



SELECT HARVESTS

# Select Harvests Limited (“SHV”)

2016 Management Briefing & Site Tour Presentation

7 April 2016



# Disclaimer & Basis of Preparation

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# Agenda



- 7.00am **Introduction to Select Harvests & Business Overview** - Paul Thompson (Managing Director) – *20 mins*
- 7.20am **Finance** - Paul Chambers (Chief Financial Officer & Company Secretary) – *20 mins*
- 7.40am **Orchards** - Peter Ross (General Manager Horticulture) – *15 mins (On-Farm OHS – Peter Ross – 5 mins)*
- 8.15am **Bus trip to Mendook orchard** – *60 mins*
- 9.15am **Orchard Tour (Mendook & Carina)** – *135 mins (including travel)*
- 11.30am **Operations** - Bruce van Twest (General Manager Operations) – *15 mins (Processing OHS – Davin Wright – 5 mins)*
- 11.50am **Processing Site Tour** – *70 mins*
- 1.00pm **BBQ Lunch** – *1 Hour*
- 2.00pm **Trading/Industrial Markets** - Laurence van Driel (General Manager Trading & Industrial) – *15 mins*
- 2.15pm **Consumer Marketing** - Mark Eva (General Manager Sales & Marketing – Consumer) – *15 mins*
- 2.30pm **Closing** - Paul Thompson – *20 mins*
- 2.45pm **Depart for Mildura**
- 4.25pm **Arrive at Mildura Airport**





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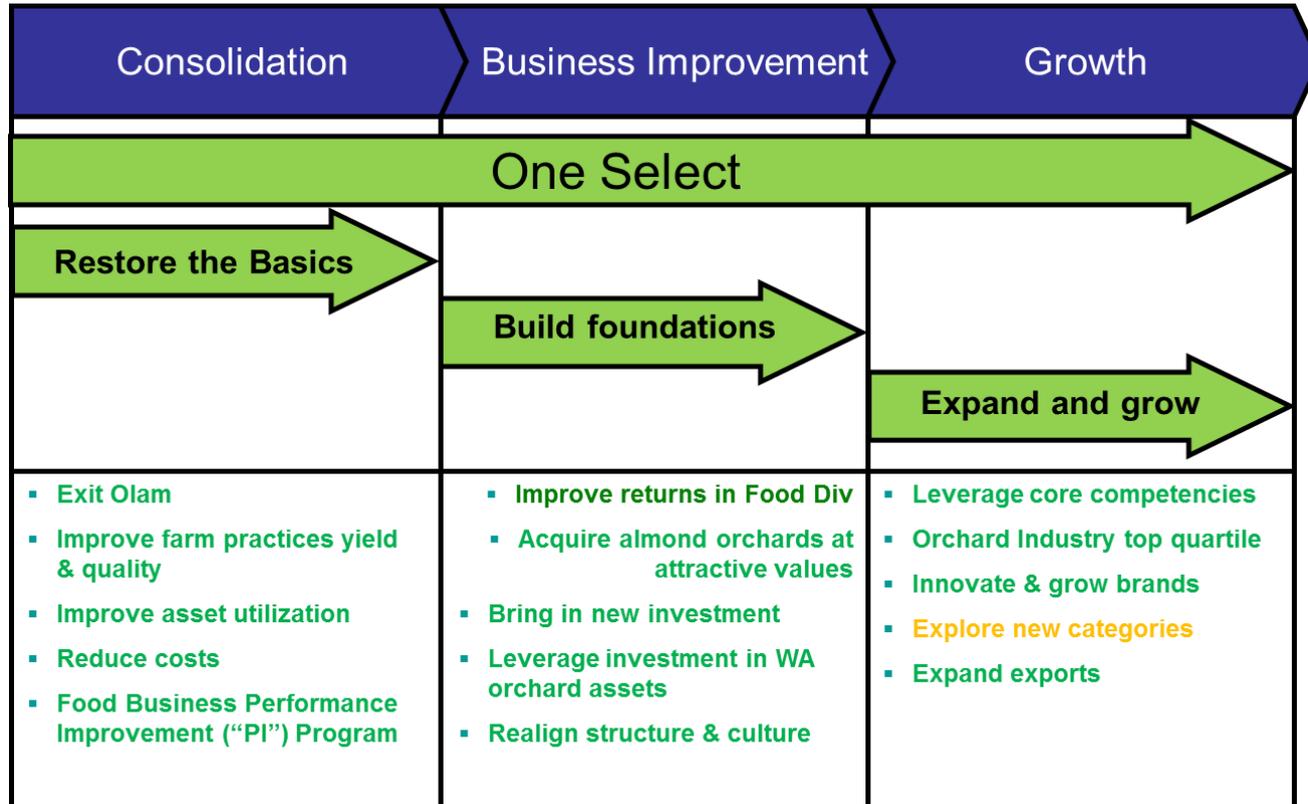
## Almond Industry Update

Paul Thompson

Managing Director



# Strong foundations for growth are in place



A Growing Asian Food Supplier - globally competitive, paddock to plate, high quality, healthy food supply



# Growth Phase



## ■ Almond Division

- Maintain a cash generative asset base
- Manage portfolio between cash generative & growth assets
- Position almond portfolio to grow base Year on Year
  - Greenfield development
  - Acquire mature orchards at the right price
- Improve productivity on orchard and in supply chain to keep costs in bottom quartile
  - Improve yield & quality
  - Project Parboil & Project H2E

## ■ Food Division

- Invest in industrial capability
- Project Parboil
- Grow branded base for industrial and packaged divisions
  - Export focus
  - New Products & Categories

## ■ Acquisitions

- Leverage core capabilities of business in current & adjacent categories
- Maintain gearing at acceptable level

**Growth and cash-flow are both important**





# SHV - Strategy towards 2018

- 1. CONTROL CRITICAL MASS OF ALMONDS**  
Secure the critical mass of nuts needed to maximize profitability and leverage the global almond opportunity.
- 2. IMPROVE YIELD & CROP VALUE**  
Improve yield and overall crop value by perfecting on-farm and farm to factory practices.
- 3. BE BEST IN CLASS SUPPLY CHAIN**  
Continuously improve our supply chain, achieving high quality, low cost and optimum capital utilisation.
- 4. INVEST IN INDUSTRIAL & TRADING DIVISION**  
Allocate resources to leverage our trading skills and grow sales in the industrial channel.
- 5. STRENGTHEN PACKAGED FOOD BUSINESS**  
Commit funds and develop structure to generate domestic and export growth for the packaged food business delivering sustainable returns above the cost of capital.
- 6. FIX OUR SYSTEMS & PROCESSES**  
Develop the business systems and processes required to be a global industry leader.
- 7. NON ORGANIC GROWTH**  
Acquire businesses in related categories leveraging existing capabilities that are EPS accretive and deliver sustainable returns above our cost of capital.
- 8. ENGAGE WITH OUR PEOPLE & OUR STAKEHOLDERS**  
Engage with investors and our industry while developing the team required to be a global industry leader.



# Investment Principles & Focus



## ■ Select Harvests Investment Principles:

- Take advantage of the healthy eating trend and increasing Asian middle class population
- Generate capital returns above our WACC
- Grow at or above the market rate
- Minimise risk
- Account for industry cycles
- Improve Efficiency, through both cost-out and productivity improvements
- Respect & protect the Environment, the Community and our People

**SHV is well positioned for long-term, sustainable, value accretive growth**



# Business Update

- **Almond Division – Experiencing Pricing pressure**
  - Business performing to strategy, but recent price reduction was unexpected
- **Food Division – Momentum Continues**
  - Our value added strategy is gaining traction, in particular New Products & Export
- **Project Parboil - Value Added Almond Production**
  - Initial construction has started and machinery is ready for shipment. December 2016 commissioning and expenditure on track
- **Project H2E - Biomass Electricity Cogeneration Plant**
  - Equipment is being manufactured. December 2016 commissioning and expenditure on track
- **2016 Greenfield – Orchard Development**
  - Irrigation infrastructure being installed. July 2016 plant out and expenditure on track
- **1Select – Business Systems Upgrade**
  - Scoping of “as is” analysis complete, gap analysis close to completion - September 2016 roll out on track
- **OH&S – Performance Improving**
  - LTIFR and Hazard ID’s have approved on a MAT (Moving Annual Total) basis
  - LTIFR 30 VS 32

**Business focus to improve cost position through productivity & cost reduction, whilst investing in growth**





# 2016 SHV Crop Update

- **Harvest Progress Update – Ahead of previous years**
  - 90% of crop harvested (one month ahead of this time last year)
  - All Non-Pareil harvested
- **Volume Update – No change to 13,700 tonne estimate**
  - Not all stock has been delivered to processing centre
- **Processing Update – On Plan: 15% of estimated crop has been processed**
  - Quality is good, but not all regions have been processed
- **Price Update – First Half Estimate A\$9.00/kg (0.70USD)**
  - Spot price around A\$7.00 (0.73USD) – assumes quality remains as is
  - Over 38% committed @ average A\$9.41
    - Predominately higher grade
    - Covered at 0.69USD
- **Weather Outlook – Positive**
  - Short term – no likelihood of rain in the 10 day forecast – harvest should be completed within 2 weeks
  - Long term (April-June) - BOM outlook for Southern Australia is for warmer and dryer than average – current outlook reflects weakening of El Nino

Harvest trouble-free & nearly complete. Too early to accurately predict quality & price impacts with certainty.





