



SELECT HARVESTS

# Select Harvests Limited (“SHV”)

## 2016 Annual General Meeting

### Growing Together

25 November 2016



# Disclaimer & Basis of Preparation



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# Michael Iwaniw

## Chairman



# Select Harvests Board



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- Michael Iwaniw, Chairman, Appointed Chairman November 2011, standing for re-election
- Fred Grimwade, Non-Executive Director, Appointed July 2010
- Paul Riordan, Non-Executive Director, Appointed October 2012
- Ross Herron, Non-Executive Director, Appointed January 2005, retiring
- Michael Carroll, Non-Executive Director, Appointed March 2009
- Nicki Anderson, Non-Executive Director, Appointed January 2016, standing for re-election
- Paul Thompson, Managing Director, Appointed July 2012





- **2016 Business Highlights**
- **5 Year Business Performance**
- **Strategy**
- **Environment Sustainability and Governance**
- **Business Environment & Performance**
- **Almond Division**
- **Food Division**
- **Major Projects**
- **Key Take-Outs**



# 2016 Business Highlights



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- **Net Profit after Tax (NPAT) – 2<sup>nd</sup> highest ever**
  - **Reported NPAT \$33.8m** (FY15 \$56.8m)
  - **Underlying NPAT \$27.9m** (FY15 \$59.4m)
- **Operating cash flow \$92.9m** (FY15 \$30.4m)
- **Underlying EBIT \$41.3m** (FY15 EBIT \$89.6m)
- **Food Division EBIT \$10.3m** (FY15 \$6.8m)
- **Net Debt \$67.3m (including lease liabilities) - Gearing** (Net Debt to Equity) **23%**
- **Earnings per Share (EPS)**
  - **Reported 46.7 cents per share** (FY15 82.9 cps)
  - **Underlying 38.5 cents per share** (FY15 86.8 cps)
- **Dividend** - Final Dividend (Franked) 25 cents per share - **total FY16 dividend 46 cents per share** (FY15 50cps)

**Strong performance & cash generation in challenging conditions – validates SHV's robust business model**

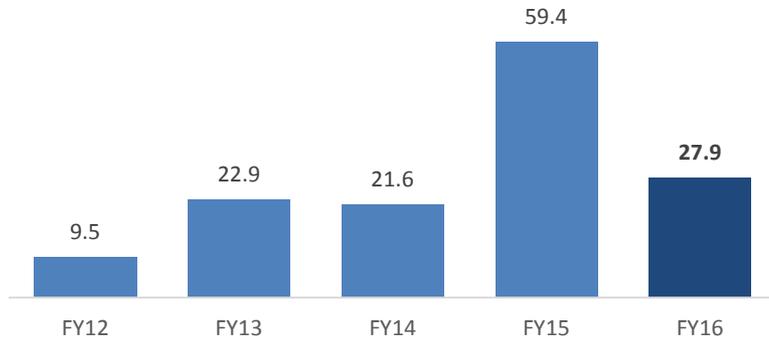


# 5 Year Business Performance

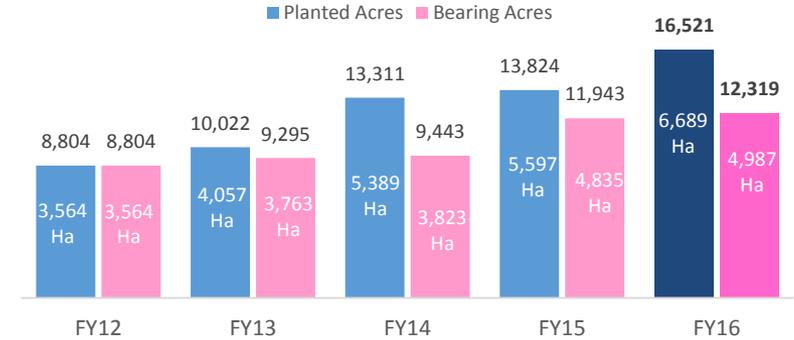


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Underlying NPAT (A\$ million)

