

FY2024 Full Year Results Presentation

29 November 2024

David Surveyor – Managing Director and CEO

Tim Bradfield – Interim CFO and Company Secretary

SELECT HARVESTS



WEBCAST

This presentation deck accompanies a live webcast at 10.30am AEDT on Friday 29th November 2024

You can participate in the webcast by using the following link

https://us02web.zoom.us/webinar/register/WN_QGCV5_-QSR6ICF8O4-TNaA

You are advised to log on at least 15 minutes before 10.30am.

If you are unable to participate in the live presentation, an archived version will be available to download from the investor section of the Select Harvests website shortly after the briefing.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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The Select Harvests Limited financial statements are prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. This includes application of AASB 141 Agriculture in accounting for the current year almond crop, which is classified as a biological asset. In applying this standard to determine the value of the current year crop, the Company makes various assumptions at the balance date as the selling price of the crop can only be estimated and the actual crop yield will not be known until it is completely processed and sold. The resulting accounting estimates will, by definition, seldom equal the related actual results, and have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.



DISCUSSION AGENDA

1. Business Update
2. Financial Results
3. Strategy & Transformation
4. Outlook & Key Messages
5. Questions



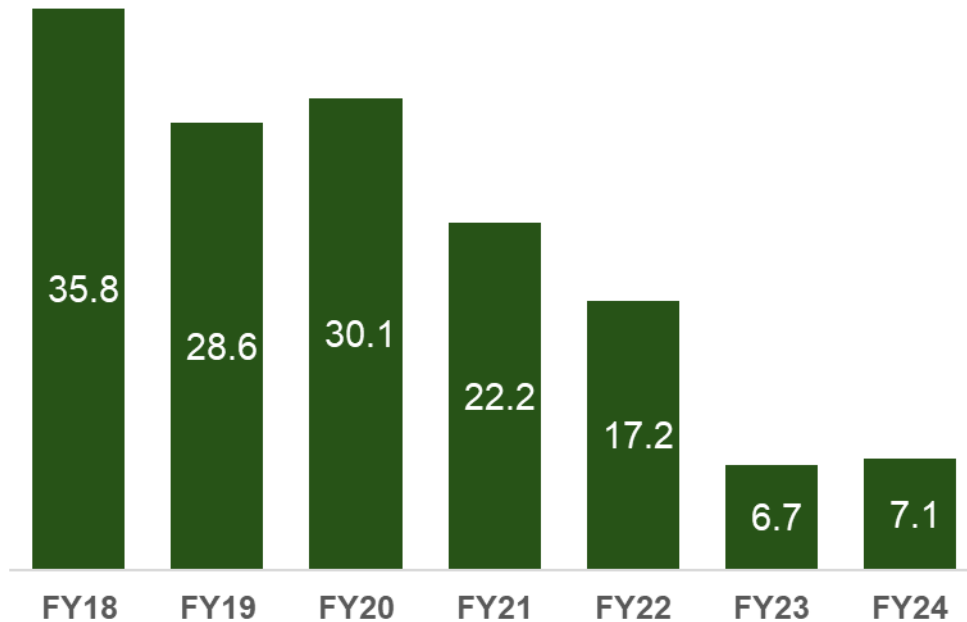
Business Update

David Surveyor – Managing Director and CEO

Safety – Continued Focus

Total Recordable Injury Frequency Rate

Injuries per million hours worked



Key Areas of Improvement:

- Continue to integrate behavioural safety through “Felt Leadership” to embed safe practices across all operations
- Increased reporting of incidents as employee confidence improves
- Critical risk program underway for machine guarding
- Workplace Health and Safety risk management framework
 - Focus on proactively reducing workplace incidents and health hazards for a safer work environment.
 - Commitment to safety regulations and industry standards to assure compliance.
 - Drive continuous improvement in safety protocols to enhance workplace safety and operational efficiency.
- Enhancing safety capability
 - New safety leadership
 - External support

FY24 Financial Results

NPAT \$1.5m

- NPAT increases by \$116m from prior year
- 2024 crop - **29,527MT** is a record crop with higher pricing at **\$7.69/kg**
- Year-on-year reduction in total production costs – decrease of 3% based on 29,000MT crop volume

Equity Raise

- Capital Raise of \$80m less transaction costs of \$3.7m
- \$76.3m of funds - \$58.9m in September and \$17.4 in October
- \$71.3m of debt repayment, \$5m invested in increased CWP processing capacity
- Net debt of \$162.3m with gearing¹ 33.8% (29% post the completion of the capital raise)

Operating Cashflow \$21.3m

- FY24 Operating cashflow of \$21.3m up from FY23 \$3.3m, driven by:
 - Increased sales velocity - 31% increase in sales volume year-on-year enabled by higher crop and external grower volumes
 - Reduced spend(Acknowledging Logistics issue below impacted cash)

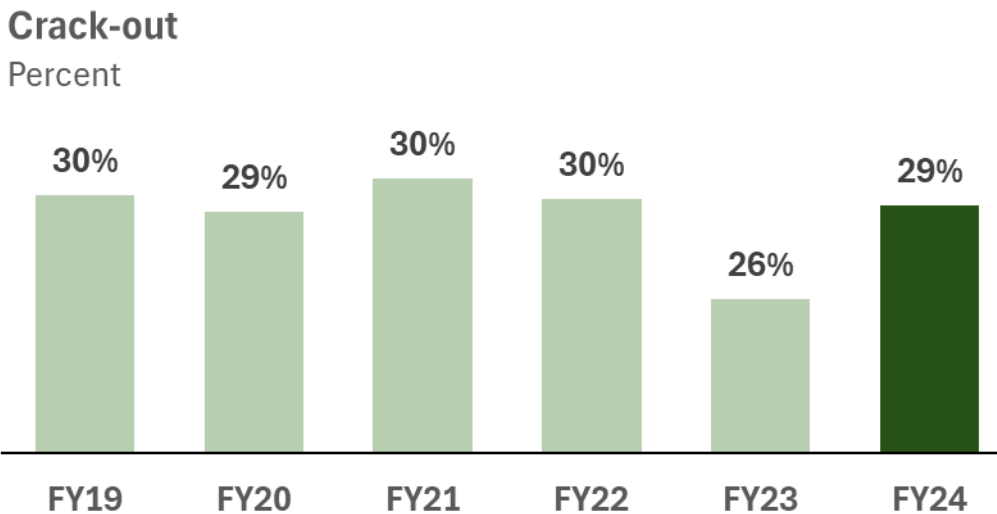
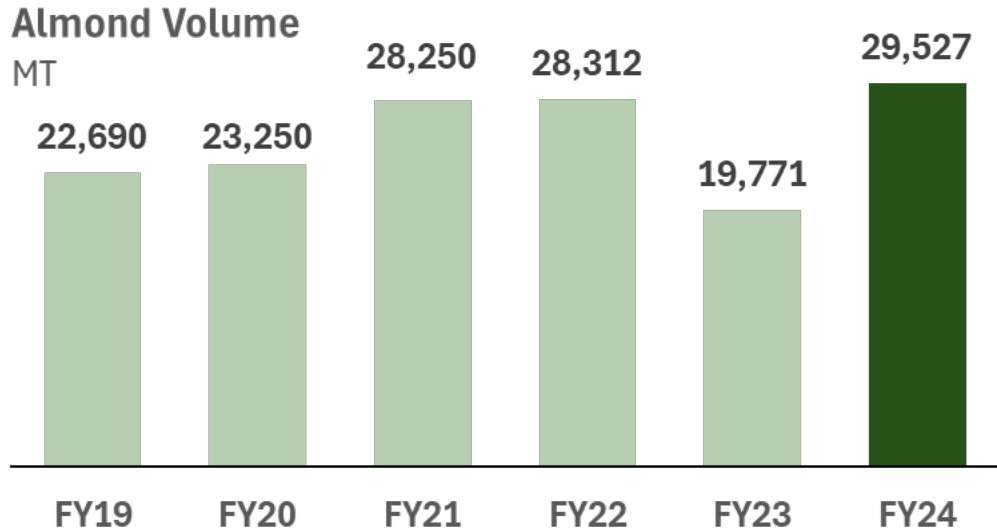
Logistics Update

