

Select Harvests Limited (ASX:SHV)

FY2019 Full Year Results Presentation to 30 September 2019

29 November 2019



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.

Note*: All financial comparatives are based against the last 12 month audited financial period being the Financial Year ended 30 June 2018.



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FY2019 Financial Overview

NPAT

\$53.0m
↑ \$32.6m

EBITDA¹

\$95.2m
↑ \$43.5 m

EPS

55.5 cps
↑ 139.7%
- Final dividend of 20 cps fully franked

Net Debt/Equity

6.6%
- \$27.4m Finance Leases
- \$0 Bank Debt
- Net \$7.9m Cash on Hand

Annualized ROCE

16.5%
↑ 9.2 ppts

Operating Cashflow

\$80.3m
↑ \$62.0m

¹ - Non-IFRS measure 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.

Financial metrics across all areas have improved significantly

FY2019 Business Overview

Almond Volume

22,690 MT
↑ 44.5%

- Better than industry standard yields across all tree age cohorts and geographies
- Increased bearing hectares

Almond Price

\$8.60/kg
↑ 6.8%

- Continued global demand
- AUD/USD exchange rate hedged below 71c

Almond Division EBIT

\$82.2m
↑ \$46.8m

- Increased almond volumes
- Improved almond pricing
- Improved cost per kg

Food Division EBIT

\$5.0m - FLAT

- Strong demand for value added product in Asian markets
- Challenging domestic retail environment with home-brands impacting the cooking nuts segment

People, Culture and Sustainability

- Lost Time Injuries Down 61.1%
- H2E producing consistent results including the production of compost
- First culture survey complete
- Over \$150,000 donated to local community projects

Corporate

- Prepared for AASB Lease Accounting transition
- JDE implemented into the Food Division
- Focus on cashflow – bank debt fully paid

Select Harvests now has a solid base to grow

Income Statement

Income Statement \$ Millions	FY 2018*	FY 2019	Variance	%
Almond Volumes MT	15,700	22,690	6,990	44.5%
Almond Price Per KG	8.05	8.60	0.55	6.8%
Total Revenue	210.2	298.5	88.3	42.0%
EBITDA	51.7	95.2	43.5	84.1%
Depreciation and Amortisation	16.8	15.1	1.7	10.1%
Almond Division EBIT	35.4	82.2	46.8	132.2%
Food Division EBIT	5.0	5.0	-	0.0%
Corporate	(5.5)	(7.1)	(1.6)	(29.1%)
Total EBIT	34.9	80.1	45.2	129.5%
Net Financing Costs	(5.4)	(4.0)	1.4	26.7%
Tax Expense	(9.1)	(23.1)	(14.0)	(153.7%)
NPAT	20.4	53.0	32.6	159.8%
EBITDA Margin (%)	25%	32%	7%	29.7%
EBIT Margin (%)	17%	27%	10%	61.4%
Earnings Per Share (cents)	23.2	55.5	32.3	139.2%

*Financial Year Ended 30 June 2018

Strong FY2019 Profit Result Delivered

- Increased revenue reflects higher 2019 crop value
- FY 2019 EBITDA¹ \$95.2m (FY 2018 \$51.7m) - higher result driven by larger crop and firm \$A pricing
- Almond Division EBIT¹ \$82.2m (FY2018 \$35.4m)
 - Prior year crop valuation adjustment of (\$2.6M) – downward grading and re-pricing of crop
 - Total net 2019 crop costs (excl. tree depn.)/kg down by 14.7%
- Food Division EBIT¹ stable at \$5.0m (FY2018 \$5.0m)
 - Improved Industrial product margin and volumes – China exports
 - Lower Retail product margin – private label impact
 - Retail export growth delayed
- Corporate costs higher due to JDE Food Division implementation
- Improved NPAT of \$53.0m (FY2018 \$20.4m)

