

Select Harvests 2016 AGM: Chairman's Speech

25 November 2016



SELECT HARVESTS

SLIDE 1: Select Harvests AGM – Title Slide

SLIDE 2: Disclaimer

SLIDE 3: Michael Iwaniw Chairman

Good Morning Ladies and Gentlemen and welcome to the 2016 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 FY16 financial year, along with more recent initiatives and an update on the almond market and our crop.

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

SLIDE 4: Board

I would now like to introduce your Board members. Accompanying me on stage are Michael Carroll, Fred Grimwade, Paul Riordan, Nicki Anderson and the Managing Director of Select Harvests, Paul Thompson. Next to Paul Thompson is our Chief Financial Officer and Company Secretary, Paul Chambers and Vanessa Huxley, General Manager Finance & Assistant Company Secretary. Ross Herron is an apology due to personal unforeseen circumstances.

I'd like to welcome Nicki Anderson to her first Select Harvests AGM as a Director. Nicki brings to the Board of Select Harvests experience in strategy, marketing, innovation and sales across multiple agricultural businesses, including McCain, SPC Ardmona and Cadbury Schweppes – both in Australia and internationally. She possesses a strong understanding of end to end supply chain operations and believes passionately that almonds are one of nature's best superfoods.

I also welcome Ben Liu from our lawyers, Minter Ellison and Andrew Cronin from our auditors, PricewaterhouseCoopers.

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SLIDE 5: Agenda

SLIDE 6: 2016 Business Highlights

FY16 was a challenging and volatile year for the company and the almond industry in general, however despite this environment the company delivered its second highest Reported Net Profit after Tax of \$33.8 million, which included \$5.9 million after-tax gains from the sale of the 3 properties to First State Super and the sale of the WA property. The company generated record operating cash flow of \$92.9 million in FY16 and with net debt to equity at 23%, the balance sheet is in great shape.

Reported earnings per share was 46.7 cents per share. Our total dividend for 2016 was 46 cents per share (comprising a final fully franked dividend of 25 cents per share and an interim unfranked dividend of 21 cents per share).

The Almond Division produced its second largest crop ever at 14,200 metric tonnes, illustrating the consistent productive capacity of our geographically diverse portfolio of orchards and an ongoing improvement in horticultural practices. We achieved an average almond price of A\$8.08/kg, down from the prior year of A\$11.45/kg, but well up on the market lows experienced during FY16.

The Food Division delivered an outstanding A\$10.3m EBIT, ahead of plan showing the high growth potential of the business.

SLIDE 7: 5 Year Business Performance

The journey of the last 5 years has been to create a business that generates value through all seasonal and economic cycles.

The Underling Net Profit after Tax grew at a compound annual growth rate of 31% between 2012 and 2016.

In 2012, we had 3,564 HA (8,804 acres) of planted and bearing acres – at this point in time there was no growth base for our highly profitable Almond Division. Today, we now have funded plans in place to grow our production by 63%. We planted 398HA (984 acres) in July 2015, 844HA (2,084 acres) in July 2016 and next July we will plant 405HA (1,000 acres). We continue to look for new growth for our Almond Division, in particular acquiring mature Almond orchards, whilst pursuing productivity improvements across our entire business.

The Food Division has always been seen as a strong strategic asset that helps to protect us from the volatility in the Almond Division. Continuous improvement in brand, product development and marketing over the last 5 years has seen EBIT improve by around 80%.

SLIDE 8: Strategy

The global almond and plant product environment continues to present great opportunity for the company. Earlier this year I attended the 35th World Nut and Dried Fruit Congress in San Diego. There is an increasing volume of compelling scientific evidence of the wellness value of almonds – it positively impacts heart disease, diabetes, some cancers and longevity. This provides the stimulus for food manufacturers and consumers to use almonds to improve the health claims of their products.

Almonds are a very healthy product - they look good and taste good. There is a growing consumer trend to eating healthier, plant based products - almonds are at the core of this trend and are highly valued and increasingly in-demand. This is evident in global and local markets.