- \$51m of the \$56m delayed logistics receipts due at financial year end has since been received in SHV bank account.
- Balance on track to be received by 31 December 2024
- Previously communicated \$1m cost
- Redesign of processes and review of external providers underway



(1) Gearing is Net Debt/Equity

Key Results Drivers – Volume



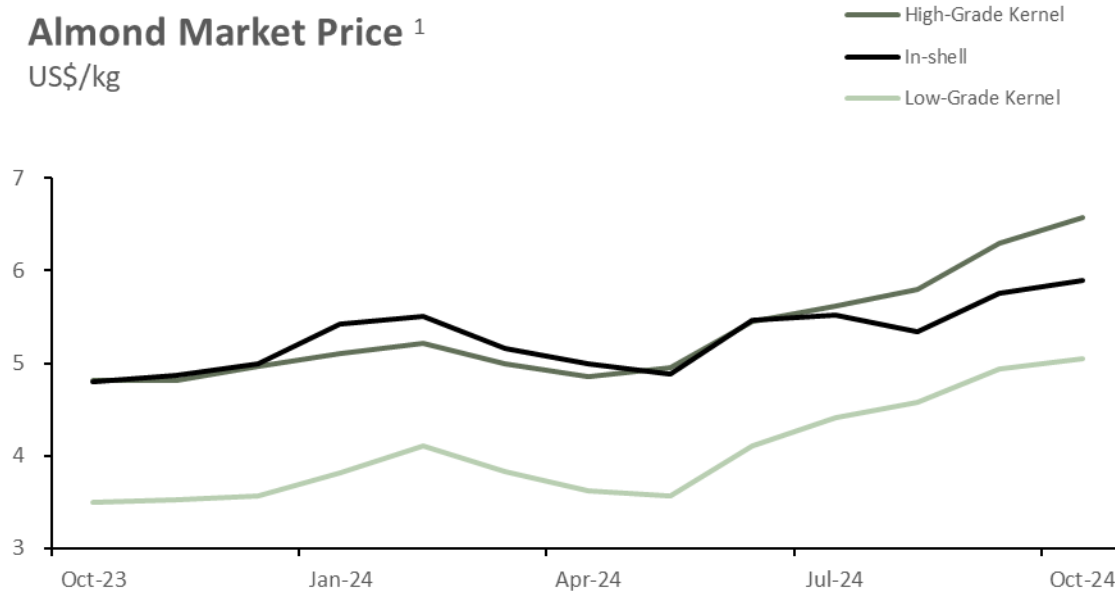
2024 Crop

- The 2024 crop saw a return to more normal crop results
- NSW 4 wet seasons in a row with rain above 550mm (2x the average) and therefore continues to disappoint with low yield and trees struggling
- Innovation in shaking oscillation has improved almond collection and supported maximising harvest
- Crop quality was excellent and supported by an approach to harvest as early as possible and getting nuts off the ground
- 2023 crop is now completely consumed (write off of \$2.4m due to quality)