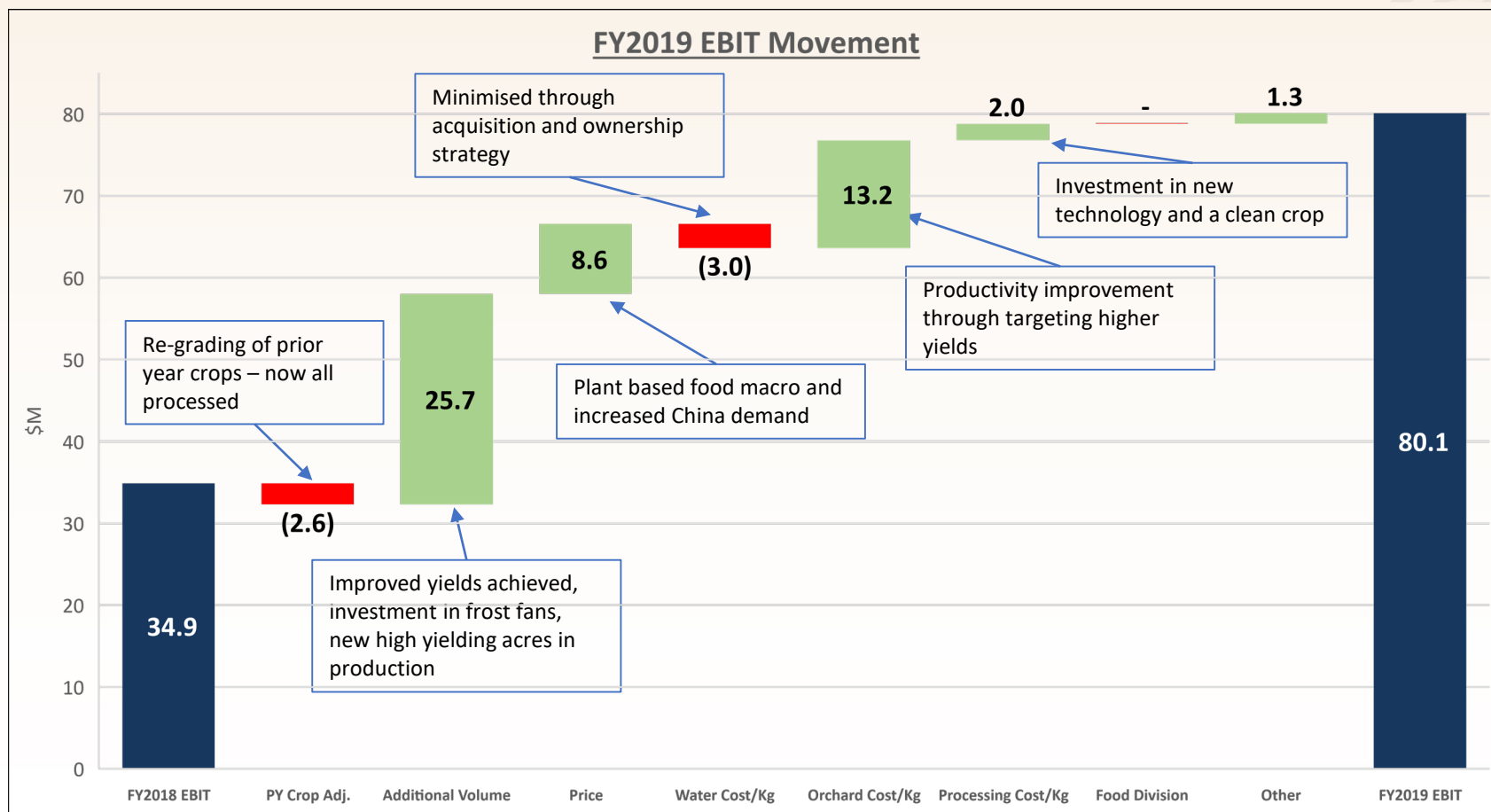
Strong financial result platformed by the Almond Division



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Movement in SHV Group EBIT (\$M)



*Financial Year Ended 30 June 2018

Increased volumes, higher pricing and improved efficiency have led to an improved result

