

# Select Harvests Limited (ASX:SHV)

PAC Partners & Westpac 19<sup>th</sup> Australasian AgFood Conference

28 July 2021

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Piangil Almond Orchard



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# Disclaimer & Basis of Preparation

*This presentation is provided for information purposes only and has been prepared using information provided by the company. The information contained in this presentation is not intended to be relied upon as advice to investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should consider their own individual investment and financial circumstances in relation to any investment decision.*

*Certain statements contained in this presentation may constitute forward-looking statements or statements about future matters that are based upon information known and assumptions made as of the date of this presentation. These statements are subject to risks and uncertainties. Actual results may differ materially from any future results or performance expressed, predicted or implied by the statements contained in this presentation.*

*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.*



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# Select Harvests Overview

One of the worlds largest almond growers, with a geographically diverse 9,262-hectare orchard portfolio

## Company Overview

- Listed on the ASX (SHV), with a market capitalisation of A\$ 926m (26 July 2021) and 530 employees.
- Australia’s second largest almond producer and marketer with core capabilities across: Horticulture, Orchard Management, Nut Processing, Sales and Marketing.
- We supply the retail and industrial markets, exporting almonds globally. Continuing to build relationships in the fast-growing markets of India and China, as well as maintaining established routes to market in Asia, Europe and the Middle East.

## Orchard Profile

- Geographically diverse almond orchards located in Victoria, South Australia and New South Wales, with a portfolio that includes more than 9,262 hectares of company owned and leased almond orchards and land suitable for planting.
- Select Harvests weighted average almond orchard age is 13.6 years, with 98% of current planted hectares cash generative. Almond orchards remain economically viable for +25 years, providing Select Harvests with a solid foundation for long term growth.
- Our state-of-the-art Carina West processing facility has the capacity to process above 30,000 MT of almonds in the peak season and is capable of meeting the ever-increasing demand for in-shell, kernel and value-added product.

## Almond Market

- The global almond market was valued at U.S.\$ 8.6bn in 2020/21. The U.S. (California) accounted for 79% of world production in 2020/21, followed by Australia and Spain at 7% each. Australia has more than doubled its almond production in the last 10 years.
- The underlying fundamentals of our business remain strong. Demand for almonds, both in their natural form and as a value-added food ingredient, in products such as plant-based milks and yogurts, continues to grow.
- Australian Exports Year on Year (March – May) almond exports are up 67%, with the South/Central Asia (India) market up 306%, Europe up 20% and the Northeast Asia (China) market up 46% during the period.

## Growth Strategy

- Select Harvests remains well positioned through its low operating costs, ability to deliver large scale value-added production and strong balance sheet to benefit from the growing global demand for almonds.
- Our investment in greenfield developments and orchard acquisitions, including the December 2020 acquisition of the 1,566-hectare Piangil Almond Orchard, will platform long term growth.
- We continue to assess opportunities to increase our almond production base through acquisitions, if suitable orchards become available.



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# Select Harvests Strategy

Select Harvests – in control of our destiny

## VISION

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

## VALUES



**TRUST & RESPECT**

DO THE RIGHT THING



**INTEGRITY & DIVERSITY**

BE ONE TEAM



**SUSTAINABILITY**

PROTECT AND GROW



**PERFORMANCE**

OWN IT



**INNOVATION**

THINK OUTSIDE THE SQUARE

## 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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# Triple Bottom Line Focus

Sustainability is embedded in everything we do

## People

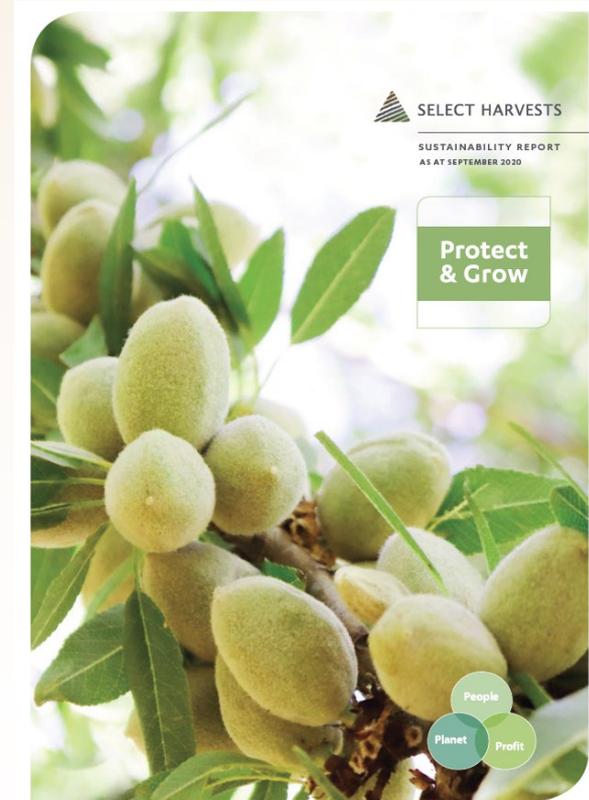
Ethics & Integrity, OHS & Wellbeing, Inclusion & Diversity, Human Health & Nutrition, Food Safety, Sourcing Sustainability

## Planet

Resource Efficiency, Sustainable Farm Management, Climate Change & Water, Bee Stewardship

## Profit

Positive absolute shareholder returns, 20% or higher EPS CAGR over 3 years, TSR at or above 75<sup>th</sup> percentile over 3 years, for capital deployment ROCE > WACC<sup>1</sup>



[www.selectharvests.com.au/sustainability](http://www.selectharvests.com.au/sustainability)



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# Operating Performance

Continue to maintain better than industry standard yields, with a record almond crop estimated for 2021



## 2021 Almond Crop Forecast

**28,250 MT**

Continue to maintain better than industry standard yields. Record almond crop, with the inclusion of the Piangil Almond Orchard.