Key Results Drivers – Almond Price

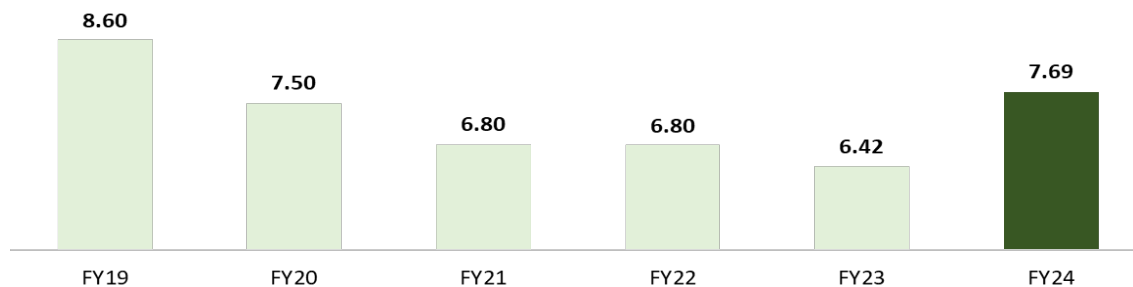
Almond Market Price ¹

US\$/kg



SHV Almond Price

A\$/kg

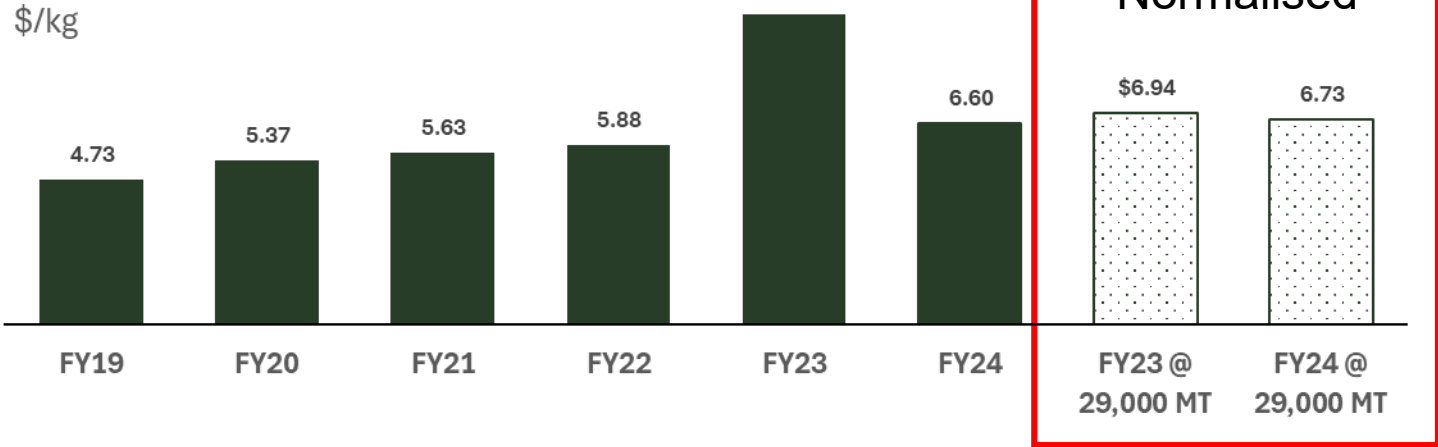


Prices are Increasing

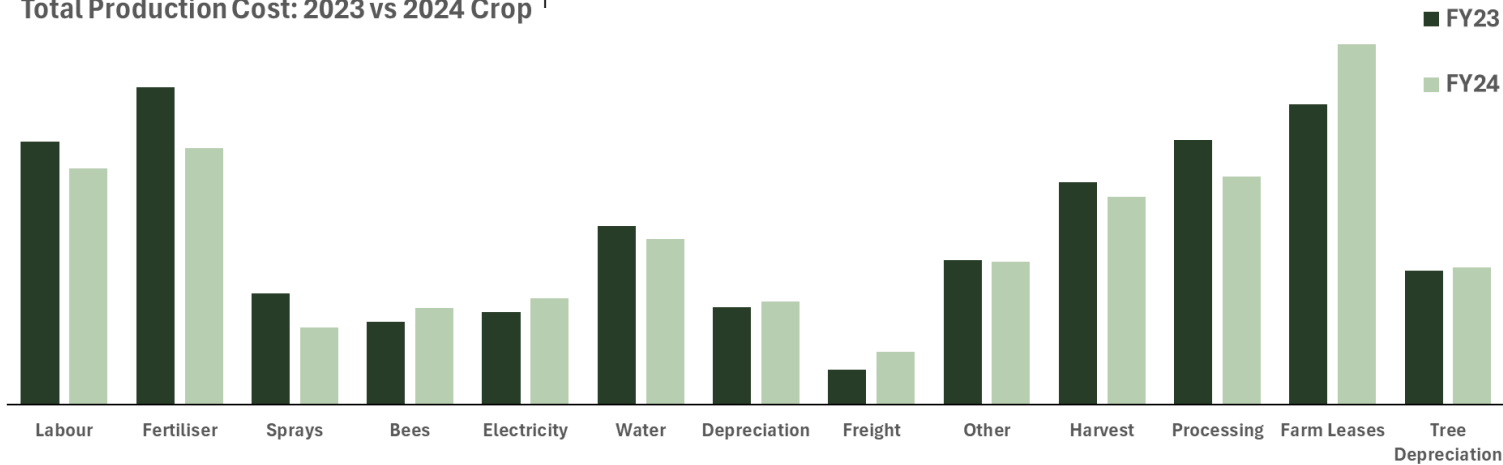
- Prices heading back to where they were 4-5 years ago
- Global demand growing as demonstrated by increased shipments (Aust and USA – 5.7% increase yoy). This is consuming available supply
 - US carry-in volumes low at 500m lbs on lower quality
 - 2024 crop objective forecast 2.8b lbs and could well be lower
 - US rejects/quality running at approx. 3%
- High quality SHV crop supports higher price mix
- Value maximised by increasing volumes sent to China (increased from 37% to 65% of exports)
- Increased direct supply to China allowing us to more tightly match specific grades requirements to better optimise price
- India & China coming back into the market on inshell, prices starting to return to parity with kernel and expect them to increase further as US supply is depleted

Key Results Drivers – Total Production Cost

Total Almond Production Cost ¹



Total Production Cost: 2023 vs 2024 Crop ¹



Production Costs

- Total Cost of Production reducing as SHV initiatives take effect
 - YOY cost down
 - Normalised YOY cost down
- SHV's inflationary costs are running at 3.4% per annum, reflecting the Australian economy
 - Reduced labour (\$3.2m) and fertiliser costs (\$5.7m)
 - Water costs decreased due to lower pricing (\$1.5m) but usage was higher
- Leased farms payments and amortisation of capitalised development costs, increased by \$4.6m and \$1.4m respectively but were absorbed by initiatives

(1) Production cost are growing, harvest, processing, lease and bearer plant depreciation costs



FINANCIAL RESULTS

Tim Bradfield – Interim CFO and Company Secretary

Income Statement

FY24 revenue significantly higher from increased 2024 crop volume

\$ millions (except where indicated)	FY2024	FY2023	Variance	% Change
Almond volume (Mt)	29,527	19,771	9,756	49.3%
Almond price (\$/kg)	7.69	6.42	1.27	19.8%
Revenue	337.3	206.0	131.3	63.7%
EBITDA	46.0	(117.1)	163.1	139.3%
Depreciation and amortisation	(29.8)	(32.2)	2.4	7.5%
EBIT	16.3	(149.3)	165.6	110.9%
Interest expense	(15.0)	(10.2)	(4.8)	(47.1%)
Tax benefit / (expense)	0.2	44.8	(44.6)	(99.6%)
Reported Net profit after tax	1.5	(114.7)	116.2	101.3%
Add: One-off items	(0.8)	(30.1)	29.2	97.2%
Underlying EBIT	17.1	(119.2)	136.3	114.3%
Earnings per share (cents)	1.2	(94.8)	96.0	101.3%