Our strategy is based on three very clear value drivers:

1. Strong demand for healthy plant-based products
2. Getting to a low-cost position through productivity
3. Innovating to create value-adding products and brands for a global market

Management have continued to successfully execute the strategy. This strategy is reviewed by the Board and Management annually. The current strategy still provides significant opportunity to increase shareholder value.

The completion of Project Parboil and Project H2E will be a major step change in expanding our supply chain capacity and reducing costs.

We are continuing to review our business strategies and believe opportunities exist to acquire businesses in related categories, leveraging our existing capabilities.

As Paul will highlight later, we have grown our Food Export business 250% in the last 5 years, albeit from a low base, with the majority of this in the Industrial Business. In the last 12 months, we have increased our focus on the Asian market and have appointed distributors in Japan and Indonesia and are close to confirming a number of distribution arrangements in China.

In addition, we are looking for bolt-on acquisitions that complement our business. It is important to note that one of the key criteria is value accretion. We need to exercise patience and diligence to ensure any potential acquisition fits strategically and delivers value to shareholders.

SLIDE 9: Environment Sustainability & Governance

Sustainability at Select Harvests is about providing long term environmental benefits which generate value for shareholders, customers, consumers and the communities in which we operate. Select Harvests is a significant user of key resources such as: land, energy, water and bees. We seek to conserve, recycle and save resources wherever possible.

Safety is our first and foremost objective. We aim to improve training and raise consciousness, with the goal of preventing injuries before they occur. Through the Zero Harm Safety Strategy we strive to improve our safety performance. Our fundamental belief is that every injury is preventable. With the target of 25% reductions in LTIFR (Lost Time Injury Frequency Rate) and MTIFR (Medically Treated Time Injury Frequency Rate) and a 75% increase in HIFR (Hazard Identification Frequency Rate) - we exceeded our LTIFR and HIFR targets, but our MTIFR increased due to minor injuries. We have commenced an extensive third party review of our OH&S processes to take the next step change in our performance.

We place great importance on diversity. Select Harvests employs a very diverse workforce with 43% of our workforce coming from culturally diverse backgrounds. Females comprise 29% of senior management roles and the company is committed to its target of 30% female representation on the Board and Senior Management Team. The company reinforced its commitment to building on its diversity through the activities of the Diversity Committee, comprising employees across all function of the business. One of our goals is to ensure one third of all candidates are females. I am pleased to announce the recent appointments of Nicki Anderson, Vanessa Huxley and Kathie Tomeo to our Board and Senior Executive teams.

As many of you would be aware there has been a lot of publicity about the use of labour hire contractors in the Horticulture industry. At Select Harvests we are fully aware of our legal, moral and ethical obligations. We have strict processes in place to ensure our workforce are legally compliant to Australian law, including relevant working visas. We have agreements and processes in place to ensure all work permits are in place prior to an employee commencing and the right to audit the practices of our labour hirer contractors at any time. On a regular basis these audits are performed.

I would like to thank the Board Members for their active participation in Board committees. Remuneration & Nominations lead by Mr Michael Carroll, Audit and Risk lead by Mr Ross Herron.

SLIDE 10: Ross Herron

As indicated in the Notice of Meeting, Ross Herron has informed the company that he will retire as a Director prior to the 2017 AGM of the Company, and as such will not seek re-election at the 2016 AGM.

Ross joined the Select Harvests Board in 2005 and has served as Chairman of the Audit and Risk Committee since that time. Ross has made a significant contribution to the Company in his 11 years of service.

Given Ross' position as Chairman of the Audit and Risk Committee, it is intended that post the 2016 AGM, Ross will be reappointed to the Board in accordance with Rule 62 of the company's constitution to assist with the transition period while the Board identify and appoint a replacement.

Ross' retirement announcement and the orderly manner in which it has been conveyed allows the company to approach the issue of succession and board refreshment in a seamless and orderly fashion.

Ross has been an incredible contributor, particularly in the areas of governance, finance and strategic planning and I would like to take this opportunity on behalf of the board and shareholders to acknowledge and thank him wholeheartedly for his efforts, his counsel and his valued direction of the business. Thanks Ross.

