



SELECT HARVESTS

High quality natural products



Select Harvests Limited (“SHV”)

**17th PAC Partners & Westpac AgFood Virtual Conference
Resilience and Comparative Advantages**

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Disclaimer & Basis of Preparation

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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.

Select Harvests will release its 1H2020 results to the ASX on 29 May 2020



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Agenda



Select Harvests Overview

Almond Market Update & Outlook

Business Update & Outlook



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Select Harvests Business Overview

■ Almond Division

- 19,016 planted acres of Australian almond orchards - Victoria, South Australia & New South Wales
- 93% in cash generative mature phase - very low capex required
- Improve orchard productivity through high performance farming program - top quartile yields & quality in next 2 years
- Greenfield plantings - 4,870 acres (2,500 acres in July 2016, 1,870 acres in July 2017, 500 acres in July 2018)
- Continue to seek acquisition of mature orchards at the right price and land suitable for planting to almonds
- Improve supply chain productivity & keep costs in bottom quartile - Project Parboil & Project H2E

■ Food Division

- Number of Brands across categories - cooking/baking, snacking, breakfast, health
- Growing branded base for industrial and packaged divisions
 - Export focus
 - New products & categories



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Consumer Insights & Trends

■ Food Security & Safety

- Consumers are interested in origin of the food and drinks they consume

■ Health

- Consumers are looking to improve their health through diet. Poor nutrition is now recognized as a major risk factor for chronic diseases
- Ongoing research supporting improved health (mental and physical) through better diets

■ Growing Middle Class in Asia

- Increased consumption of western diets, causing spikes in obesity, diabetes and chronic diet related diseases

■ Natural Food Solutions

- A growing body of evidence suggests that targeted nutrition using naturally occurring substances might be able to stabilise or cure many of the most challenging health problems
- Mediterranean Diet - trend towards a more natural, less processed diet

■ Vegetarianism, Flexitarianism and Veganism

- Increasing meat-free/meat-reduced diets based on the desire for 'healthier/cleaner eating'

■ Reduction in sugar

- Driving food manufacturers to create healthy alternatives

COVID-19 likely to result in increased consciousness of food hygiene and food security



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Strategy

Vision

To be a Leader in the Supply of Better for You Plant Based Foods

Values

Trust & Respect

Treat all stakeholders with trust and respect

Integrity & Diversity

All decisions and transactions will not compromise the integrity of the organisation or individual

Sustainability

Our focus is on the long-term sustainability of our environment, business and community

Performance

Exceed expectations on a daily basis

Innovation

Constantly challenge ourselves to improve everything

Strategic Priorities

The pathway to achieving our vision

Optimise the Almond Base

Increase productivity and achieve sustainably high yields from our growing almond orchard base

Grow our Brands

Grow our consumer and industrial brands, aligned to the increasing consumption of plant based foods

Expand Strategically

Pursue value accretive acquisitions that align with our core competencies in the plant based agrifoods sector

Operational Focus

What we do everyday

Customers

Exceed our current customer's expectations and grow our customer base, focused on the Asian marketplace

Supply Chain

Optimise our end-to-end supply chain to achieve maximum value for the business as a whole

People

Focus on a safe working environment, well-being, company culture, leadership development and staff training, attraction and retention

Capital

Target capital discipline, balance sheet strength, superior shareholder returns and long term growth

Goal

Sustainable Shareholder Value Creation



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Business Drivers

1. **Skill** - Select Harvests is highly skilled at growing almonds and sourcing, processing & marketing plant-based foods
2. **Investment** - Invested in almond orchards, brands & processing assets to meet growing global demand, in particular Asia: our growth platform is secure
3. **Long Term View** - Investments are based on a long term return on capital - we invest through the commodity cycle
4. **Globally Competitive** - The business is focused on being globally competitive: low cost, high quality almond producer complimented by value-adding brands
5. **Brands** - Brands in both the Industrial and Consumer segments increase value-adding profitability and smooth the impact of the commodity cycle
6. **Risk Mitigation** - Geographically diverse almond orchards & customer portfolio: risk mitigation strategy
7. **Sustainability** - Sustainability is a competitive advantage: we are positioned for the long term
8. **People** - Investment in our people, culture & values is creating success

Select Harvests has established a platform for increasing shareholder returns



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US Market Update

■ US 2019 Crop – Aug - March 2020 Almond Board of California Position Report

- **Crop** - 2.5 Bn lbs - Up 11.9%
- **Domestic Shipments** - Up 5.2% this season
- **Export Shipments** - Up 6.1% this season
 - Europe - Up 9%
 - Middle East/Africa - Up 37%
 - Nth East Asia (inc China) - Down 9%
 - Sth East Asia (inc Vietnam) - Down 52%
 - Sth Central Asia (inc India) - Up 10%
- **Total Shipments** - Up 5.9% this season
- **Forward Commitments** (i.e. Sold stock - not yet shipped) - Up 19.6%
- **Uncommitted Inventory** (i.e. Unsold stock left to sell) - Up 7.4%

■ US Plantings - 2019 USDA California Almond Acreage Report

- Estimates 80,000 acres of new bearing acres will come into production vs 90,000 last year - Up 6.8%.