## Current Market Price

**\$A 6.75 – 7.25/kg**

65% of the 2021 SHV crop contracted for sale 2021 Objective Estimate for the U.S. almond crop has reset price expectations moving forward



## Currency

**\$0.73 AUD/USD**

Over 90% of crop export sales hedged at approx. \$0.73



## Almond Processing

Over 70% of the 2021 total crop has been processed to date with no major issues identified. Prior year capital investment in an inshell sorter has paid off, with the 2021 YTD inshell yield higher than the 2020 total.



## 2022 Almond Crop

The development of Select Harvests' 2022 crop is progressing well, with good tree health and sufficient chill hours. Focused on Covid-19 related staff safety and management. Industry stakeholder agreement in place for bee delivery



## Piangil Almond Orchard

2021 crop of approximately 4,700MT, inline with expectations. Orders for harvest equipment in place. Fumigation has been upgraded. Still further opportunities to upgrade crop quality.



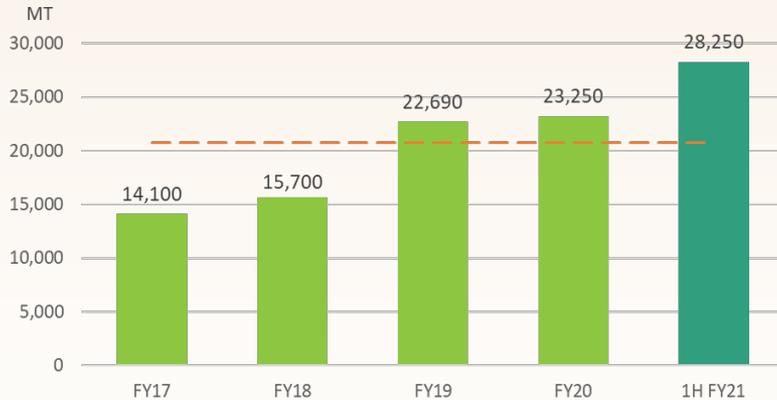
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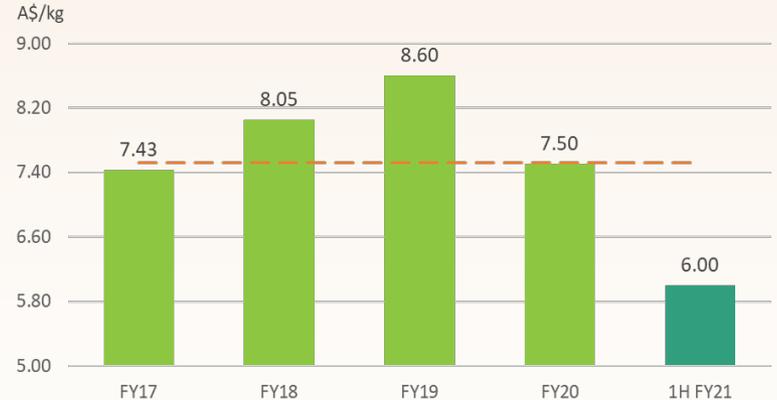
# Recent Performance in Context

The company remains focused on factors within its control such as almond volume, quality and production costs