Balance Sheet

Year Ending Balance Sheet

\$ millions	FY 2018*	FY 2019
Current Assets excl. Cash	152.0	162.1
Cash	6.9	11.6
Non-Current Assets	363.8	379.2
Total Assets	522.7	552.9
Current Liabilities (exc. Borrowings)	44.6	55.4
Borrowings	65.8	39.0
Non-Current Liabilities (excl. Borrowings)	41.6	42.5
Total Liabilities	152.0	136.9
Total Equity	370.6	416.0
Net Debt (Including Finance Leases)	58.9	27.4
Net Debt/Equity	15.9%	6.6%
ROCE	7.3%	16.5%

* Balances as at 30 September 2018

Solid Balance Sheet In Place

- Increased current assets – working capital of \$129.7m is higher due to value of 2020 growing crop (inventory) – as immature trees develop
- Increased non-current assets due to ongoing investment in the development of immature orchards
- Net debt including finance leases \$27.4m (FY2018 \$58.9m) – additionally there is net \$7.9m cash on hand (\$0 bank debt) reflecting positive cashflows
- Gearing (net debt/equity) is 6.6% (FY2018 15.9%)
- Return On Capital Employed (ROCE) improved as orchards mature and start yielding and improved efficiency

Balance sheet is strong – bank debt paid down to \$0 as communicated



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Cash Flow

Cash Flow \$ millions	FY 2018*	FY 2019
EBITDA	51.7	95.2
Change in Working Capital	(19.8)	(14.0)
Tax Paid	(8.5)	3.1
Net Interest	(5.1)	(4.0)
Cash Flow From Operations	18.3	80.3
Investing Cash Flows	(25.9)	(33.9)
Proceeds from share issue	86.5	-
Increase/(decrease) in debt	(75.9)	(30.2)
Dividends paid	(3.8)	(14.9)
Net (Decrease)/Increase in Cash/Cash Equivalents	(0.8)	1.3

*Financial Year Ended 30 June 2018

Cashflows Driven By Performance

- Improved EBITDA¹ of \$95.2m - operational performance
- Cash generated used to pay down debt and invest in equipment – processing improvement, frost fans and farm matrix increase
- FY2019 Investing cash flows of \$33.9m driven by:
 - Tree & Orchard Development \$15.9m
 - Property Plant & Equipment \$19.1m
 - Water Rights \$ 1.2m
 - Grant Income (\$ 2.3m)

Improved cash position lays a solid foundation for the future

A photograph of an almond orchard during harvest. The ground is covered with a thick layer of green and brown almond husks and leaves. In the background, a yellow tractor with "SHOCK WAVE" written on its side is visible. A person's legs and feet are also visible on the right side of the frame.

Almond Division



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FY2019 Almond Division Overview

Almond EBIT

\$82.2m
↑ \$46.8m

- Volume, price and production cost per Kg

Almond Volume

22,690 MT
↑ 44.5%

- Good Conditions
- Improved Horticultural programs
- Frost rebound
- Increased bearing hectares

Almond Price

\$8.60/kg
↑ 6.8%

- AUD/USD hedged below 71c
- Strong demand globally
- Higher in-shell mix
- 100% of crop committed

Production Cost Per KG

Cost per Kg down
14.7%

- Horticultural costs per kg (excl. water) reduced by 21.4%
- Processing cost per kg reduced by 16.6%
- Water costs per kg increased by 52.0%