■ US 2020 Crop

- **Good bloom and growing conditions, water allocations likely to be lower than last year**
- **USDA Subjective crop estimate** - due for release 12 May 2020
- **USDA Objective crop estimate** - due for release 7 July 2020

Global supply will always be driven by the US



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Australia Market Update

- **Australian 2020 Crop Shipments - February 2020 Almond Board of Australia Report (Full Marketing Year)**
 - Crop - 104,000 MT
 - Domestic Shipments - No reported estimate
 - Export Shipments - Up 26% this season
 - Europe - Down 2%
 - Middle East/Africa - Up 37%
 - Nth East Asia (inc China) - Up 214%
 - Sth East Asia (inc Vietnam) - Down 54%
 - Sth Central Asia (inc India) - Down 40%
- **2020 Crop Overview**
 - Almond Board of Australia is estimating a similar crop in both quality and size as 2019

Very tight transition between seasons with little carry-over inventory



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Select Harvests 2020 Crop & Price Estimate

■ 2020 Harvest is 97% complete

- Harvest is 97% complete, with favourable conditions
- Rain has disrupted harvest, but has not impacted quality of later harvested closed shell varieties
- 60% of the crop delivered to Carina West processing facility, should be completed by mid-May

■ 2020 Crop estimate is similar size to 2019

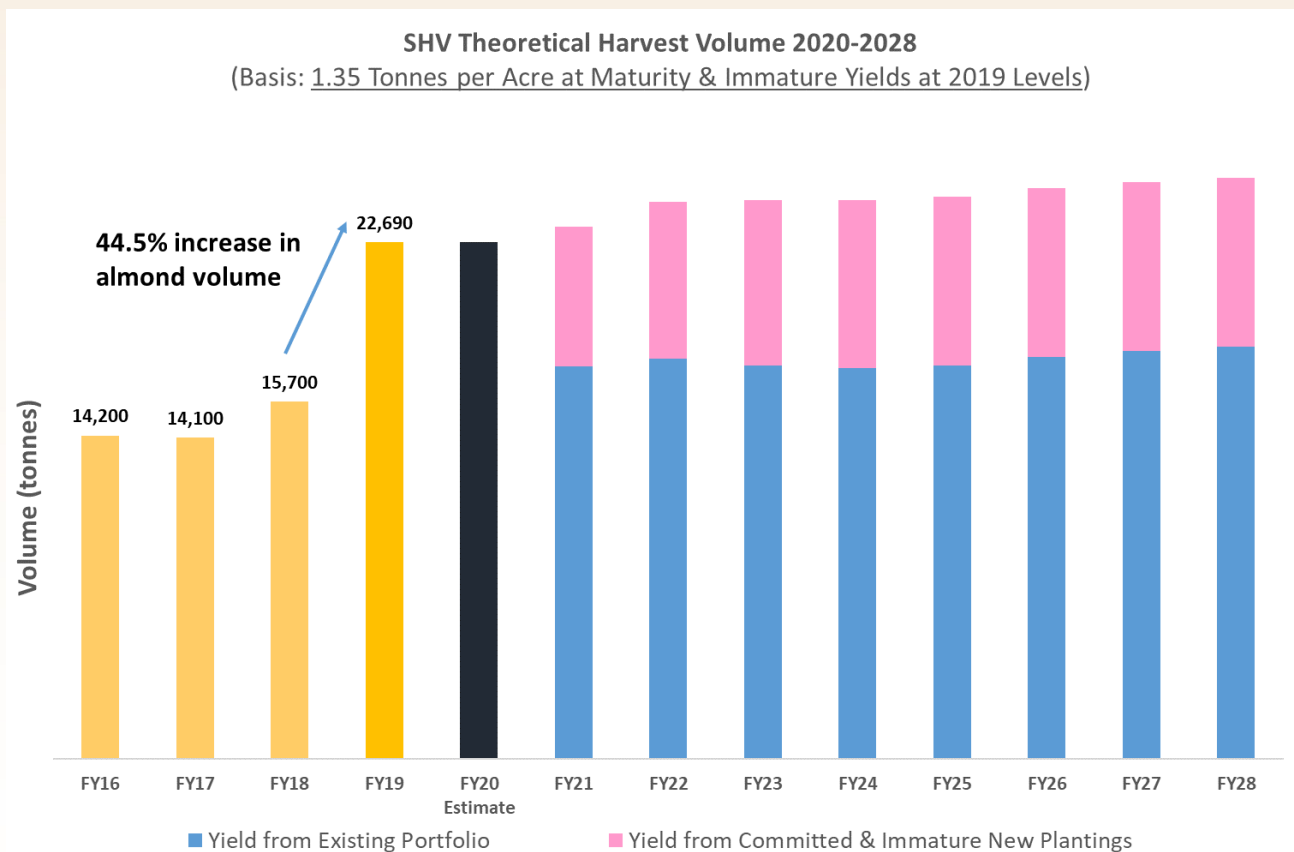
- 25% of crop processed. Crack out and quality consistent with expectations
- Immature orchards continue to perform

