing even greater outcomes for our shareholders in future years.

SLIDE: 2015 Chairman's Award Winners

In closing, I would like to thank the Board, Management and employees for their industry knowledge and skills and their commitment, passion and dedication to the company. I would also like to acknowledge and congratulate the winners of the Select Harvests 2015 Chairman's Awards – Allison Box, Erika Banner, Sia Mafi and Mick Hore. I am proud to see the Select Harvests team developing a culture of high performance that is delivering productivity gains and exceptional results. We have high goals supported by a team that go to work every day knowing that they each play a part in making this business better than it was yesterday, I am confident that together we are building a more profitable and valuable business than the one you see today.

I would now like to like hand over to Paul Thompson, our Managing Director, for an update on the business and strategic priorities. Thank you.