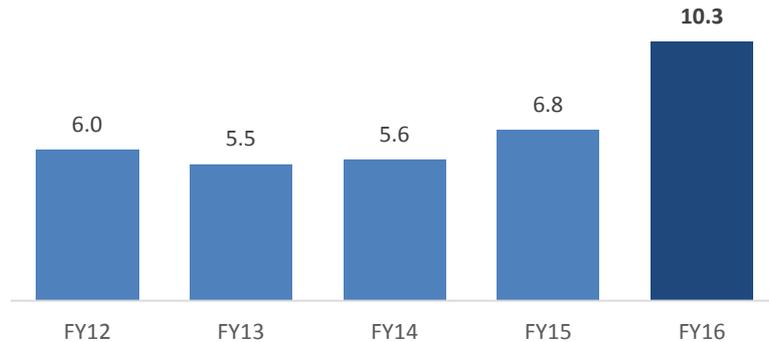


Planted/Bearing Almond Orchards (acres)\*

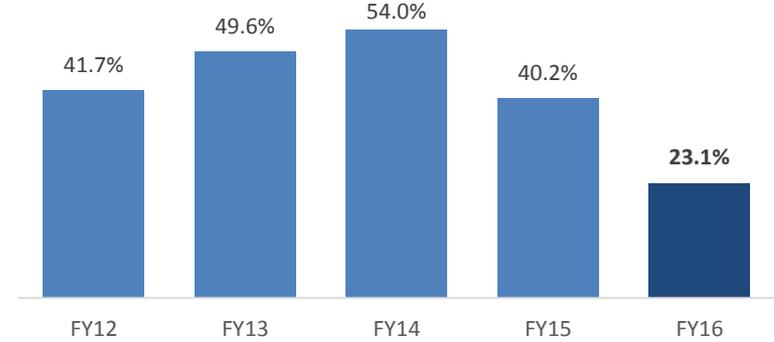


\*Planted acres as of August End

Food Division EBIT (A\$ million)



Gearing - % (Net Debt/Equity)



**Strong base: profitability, solid balance sheet & future growth from Almond and Food Divisions**





## 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 & GROW 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.

**We have a clear strategy – execution has delivered growth and productivity**



# Environment Sustainability & Governance



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## ■ Environment & Sustainability

- Zero environmental breaches
- Water - Conserve, recycle, save. Improve efficiency of water distribution
- Energy - Project H2E reduces carbon footprint by 27%. Commissioned first off-grid solar power farm hub
- Bees - active in bee community/conferences/insight sharing. Plant forage crop to assist bee health

## ■ People & Diversity

- 43% of employees from a culturally diverse background
- 3% increase in female participation levels - females represent 30% of the workforce
- First female was appointed to Board and 2 new females on the senior executive
- Committed to fair and ethical work practices
- Diversity Committee - comprises employees from across all functions of the business

**Creating long term value for shareholders, employees, customers, consumers and communities**



# Acknowledgement – Ross Herron



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**Significant contribution to the company across his 11 years of service**





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# Paul Thompson

## Managing Director



# 2016 Business Environment



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- **Underlying NPAT \$27.9 million** - 2nd highest ever
- **Cash generation** - generated record operating cash flow
- **Strong balance sheet underpins growth** - balance sheet secure
- **Business environment** - Almond price & currency improving
- **Growth on track** - Almond greenfield planting
- **Cost out and capacity** - Project H2E and Project Parboil
- **Food Division turn around** - Both Industrial and Branded strategy creating value
- **Tree Health** - improving as high performance orchard program gains traction
- **Safety** - LTIFR down 29%, MTIFR up significantly, HIFR up 436%

Generated cash, invested in productivity & future growth

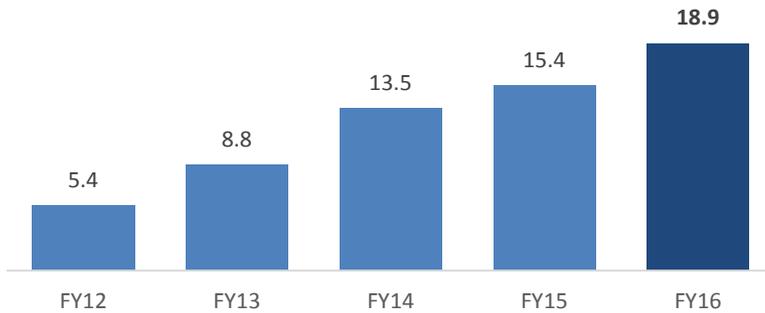


# 5 Year Business Performance

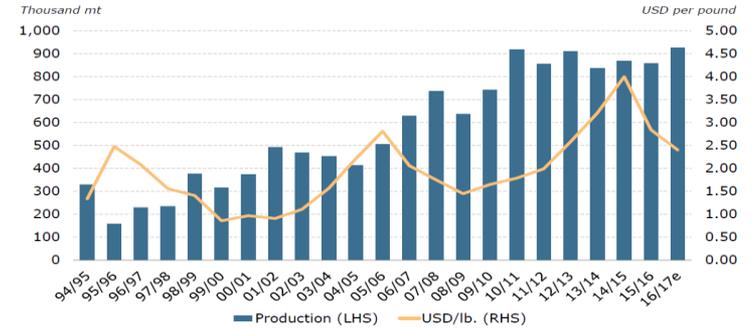


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## Food Division - Export Sales (A\$ million)