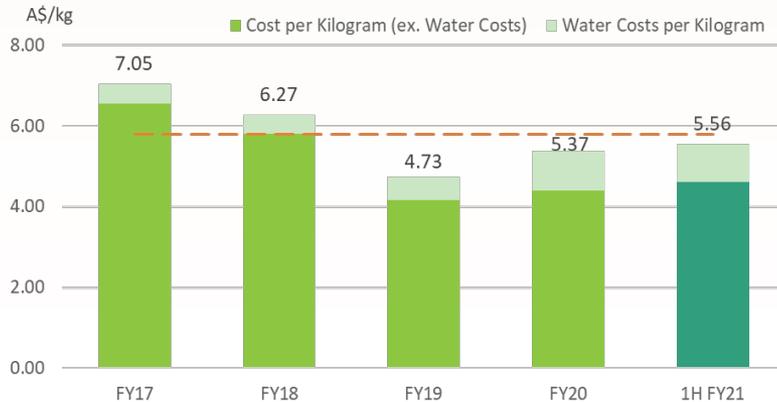
## Almond Volume



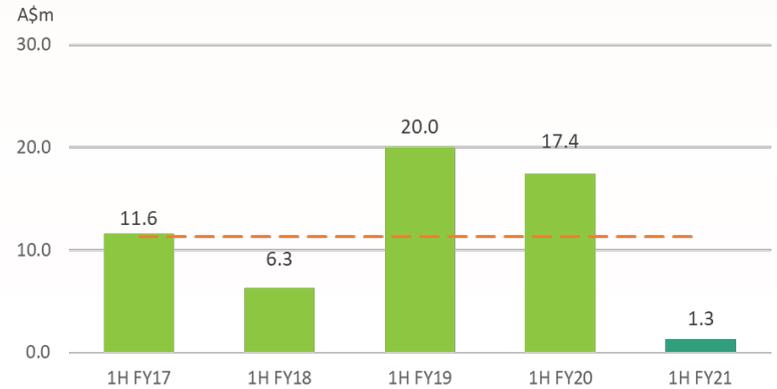
## Almond Price



## Total Almond Production Cost



## NPAT



--- 5 Yr Average



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# 2021/22 Focus Areas

## Planet



### Water Efficiency

100% of our orchards use drip irrigation tree and soil monitoring systems



### Sustainability

Develop sustainability targets to build on 2020 Sustainability Report



### Co-Waste Commercialisation

Seeking a license to sell surplus compost to third parties

## People



### Securing & Protect Labour

Commenced securing harvest labour for 2022. Ensuring a Covid safe workplace for all employees.



### HRIS System

HRIS System to be implemented over the next 12 months



### Investment in Skills

Graduate program and ongoing career development in place

## Profit



### Food Division Restructure

Expected to conclude by the end of FY 2021



### Carina West Investment

Increase the volume and range of value-added almond products to integrate Thomastown capacity



### Water Costs

Lower water costs to flow into FY 2022, with estimated savings of \$6m to \$8m due to favourable carryover rates



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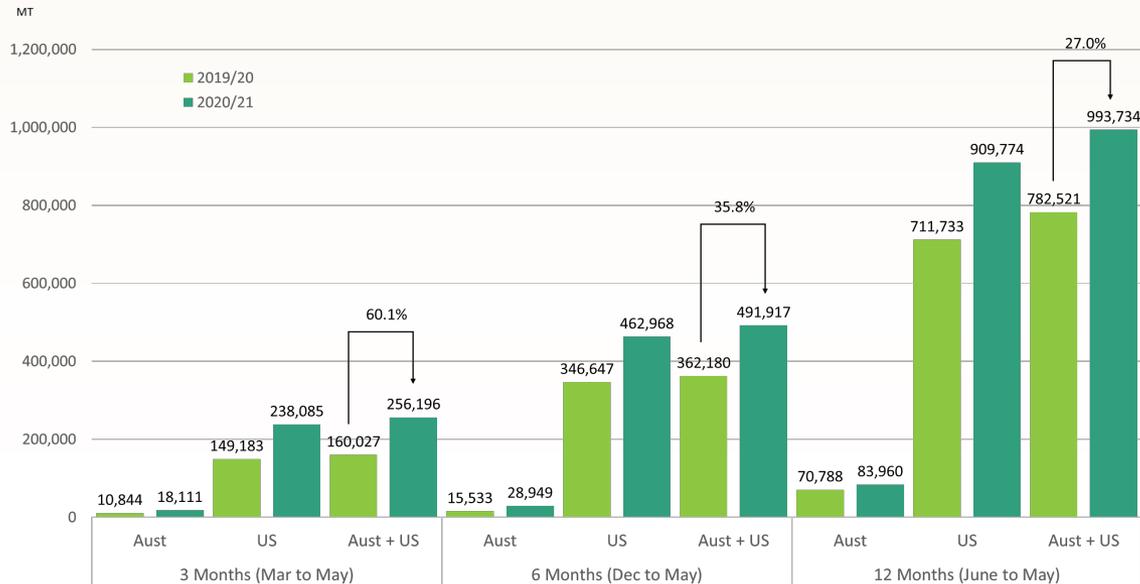


# Almond Market

## Significant growth in global demand across all markets

- Almond shipments are occurring at an unprecedented pace, with historic monthly U.S. shipment records being set in 10 out of the 11 months of the season to date (August 2020 to June 2021)
  - Combined Australian and U.S almond export shipments were significantly higher over the last 3, 6 and 12 month periods of 2020/21 vs. the same corresponding periods in 2019/20.
  - Latest monthly export figures show Australian export sales up 87% in May 2021 vs. May 2020, with June 2021 U.S. shipments up 26% vs. June 2020
- Growing consumer demand for healthy snacking and plant-based & vegan diets in all markets will continue to underpin strong global demand growth.
- Almonds remain the leading nut type for introductions into new consumer food products such as milks, confectionary and butters. This is resulting in increasing demand for value added manufactured almonds.
  - According to Innova Market Insights, there were approximately 12,000 new global almond product instruction in CY 2020, with Australian almond introductions increasing by 20% CAGR between 2010 and 2020, reaching 386 new products in 2020.

## Combined Australian and U.S. Almond Exports



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# Thank You



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Please note that background material/data regarding the global almond industry can be found on the Select Harvests Limited website.