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## Finance

**Paul Chambers**

**Chief Financial Officer & Company Secretary**



# SHV Asset Base (as at 31 December 2015)



	<u>\$ Million</u>
Plant, Property & Equipment (land, irrigation assets, processing plant, trees)	\$226
Working capital (includes growing crop on the trees)	\$113
Intangible's (water and brands)	\$50
Net debt(includes lease liabilities)	(\$53)
Other (mainly deferred tax liability)	(\$41)
<b>Net Assets</b>	<b>\$295</b>
<b>Market Capitalisation (as at 1 April 2016)</b>	<b>\$300</b>

SHV has a portfolio of high quality assets with potential for sustainable cash flow generation

Current portfolio not yet at full capacity



# Cash flow strength



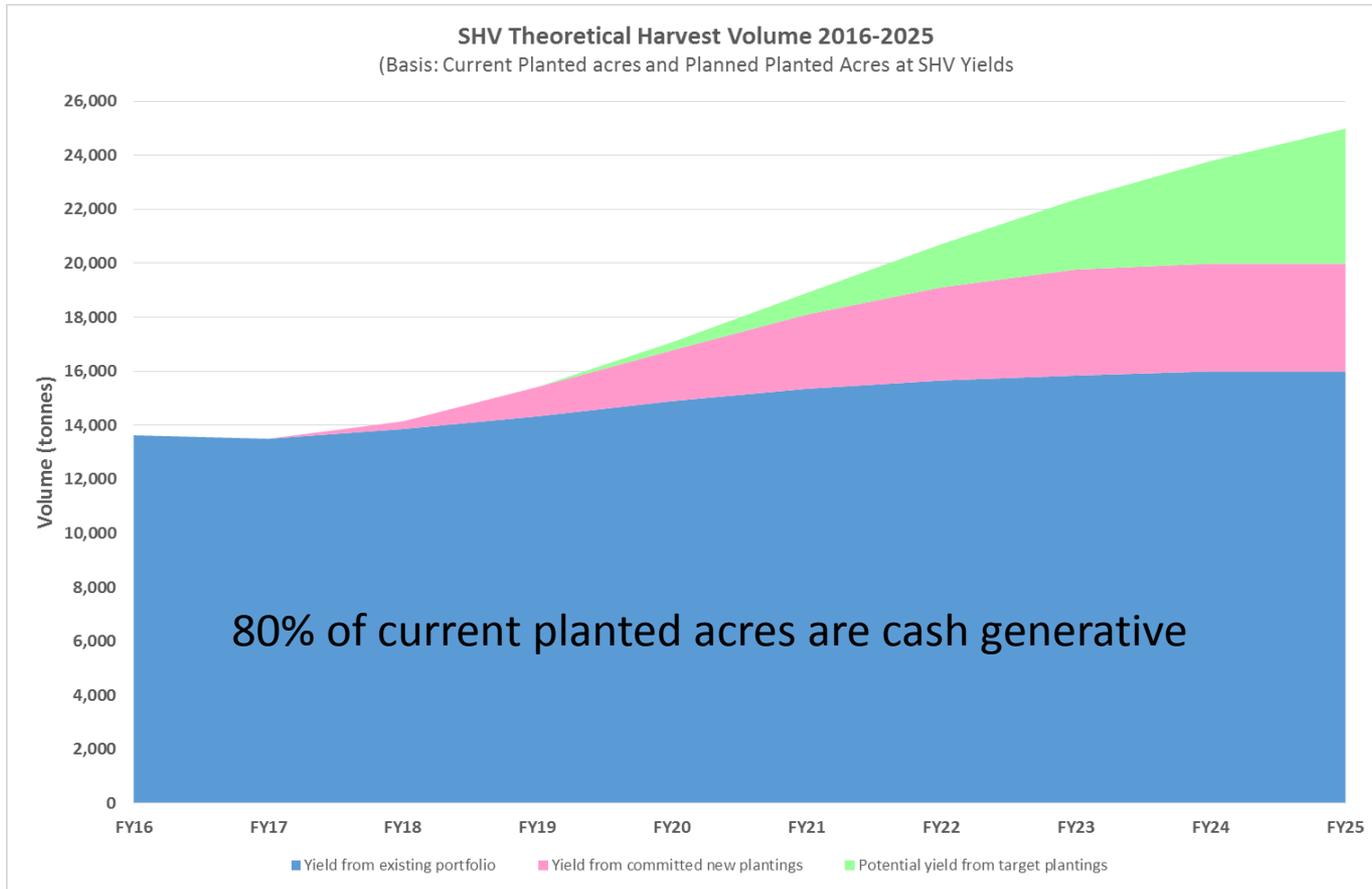
- We have established a bottom quartile cost base
- Our asset base is at c80% of cash generating capacity
- Operating cash flow generated at half year stage >\$80 million
- Renovation capex largely undertaken, reverting to maintenance capex \$7 million p.a.
- Strategic capex/cost-out capex largely sunk
- Greenfield expansion plan c3,000 acres funded
- Growing cycle of existing portfolio (working capital) is now self-funding on an annual basis
- Banking facilities recently refinanced over 3 year horizon

## Capacity for sustainable operating cash flows

Supports managing volatility, prudent gearing, investment and dividends



# SHV Almond Growth



**By 2024, almond volumes will increase by 46% (Pink & Blue Sections only – basis capital already sunk)**  
**2018: +3%, 2020: +22%, 2022: +39%, 2024: +46%**



# Orchard Leasing



- Innovative long term funding model with First State Super (c \$150 million investment)
  - Enables SHV to fund capital intensive, greenfield almond orchard expansion
  - Releases capital to fund near term growth opportunities
- Principles:
  - Landlord invest in land, irrigation infrastructures, proportion of almond tree development
  - Tenant (SHV) develops and operates existing and new orchards, retains all agri-market risk
  - Lower Debt, Higher Return on Equity (“ROE”) investment model
  - Options to leverage this model (to potentially include water)
- Following the plant out of new orchards, 44% percent of planted acres will be owned, 56% leased
  - Company remains committed to a balanced funding model (own versus lease)

**Leasing is a fundamental part of the almond orchard expansion funding model**





## Orchards

**Peter Ross**

**General Manager Horticulture**



# Key Activities & Outcomes – Last 12 Months

## Plantings

- Allinga greenfield development has been completed – trees are in good health and growing well
  - 348 Hectares (948 Acres)
- Stage 2 of the Kyndalyn Park redevelopment has commenced – trees were removed and ground preparation commenced after the 2015 harvest

## Existing infrastructure upgrades

- The first year is complete of the three year replacement program for surface drip line in orchards with installations 15+ years of age – improved water & fertilizer distribution
- Works are finalised for stage two of the pump shed, filtration & fertilizer distribution system upgrades – energy savings, improved reliability, fertilizer distribution uniformity & reduced maintenance/field servicing
- Automation upgrades have concluded on all irrigation system modernisation projects this year – real time data from irrigation system telemetry is now being delivered remotely to irrigation managers utilizing these new improvements

## Harvest

- Modified shaking pattern achieving variable frequency – improved nut removal, decreasing mummy nut levels and reducing requirements for hand polling
- Second season of night shift harvest operations – reduction in harvest days and better utilization of equipment matrix

## Pest Management & Control

- Trapping and monitoring of Carpophilus Beetle and Carob Moth numbers – reductions seen in Carpophilus damage this season across the NP variety, favourable seasonal conditions have seen Carob moth activity increase, activating mandatory fumigation control measures. \$1m spend on insect management and control

## Drying

- Introduction of field product tunnel dryers to NSW and SA orchards – improves harvest flow and management of inclement weather events, stabilises moist product and reduces the risk of quality down grades

**Improved productivity and risk mitigation are key areas of focus**





# Key Activities – Next 12 Months

- **Plantings 1,012 Hectares (2,500 Acres)**
  - Bunargool (Mendook South)      584 Hectares      (1,445 Acres)
  - Kyndalyn Park                      123 Hectares      (304 Acres)
  - Mullroo                                125 Hectares      (309 Acres)
  - Amaroo                                136 Hectares      (336 Acres)
  - Mt View                                43 Hectares      (107 Acres)
  
- **Orchard programs**
  - Continue with the higher input base fertilizer and foliar programs – in the FY16 growing season we invested an extra \$495 per hectare (\$200 per acre) that has resulted in increased tree health, growth and targeting 247kg per hectare (100kg per acre) cropping potential per acres
  
- **Staff training and upskilling**
  - Build on staff development & training within the horticultural area at all levels – a main focus will be on improving the understanding of irrigation design & operation, agronomy knowledge & management skills
  
- **Further upgrades of existing orchard infrastructure**
  - Continue with stage two of the surface drip line replacement program for above ground dripper line in orchards with installations 15+ years of age - improved water & fertilizer distribution
  - Complete the final roll out of upgrades to pump sheds, filtration and fertilizer distribution systems – energy savings, improved reliability, fertilizer distribution uniformity and reduced maintenance/field servicing
  
- **Harvest**
  - Implement expanded quality testing system (almond supply chain) – improving data & bench mark modelling, resulting in an improved view of kernel quality
  