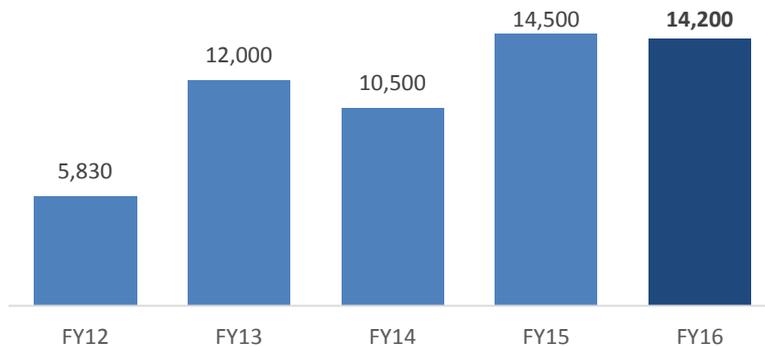


## Prices Have Peaked...Again



Source: California Almond Board, Rabobank, 2016

## Harvest Volume (MT)



## SHV Average Almond Price (A\$/kg)



**FY16 was the second best financial performance in the company's history**



# Almond Division



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## Horticulture

- Volume: FY16 crop volume 14,200 tonnes (FY15 14,500 tonnes)
- Night harvest and favourable conditions resulted in faster harvest
- Tree health - continues to improve as nutrient program takes effect
- Greenfield plant out - 844 HA (2,084 acres with First State Super - “FSS”) completed in July 2016

## Processing

- Hulling & shelling complete mid-August
- Dryness of crop resulted in lower productivity in processing

## Assets Sales and Leases

- Sold almond orchards and greenfield development land to FSS for \$65.4M plus agreement to fund greenfield development
- FSS acquired 2 additional properties for SHV to lease & develop greenfield plantings 405HA (1,000 acres )
- Sold WA assets

**Solid growth base in place, delivering key strategic platform**

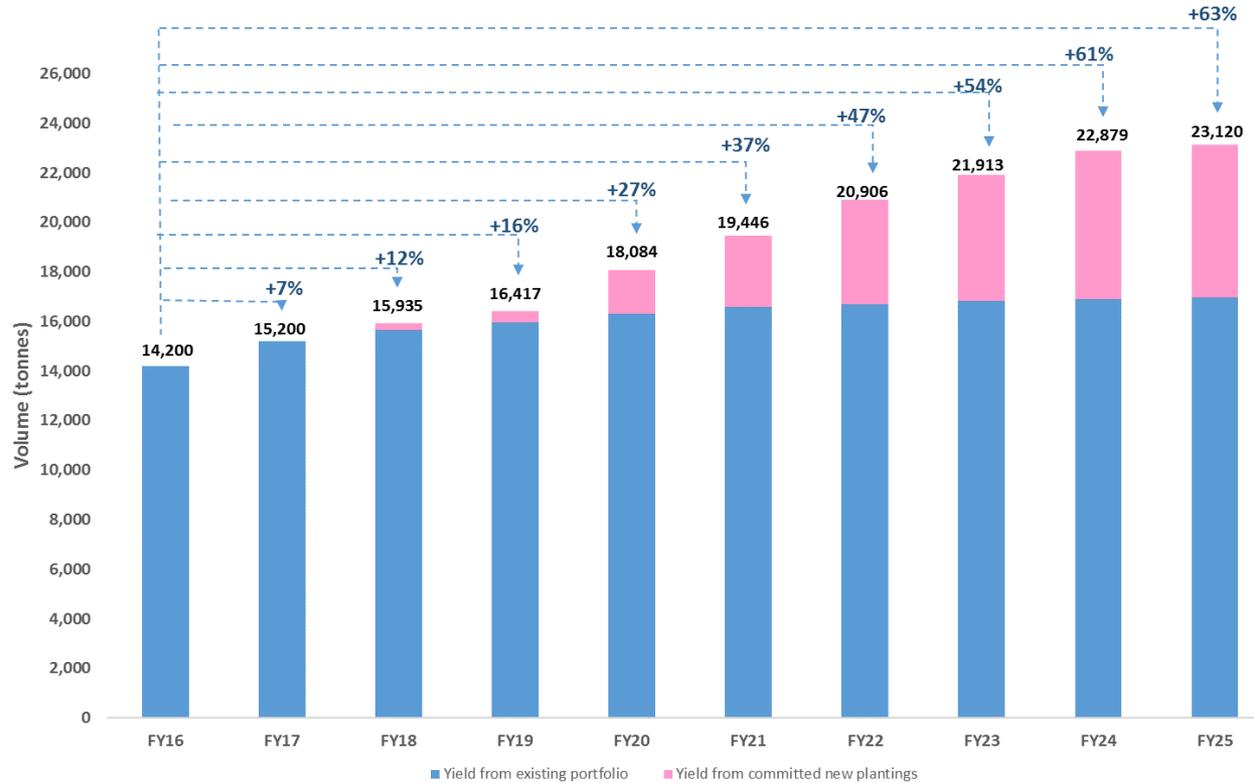


# Significant Volume Growth



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**SHV Theoretical Harvest Volume 2016-2025**  
 (Basis: Current Planted Area and Planned Planted Area at SHV Yields)