# Appendix



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# Orchard Portfolio

One of the worlds largest almond growers, with a geographically diverse 9,262 hectare orchard portfolio

## Select Harvests Orchard Map<sup>1</sup>



## Benefits of Geographic Diversity & Scale

- Geographic diversity limits exposure to:
  - Weather
  - Disease spread
  - Insect infestation
- Positions the company to maximise harvest volume and reduce variance
- Enables sequential progression of harvest period across regions for better utilization of:
  - Farm equipment
  - Processing
  - Labour
- Secure access to diverse water sources:
  - River Water
  - Aquifers
- Maximises economies of scales to achieve
  - Global bottom quartile almond farming and processing costs
  - Scalable adoption of proven on-farm technologies and processes



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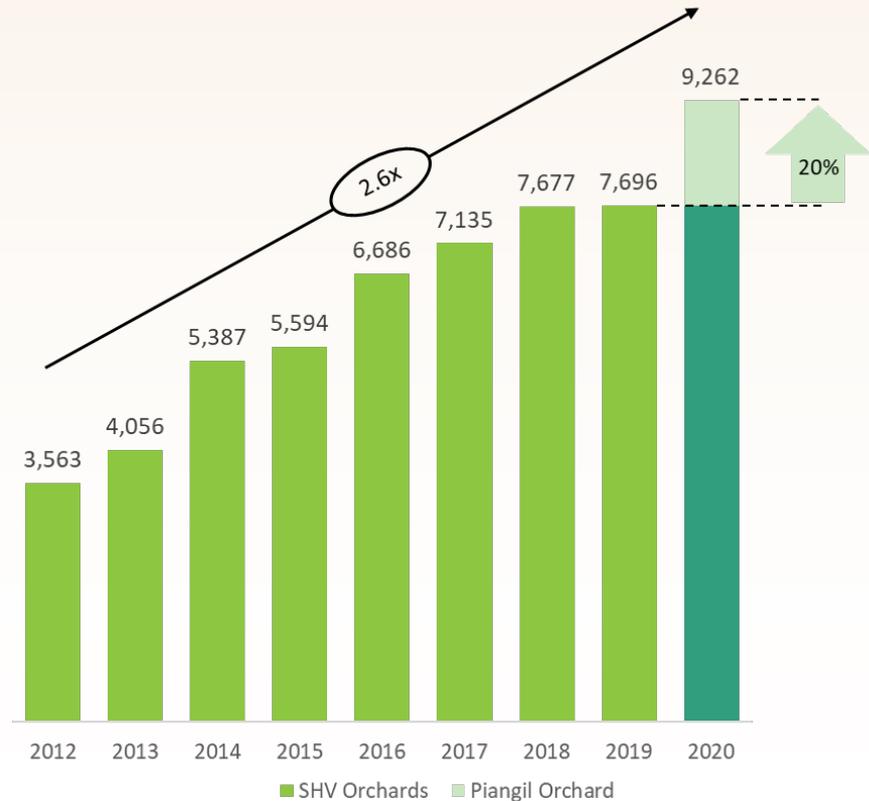
# Orchard Profile

2.6x growth in planted hectares since 2012<sup>1</sup>

## Select Harvests Orchard Profile

Select Harvests	Total Planted	
Almond orchard portfolio	(as at 30 September 2020)	
	hectares	acres
<b>Central Region</b>		
Company Owned	1,693	4,183
Piangil Orchard	1,566	3,870
Leased	1,385	3,422
<b>Total</b>	<b>4,644</b>	<b>11,475</b>
<b>Northern Region</b>		
Company Owned	727	1,797
Leased	1,221	3,017
<b>Total</b>	<b>1,948</b>	<b>4,814</b>
<b>Southern Region</b>		
Company Owned	1,120	2,769
Leased	1,549	3,828
<b>Total</b>	<b>2,670</b>	<b>6,597</b>
<b>Total</b>		
Company Owned	5,107	12,619
Leased	4,155	10,267
<b>Total</b>	<b>9,262</b>	<b>22,886</b>

