

Select Harvests 2018 Transition Period AGM: Chairman's Speech



SELECT HARVESTS

22 February 2019

SLIDE 1: Select Harvests AGM – Title Slide

SLIDE 2: Disclaimer

SLIDE 3: Michael Iwaniw Chairman

Good Morning Ladies and Gentlemen and welcome to the Annual General Meeting of Select Harvests Limited for the 2018 Transition Period. Thank you for joining us. My name is Michael Iwaniw and as your Chairman, I will be conducting today's meeting.

The purpose of today's Annual General Meeting is to present audited financial accounts for the period 1st July 2018 to 30th September 2018 and report on the period. This is a consequence of changing Select Harvests' financial year from a June year end to a September year end.

SLIDE 4: Agenda

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 for the 2018 Transition Period financial year, along with more recent initiatives and an update on the business performance, the almond market and our current crop.

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

SLIDE 5: Board

Accompanying me on stage are board members Michael Carroll, Fred Grimwade, Nicki Anderson, Fiona Bennett and the Managing Director of Select Harvests, Paul Thompson. Next to Paul Thompson is Chief Financial Officer & Company Secretary, Brad Crump.

I also welcome Esmond Prowse from our lawyers, Minter Ellison and Andrew Cronin from our auditors, PricewaterhouseCoopers.

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SLIDE 6: Change to Financial Year End – Transition Period Rationale

Select Harvests has changed its financial reporting period from a June year end to a September year end.

From 2019 and into the future, the financial year will be from 1 October to 30 September.

The Board made this decision to ensure better alignment of the company's reporting and market communication requirements with the almond crop cycle, providing greater certainty and transparency to you, our shareholders and the market.

As a result of this change, at the half year lodgement date the crop size, quality and price will be able to be estimated with a reasonable degree of certainty (and therefore more accurately accounted for).

At the full year lodgement date, the crop will have been fully harvested, with most of the crop processed, sold or contracted for sale and currency on those sales covered. This should result in less carryover adjustments into subsequent years.

Financial reporting (including recognition of the fair value of the 2019 crop) will return to normal on the release of SHV's FY2019 Half Year accounts (ending 31 March 2019) towards the end of May 2019.

As a consequence of changing the financial year end from June to September, we had to complete a 3-month Transition Period – 1 July 2018 to 30 September 2018 – the subject of this Annual General Meeting.

This Transition Period is considered a statutory reporting period and therefore audited accounts have been completed and lodged and this AGM has been convened.

SLIDE 7: Transition Period NPAT Result

As previously communicated, the Transition Period accounts are not reflective of normal annual operations or profitability.

The full profit contribution of the 2018 almond crop was recognised in the 30 June 2018 accounts.

Transition Period accounts do not include any 2019 crop contribution – the major source of SHV's earnings.

These accounts include Food Division results, non-crop related Almond Division and Corporate income and costs.

As previously reported, the Transition Period accounts show a loss for the 3-month period of \$1.5 million, which was in line with expectations.

FY2019 year to date trading conditions continue to remain strong.

SLIDE 8: Balance Sheet and Cash Flow

The Balance sheet has strengthened with a net debt to equity ratio of 15.9% as at 30 September 2018.

Operating cash flow for the 3-month period was \$24.9 million. We have been able reduce debt, fund capital investment in water entitlements, tree development and technology upgrades on our orchards and processing facilities. Capital investment during the Transition Period was \$13.0 million.

As a result of the accelerated receipt of 2018 crop proceeds, working capital as at 30 September 2018 was \$31.6 million less than as at 30 June 2018.

SLIDE 9: Safety, Environment, People and Culture

Zero Harm remains the number one priority for our business. Our focus is to prevent injuries before they occur and to improve our safety performance and individual's wellbeing

Recently, employees in our Almond Division received Driver Risk Awareness Training from Rural Ambulance Victoria, while OHS Training was delivered to leaders and managers across the business.

We are acutely aware of the environment in which we operate and actively seek to minimise and where possible improve, our environmental footprint.

We convert almond by-products (hull, shell and orchard waste) into energy in our H2E power plant that powers our Processing Facility and some of our irrigation pumps. H2E also generates its own potash by-product which we are composting with other orchard waste to return as fertiliser to our orchards.

We have introduced additional technology to our orchards to better monitor and managed our water. Our goal being to grow more with less.

SLIDE 10: Opportunities and Challenges

Select Harvests is entering both exciting and challenging times. I would like to highlight some of the exciting opportunities and challenges ahead.

Since 2015 we have planted 2,096 ha (5,178 acres) of greenfield orchards. Last year we harvested 452 ha (1,1116 acres) for the first time and this year an additional 1,085 ha (2,679 acres) is currently undergoing its first harvest.

The cornerstone of this greenfield investment is our Bunargool orchard in Euston NSW. The Bunargool orchard's 578 ha (1,428 acres) was planted in 2016 and has our preferred varietal mix of Non-Pareil, Carmel, Monterey and Wood Colony. This orchard is supported with the latest irrigation infrastructure, including a low friction irrigation system, saving both water and energy. It is undergoing its first harvest in 2019 and the orchard will reach mature production levels in 2023.

We have installed 3 new optical sorters, 2 automated optical quality control machines and a robotic packing line at Carina West. These are all designed to increase efficiency, improve productivity and address absolute cost.

In our Food Division, we have increased our resources to capitalise on the high growth export markets in Asia. Our Industrial Division has led the way and our relationship with PepsiCo is exceeding our expectations.

Clearly there are challenges, not the least being the current drought and higher water prices. I am pleased to be able to say that Select Harvests has covered its water requirements for 2019. Like all Australians, we are concerned about the Murray Darling Basin resource and how it is being managed. An unhealthy or dysfunctional water system benefits no one. We need MDB to operate in a way that benefits all the community needs: environmental, social and agricultural.

Select Harvests has invested significant resources to ensure we maximise our water resources. As Paul will outline, our goal is "to grow more with less".

Capital management and balance sheet strength remain a priority for Select Harvests.

On January 1st 2019 the Australian Accounting Standard for Leases (AASB 16 Leases) will take effect for company reporting periods beginning from 1 January 2019. The Leasing Standard will impact Select Harvests and the company will adopt the standard for the FY2020 year, beginning 1 October 2019.

The new standard will bring all operating leases onto the balance sheet.

It is important to note that the impact of these changes was anticipated and was recognised when we renegotiated our bank facilities. Our existing

arrangements with the banks contain a clause wherein the banks have agreed to reconstruct the covenants, recognising the impact of the new accounting standards. This will be at no cost or penalty to Select Harvests.

We have commenced harvest and processing this week and should be shipping product out in a matter of days.

Select Harvests is well resourced with outstanding assets and skilled, committed and passionate employees. Both Divisions have quality assets that have the ability to supply and grow in the Australian and export markets.

The supply and demand fundamentals of both the Almond and Food Division remain favourable. Almond prices remain firm and sales of the 2019 crop are well progressed. In addition, our Food Division is making good inroads into the Asian market, in particular China.

Tree health is excellent and harvest conditions are supportive of a good crop. We are confident that the crop quality and size will reflect the benefits of our investment in greenfield expansion, new technology, investment in risk management and our orchard specific horticultural program.

With our focussed staff, quality resources, continued strong demand for almonds on the back of their health benefits and a crop higher than industry standard yields (subject to the harvest conditions remaining on track), we anticipate a strong financial performance in 2019.

SLIDE 11: Staff Video

Here is a short video featuring our staff and then Paul will provide a further update on the Transition Period and current performance and outlook.

[After the video has finished playing]

I will now hand over to your Managing Director Paul Thompson.