**Today 74% of orchards are cash generative**





## Demand

- China and Indian demand strong. US demand is starting to improve with current prices stimulating demand.
- 2016 US crop is being shipped at record rates
  - October 2016 shipments - 236 million pounds - highest ever (prev. highest Oct 2013)
  - October YTD committed shipments - up 32% (587 million lbs vs 446 million lbs)
- Over 247 new products containing almonds were launched in Australia last year
- Almond milk is now available in every Starbucks store globally

## Supply

- US Market 2016 crop - 2.1 Bn pounds (up 10% v last year)
- 22% of US orchard is more than 20 years old - retirement will impact short-medium term production capacity
- Australian crop up, Spanish crop down
- US Drought continues to impact Southern regions of Californian industry
- Australia, US and Spain looking to increase plantings

**Australian water supply assured – Spanish & US dependant on winter rains & further drought relief**





# 2017 SHV Crop Update

## Crop

- Sufficient chill hours between seasons
- Good bloom
- Isolated storms and hail in SA - some nut loss and equipment damage
- Weather outlook - average rainfall, slightly higher temperature
- SHV 2017 Crop estimate between 15,500 & 16,000 tonnes

## Market

- Current market pricing AS\$7.50-8.00/kg
- 17% of estimated 2017 crop has been presold within this range

**Geographic diversification drives production reliability**



# Food Division



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## Revenue

- Revenue of A\$161.8 million was up 16.6% (FY15 A\$138.8 million)
- Industrial sales - up 17%
- Branded Consumer sales - up 10%
- Export - Continued to grow in both divisions
- Record Lucky Cooking Market share - July 2016 MAT 42.3 % vs 40.1% last year MAT

## Margin

- Improved sales mix driven margin improvement
- Industrial sales - Aligning to key regional industrial customers has delivered growth
- New Product Development (NPD) represent 13% of sales
- Trading - Astute trading in volatile market has delivered profit gains

**Strong performance – ahead of strategy**



# Major Projects



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## Greenfield Development

- On plan to budget
- Funding model delivering – 844HA (2,084 acres) planted out
- Greenfield plantings displaying excellent tree health

## Project H2E - Biomass Electricity Cogeneration Facility

- Delay to the installation and commissioning of key equipment
- Commissioning now estimated to be Q1 FY2018
- No material change to FY2017 financial results

## Project Parboil - Almond Value Added Facility

- Small delay in delivery of equipment and installation
- Commissioning now estimated to be Q3 FY2017
- No material impact to FY2017 results

All projects remain value accretive and deliver strategic benefits





## Key Take Outs

- Almond strategy is in place to fund and grow volume by 63% in 2025
  - Actively looking to further invest in mature assets
- Orchard health is excellent and 2017 crop estimate is 15,500- 16,000 MT
- Cost competitive producer position is dependent on our investment in productivity
- High performance horticultural program will continue to improve tree health and yields
- Growing industrial export business, the Almond value-adding facility will be the foundation
- Consumer business growth means investing in new product development, brands & high growth export channel to deliver margin improvement, plus value accretive acquisitions
- We will maintain a strong balance sheet
- Zero Harm remains number one priority

**SHV Almond & Food Divisions are both well placed to take advantage of global demand**





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# Thank you

Please direct any queries to:

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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)





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# Annual General Meeting

25 November 2016

## Consideration of The Financial Statements & Reports





# Resolution #1: Remuneration Report





# Resolution #1: Remuneration Report

For:	28,788,063
Against:	454,029
Open-Usable:	846,083





# Resolution #2(a): Election of Michael Iwaniw





## Resolution #2(a): Election of Michael Iwaniw

For:	29,248,378
Against:	79,070
Open-Usable:	863,742





# Resolution #2(b): Election of Nicki Anderson





## Resolution #2(b): Election of Nicki Anderson

For:	29,195,868
Against:	130,026
Open-Usable:	871,307





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# Discussion





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# Select Harvests - Financial History