■ 2020 Price estimate A\$8.00 - A\$8.50/kg

- Pricing has been protected by currency
- Over 70% of the crop has been committed, including internal consumption
- Inshell orders have commenced shipments to China/India
- COVID 19
 - negatively impacting Foodservice segment, and
 - positively impacting demand through Retailer segment
- We estimate the final pool price to be between A\$8.00 - A\$8.50/kg @0.67 AUD/USD exchange rate

COVID-19 has DELAYED shipments previously advised

Almond Volume Growth



- The almond crop is biannual in nature with +/- 10% per annum variation in tonnage possible

Select Harvests is consistently yielding over 1.35mt/acre – adds considerable value in future years



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2020 Food Division Update

■ Packaged Consumer Business

- Brands remain under pressure from Private Label
- Maintained Private label business
- Sunsol NEW products
- Lucky NEW packaging
- China starting to get going

■ Industrial/Trading Business

- Demand remains strong for raw almonds, despite disruption to supply channels due to COVID 19
- Demand remains strong for “value-added” almonds
- China ramping up

■ People & Environment

- Lost Time Frequency Rate down YTD v LY
- Nil environmental incidents



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Food Division - Brands



- Market leader in the cooking nut category.
- Cooking Nut product range: almonds, walnuts, cashews, hazelnuts, brazil nuts, pine nuts, pistachios, macadamias, sunflower seeds and pepitas (Snacking product range: portion control packs, Lucky Smart Snax and Lucky Snack Tubs.
- Distribution: major supermarkets and export markets including the Middle East, Indonesia and Papua New Guinea.



- Product range: natural muesli, toasted muesli and clusters
- First to market in PRO-biotic muesli
- Distribution: major supermarkets nationwide and export markets including China, Hong Kong, Singapore, Malaysia, Thailand and Indonesia



- Product range: muesli, dried fruit, wholefoods, nuts and snacks.
- Distribution: Health aisle of major supermarkets and export markets including Hong Kong, Singapore, Malaysia, Indonesia and the Pacific Rim.



- Product range: almonds and other nuts, dried fruit, seeds, nut pastes and pralines.
- Bulk pack.
- Products sold to local and overseas food manufacturers, wholesalers, distributors and re-packers.



Our brands help to protect us from the volatility of the commodity cycle

Source: Company Data and Aztec National Chains Scan data



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Comparative Advantage & Resilience

■ Comparative Advantage

- Almonds can only be grown in very limited geographic/climatic regions around the world.
- Australia is well located and connected to growth markets.
- SHV almond production cost is competitive against the world's largest growing region (California).
- SHV organic growth platform can protect us from the full impact of a negative commodity movement.

■ Resilience

- The long term supply/demand dynamics of the plant-based food industry remain robust despite recent external events, especially changes to tariffs and COVID-19.
- SHV has invested in building resilience in our business: geographically diversified almond orchards, Food Division and customer portfolio.
- SHV understands the value of low debt levels and strong positive cash flows.
- People can adapt to technology quickly.

Key Take Outs

- **Increasing demand for plant-based foods globally**
 - Global consumption of plant protein & almonds continues
- **Growth platform to service almond demand is secure**
 - Young orchards outperforming business case
- **The business is focused on being globally competitive**
 - Low cost, high quality almond producer with brands to compete in the Asian market
- **Geographic diverse almond orchard portfolio, in good health**
 - Risk mitigation strategies in place, frost will not affect future years
- **Almond pricing outlook is firm**
 - 2020 Price estimate A\$8.00 - A\$8.50/kg (@0.67 AUD/USD exchange rate)
- **Export focused brands in both the industrial and consumer space**
 - Increased value-added profitability through seasonal cycles
 - Consumer business growth means investing in new product development and brands
 - Industrial business growth will leverage the capacity and quality of the Parboil value-add facility
- **Zero Harm**
 - Number One Priority

SHV is well placed to control its destiny



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Useful Almond Industry websites

Industry Associations

- Californian Almond Board <http://www.almonds.com/>

Industry Reports

- US Crop Forecasts (Subjective, Objective) <http://www.almonds.com/growers/resources/crop-forecasts>
- Monthly Almond Position Reports <http://newsroom.almonds.com/position-reports>
- Almond Almanac <http://www.almonds.com/growers/resources/almond-almanac-industry-stats>
- UC Davis Almond Development Costings <http://coststudies.ucdavis.edu/en/current/>

Almond Companies

- Blue Diamond Growers www.bluediamond.com
- Blue Diamond Ingredients www.bdingredients.com/category/almond-market-analysis
- Almond Insights www.almondinsights.com
- Derco Foods www.dercofoods.com/en/english-reports/english-almond-reports
- RPAC Almonds www.rpacalmonds.com/marketnews
- Wonderful Pistachios & Almonds www.wonderfulpistachiosandalmonds.com/#ourdifference
- Hilltop Ranch www.hilltopranch.com
- Merlo Farming www.merlofarminggroup.com



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