I would like to thank the Board, Management and employees for their contribution, effort and commitment to the company. We are fortunate to have such a dedicated, diligent and effective group of people at Select Harvests - the company does its best to reciprocate and support these people and the communities in which they live. The company's high performance culture continues to grow and improve – at its foundation is our people – their positive impact is evident in many of the long term indicators I have outlined today.

SLIDE 11: Paul Thompson Introduction

In conclusion, Select Harvests is a significant and growing, global supplier of almonds and plant-based products. We have substantial cash generating ability from a suite of long-life, world-class assets. The balance sheet is robust and well placed to fund further growth initiatives which the company is actively exploring. I look forward to the coming year with enthusiasm and the growth in shareholder value that it will bring.

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

Select Harvests 2016 AGM: Managing Director's Speech

SLIDE 11: Paul Thompson Introduction

Thank you Michael. Good Morning Ladies and Gentlemen. Thank you for joining us today. It is a privilege to lead and update you about the Select Harvests business and the transformation that is taking place.

The business has world-class, long-life assets uniquely placed to supply a consumer led marketplace that is undergoing a quantum shift towards healthier eating.

Bad eating habits are creating health epidemics across the globe. Governments, consumers and food manufacturers are looking for plant-based ingredients like almonds to combat diseases like diabetes and obesity. Increasing research shows products like Almonds are one of nature's vitamin pills.

We are only just starting to ride the wave of healthier eating.

SLIDE 12: 2016 Business Environment

As the Chairman has outlined, in 2016, Select Harvests generated an Underlying Net Profit after Tax of \$27.9 million - the second best profit in the company's history. Importantly, the company generated record operating cash flow of \$92.9 million, reflecting the cash conversion of our record result in 2015 and one-off transactions such as the WA asset disposal.

2016 was a busy year with a challenging commercial environment and significant projects being implemented.

Importantly, our core business remains strong with record profits in the Food Division and significant progress in our almond growth platform.

We have invested carefully in initiatives to take cost out, grow the business plus improve the productivity of our core assets. Productivity and growth are key drivers behind every activity we undertake, creating increased value for you, our shareholders.

Safety is our number one priority, it is pleasing to see the improvement, but one injury is one too many. Agriculture is one of the most dangerous workplaces in Australia. We maintain our focus to reduce injuries by 25% per annum.

SLIDE 13: 5 Year Business Performance

There has been significant changes to our business in the last 5 years, led by our strategy.

Our business has consistently performed well over this period, which is a tribute to the Select Harvests team executing the strategy to deliver in the short, medium and long term.

The Almond Division is the backbone of the business. Price is always set by the market. We are exposed to both the almond price and currency, recognizing almonds are traded in US dollars. The Rabo chart on the top right shows the price volatility over time in US Dollars. The chart on the bottom right shows the volatility in Australian dollars, but more importantly, it shows the almond price has increased by 60% between 2012 and 2016. Pleasingly, the trend remains upwards in both charts – we see no reason why this trend will not continue.

Clearly, we have a greater influence around cost. We have moved from a focus on absolute cost to a cost-outcome philosophy. We benchmarked ourselves internationally and domestically – and have discovered that our growing costs were competitive in an absolute sense, but not per kilogram. Our improving yields show our high performance orchard program is rectifying this.

The Food Division has continued to steadily improve, it is about moving higher up the value chain. This is about improving our branded sales in both the Consumer and Industrial markets, plus increasing our focus on Asia. The Food Division's export sales have grown 250% over the last 5 year period 2012 to 2016, albeit from a small base. This is the strategy we will continue to pursue.

SLIDE 14: Almond Division

The Almond Division produced EBIT of \$36.1 million in FY16.

The 2016 crop was 14,200 metric tonnes - 2% lower than the record 2015 crop.

We completed the hulling and shelling of the 2016 crop in August and if you include our internal sales, the crop is 100% committed.

During the year we sold the WA assets for \$10.4m, which delivered a one-off increase to our cash flow and disposed of the asset and associated liabilities.