## Select Harvests Planted Almond Hectares<sup>1</sup>



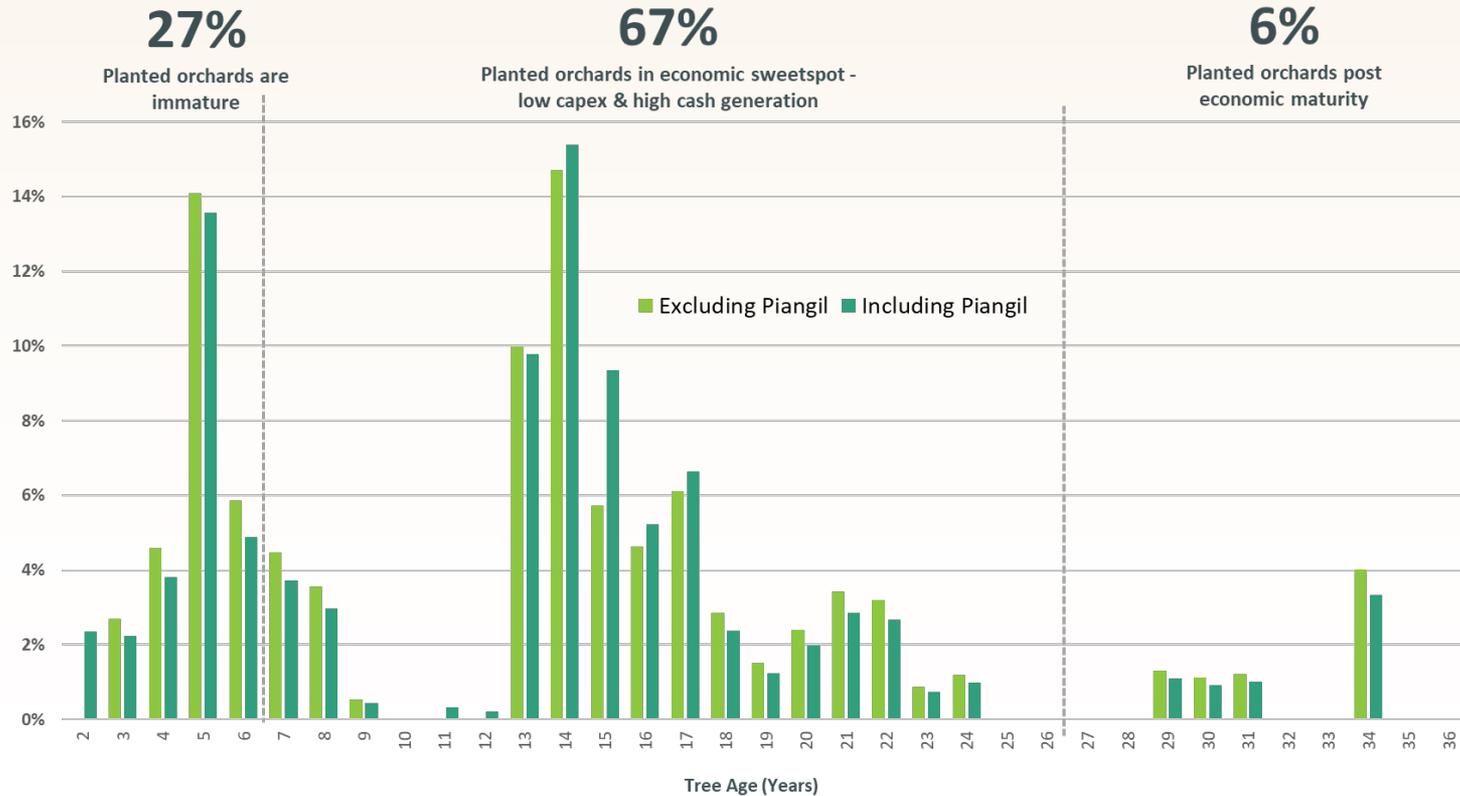
<sup>1</sup> Excludes West Australia orchards which were sold by Select Harvests in 2016

# Orchard Age

Following the Piangil Almond Orchard acquisition, Select Harvests weighted average orchard age is 13.6 years, with 98% of current planted hectares cash generative

## Age Profile of Select Harvests Almond Orchards<sup>1</sup>

(98% of current planted hectares are cash generative)



<sup>1</sup> Tree age is in reference to the 2021 crop



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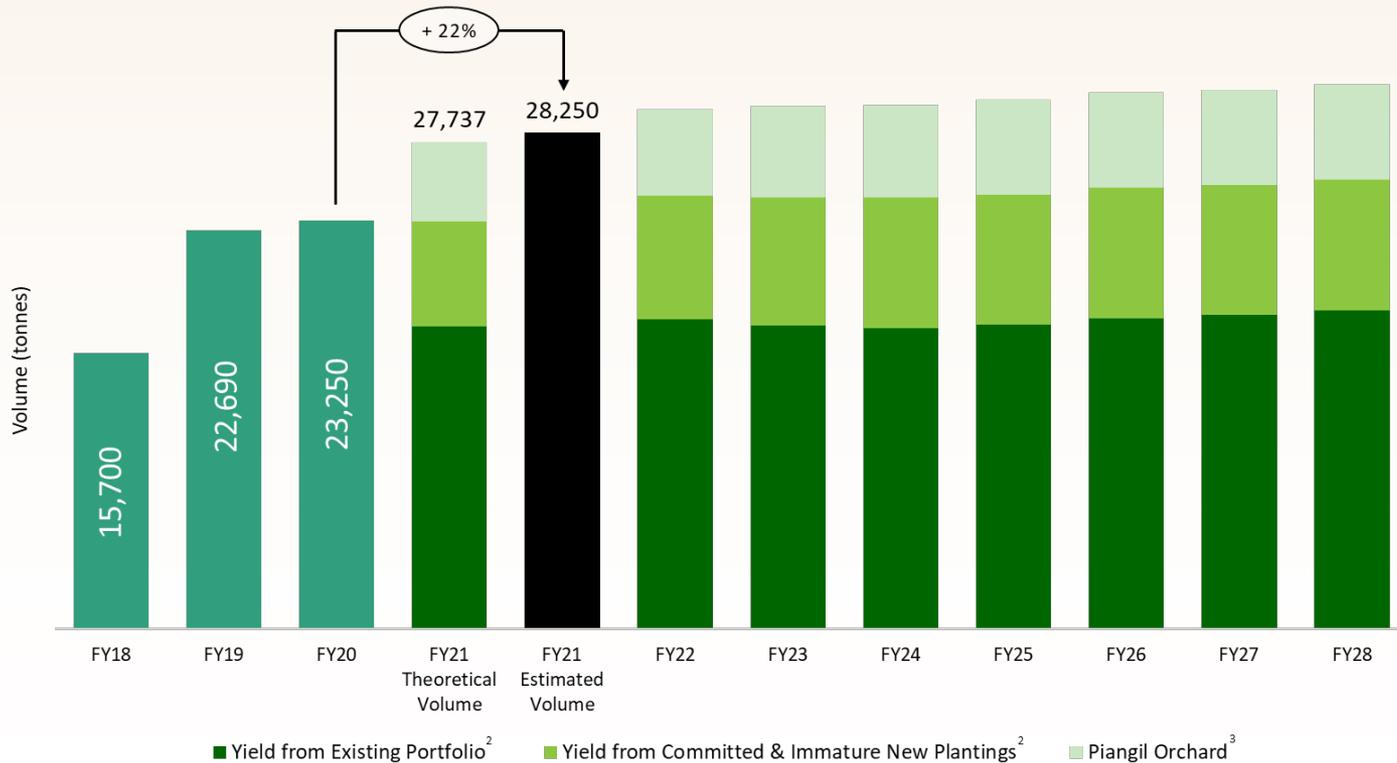