- **Electronic farm management system**
  - Conclude implementation of the Grow Data electronic farm management package – improving the flow of information within the horticultural area and incorporating the system into the wider company JDE management software upgrade
  
- **Manage cost**
  - Anticipate cost pressure on water and pollination
  - Anticipate cost relief on energy, fertiliser and foliates

Select is well advanced in the initiatives that will deliver top quartile orchard performance



# Orchard Tour Safety – Bunargool (Mendook South) Development & Carina Orchard



## ■ Key Hazards in the orchards

- Open Excavations
- Traffic (Tractors, Harvest Equipment & RTV's )
- Noise
- Dust



## ■ Personal Equipment Requirements

- Hi-vis vests / shirts must be worn
- Face masks (if required)
- Eye protection (if required)
- Ear protection (if required)



## ■ Emergency Procedures

- Your guide will escort you to the emergency assembly point if required
- Rodger Hancock – Bunargool (Mendook South) Tour
- Jason Robinson – Carina Orchard Tour

**EMERGENCY  
ASSEMBLY  
POINT**





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## Operations

**Bruce van Twest**

**General Manager Operations**





# Key Activities – Last 12 Months

- **Almond Pre-cleaner and Crop Dryer**
  - Enables plant to run with higher efficiency – reduces season length
  - Drying capability provides product stability through life cycle
  - Processed 7000MT –23% increase in productivity
- **Project H2E**
  - Stage 1 – savings of \$603K realised from March 2015
  - Stage 2 – Electrical infrastructure installed
- **Pasteurising**
  - Dehumidified cooling chamber added to improve product crispness
- **Chips and Scratches**
  - New conveyors installed for gentler product flow through huller
- **Warehouse and Packing area temperature control upgrade**
  - Warehouse temperature lowered to 10 deg C
  - Sorting and Packing area lowered to 20 deg C
  - Maintains product integrity and improves work conditions
- **Insect Control**
  - Redesigned insect control by increasing checkpoints and fumigation steps
- **Cost Improvement**
  - Carina West (CW) cost/kg significantly lower than previous year
  - Costs flat across Thomastown (TT) and Logistics (off set inflation)
- **Quality Complaints**
  - Retail complaints 36% lower than previous year





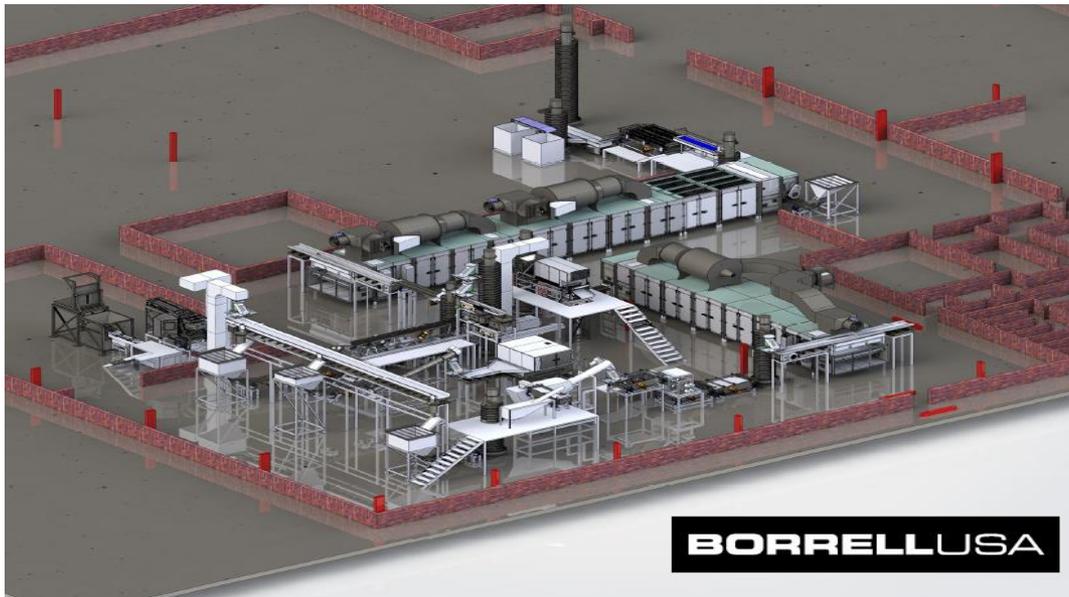
# Key Activities – Next 12 Months

- **Project H2E**
  - Stage 2 – Installation and commissioning of biomass boiler + turbine
    - Savings realised from December 2016
    - Goal to lower Carina West Processing Facility cost base by 20%
  
- **Project Parboil (Almond value-add)**
  - Installation and commissioning of new Almond processing/packing plant by December 2016
  - Process and pack all blanched, roasted, sliced, diced, ground almond only in Industrial & Retail formats
  
- **Insect Control**
  - Fumigate all Non-Pareil (open shell) on stock pad
  
- **Upgrade Dust Extraction in Sorting and Packing area**
  - Improve overall cleanliness
  
- **Investigate container loading of export kernel and in-shell**
  - Significant cost savings and improved quality assurance



# Project Parboil – Almond Value-Add

**Projective Objective:** To install an Added Value Almond Processing & Packing Facility at Carina West



**Infrastructure designed  
using and complying to:**

WQA Manufactured Food  
Standard Version8

&

Coles Food Manufacturing  
Supplier Requirements  
(CFMSR) ver Feb 2014

## Operational Highlights

- *Integrated Processing Equipment: Blanching, Slivering, Slicing, Dicing, Dry Roasting, Pasting, Grinding, Pasteurising, Electronic Sorting and Industrial & Retail Packing*
- *Climate Controlled Factory, Cool Store Warehousing*
- *Automated Industrial Packing Line with Gas Flushing*
- *Climate Controlled Factory, Cool Store Warehousing*
- *Operational Hours: 8hrs x 5 days x 48 weeks*
- *Operators Employed: 12*

## Specifications

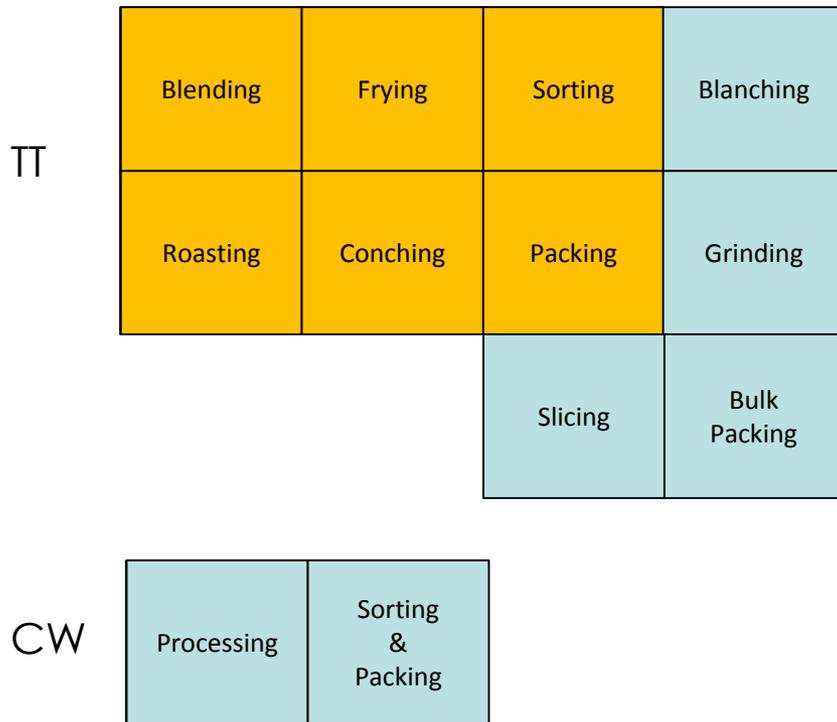
- *Building size: 50m x 84m*
- *1.2m concrete tilt slab perimeter internal/external*
- *Borrell Integrated Blanching & Roasting Line*
- *Nimbus Electronic Sorter with Biometric Signature Identification*
- *Propac Retail Baggers AV 2.2 with Dual Feed system*
- *Pattyn Fully Automated Industrial Packaging Line*
- *Ishida Multi-Head & Check Weighers*
- *Visy Automation Robotic Retail & Industrial Palletizing line*
- *2mt per hour thru-put*
- *Capital Investment: \$11m AUD*
- *Installation – Q2 2016*