Water

Impact kept to a minimum

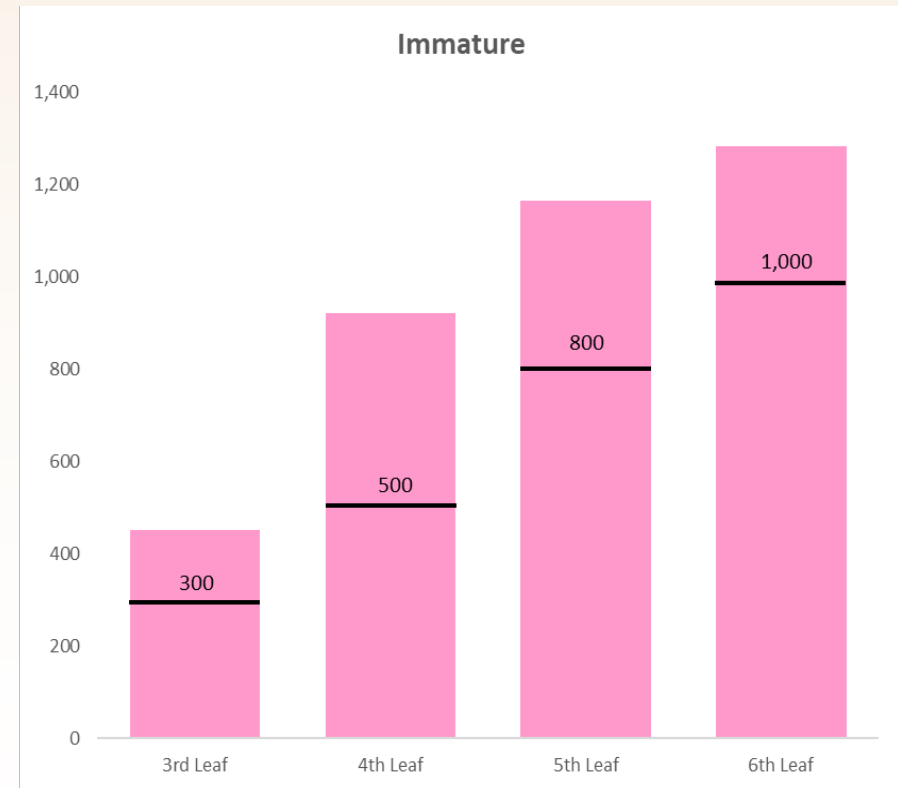
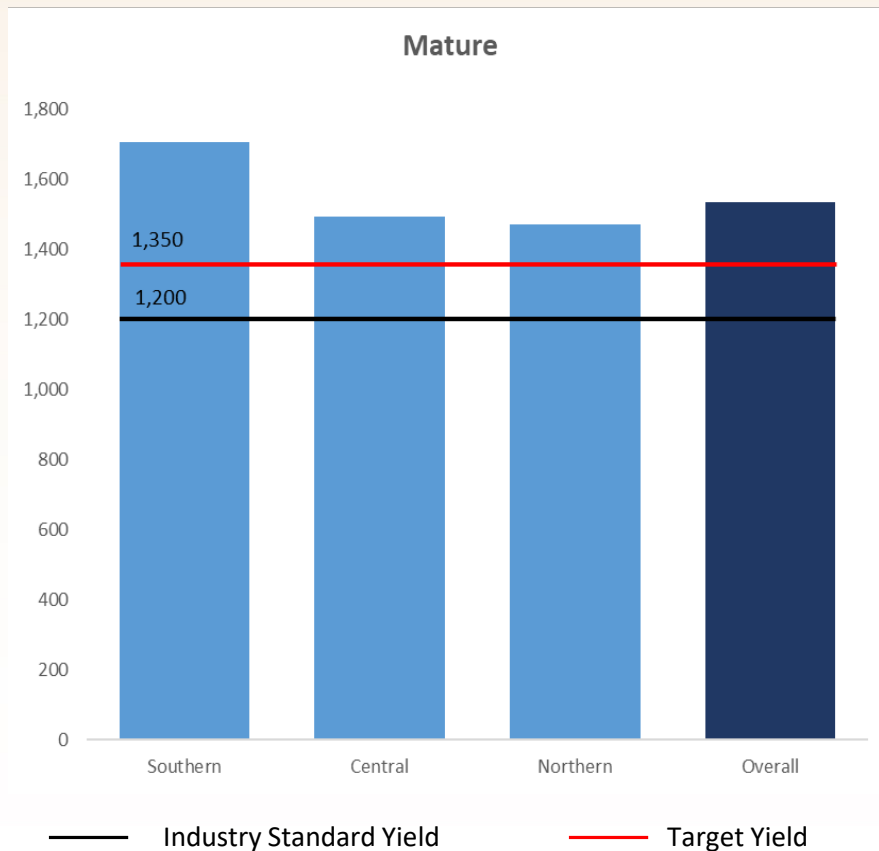
- Ownership and management strategy mitigated full cost increase impact
- Further increases in entitlement value
- Increases in annual allocation value