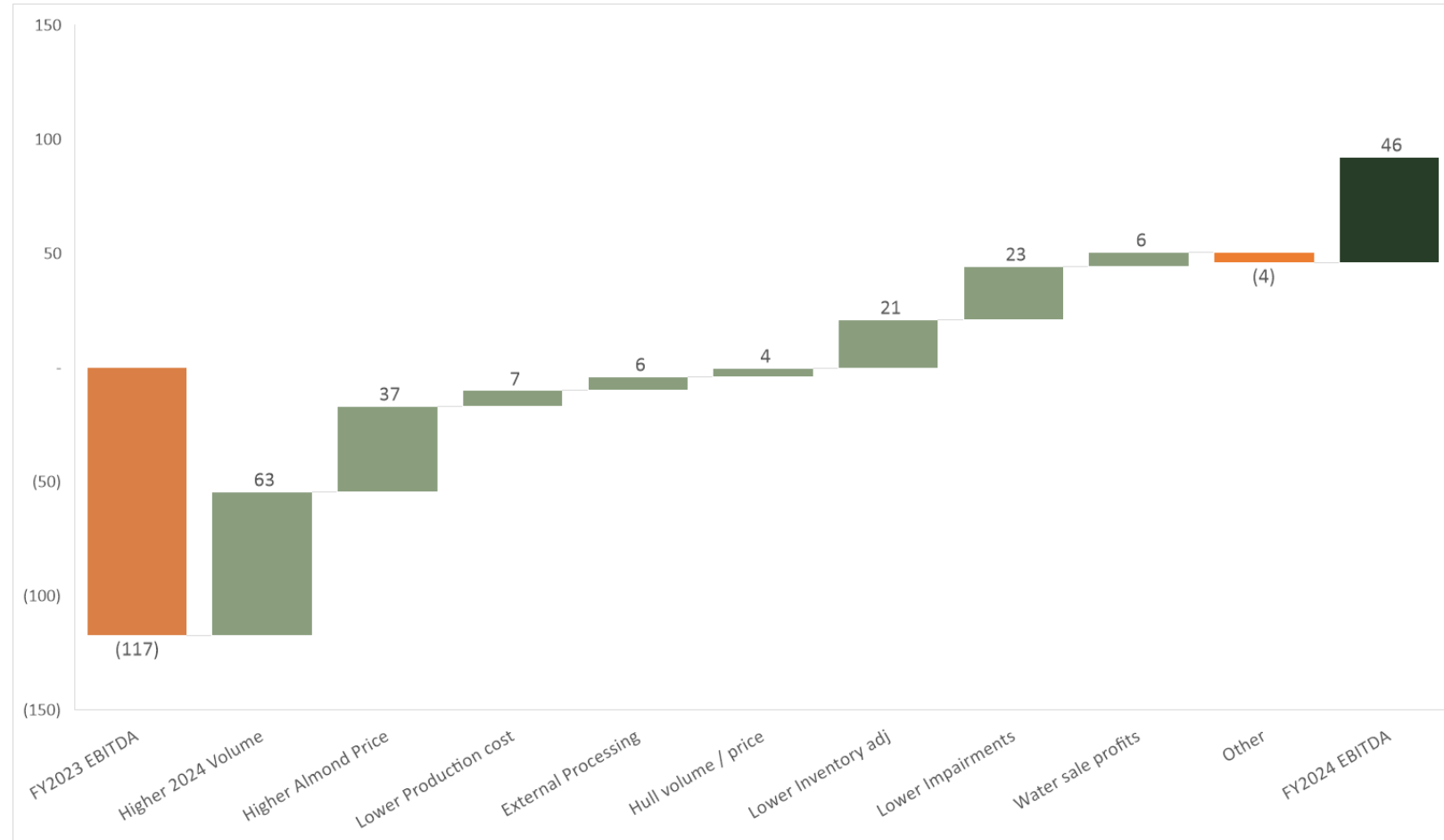
Many Factors Contributed To Higher Earnings

- FY24 EBITDA of \$46.0m (FY23 loss \$117.1m)
 - 2024 Crop fair value gain (\$27.1m)
 - Almond price increase to \$7.69/kg (FY23: \$6.42/kg)
 - Depreciation increases as farms reach maturity (no longer capitalised expenses)
 - External processing increase to 10,520MT (FY23: 3,414MT)
 - Hull sales higher due to increased crop volume and price
- Interest costs higher due to higher average debt profile and higher interest rates
- One-off items recognised during the period include
 - Gains on sale of water rights \$6.7m
 - Losses incurred due to logistics provider issues (\$1.0m)
 - Impairment of Yilgah farm assets (\$6.6m)

Group EBITDA: Sources of Change

Higher volume and price and lower growing costs were the main contributors to an improved FY24 result

Millions AUD



EBITDA is Impacted by:

- Higher 2024 crop volume (29,527MT)
- Improved global almond prices (\$7.69/kg)
- Lower growing costs incl labour, fertiliser and water
- Less inventory quality issues
- Write-off of Yilgah farm assets (\$6.6m)
- Higher external grower volumes (10,520MT)

Balance Sheet

Capital raise completed. SHV balance sheet has remained in line with first half expectations

\$ millions (except where indicated)	FY2024	FY2023
Current assets ex. cash	312.4	203.4
Cash	2.9	1.1
Right of use assets	188.0	190.1
Non-current assets (ex. ROU assets)	506.9	518.7
Total assets	1,010.1	913.3
Current liabilities (ex. Borrowings & Lease liabilities)	126.3	77.3
Borrowings	165.2	191.3
Lease liabilities	235.3	229.7
Non-current liabilities (ex. Borrowings & Lease Liabilities)	2.5	3.5
Total liabilities	529.3	501.7
Total equity	480.8	411.5
Net debt/equity (%)	33.8%	46.2%
Return on capital employed (%)	1.8%	-17.9%
Liquidity ratio ³	2.31	2.52

Key Features of the Balance Sheet

- Inventory levels higher than FY23, due to a higher 2024 crop volume (49% increase in SHV crop volume) and shipping delays due to the change in logistics provider
- Receivables higher due to delay in cash receipts following issues with change in logistics provider
- SHV owned orchards, Carina West processing facility and permanent water rights on balance sheet at cost
 - Market value of land assets is A\$346.1m¹ (book value A\$231.3m)
 - Market Value of Processing facility \$98.8m (book value A\$89.4m)
 - Portfolio of permanent water rights is A\$117.6m² (book value \$66.3m)
- Capital raise (institutional offer completed prior to year-end) resulting in lower debt, offset by higher working capital due to issues with change in logistics provider resulting in higher inventory levels and outstanding receivables at 30 Sept
- Covenant measures for the period ending 30 September 2024 met and forecast to be met for the next 12 months
- Debt facilities remain adequate for forward operations
- Gearing of 34% (29% post the completion of the capital raise).