# Volume Growth

Our investment in greenfield developments and orchard acquisitions will platform long term growth



## Select Harvests Theoretical Harvest Volume (2021 – 2028)<sup>1</sup>



<sup>1</sup> The almond crop is biennial in nature with expected +/- 10% per annum variation in tonnage  
<sup>2</sup> Assuming a 3.3MT per ha (1.35MT per acre) maturity profile for Select Harvests' orchards and immature yields based on the average of the 2019 and 2020 crops  
<sup>3</sup> Assuming a 3.5MT per ha (1.4MT per acre) maturity profile for Piangil Almond Orchard.

# Almond Shipment Update

U.S. and Australian almond shipments have responded strongly to lower almond prices

U.S Shipments:	2020/21 Crop YTD (Million Lbs.) Aug 2020 to June 2021	2019/20 Crop YTD (Million Lbs.) Aug 2019 to June 2020	% Change
Carry-in from 2019 crop	450	318	41.4%
Estimated 2020 crop size*	3,110	2,534	22.7%
Less 2% loss/exempt*	62	51	21.6%
<b>Less shipments to date:</b>			
US Domestic:			
Shelled	493	464	6.3%
Manufactured Products	344	325	5.9%
Inshell	6	6	2.3%
Internal Industry Activity	3	5	(36.4%)
Internal Industry Activity	-110	-95	16.5%
<b>Total Domestic</b>	<b>737</b>	<b>706</b>	<b>4.4%</b>
Export:			
North East Asia (inc. China)	327	238	37.6%
Sth East Asia (inc. Vietnam)	61	38	62.8%
Sth Asia (inc. India)	366	254	44.0%
Europe	717	596	20.3%
Mid East/Africa	334	255	31.2%
Others	127	106	18.9%
<b>Total Export</b>	<b>1,932</b>	<b>1,486</b>	<b>30.0%</b>
Less Commitments	496	370	34.0%
<b>Remaining Unsold Supply</b>	<b>333</b>	<b>239</b>	<b>39.6%</b>

Australian Shipments:	2020/21 Crop YTD (MT) Mar 2021 to May 2021	2019/20 Crop YTD (MT) Mar 2020 to May 2020	% Change
<b>Exports:</b>			
Nth East Asia (inc. China)	7,472	5,102	46.5%
Sth East Asia (inc. Vietnam)	1,642	442	271.5%
Sth/Central Asia (inc India)	4,295	1,059	305.6%
Europe	2,538	2,110	20.3%
Mid East/Africa	1,396	700	99.4%
Others	768	1,431	(46.3%)
<b>Total Exports</b>	<b>18,111</b>	<b>10,844</b>	<b>67.0%</b>

Source: Almond Board of California and Almond Board of Australia

<sup>1</sup> Estimates sourced from Derco Foods April 2021 and April 2020 Almond Reports



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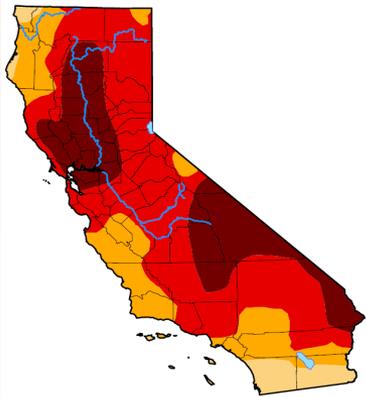


# California Drought Monitor

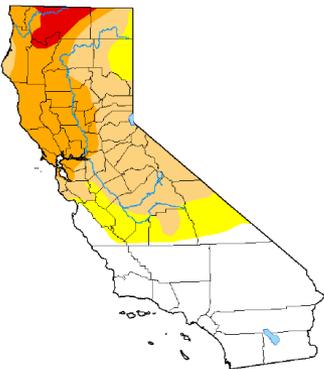
95% of California is currently in a Severe Drought, with 86% of the state in Extreme Drought and 33% in Exceptional Drought