The other major transaction was the sale of three properties to First State Super (FSS) for \$65.4m. This transaction included the sale of developed almond orchards and an agreement to develop 810HA (2,000 acres) of associated greenfield land into almond orchards. This transaction has been the cornerstone of orchard expansion program.

Since that transaction, FSS and Select Harvests have signed two further agreements to develop an additional 405 HA (1,000 acres) on properties adjoining the existing FSS properties.

SLIDE 15: Significant Volume Growth

The Select Harvests almond portfolio now totals 6,689HA (16,521 acres) and 74% of that is generating cash.

4% of the portfolio is over 20 years old and is due to be replanted in the next 5 years - this compares very favorably to the US industry, where 22% of their orchard portfolio is over 20 years old and will face significant replanting in coming years.

26% of Select Harvests orchards are aged 3 years or less and is yet to produce any almonds. These trees will start producing almonds from next harvest onwards with volumes increasing over the next 8 years, along with the 405 HA (1,000 acres) to be planted in the next couple of years.

Select Harvests almond production will increase significantly in coming years. Our current production facility has sufficient capacity to process this volume without any additional capital investment to build capacity.

SLIDE 16: Global Market Update

The 2016 US harvest is nearly complete and the crop is expected to be approximately 2.1 billion pounds (952,545 tonnes) – 10% higher than the 2015 crop.

Shipments of Californian almonds have been gathering pace since the beginning of January 2016 and continued over the year. Rolling 12-month shipments are 15% higher than last year. The August, September and October monthly shipments have exceeded prior year by 35%, 41% and 45% respectively. Clearly, fundamental demand remains strong globally.

Significant demand is coming from many large markets – China, India and the US Domestic market. The Australia market is also active with 247 new almond products being introduced into local Australian supermarkets in the last year. We can see this trend of new almond products continuing with current market prices.

With strong demand forecasts the three major growing regions (US, Australia, & Spain) are indicating they will be increasing plantings. Some of these plantings are to replace existing orchards which are being retired due to age or access to reliable water.

These plantings will take several years before their volume will impact the market due to their age and associated productivity. I am confident that demand will absorb this volume.

The main threat to supply is the availability of water in all markets. In Australia, due to recent rain, we have taken the opportunity to secure water at lower prices for the 2016/17 growing season.

Our water policy is a blend of entitlement ownership and leases of short, medium and long term duration. The recent dynamic movement has allowed us to rebalance our medium term leasing portfolio with lower priced, leased water. Management and the Board undertake a comprehensive review of the water strategy annually.

SLIDE 17: 2017 SHV Crop Update

The 2017 crop experienced a short, but effective bloom. Growing conditions have been challenging with above average rainfall across the entire growing region. This rainfall has delayed the development of the crop by approximately two weeks.

The recent hail storm caused minor damage to two of our properties in SA and Victoria. We have completed our investigation into the impact of the storm, and concluded there has been no significant crop loss. This again supports our strategy to have a portfolio of farms across all growing regions.

We estimate the 2017 harvest will commence in the last two weeks of February and the crop will be between 15,500 to 16,000 tonnes. Between 10 – 12.5% larger than last year. This will be a record crop. Similar to previous years, further updates will be provided as the crop develops.

The current spot price for almonds is between A\$7.50 and A\$8.00 per kg. We have commitments for only of 17% of the estimated 2017 crop within this range. Ultimately, the final price will be determined by our crop quality, the sellout of the remainder of 2016 US crop and the industry's estimate of 2017 US crop.

SLIDE 18: Food Division

The Food Division produced EBIT of \$10.3 million in FY16, driven by increased sales of branded products, strong sales to industrial food manufacturers, margin management.

Our Food Division's strategy is to align ourselves to food manufacturers, grow our brands and focusing on supplying the Asian market, not just the Australian domestic market. Both customers and consumers are demanding high quality, innovation and reliable supply. We are positioning ourselves to deliver to this strategy, helping build a strong business to complement the Almond Division.

Trading & Industrial sales were up 17%, largely through astute trading and aligning with key regional industrial customers.