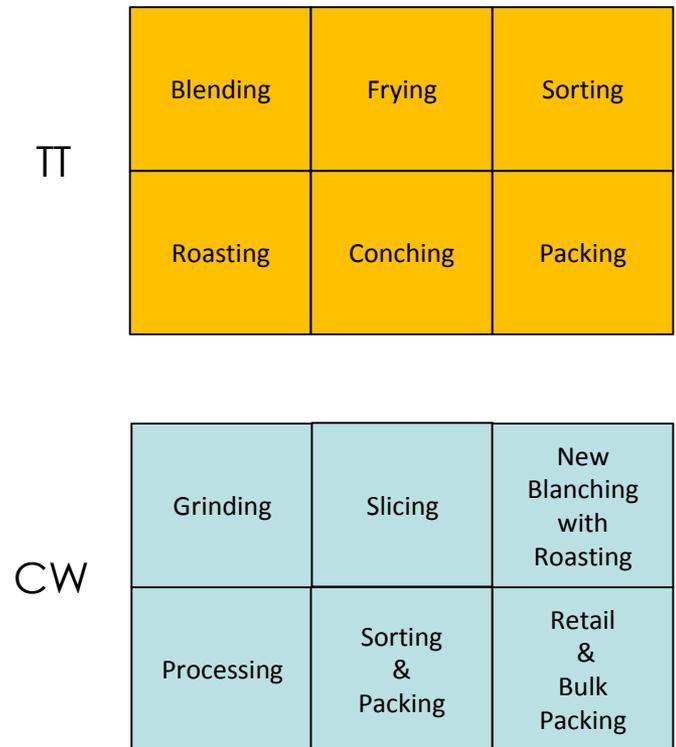


# Project Parboil – Almond Value-Add

## Current



## Future



Mixed nut, fruit and seed varieties



Almonds Only



# Project Parboil – Almond Value-Add

**Projective Objective:** To install an Added Value Almond Processing & Packing Facility at Carina West



- Building well underway and due for completion June 2016
- Next steps
  - April - Cladding, Drainage and underground Electrical works
  - May - Concrete Slab, Refrigeration
  - June - Roadworks
- Project Completion December 2016

# Project Parboil – Almond Value-Add



Blanching line



FAM Slithering



FAM Slicers



Pasteurising/conditioning line

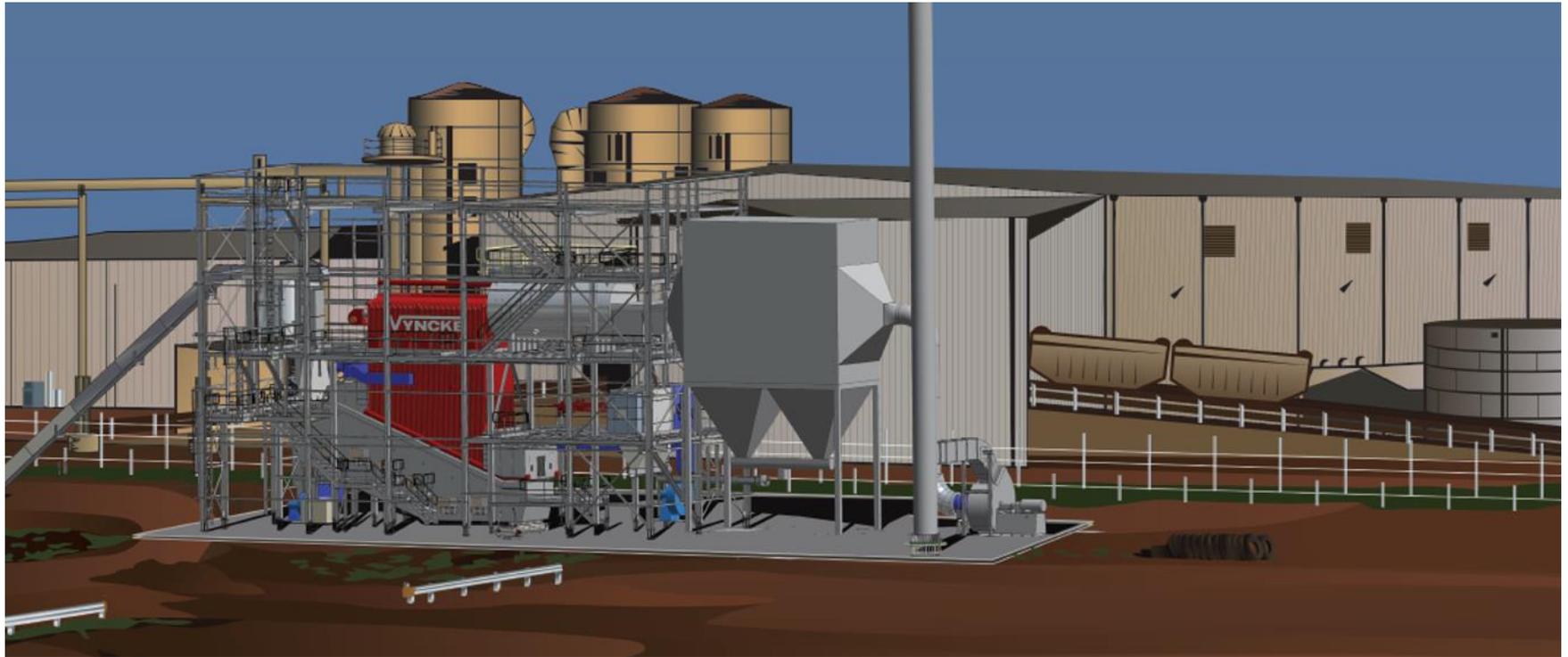


Vertical screw conveyors



Dryer

# Project H<sub>2</sub>E – Hull to Energy



*“Abates 23,645\* tonnes of greenhouse gas emissions equivalent to removing 8,210 cars off the road”*

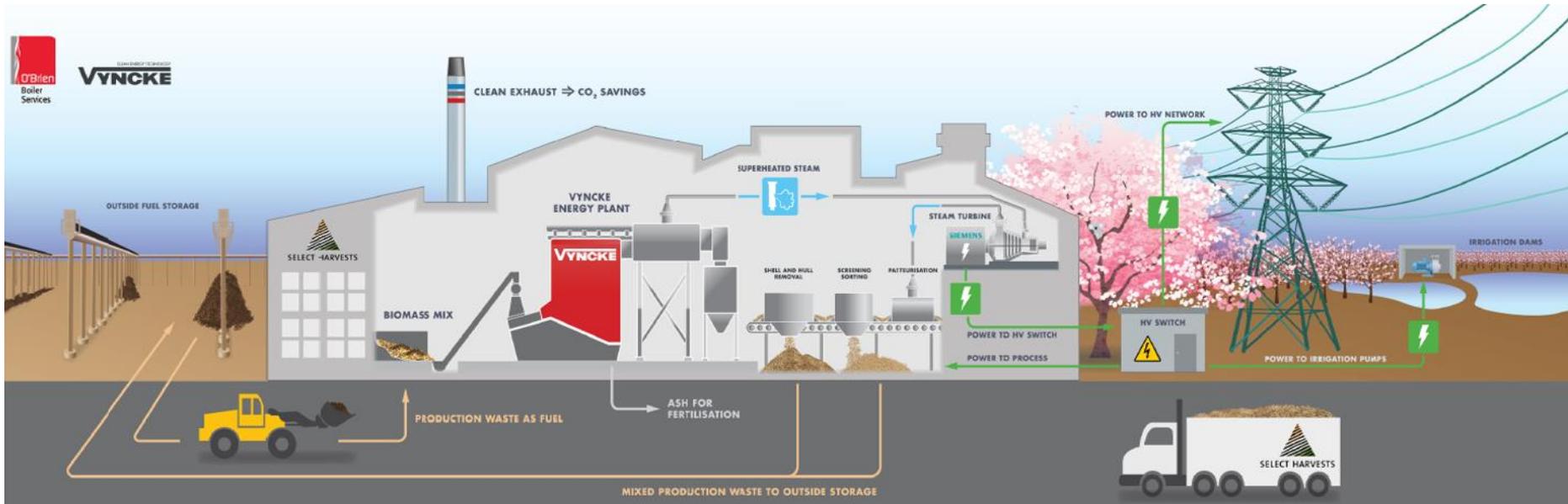
*“Provides enough energy to power 2,984 homes”*

\* Internal Estimates



# Project H<sub>2</sub>E – Hull to Energy

**Projective Objective:** Install a biomass boiler and steam turbine, fuelled by almond hull and shell and orchard waste and converting it to heat and power



## Operational Highlights

- Fuel source: almond hull & shell and field prunings
- Fuel consumed: 3.66T/hr - 30,000T/yr
- Power delivered direct to CW Processing Plant + Carina Dams
- Excess power delivered into local grid
- Operational Hours : 24hr x 7days x 48 weeks
- Operators Employed : 8

## Specifications

- Vyncke 17MW thermal biomass boiler
- Siemens 3.1MWe SST-110 turbine
- Fuel feed system - moving floor type
- Emission control - multi cyclone
- Flue gas stack - 25m carbon steel
- Capital investment - AUD\$9.2m
- Installation - Q3 2016

# Operations – Carina West Plant Tour

## ■ Key Hazards in Processing Plant

- Traffic (forklifts)
- Noise
- Compressed Air
- Almond dust



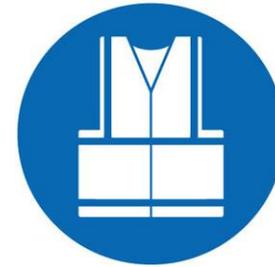
# Operations – Carina West Plant Tour



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## ■ Personal Equipment Requirements

- Hi-vis vests / shirts must be worn
- Face masks in designated areas
- Eye protection in all areas
- Ear protection in all areas
- Hair nets and beard snoods
- Wash & Sanitise hands in designated areas