## U.S. Drought Monitor California (July 20, 2021)

July 20, 2021



July 20, 2020



*Drought Conditions (Percent Area)*

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
<b>Current</b>	0.00	100.00	100.00	94.75	85.75	33.42
<b>Last Week</b> <i>07-13-2021</i>	0.00	100.00	100.00	94.75	85.73	33.32
<b>3 Months Ago</b> <i>04-20-2021</i>	0.00	100.00	96.54	85.37	49.86	5.36
<b>Start of Calendar Year</b> <i>12-29-2020</i>	0.00	100.00	95.17	74.34	33.75	1.19
<b>Start of Water Year</b> <i>09-29-2020</i>	15.35	84.65	67.65	35.62	12.74	0.00
<b>One Year Ago</b> <i>07-21-2020</i>	40.34	59.66	48.21	21.50	3.04	0.00

***Intensity:***

- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

*The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>*

### Points to Note

- 86% of California is currently experiencing Extreme Drought, with the state on track for one of the driest years in modern history.
- Almonds are relatively tolerant to drought from a survival standpoint; however, yields are impacted when water applications are reduced.
- Water shortages caused by the drought could lead to lower yields and smaller nut sizes distribution for both the 2021 and 2022 Californian almond crops.
- High water costs due to the Extreme Drought and the impact of California’s Sustainable Groundwater Management Act (SGMA)\* are leading some Californian almond growers to accelerate the removal of planted acres and reduce new plantings.
- SGMA requires governments and water agencies of high and medium priority basins to halt overdraft and bring groundwater basins into balanced levels of pumping and recharge.

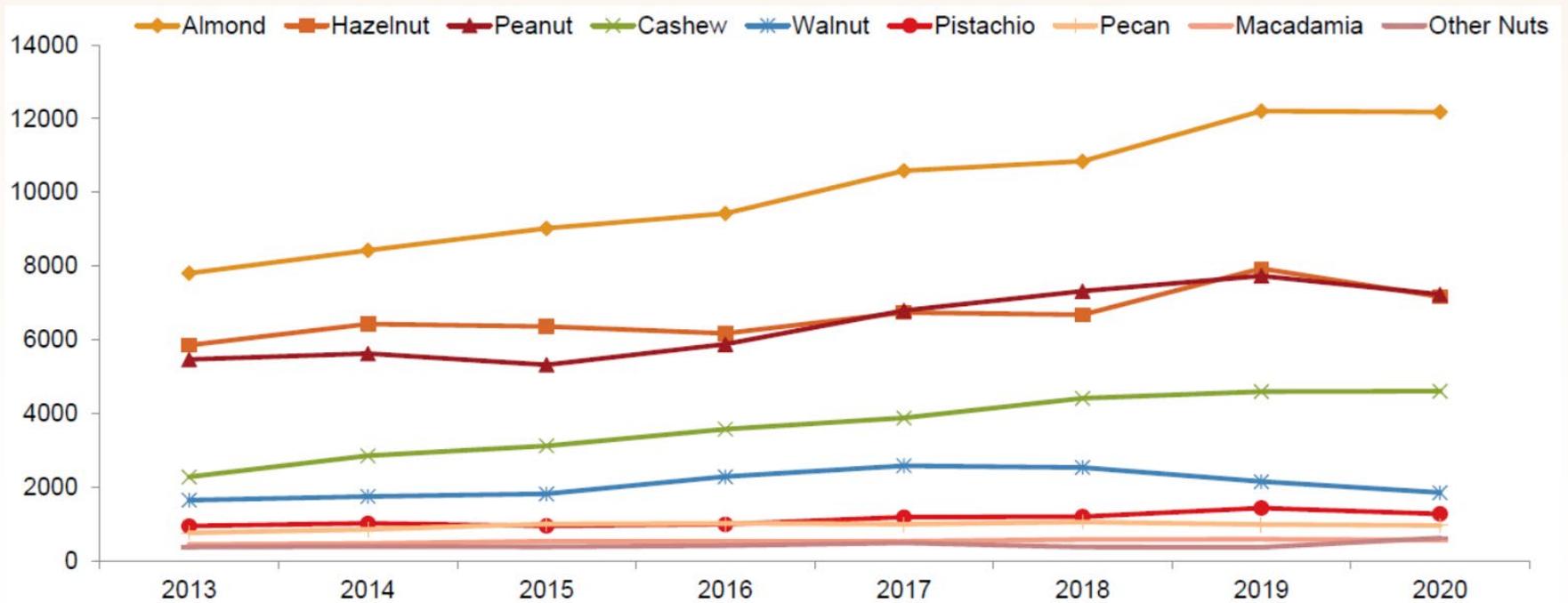
\* [www.water.ca.gov/programs/groundwater-management/sgma-groundwater-management](http://www.water.ca.gov/programs/groundwater-management/sgma-groundwater-management)



# Global Almond Product Introductions

Almonds remain the leading nut type for introductions into new consumer food products globally. This is resulting in increasing demand for value-added manufactured almonds.