SHV Historical Summary	Units	2006	2007	2008	2009	2010	2011	2012	2013	2014*	2015	2016
Total Sales	(A\$M)	217.9	229.5	224.7	248.6	238.4	248.3	251.3	191.1	188.1	223.5	285.9
EBIT	(A\$M)	38.4	40.5	27.1	26.8	26.0	15.4	19.6	37.7	31.3	89.6	41.3
EBIT Margin (EBIT/Sales - %)	(%)	17.6%	17.6%	12.1%	10.8%	10.9%	6.2%	7.8%	19.7%	16.6%	40.1%	14.4%
PBT	(A\$M)	37.9	40.0	25.4	23.0	23.6	12.0	13.4	32.7	26.8	84.3	35.8
NPAT	(A\$M)	26.5	28.1	18.1	16.7	17.3	8.9	9.5	22.9	21.6	59.4	27.9
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	72.9
Earnings Per Share	(AUD Cents per Share)	67.1	71.0	46.7	42.6	43.3	17.0	16.8	40.1	37.5	86.8	38.5
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	46.0
Payout Ratio	(%)	80.0%	80.0%	96.7%	28.2%	48.5%	76.5%	47.6%	29.9%	53.3%	57.6%	119.5%
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	3.22
Net Interest Cover	(times)	82.3	75.8	15.6	7.1	10.7	4.5	3.2	7.5	7.0	16.9	7.5
Net Debt	(A\$M)	1.3	1.6	46.8	52.4	45.0	73.1	66.8	79.3	94.8	115.6	67.3
Shareholder Equity	(A\$M)	101.5	95.5	94.1	100.9	113.6	168.8	160.3	159.5	175.4	287.4	290.9
Net Debt to Equity Ratio	(%)	1.3%	1.7%	49.7%	51.9%	39.6%	43.3%	41.7%	49.7%	54.1%	40.2%	23.1%
Share Price	(A\$/Share)	13.02	11.60	6.00	2.16	3.46	1.84	2.40	3.90	5.14	11.00	\$6.74
Market Capitalisation	(A\$M)	517.0	449.4	234.1	85.4	137.6	103.5	120.0	224.3	298.1	785.4	491.5
P/E Ratio		19.5	16.0	12.9	5.1	8.0	11.6	12.6	9.8	13.8	13.2	17.6

\* 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".  
2011-2016 figures represent underlying earnings.

Source: Company Data



# Understanding FY16 Result



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<b>Reported FY16 Net Profit after Tax (NPAT)</b>	<b>\$33.8m</b>
<b>Impact of non-recurring items</b>	<b>\$5.9m</b>
■ <b>Gains on Asset Sales during the Period*</b>	
<b>Underlying FY16 Net Profit after Tax (NPAT)</b>	<b>\$27.9m</b>

## \* Gains on Asset Sales during the Period

- 3 properties sold to First State Super (Sale & Leaseback)
- Western Australian property sold for \$9.5 million

Operating profits boosted by asset sales



# Income Statement



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Financial Result	FY15 (\$m)	FY16 (\$m)
<b>Reported Result</b>		
EBIT - Reported	85.9	49.8
Interest	(5.3)	(5.5)
NPBT	80.5	44.3
Tax Expense	(23.7)	(10.5)
<b>NPAT - Reported</b>	<b>56.8</b>	<b>33.8</b>
<b>Underlying Result</b>		
EBIT – Underlying	89.6	41.3
Interest	(5.3)	(5.5)
NPBT	84.3	35.8
Tax Expense	(24.9)	(7.9)
<b>NPAT - Underlying</b>	<b>59.4</b>	<b>27.9</b>

- **FY16 Underlying EBIT \$41.3m (FY15 \$89.6m)**
- **Almond Division Underlying EBIT \$36.1m (FY15 \$87.5m)**
  - Strong performance in challenging market
    - 2016 crop key drivers - 14,200 tonnes & A\$8.08/kg inc. AUD currency 6% stronger
  - Risk mitigation & productivity
    - Harvest and processing completed significantly earlier
- **Food Division Underlying EBIT \$10.3m (FY15 \$6.8m)**
  - Industrial sales up 17% (last year 28%)
  - Improved sales mix towards branded products
  - Improved price management and cost control
- **Underlying NPAT down 53% to \$27.9m (FY15 \$59.4m)**

**Strong result in challenging market**



# Balance Sheet



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Year Ending Balance Sheet	Jun-15 (\$m)	Jun-16 (\$m)
Current Assets excl. Cash	207.5	154.1
Cash	0.3	1.4
Non-Current Assets	280.1	294.3
<b>Total Assets</b>	<b>487.9</b>	<b>449.8</b>
Current Liabilities (excl. Borrowings)	40.8	51.2
Borrowings	110	68.7
Non-Current Liabilities (excl. Borrowings)	49.7	39.0
<b>Total Liabilities</b>	<b>200.5</b>	<b>158.9</b>
<b>Total Equity</b>	<b>287.4</b>	<b>290.9</b>
Net Debt	115.6	67.3
<i>Net Debt/Equity</i>	40.2%	23.1%

- **Net Debt \$67.3m (FY15 \$115.6m)**
  - includes finance lease commitments of \$41.8m
- **Gearing (Net debt/equity) 23.1%**
- **Working capital reduction driven by 2015 crop sell through**