# Operations – Carina West Plant Tour



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## ■ Emergency Procedures

- If factory siren sounds, remain calm & follow your guide's instructions
  - Your guide will escort you to the emergency assembly point if required
- Stay on designated walk ways
- Keep together
- If in doubt – ask your guide

**EMERGENCY  
ASSEMBLY  
POINT**





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## Trading & Industrial

**Laurence Van Driel**

**General Manager Trading & Industrial**





# Last 12 Months

- **Almond Division & Industrial – Growth continued**
  - Demand remained strong at record prices, but volume growth stagnated
  - Manufacturers continued to look for “smarter” ways to use product e.g. sliced & coated
  - Positioning SHV as a pan Asian supplier of raw and valued added nut products
  - Environment and other CSR becoming more important to customer base
- **Recent Price Destruction – More than one driver**
  - Demand has reacted adversely to record high prices
  - Relativity of other commodities walnuts & cashews was disrupted
  - Credit issues in Middle East
  - US crop forecast
  - Pricing confidence lacking
  - Destocking strategy by US producers

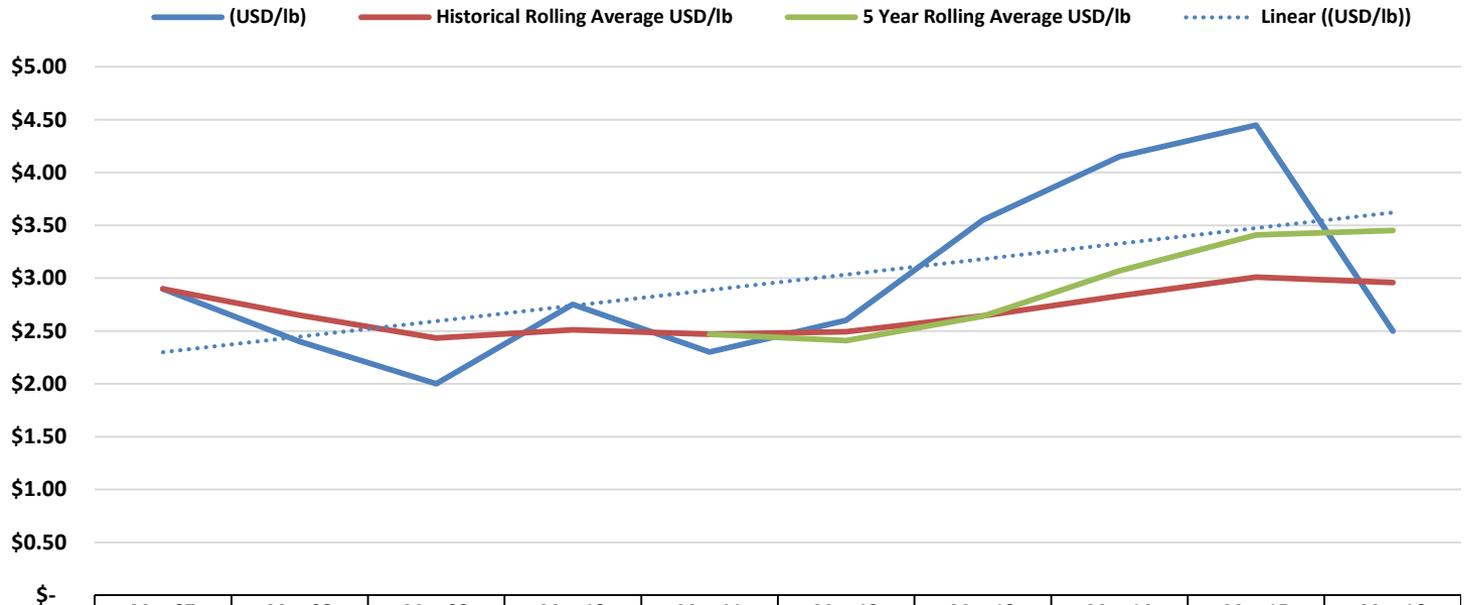
The recent price reduction in almonds has been the most dramatic in the last 15 years



# Almond Pricing over a 10 year crop period (USD)



## Almond Price Nonpareil SUP 23/25 (USD/lb)



	Mar-07	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16
(USD/lb)	\$2.90	\$2.40	\$2.00	\$2.75	\$2.30	\$2.60	\$3.55	\$4.15	\$4.45	\$2.50
Historical Rolling Average USD/lb	\$2.90	\$2.65	\$2.43	\$2.51	\$2.47	\$2.49	\$2.64	\$2.83	\$3.01	\$2.96
5 Year Rolling Average USD/lb					\$2.47	\$2.41	\$2.64	\$3.07	\$3.41	\$3.45

\* This is internal company data. Please note this is a reflection of one nut variety & size not the total pool return

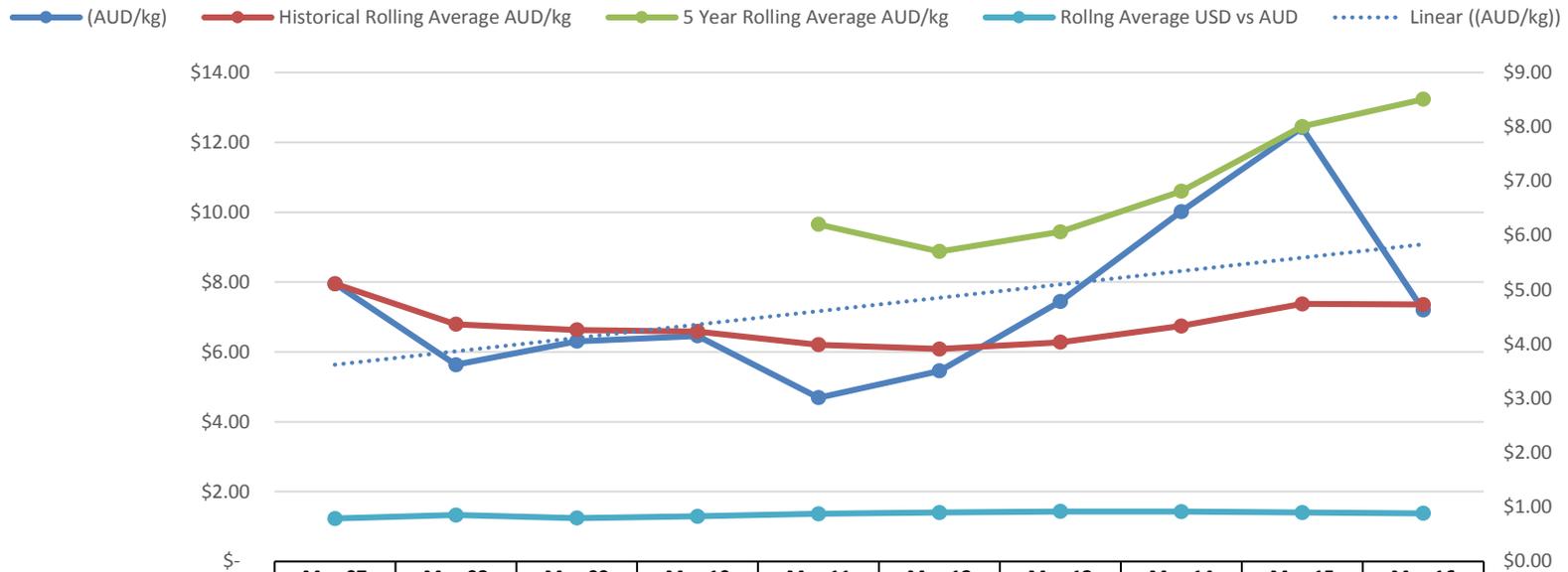
**Peak in pricing in 2015, the last 10-year rolling average over that period is USD2.96/lb and the 5-year rolling average is \$3.45/lb – current price below rolling and linear averages**



# Almond Pricing over a 10 year crop period (AUD)



Almond Price Nonpareil SUP 23/25 (AUD/kg)



	Mar-07	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16
(AUD/kg)	\$7.95	\$5.63	\$6.30	\$6.46	\$4.69	\$5.45	\$7.45	\$10.02	\$12.42	\$7.20
Historical Rolling Average AUD/kg	\$7.95	\$6.79	\$6.63	\$6.59	\$6.21	\$6.08	\$6.28	\$6.74	\$7.37	\$7.36
5 Year Rolling Average AUD/kg					\$6.21	\$5.71	\$6.07	\$6.81	\$8.01	\$8.51
Rolling Average USD vs AUD	\$0.7880	\$0.8546	\$0.7982	\$0.8287	\$0.8749	\$0.9008	\$0.9192	\$0.9162	\$0.9004	\$0.8854

\* This is internal company data. Please note this is a reflection of one nut variety & size, not the total pool return