Branded Consumer sales were up 10% - driven by new product development and entering new markets. The recent launch of Lucky Trail Mixes, Lucky Topperz and Lucky Entertainers, the relaunch of the Nu-Vit brand as NuVitality and the increasing investment in the Sunsol range has driven the improved outcome. New products now make up 13% of consumer sales. Lucky delivered a record cooking market share. We have maintained strong shares and are looking forward to good Christmas sales.

With the recent correction in the commodity price it is going to be difficult to repeat the FY16 Food Division result as our customers are looking for their prices to be adjusted to reflect the commodity price. We will do our best.

SLIDE 19: Major Projects

In July and August, we completed the planting of 844HA (2,084 acres) of greenfield almonds across 3 farms that are part of the FSS portfolio. These plantings and infrastructure developments were completed within budget and on time. A recent review of these orchards have confirmed the infrastructure performs to expectations and the tree health is excellent.

Project H2E will convert almond by-products hull, shell and orchard biomass waste into electricity and steam, which will be used to run the Carina West Processing Centre and to deliver power to a neighboring farm.

This facility is expected to deliver a sustainable, reliable and economic power supply to the business, while excess energy will be returned to the grid and offset our other usage in Victoria. The project is expected to result in a carbon footprint reduction of 27% - the equivalent of taking 8,210 cars off the road.

Project H2E is now expected to be commissioned in 1st quarter of the 2018 financial year.

Project Parboil will deliver a dedicated, almond-only value-added facility that increases our capability including paste making, improves efficiency and triples our capacity. This facility will include a 50,000L worm farm that will process 22,000 litres of waste water per day and all of the new facility's organic waste. The bi-product from the worm farm will be used to support the facility gardens and grey water systems. The worm farm has the theoretical capacity to consume the daily food waste of 1,400 people. Another way to protect our environment.

The facility will be commissioned in the 3rd Quarter of this financial year.

SLIDE 20: Key Take Outs

The outlook for our business remains strong, the supply and demand fundamentals for our core ranges and markets are extremely positive. We are ideally placed to benefit from this favourable environment with our high quality asset base and people.

Through our acquisitions and our sale & leaseback transaction our almond growth is assured until 2025. We continue to be actively trying to grow our almond base by acquiring mature cash generative orchards at the right price.

We have several significant projects we are completing this year, to improve our globally cost competitive position. They include Parboil, H2E, further greenfield planting and our new business process & ERP system "1Select".

We are starting to see the benefits of our high performance horticultural programs, with improved yields and much better tree health. 2017 crop is looking positive at this stage of the horticultural cycle, albeit a couple of weeks later than normal. At this stage we are estimating a crop of 15,500 - 16,000 metric tonnes, 10 – 12.5% larger than last year, which will be a record crop.

The new almond value-add facility, supported by the co-gen plant are critical to our ability to expand our industrial almond business, it gives us significant additional capacity to meet the rapidly growing demand. It allows us to enter new segments such as almond paste.

Creating a consumer food business can only be done by capitalising on our insights around healthy eating and plant-based products. This will be done through organic growth of our existing business and value accretive acquisitions.

The balance sheet is very solid. Our business is capital intensive and earnings can be volatile. As Michael said, we remain highly aware of our responsibility to be prudent in our management of capital, ensuring our capital allocation is value accretive.

Select Harvests understands the significant contribution and influence we can make to regional Australia. We continue to be committed to being an employer that embraces the local community and will at all times operate in a sustainable and ethical manner.

Clearly, safety is our first priority and most important responsibility. Our Zero Harm strategy is gaining traction, but until we have zero injuries we are failing our valued employees and each other. Our strategy is simple, we aim to identify and prevent injuries before they occur.

SLIDE 21: Thank you

In summary, Select Harvests had a good year and continued to invest for future growth, improving productivity, lowering cost and creating a safer, more sustainable future.

I would like to take this opportunity to thank all of the Select Harvests stakeholders for their support of the business – especially our hard working and dedicated work force. The business is positioned for an exciting future and I invite you to join us as we “Grow Together”.

Thank you.

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