Developments/Acquisitions

Kydnalyn Park
Final stage completed
142 HA

Investment in growth & productivity delivering - higher volume, improved quality and improved cost profile

2019 Yield Performance

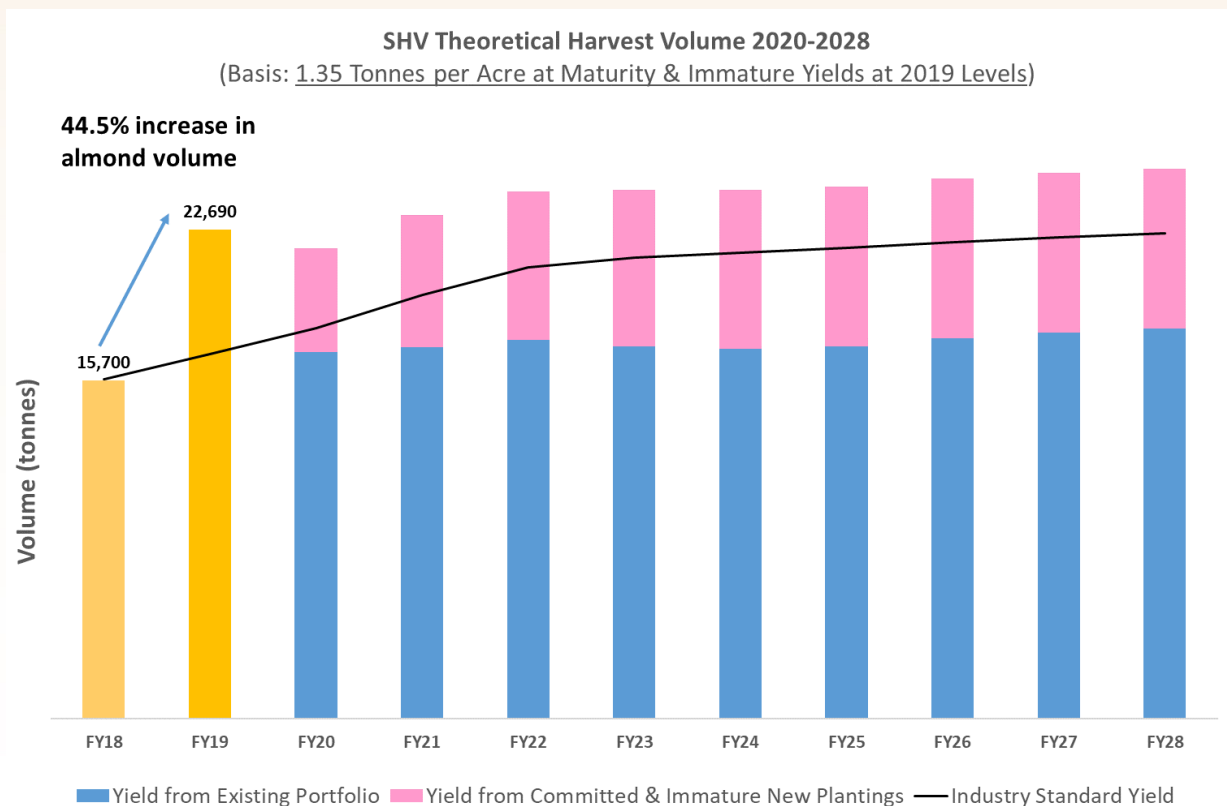


Outperformance vs. Industry Standard across all mature and immature age cohorts and regions

Volume Growth

Select Harvests is now consistently yielding over 1.35 tonnes per acre – this adds considerable value in future years