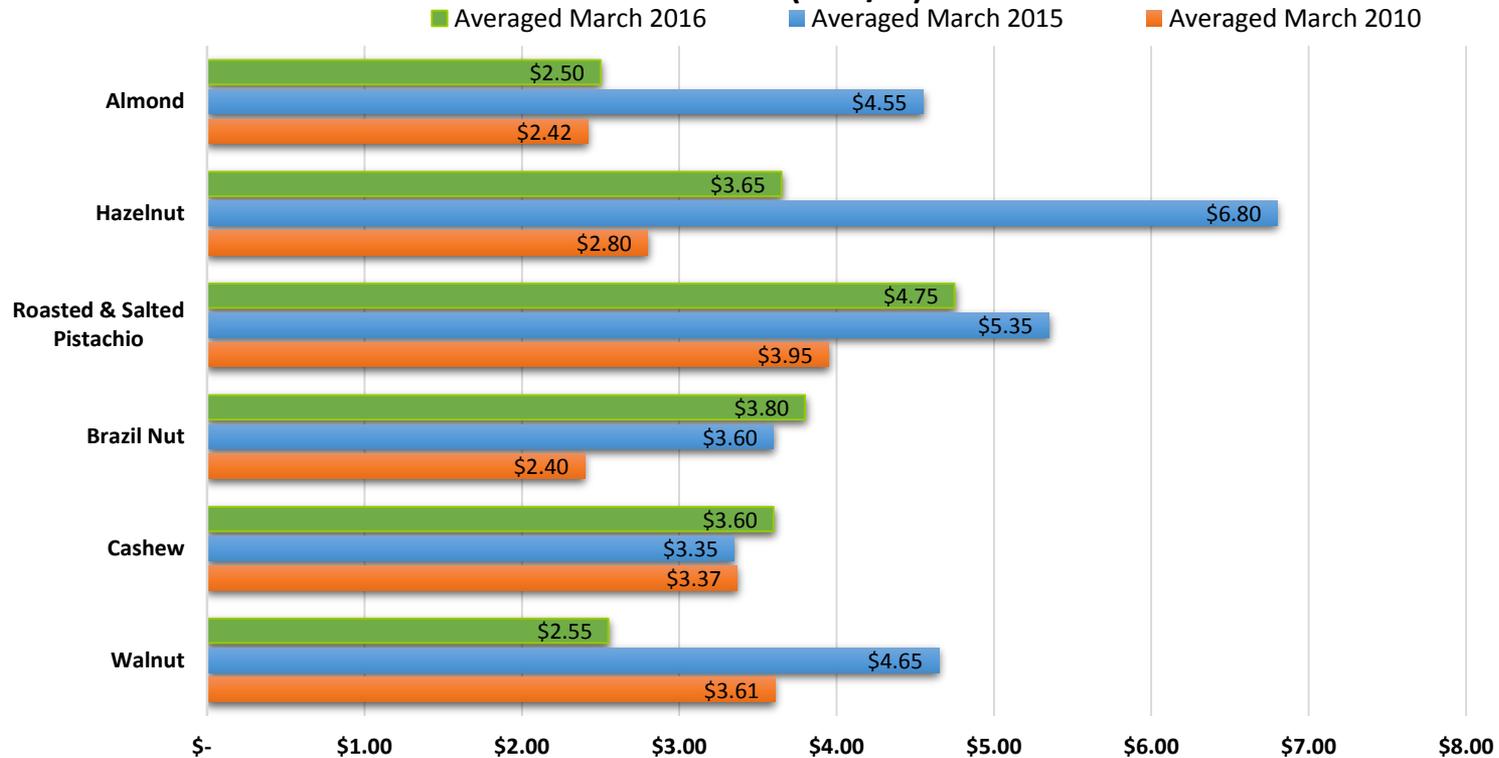
**The combination of currency and price has caused the sharpest price correction in recent history**





# Almonds competitively priced against other tree nuts

### Tree Nut Spot Pricing March 2010 vs March 2015 vs March 2016 (USD/lb)



\* This is internal company data

**Almond pricing relativity has been restored to historic norms**



# Market Outlook



## Demand:

- Demand remains strong, current prices expected to generate growth over next 6 to 12 months as they did in 2013 and prior periods
- Consumers continue to see the benefits of almonds as a super food with new product development remaining buoyant
- Almond Milk and Butters continue to grow
- Ingredient manufacturers are looking at almonds as inclusions – Again, buoyant growth in our Industrial area
- Buying patterns had changed due to instability in pricing, little inventory with customers, some semblance of normality returning on buying patterns with current price stability.
- Competitive nuts reset to historical norm, stimulating almond growth.

## Supply:

- Despite improved conditions year to date, the US drought continues. The impact of the drought remains difficult to predict
- Industry forecast for the 2016 US crop is approx. 2.0 Bn lbs, with a slightly higher year on year carryover stock of approx. 0.5 Bn lbs
- Spanish crop adversely affected by frost and drought
- New product development activity remaining buoyant
- Recent new planting & lower pricing causing industry to re-think expansion plans in both US & Aust.
- Potentially will accelerate removal of older trees based on economic viability
- US to experience greater cost inflation (water & labour)

See positive signs with demand increasing





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## Consumer Brands & Marketing

Mark Eva

General Manager Sales & Marketing - Consumer Products





# Key Activities & Outcomes – Last 12 Months

- **Brands development** - Proprietary brands + >10% YTD February
  - Increased Lucky brand share of Baking and Cooking nut Category from 38.8% to 41.0% MAT
  - NuVitality brand replacement for previous Nu-vit brand going to market from March 2016
- **New product development** - >13% of Sales revenue YTD February
  - Relaunched Sunsol Muesli range. Now sold in 6 countries.
  - Launched Lucky Trail mixes and additional Lucky Smart Snax items nationally
- **New channel and market development** - Export Sales +20% YTD February
  - Commenced sales to COSTCO Australia and seeking further ranging locally and in Asia
  - Initial scoping, developing Customer or Distributor relationships for China
  - Appointed Import Distributor in Japan
  - NuVitality relaunch getting strong support in Singapore and Hong Kong, plus capitalising on interest from other markets

**Base business now solid**



# Key Activities – Next 12 Months



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- **Brands development – Expand brands into related categories**
  - Lucky brand into new categories and development in current categories
  - Continued development of Sunsol Muesli brand
  - Execute NuVitality launch
  - Build direct consumer relationship
- **New product development - Well developed new product pipeline**
  - New releases in Healthy and Enjoyment snacking, Health Foods, Muesli & other Cereals
  - Continued investigation of other synergistic categories for our capabilities or brand positioning
  - Grow value added NPD opportunities
- **New channel and market development**
  - Significant step-up in exploration of Chinese market opportunities
    - Internet retailers
    - Niche Brick & Mortar
    - Build brand direct with consumer
  - Grow range in existing markets: Hong Kong, Singapore, Thailand & Japan
  - Expand Costco opportunity

## Brands positioned to grow



# Recent New Product Development



Lucky Smart Snax and Trail Mixes ranged nationally in Coles, NuVitality primarily Export, Lucky Entertainers is new launch





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## Closing Overview

**Paul Thompson**

**Managing Director**



# Market Outlook



## ■ Demand:

- Underlying demand for our products remains strong
  - Consumers continue to see the benefits of almonds & other plant proteins
  - Plant based protein will continue to be a key strategy to transform diets away from sugar
- We can do more to support demand with our brands
- Recent FTA's will support demand for our Australian clean & green produce, plus provide competitive advantage
- Asia's growing middle class are demanding and expecting health food
- India, China and Indonesia offer the highest growth for the Australian industry

## ■ Supply:

- US will continue to dominate supply of almonds
  - Despite improved conditions year to date, the US drought continues. The impact of the drought remains difficult to predict
  - Development of new acres will slow and aged tree mothballing will accelerate
  - Cost and legislative pressure higher than Rest of World ("ROW")
- Industry will continue to aggressively manage carryover inventory
- Australia and Spain will remain bit players
- Water and land for all tree nut products is limited, almonds being the most challenged
- New varieties are emerging to improve productivity, combat disease & combat insects

**Industry fundamentals remain strong**



# US (California) Update



- **US Crop Update (2015/16) – mixed start to season**
  - Industry experienced good chill hours and bloom conditions
  - Largest US grower removed 10,000 acres (25% of almond portfolio)
  - New plantings indicate growers still transitioning towards more secure water
  - NASS Subjective estimate due 10 May 2016. Objective Estimate due 7 Jun 2016
  - Feb 2016 Almond Board of California Position Report - Monthly Shipments up 11% on last year – next Position Report due 12 April 2016
  - 2015 was 2<sup>nd</sup> hottest year on record, 2014 hottest – additional water requirements – early indications that 2016 will be another hot year as El Nino weakens
- **Californian Drought - situation largely unchanged**
  - Mar 2016 - 35% of California in Exceptional Drought (covers the vast majority of almond growing counties), 55% Extreme Drought
- **Californian Snowpack – 2016 snowpack is below average**
  - 2016 - State (86% of April Avge, 86% of Normal as at today) - North Sierra (95%, 95%), Central (88%/88%), Southern (73%/73%)
- **Californian Surface Water – slightly improved conditions**
  - Initial water allocations have increased for urban use – no significant change for agricultural allocations
- **Californian Ground Water – no immediate change.**
  - Introduction of Sustainable Groundwater Management Act (“SGMA”) will have lasting impact
    - 1 April 2016 – Basins begin Annual Reporting to DWR.
    - 31 Dec 2016 – DWR publishes report on water available for groundwater replenishment.
    - 31 Jan 2020 – High & Medium priority basins (critical conditions of overdraft) must be managed under Groundwater Sustainability Plan (GSP).