Prudent balance sheet to support growth strategy throughout the business cycle



# Cash Flow



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Cash Flow	FY15 (\$m)	FY16 (\$m)
EBITDA	96.4	62.4
Change in Working Capital	(61.0)	35.4
Net Interest	(5.0)	(4.9)
<b>Cash flow from operating activities</b>	<b>30.4</b>	<b>92.9</b>
Investing cash flows	(99.9)	(47.8)
Proceeds from asset sales	-	73.2
Increase/(decrease) in Debt	5.8	(84.8)
Increase in Equity	64.7	-
Dividends Paid	(10.1)	(31.9)
<b>Net (Decrease)/Increase in Cash/Cash Equivalents</b>	<b>(9.1)</b>	<b>1.6</b>

■ **Decreased working capital due to 2015 crop sales**

■ **FY16 Investing cash flows driven by:**

- Orchard acquisitions \$5.3m (FY15 \$54.6m)
- Investment in cogen, new orchards in NSW, additional harvest and farm equipment and irrigation upgrades \$28.6m
- Water \$9.5m
- Tree Development \$4.4m

■ **FY16 Investing cash flows and Debt reduction funded by:**

- Proceeds from asset sales \$73.2m (sale and leaseback and WA land sale)

■ **Capex - FY17**

- Complete Projects – H2E(Cogen), Parboil (Value-Added Almond production facility)
- Continued upgrade of irrigation infrastructure
- Investment in growth phase of younger trees

Record operating cash flow



# Almond Orchards – Our productive foundation



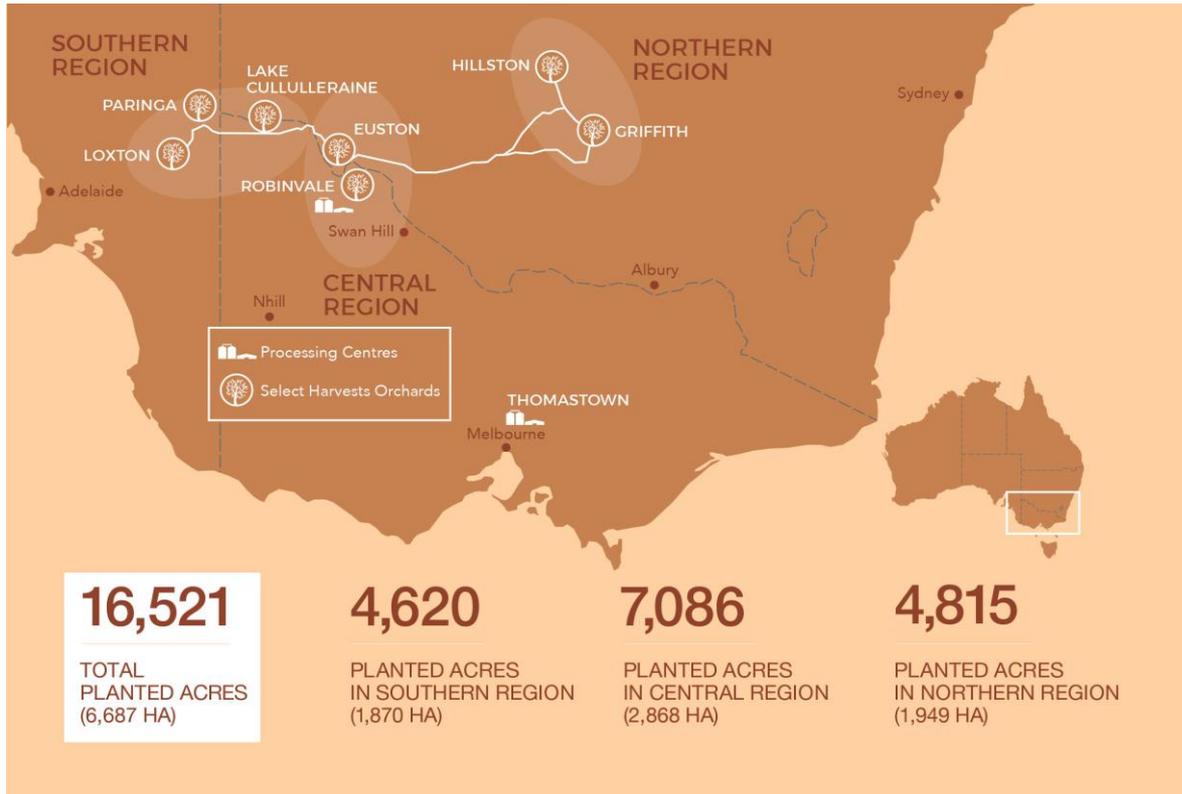
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## Geographic diversity limits exposure to:

- Weather
- Disease spread
- Insect infestation

## Enables sequential progression of harvest period across regions:

- Better farm equipment utilisation
- Better processing utilisation
- Better labour utilisation



## Secure access to diverse water sources:

- River Water
- Aquifers

Positions the company to maximise harvest volume & reduce variance.