## Global New Nut Introductions by Type (2013 to 2020)



Source: Innova Market Insights, May 2021



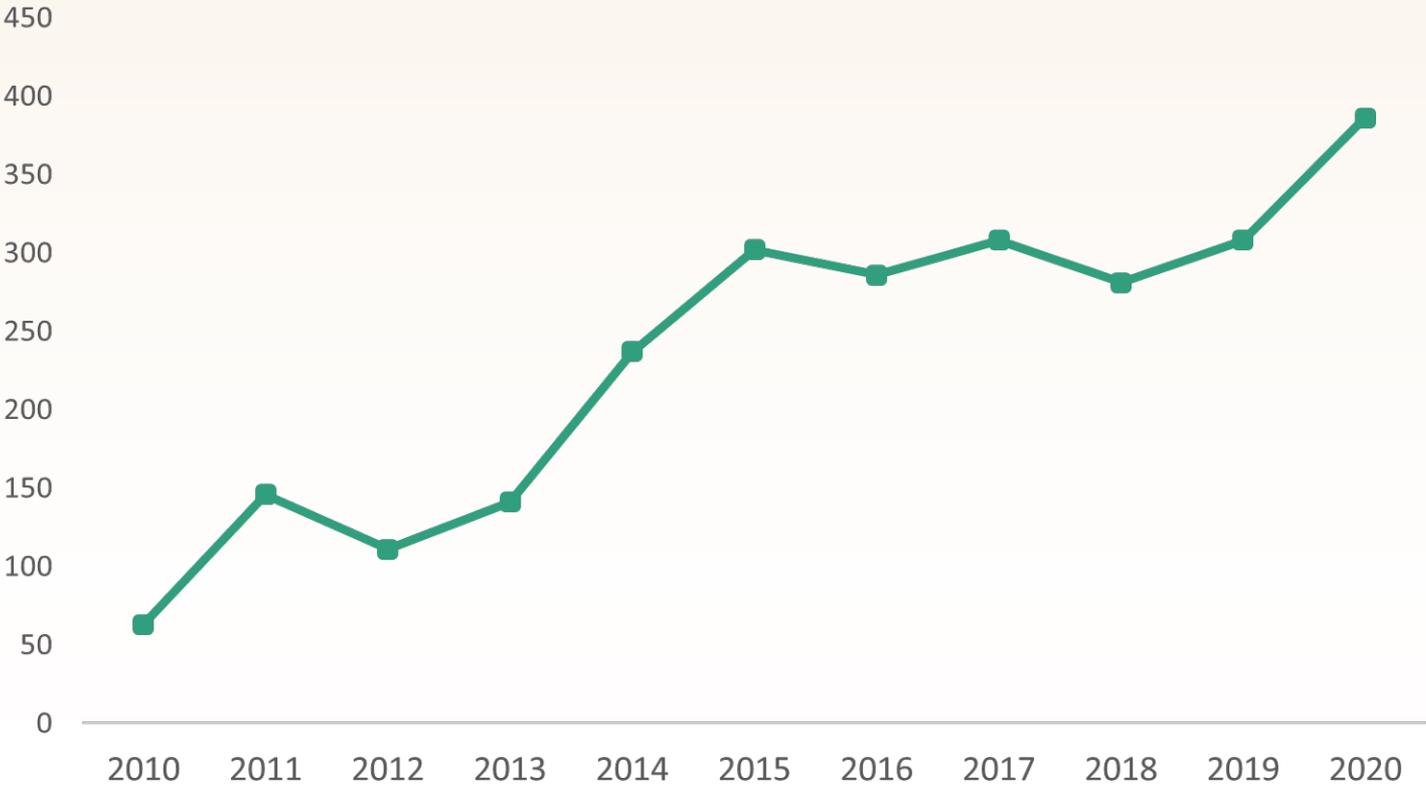
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# Australian Almond Product Introductions

Australian almond introductions increased by 20% CAGR between 2010 and 2020, reaching 386 new products in 2020

### Australian New Almond Introductions (2010 to 2020)



Source: Innova Market Insights, May 2021



# Useful Almond Industry Websites

## Industry Associations

- Californian Almond Board [www.almondboard.com](http://www.almondboard.com)
- Almond Board of Australia [www.australialmonds.com.au](http://www.australialmonds.com.au)

## Industry Reports

- US Crop Forecasts (Subjective, Objective) <https://www.almonds.com/tools-and-resources/crop-reports>
- Monthly Almond Position Reports <https://www.almonds.com/tools-and-resources/crop-reports/position-reports>
- Almond Almanac <https://www.almonds.com/tools-and-resources/crop-reports/almond-almanac>
- UC Davis Almond Development Costings <https://coststudies.ucdavis.edu/en/current/commodity/almonds/>

## Almond Companies

- Blue Diamond Growers [www.bluediamond.com](http://www.bluediamond.com)
- Blue Diamond Ingredients [www.bdingredients.com/category/almond-market-analysis](http://www.bdingredients.com/category/almond-market-analysis)
- Almond Insights [www.almondinsights.com](http://www.almondinsights.com)
- Derco Foods [www.dercofoods.com/en/english-reports/english-almond-reports](http://www.dercofoods.com/en/english-reports/english-almond-reports)
- RPAC Almonds [www.rpacalmonds.com/marketnews](http://www.rpacalmonds.com/marketnews)
- Wonderful Pistachios & Almonds [www.wonderfulpistachiosandalmonds.com/#ourdifference](http://www.wonderfulpistachiosandalmonds.com/#ourdifference)

## Definition & Explanations

<sup>1</sup>EBITDA, EBIT & ROCE are Non-IFRS measures used by the company are relevant because they are consistent with measures used internally by management and by some in the investment community to assess the operating performance of the business. The non-IFRS measures have not been subject to audit or review.



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