**Complex situation to understand - change will not be immediate, but is inevitable**



# SHV 2016/7 Business Objectives



1. Zero Harm OH&S strategy
2. Improve average mature tree yield
3. Acquire orchards at the right price
4. Grow and strengthen Food Business
5. Implement Greenfield program
6. Implement Biomass/Cogen plant
7. Implement Parboil
8. Implement 1Select ERP platform
9. Maintain Balance Sheet & Cash Flow strength whilst growing
10. Evaluate diversification opportunities

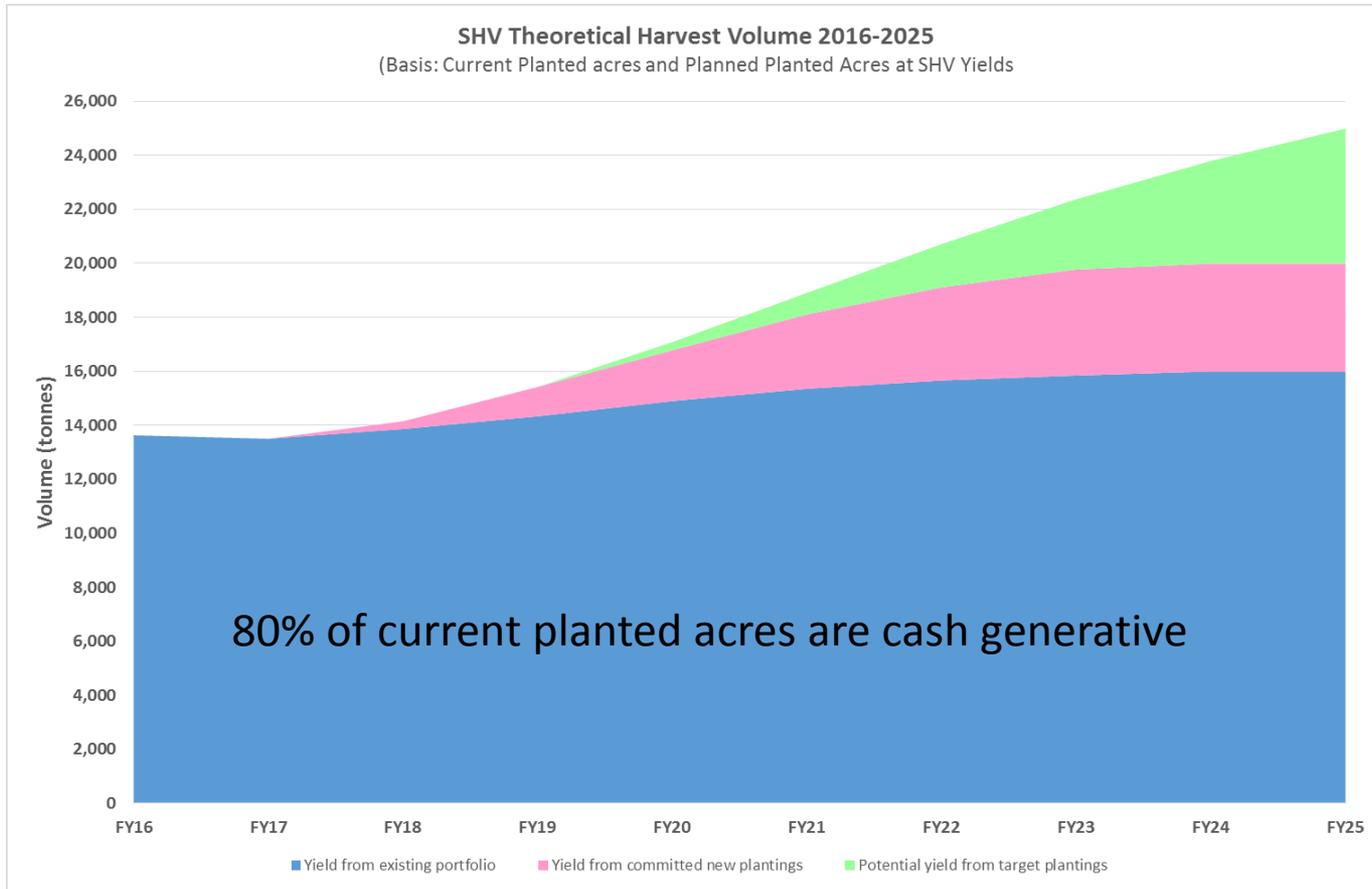
**Cash generative growth strategy delivering increased shareholder value**



# SHV Almond Growth



SELECT HARVESTS



**By 2024, almond volumes will increase by 46% (Pink & Blue Sections only – basis capital already sunk)**  
**2018: +3%, 2020: +22%, 2022: +39%, 2024: +46%**





SELECT HARVESTS

# Thank you

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Please note that background material/data regarding the global almond industry can be found on the Select Harvests website - [www.selectharvests.com.au](http://www.selectharvests.com.au)





# Appendix



# Select Harvests – Orchard Summary



SELECT HARVESTS

Select Harvests Almond orchard portfolio	Planted		Under development		Total	
	Acres	Hectares	Acres	Hectares	Acres	Hectares
<b>Central region</b>						
Company Owned	4,169	1,688	-	-	4,169	1,688
Leased	1,481	600	1,400	567	2,881	1,166
<b>Total</b>	<b>5,650</b>	<b>2,287</b>	<b>1,400</b>	<b>567</b>	<b>7,050</b>	<b>2,854</b>
<b>Northern Region</b>						
Company Owned	1,657	671	-	-	1,657	671
Leased	3,017	1,221	-	-	3,017	1,221
<b>Total</b>	<b>4,674</b>	<b>1,892</b>	<b>-</b>	<b>-</b>	<b>4,674</b>	<b>1,892</b>
<b>Southern Region</b>						
Company Owned	1,574	637	-	-	1,574	637
Leased	2,405	974	1,009	409	3,414	1,382
<b>Total</b>	<b>3,979</b>	<b>1,611</b>	<b>1,009</b>	<b>409</b>	<b>4,988</b>	<b>2,019</b>
<b>Total</b>						
Company Owned	7,400	2,996	-	-	7,400	2,996
Leased	6,903	2,795	2,409	975	9,312	3,770
<b>Total</b>	<b>14,303</b>	<b>5,791</b>	<b>2,409</b>	<b>975</b>	<b>16,712</b>	<b>6,766</b>



# Select Harvests - Financial History



SHV Historical Summary		2006	2007	2008	2009	2010	2011	2012	2013	2014*	2015
	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



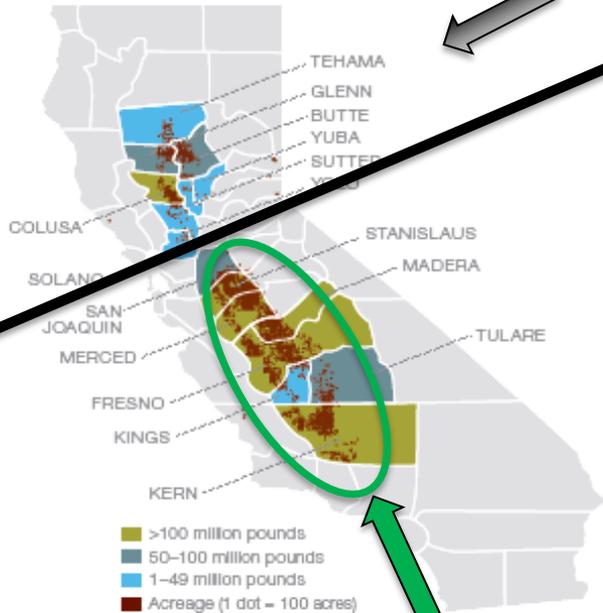
# Global Supply - US Almond Production & Drought



SELECT HARVESTS

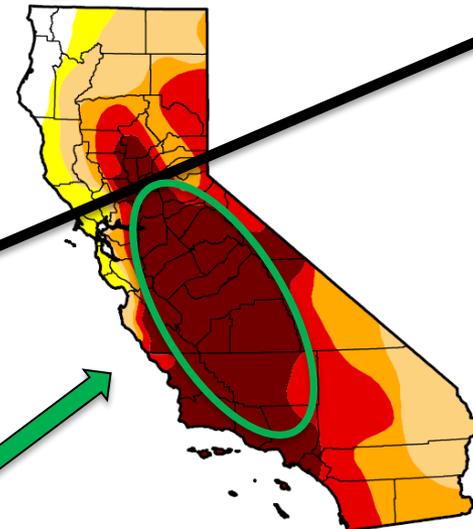
**14% - North Counties % of US Almond Prod'n**

Almond Production by County 2013/14



**86% - South Counties % of US Almond Prod'n**

U.S. Drought Monitor  
California



March 29, 2016  
(Released Thursday, Mar. 31, 2016)  
Valid 8 a.m. EDT

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	3.55	96.45	90.58	72.82	55.25	34.74
Last Week 3/22/2016	1.16	98.84	91.55	72.86	55.31	34.74
3 Months Ago 12/29/2015	0.00	100.00	97.33	87.55	69.07	44.84
Start of Calendar Year 12/29/2015	0.00	100.00	97.33	87.55	69.07	44.84
Start of Water Year 9/29/2015	0.14	99.86	97.33	92.36	71.08	46.00
One Year Ago 3/1/2015	0.15	99.85	98.11	93.44	66.60	41.41