1) Independent valuations September 2022, 2023 & 2024

2) Market value assessment September 2024

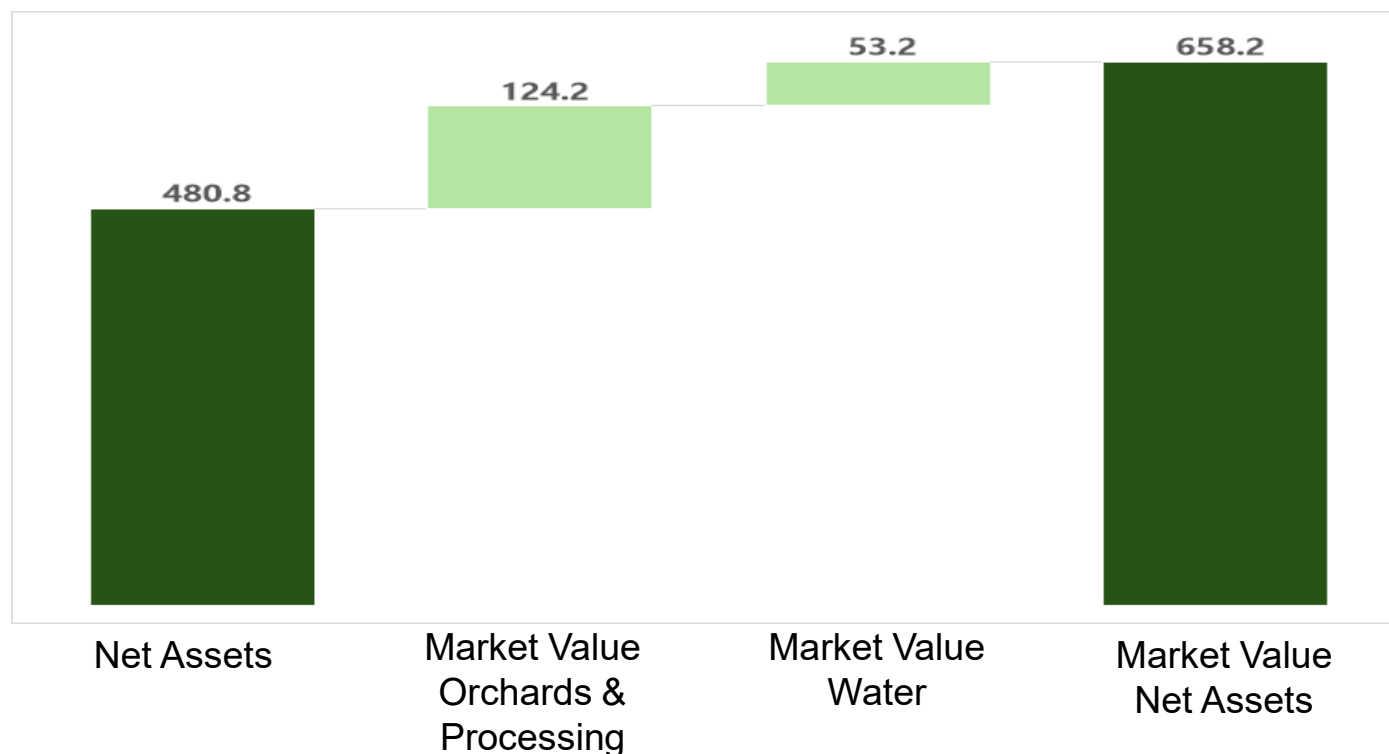
3) Liquidity Ratio: Current assets plus unused funding / current liabilities

Asset Valuations and Net Assets

Asset valuations are 37% higher than book value at 30 September 2024

Net Asset Value vs Market Value

\$ Millions



Market Value Variances to Book Value

- Net Assets per share¹ increases from \$3.38/share to \$4.63/share using market value
- Book value of assets of \$1,010.1m, or \$1,187.5m² based on market value (not reflected in Balance Sheet)
- Market value of orchards is \$124.2m higher than book value in the FY24 balance sheet
- Market value of water is \$53.2m higher than book value in the FY24 balance sheet

1 - number of shares after capital raise completion in early October 2024 used for calculation.
2 - Independent valuations September 2022, 2023 & 2024

Cash Flows

Full year cashflow from operations was \$21.3m positive

\$ millions (except where indicated)	FY2024	FY2023
Customer receipts	285.6	212.7
Supplier & employee payments	(249.7)	(200.6)
Tax refund	0.4	1.4
Net interest	(15.0)	(10.2)
Cash flow from operations	21.3	3.3
Net property, plant and equipment	(19.4)	(21.6)
Net water rights	3.0	-
Tree developments costs	(2.0)	(4.7)
Bearer plants and plantation land	-	-
Other items	-	0.1
Investing cash flows	(18.4)	(26.2)
Issue of shares	58.9	-
Increase in debt	(19.8)	52.0
Lease payments	(34.0)	(30.8)
Dividends paid	0.0	(2.0)
Financing cash flows	5.1	19.2
Net (decrease) / increase in cash	8.1	(3.7)
Cash at beginning of the year	(5.2)	(1.5)
Cash at the end of the year	2.9	(5.2)