Building world class properties and a globally competitive low cost business.

Australia's 2<sup>nd</sup> largest & most geographically diverse almond producer – 16,521 planted acres

Growth – 1,000 acres to be planted in July 2017 & 2018 – Funded by 3<sup>rd</sup> party



# Select Harvests – Orchard Profile



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Select Harvests Almond orchard portfolio	Planted (as at 30 June 2016)		Under Development (as at 30 June 2016)		Total Planted (as at 26 August 2016)	
	Acres	Hectares	Acres	Hectares	Acres	Hectares
Central region						
Company Owned	3,852	1,559	310	125	4,162	1,684
Leased	1,481	599	1,443	584	2,924	1,183
<b>Total Central</b>	<b>5,333</b>	<b>2,158</b>	<b>1,753</b>	<b>709</b>	<b>7,086</b>	<b>2,868</b>
Northern Region						
Company Owned	1,691	684	107	43	1,798	728
Leased	3,017	1,221			3,017	1,221
<b>Total Northern</b>	<b>4,708</b>	<b>1,905</b>			<b>4,815</b>	<b>1,949</b>
Southern Region						
Company Owned	1,574	637			1,574	637
Leased	2,405	973	641	259	3,046	1,233
<b>Total Southern</b>	<b>3,979</b>	<b>1,610</b>	<b>641</b>	<b>259</b>	<b>4,620</b>	<b>1,870</b>
Total						
Company Owned	7,117	2,880	417	169	7,534	3,049
Leased	6,903	2,794	2,084	843	8,987	3,637
<b>Total</b>	<b>14,020</b>	<b>5,674</b>	<b>2,501</b>	<b>1,012</b>	<b>16,521</b>	<b>6,687</b>