**Intensity:**  
■ D0 Abnormally Dry     ■ D3 Extreme Drought  
■ D1 Moderate Drought     ■ D4 Exceptional Drought  
■ D2 Severe Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Author:  
Brad Rippey  
U.S. Department of Agriculture



<http://droughtmonitor.unl.edu/>

**Orange States = Severe Drought**  
**Red States = Extreme Drought**  
**Dark Brown States – Exceptional Drought**

**Drought Situation is consistent with 2015 – Drought still covers all almond growing counties**



# Global Supply - US Almond Production & Drought



## Statewide Summary of Snow Water Content

### Current Regional Snowpack from Automated Snow Sensors

% of April 1 Average / % of Normal for This Date



NORTH	
Data as of April 1, 2016	
Number of Stations Reporting	28
Average snow water equivalent (Inches)	27.4
Percent of April 1 Average (%)	95
Percent of normal for this date (%)	95

CENTRAL	
Data as of April 1, 2016	
Number of Stations Reporting	39
Average snow water equivalent (Inches)	25.1
Percent of April 1 Average (%)	88
Percent of normal for this date (%)	88

SOUTH	
Data as of April 1, 2016	
Number of Stations Reporting	27
Average snow water equivalent (Inches)	19.4
Percent of April 1 Average (%)	73
Percent of normal for this date (%)	73

STATE	
Data as of April 1, 2016	
Number of Stations Reporting	94
Average snow water equivalent (Inches)	24.2
Percent of April 1 Average (%)	86
Percent of normal for this date (%)	86

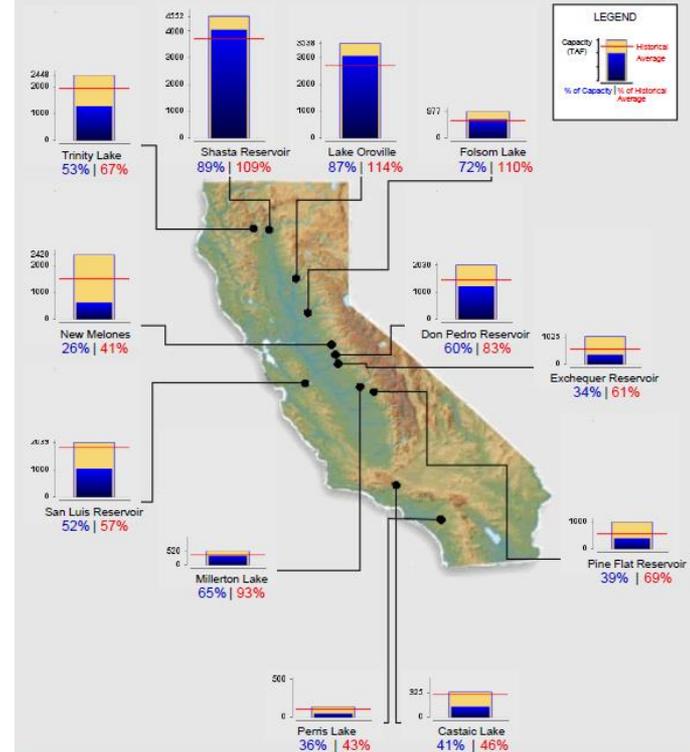
Statewide Average: 86% / 86%

Data as of April 1, 2016

## Reservoir Conditions

Ending At Midnight - April 2, 2016

### CURRENT RESERVOIR CONDITIONS



Graph Updated 04/03/2016 04:45 PM

Snow Pack is below average – it will impact Surface Water situation





# Appendix 1

# Carina West Processing Plant





## Site Information – Carina West

- The site occupies 100 hectares of land
- Commissioned in 2008 at a cost of \$40 million
- Hulling and Shelling capacity is 30,000MT
- 36 hectares of stock pad capacity
- Climate controlled warehouse
- Laboratory, Administration/Amenities complex
- 48,000 MT hull storage area
- ALMADS customised stock control & traceability system
- Almond Pasteuriser (5 log - Steam)
- Approx. 120 employees during peak season
- Almond Pre-Cleaner & Crop Dryer



# Site Information



## ■ Storage

- Each load received is assigned a barcoded ticket at the weighbridge
- KCI Elevator is used to reduced damage
- All piles are segregated at all times by farm and by farm lot for traceability
- All piles are covered prior to and during rain events
- Fumigation is used for pest control when long term storage is needed



Carina West Operations Manager  
*Davin Wright*



# Site Information

## ■ Hulling and Shelling

- Hull and shell capacity of 10t/hr (kernel weight).
- First sorter is a Satake colour sorter which removes any mould and foreign material
- Second sorter is a Best Helius laser sorter which removes splits, brokens & insect damage.
- All product is metal detected, sorted, sized and packed into one tonne bins
- All bins are QA tested and then stored in the warehouse
- The facility has the capacity to process 'inshell' which is diverted from the hulling plant to a segregated bank of colour sorters before being packed into 50lb bags



# Site Information

## ■ **Sorting and Packing**

- There are 2 colour sorters in the Packing Shed
- The Packing line has a capacity of 6t – 10t/hr depending on carton/bag size
- Pack sizes are:
  - 5kg – 22.68kg cartons
  - 500kg – 1000kg bulk bags
- The Packing line is a fully automated
  - Carton erector, filling, free fall metal detection and robot pallet stacking
  - The bulk bag line fills the bags to a required weight and then palletised
- Product is then pasteurised before being dispatched



# Site Information

## ■ Warehouse

- All kernel and finished goods are stored in a climate controlled warehouse at 10 degrees
  - This helps with keeping the product fresh, and also breaks the life cycle of insects (moths)
- The warehouse has a capacity of 13,000 bins and 300 pallets of finished goods



## ■ Fumigation

- Fumigation chambers each have a capacity of 145 bins
- Chambers can fumigate kernel bins and finished goods
- Profume is used to fumigate the product, this is transferred into the chambers using a state of the art automated system

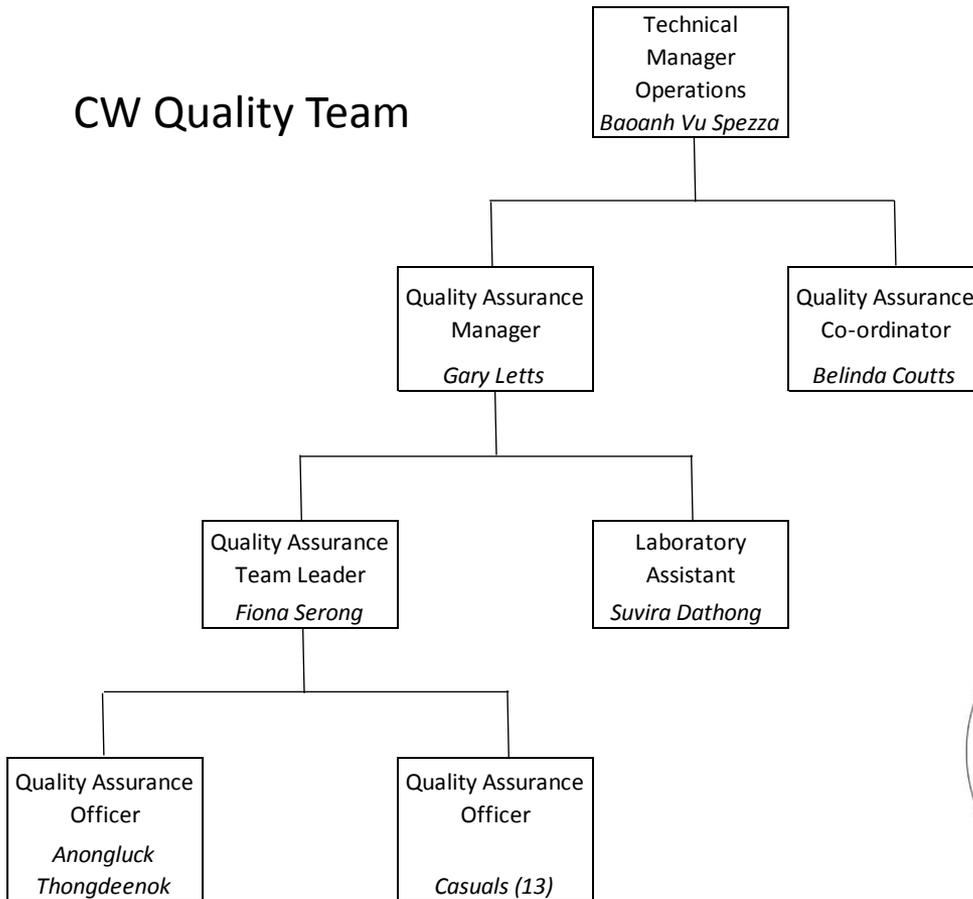


# Site Information



SELECT HARVESTS

## CW Quality Team



# Useful Links



**Derco Foods** <http://www.dercofoods.com/en/reports>

**RPAC Almonds** <http://www.rpacalmonds.com/marketnews/>

**Blue Diamond Ingredients** <http://www.bdingredients.com/category/almond-market-analysis/>

**Almond Investors** <http://www.almondinvestors.com.au/index.php/almond-projects/almond-price/>

**UC Davis Almond Development Costings** <http://coststudies.ucdavis.edu/en/current/>