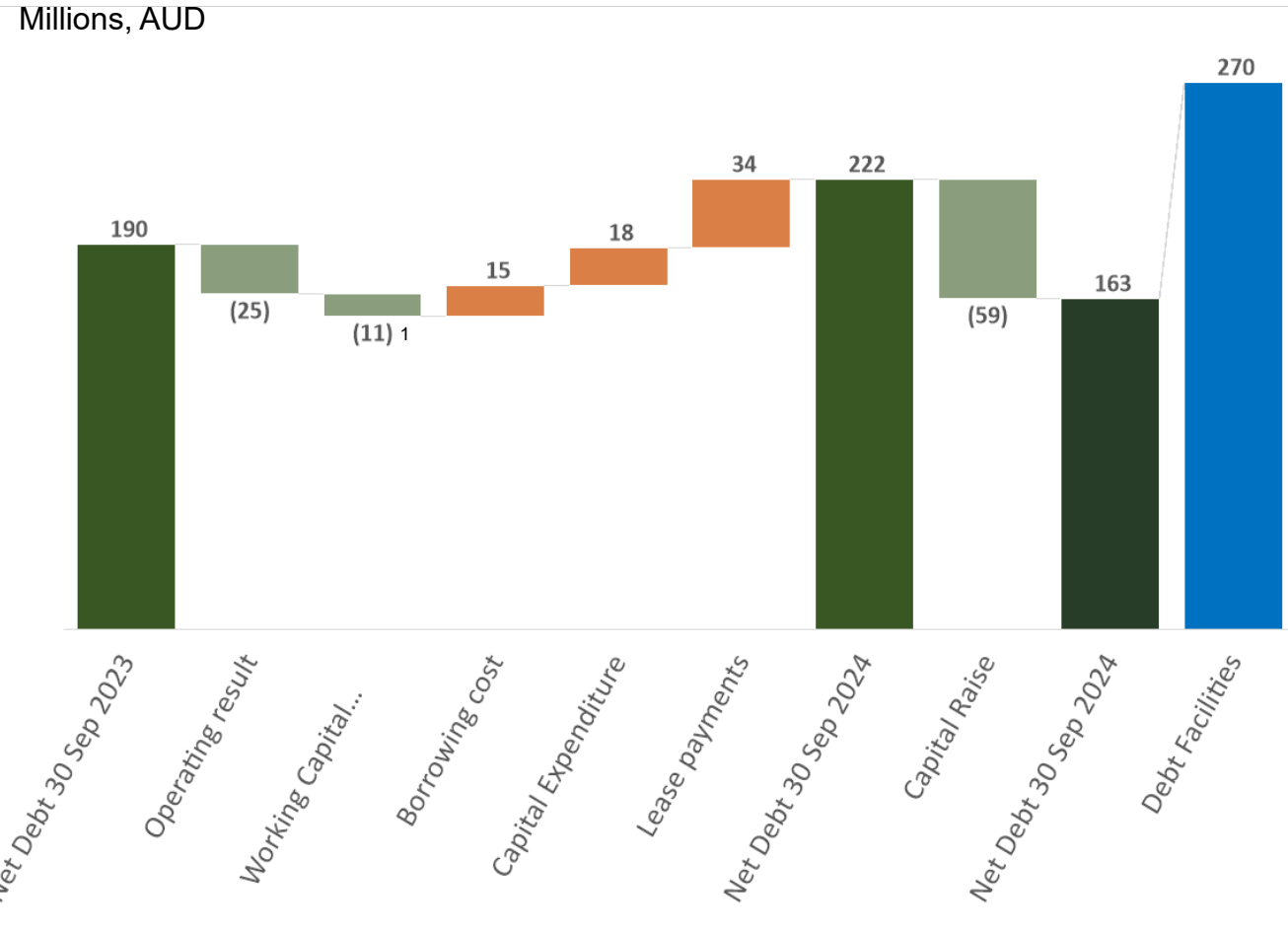
Main Cash Movements

- Positive operating cash flows for the full year driven by:
 - Higher 2024 crop sales volumes and prices
 - Lower 2024 input costs
 - Increased borrowing costs due to higher debts levels
 - Investment of \$18.4m in:
 - Horticultural equipment
 - Net increase in water rights for growing regions
 - Upgrading of Carina West:
 - Installation of new pre-cleaner and dryer equipment
- Operating cashflow positive in H2FY24 driven by:
 - Increased sales velocity -> 31% increase in sales volume year-on-year driven by higher crop and external grower volumes
 - Reduced spend
 - Logistics issue offsets other gains in cash

Bank Facilities – Debt and Cash

Net debt increase due to timing of capital expenditure and higher interest cost prior to capital raise offset

FY24 Decrease in Net Debt



Drivers of Net Debt:

- More volume of almonds available to sell at a higher price due to increased 2024 crop
- Higher capital expenditure due to timing of water rights purchase vs sales receipts
- Increased interest cost due to higher average debt levels during 2024

The impacts of the above were partially offset by progress of cash initiatives generated by the Project Management Office related to customer and supplier terms.

¹ –Fair Value accounting is non-cash significantly effects inventory value of Opening and Closing inventory on hand. This working Capital movement is the actual cash movement in the Working Capital accounts.

A red tractor is pulling a red trailer and two white trailers on a dirt road. The red trailer has the number '25' and a 'FLORY' logo. The white trailers have the number '27' and a palm tree logo. The scene is set against a background of dense green trees under a blue sky with light clouds. The ground is a mix of dirt and gravel.

STRATEGY & TRANSFORMATION

Strategy – four strategic priorities delivered across three horizons

Vision

To be a leader in the supply of 'better for you' and 'better for the planet', plant-based foods

Mission

Deliver sustainable returns to our shareholders by marketing premium almond products to the world

Horizons

HORIZON 1
Strong Foundation

HORIZON 2
Sustainably Profitable

HORIZON 3
Transformation

Strategic Priorities

Substantially greater
almond volume

Leadership in processing
scale & efficiency

Maximise return
from the crop

Innovate to drive
step-out growth

Strong progress in Sales, Processing and Horticulture.

Strategic Priorities

Safety & Enablers

Substantially greater almond volume		
	F23	F24
Yield initiatives	●	●
Improve quality	●	●
Leverage scale	●	●
3 rd Party growers	○	●
Water	●	●

- Yield strategy program being executed (note NSW issue)
- Harvest earlier to improve crop quality
- Improved production cost outcomes through targeted actions: Labour, Freight, Procurement, Automation
- Cost reduction benefits expected to materialize in FY25
- Water rebalancing progressing well

Leadership in processing scale and efficiency		
	F23	F24
Capacity	●	●
Processing Yield (waste)	●	●
Labour	●	●
Indirect costs	●	●

- 10,000MT increase in operating capacity in FY24
- Contracted 3rd party processing volume for F24 and on track for F25
- Saved \$3.7M in processing cost in FY24
- CWPF capacity expansion approved – next 10,000t

Maximise returns from almond crops		
	F23	F24
Cash velocity (Excluding logistics)	●	●
Pricing	●	●
Tariff utilisation	●	●
Value chain dev.	○	●
Value-add margin	●	●

- Accelerated sales velocity and increased the number of direct customers
- Pricing gains
- Improved margin - almost doubling product going to China

Innovate to drive step-out growth		
	F23	F24
Compost	●	●
Innovation of biomass	○	●
Powders and oils	○	●

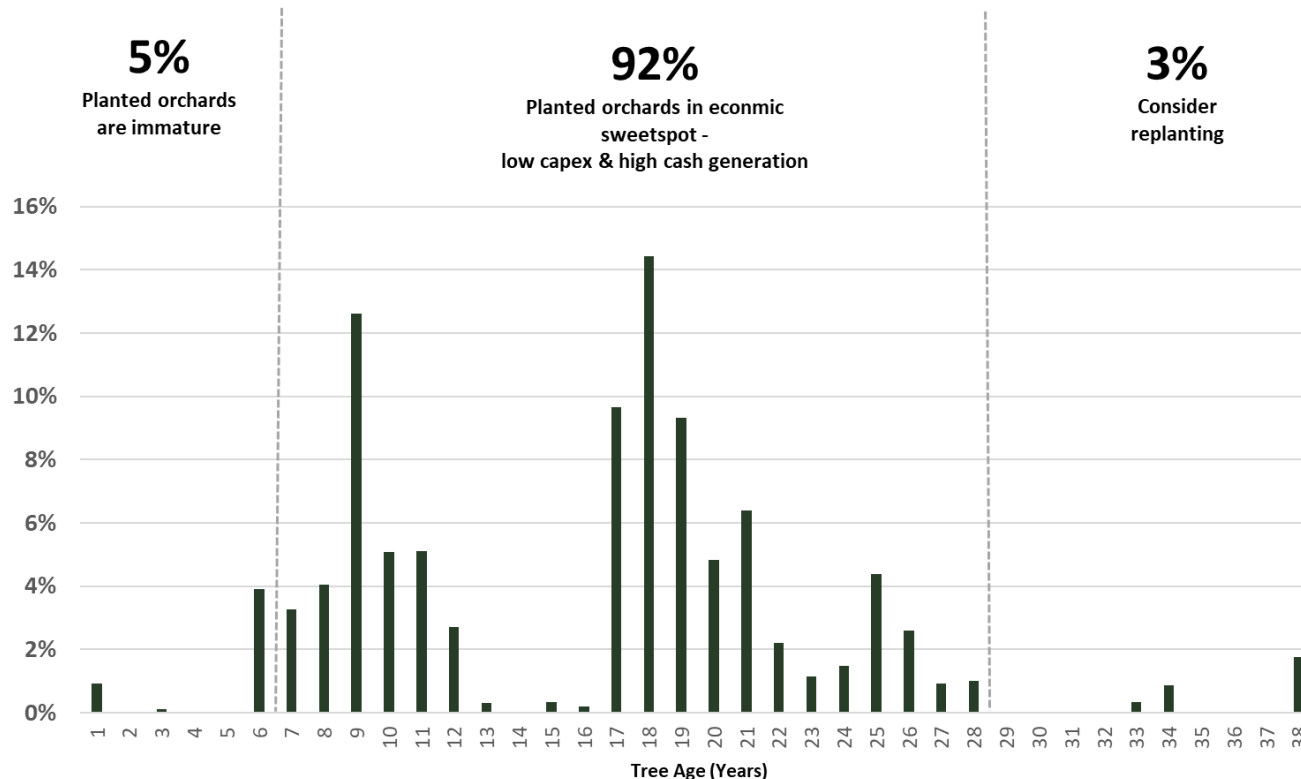
- Trial expansion of compost sales external to Select. FY25 add Trichoderma.
- Exploration of alternate fuel uses
- Research on powders and oils conducted