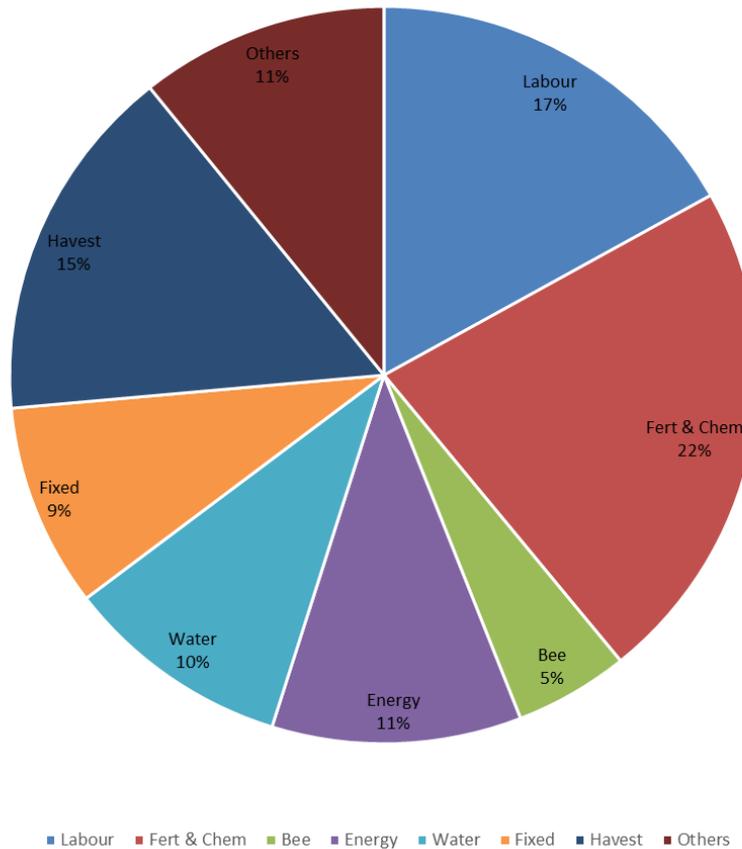


# Select Harvests – Horticultural Costs



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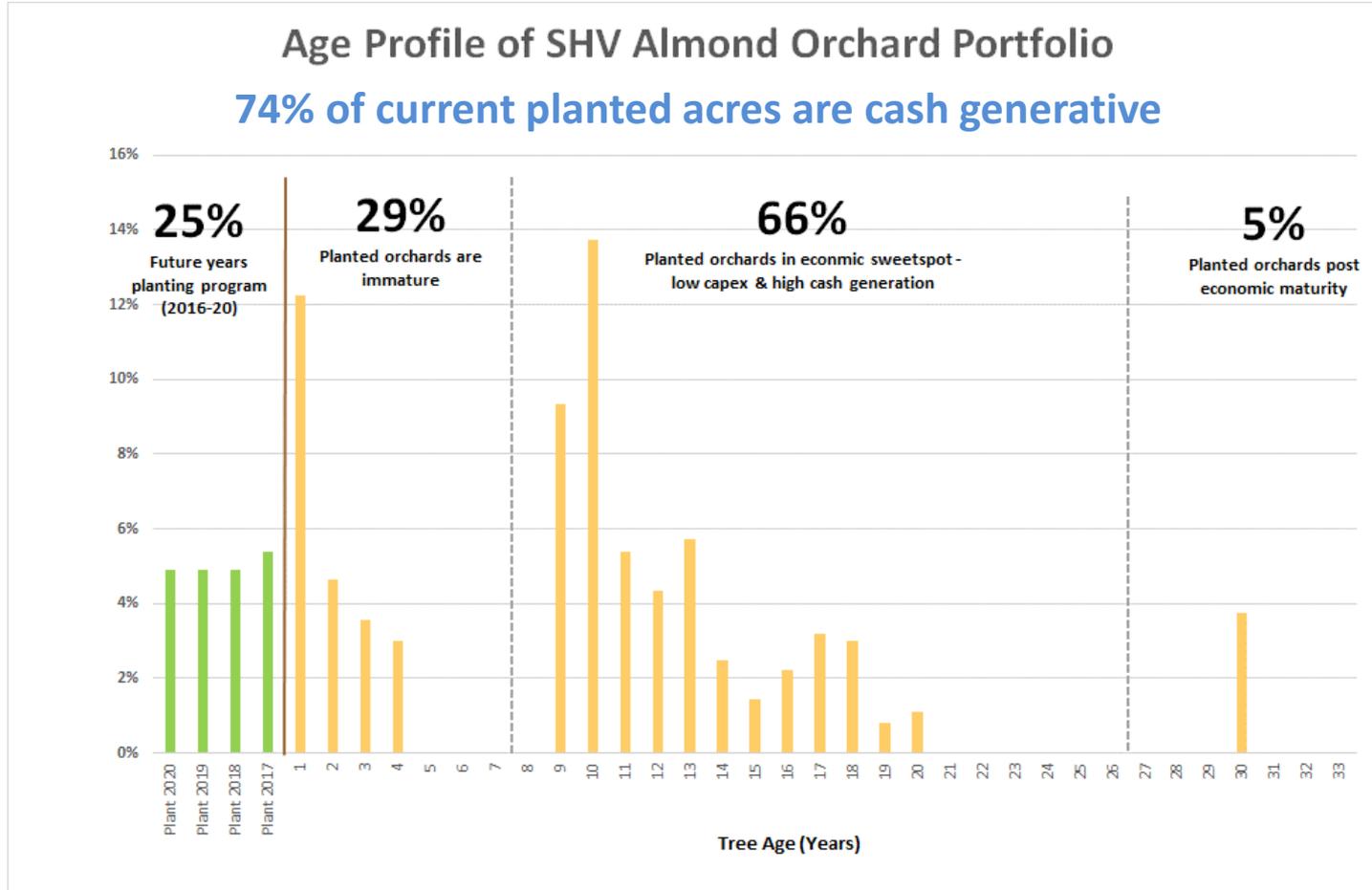
## SHV FY2016 Horticulture Costs Actual by Percentage



# Select Harvests – Orchard Age Profile



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Significant growth & improvement occurred in SHV orchard portfolio in recent years - acquisition, replants, greenfields



# Almond Market Outlook – US Shipments 2015/16



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	US Export Shipments			US Domestic Shipments			Total US Almond Shipments		
	2014/15 <i>(million lbs)</i>	2015/16 <i>(million lbs)</i>	Growth <i>(%)</i>	2014/15 <i>(million lbs)</i>	2015/16 <i>(million lbs)</i>	Growth <i>(%)</i>	2014/15 <i>(million lbs)</i>	2015/16 <i>(million lbs)</i>	Growth <i>(%)</i>
<b>Last 12 months</b>	1,104.3	1,371.4	<b>24%</b>	631.3	615.2	<b>(3%)</b>	1,734.9	1,986.7	<b>15%</b>
<b>Last 9 months</b>	848.0	1,102.9	<b>30%</b>	477.9	478.6	<b>0%</b>	1,325.9	1,581.5	<b>19%</b>
<b>Last 6 months</b>	531.0	762.9	<b>44%</b>	313.6	334.9	<b>7%</b>	844.6	1,097.8	<b>30%</b>
<b>Last 3 months</b>	276.7	430.0	<b>55%</b>	155.1	177.1	<b>14%</b>	431.7	607.1	<b>41%</b>

Source: Almond Board of California, October 2016 Position Report, 8 November 2016

Source: Almond Board of California Position Reports

**Increasing US shipments relative to prior periods are gaining pace**





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