Safety, efficient and scalable processes/ops		
	F23	F24
Safety - TIFR	●	●
Logistics	●	●
Procurement	●	●
PMO	●	●
Data & analytics	●	●
Technology	●	●

- Focus on safety training and positive improvements in accuracy of reporting
- Issues with change in Logistics
- PMO delivering target results
- Need greater focus on our data quality and technology that supports business decisions

Farm Portfolio - 92% of farms are in “sweet spot” for age

Orchard profile



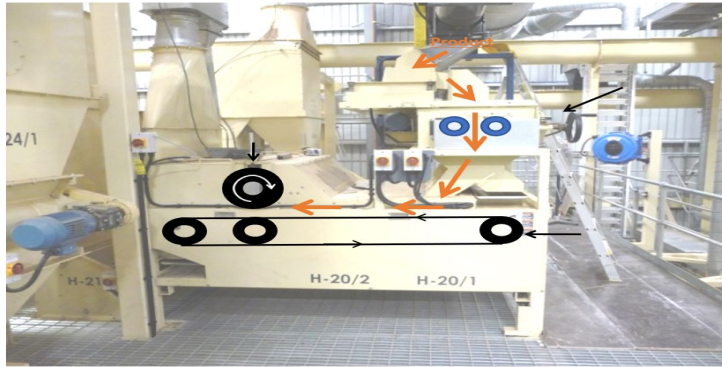
Farming Approach

- F2024 crop - Excellent SA & Vic, NSW disappointing
- Yield Improvement strategy well underway. Benchmarking with internal and external farms confirms this approach
- Drainage improved at Piangil and showing benefits
- Replanting of 69 HA at Jubilee complete
- Farm operating costs reducing
- 2025 crop solid bloom and frost event from 15th to 18th September impacted 500t
- Forward Issues
 - Yilgah and Moorabool NSW farms low yield and 4 wet years – review underway
 - Replant 12 HA at Mountview in 2025

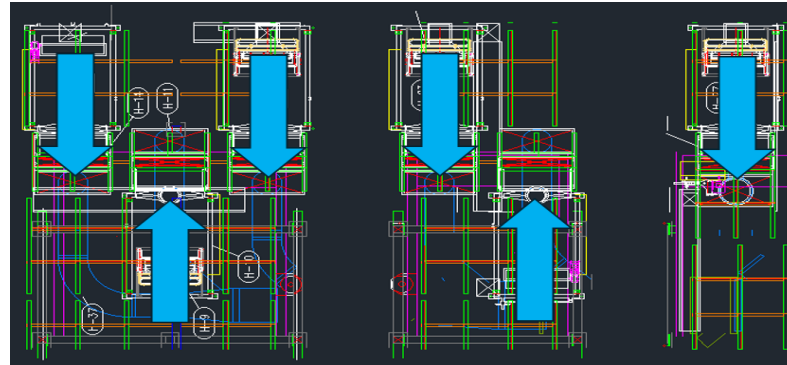
Processing Capacity Increase – Project Optimus 10,000MT

Phase 1: Upgrade provides uplift 1.1t/hr

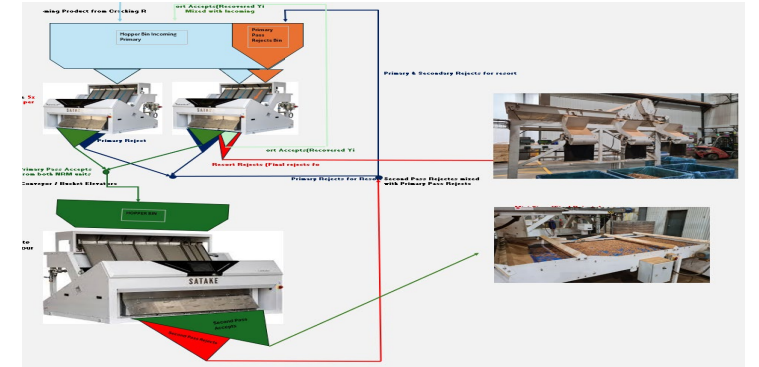
Shear Roller Speed Automation



Line Balancing Automation (Hulling)



Colour Sorter upgrade

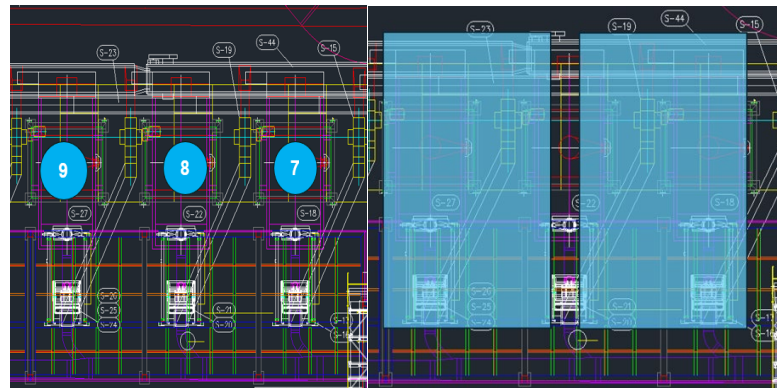


Phase 2: Upgrade provides uplift 1.1t/hr

Balance shell decks



Capacity upgrade decks 7-9



Kernel Conveyance capacity upgrade

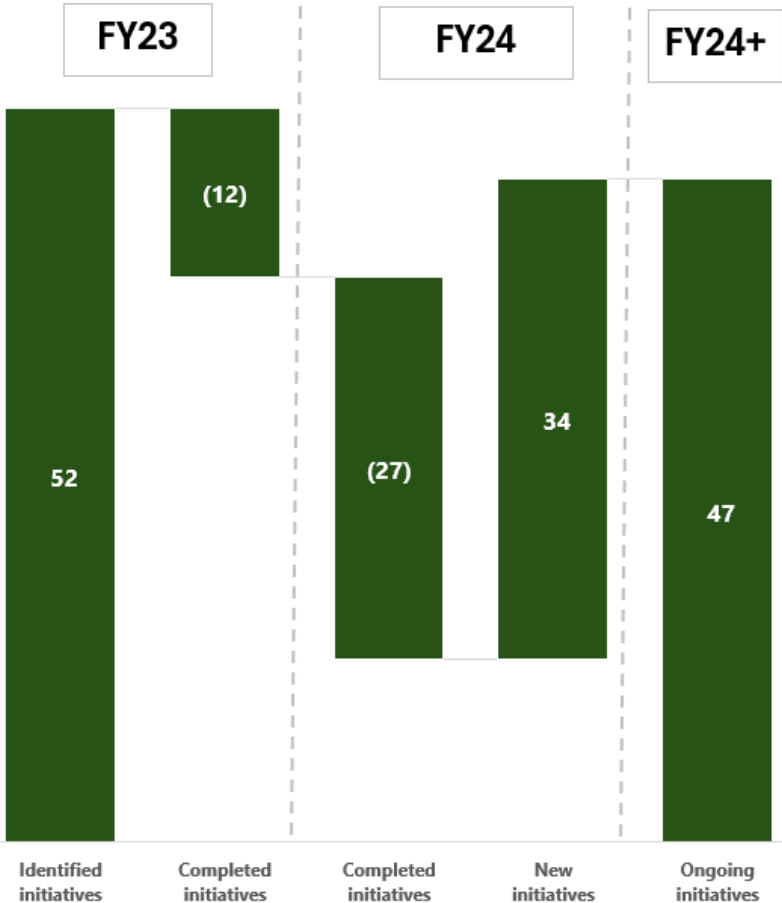


PMO – Strategy Execution and Discipline

Execution momentum building with growing profit impact

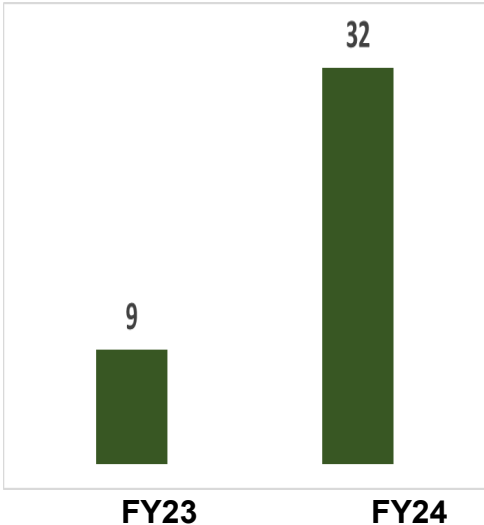
Execution

Count of initiatives

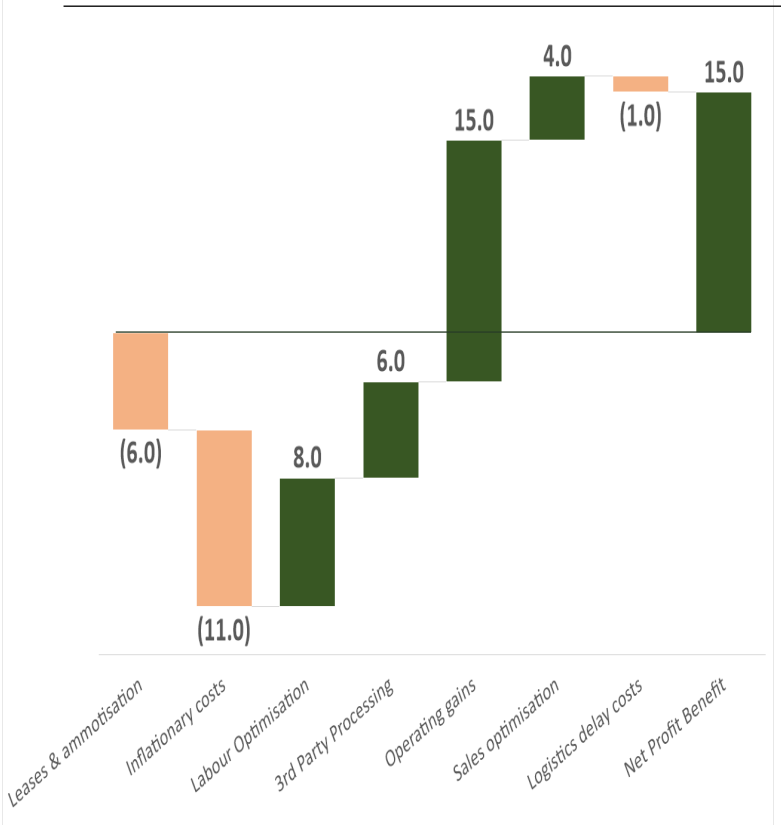


Profit Impact

Millions AUD



The 2024 P&L Impact





OUTLOOK & KEY MESSAGES

FY25 Outlook – Expecting positive year

SHV Crop

- We experienced normal but quick Bloom conditions
- Increased bee drops supported better pollination
- Frost event impact approx 500MT (SHV frost fans prevented substantial issue)
- Forecast is neutral weather pattern which is positive for almond growth
 - hot and dry sufficient opportunity to apply fertiliser as planned

Californian Crop

- Industry commentary indicating:
 - Peak volume seems to have passed as trees removed (noting any given year may be big)
 - Yield is likely below the USDA objective estimate of 2.8 billion lbs
 - Quality is below typical expectations due to high insect damage

Margin

- Strong global demand with US and Australia responding and prices increasing above 2024
 - India demand levels remain strong
 - China demand remains strong and adjusting to new price levels
- SHV focusing on costs – ostensibly flat



Key Messages

FY2024

- Significant shift in results
 - Capital raise has re-strengthened the balance sheet
 - There has been substantive progress on transformation initiatives
-

Model Leverage

Growing, Processing & Selling as efficiently as we can

- Sales capturing price from increased Global demand
 - Horticulture maximises yield
 - Mid stream capacity expansion (Project Optimus)
 - Upside in the PMO initiatives
 - Tight on costs and Back-office investment
-





QUESTIONS