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



Our investment in almond orchards ensures underlying organic earnings growth



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What Select Harvests is doing to manage water

- **SHV policy is to have a portfolio of water sources to minimize exposure to seasonal pricing including:**
 - Entitlement ownership
 - Long and short term lease
 - Forward contract
 - Spot purchases of annual allocations
- **Executive dedicated to water purchasing liaising to Water Committee and Board**
- **Executive dedicated to managing efficiency of water infrastructure and on orchard staff**
- **CAPEX program to ensure best transport and distribution of water (e.g. intensive fertigation systems)**
- **A/B irrigation infrastructure to allow varietal irrigation**
- **Phytec irrigation technology to manage water timing and application rates**
- **Recycle excess water where feasible**
- **72 staff trained by SuniTafe: Including irrigation management plus leadership and management**

Through improvements in productivity we are targeting 7% reduction in water usage without impacting yields



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Almond Division Outlook

Crop Volume

- Good pollination and growing conditions to date
- Immaturity profile and risk mitigation will continue to provide benefits

Sales

- Global almond macro is increasingly strong
- Continued growing demand in key export markets
- Minimal carry-over inventory in the industry

Horticulture

- Increased investment in risk mitigation - further frost fan installation will be reviewed before next season
- Increased expenditure on orchard hygiene to improve quality

Processing

- Upgrading In-shell sorters
- Doubling Sorting and Packing capacity
- Leveraging H2E

Water

- Challenging and a key focus of orchard management
- 2020 water purchases largely complete
- ACCC submission supported

Expansion

- No new developments planned
- No acquisition currently being assessed

Too early in the horticultural cycle to be able to confidently forecast 2020 crop.



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Food Division



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FY2019 Food Division and Corporate Overview

Food Division EBIT

**\$5.0m
FLAT**

Industrial Sales

- China market has continued to expand for value-add products ex Parboil & Thomastown
- Plant based ingredients growth is strong in all segments

Consumer Sales

- Lucky branded cooking nuts market share stabilised following the introduction of Coles house brand
- Sunsol sales continue to increase
- Export sales channels continue to be developed

Processing Cost

- Commodity prices remain strong impacting raw material costs
- Weakened AUD impacting cost
- Thomastown and Parboil have kept conversion cost flat

Growth

- Sunsol Pro-Biotics
- PepsiCo China channel
- Industrial sales

Awards

- Governor of Victoria Export Award- Agribusiness Food and Beverage Category
- Product of the Year 2020 (Winner Health Food Cereal Category)- Consumer Survey
- Healthy Food Guide Awards 2019 (Best Packaged Savoury Snack category)

Solid performance in challenging environment

'Project Shaker'

Project Shaker's aim is to significantly improve the operational efficiency and profitability of the Food Division

■ Sales & Marketing

- Re-launch Lucky brand, including packaging upgrades, advertising and new product innovation
- Develop the Sunsol brand - use data and consumer insight and innovation
- Achieve improved overhead recovery through selected private label contracts
- Continue to aggressively expand into export markets

■ Operations, Logistics & Warehousing

- CAPEX investment to enhance plant efficiency to deliver lowest conversion cost per kg
- CAPEX investment to deliver alternative packaging formats
- Invest in people and planning to increase Thomastown OEE
- Improve purchasing, warehousing and logistics cost/efficiency

■ M&A

- Pursue value accretive acquisitions to enhance SHV's capabilities, reach and market penetration

Project Governance in place – initiatives underway



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Awards

Governor of Victoria's Export award for 2019 in the Agribusiness Food and Beverages Category

- In judging the award, the following areas were highlighted: the recent success of both the Industrial and Consumer Divisions in South East Asia and China, the commitment to innovation, sustainability and community, plus our investment in Horticulture and Value adding technology.
- Select Harvests is a national finalist in the 57th Australian Export Awards

Product of the Year 2020 Award for Sunsol PRO-biotic Toasted muesli range

- Sunsol PRO-biotic Almond & Manuka Honey AND Almond, Cashew & Chia Toasted muesli won the consumer survey based Product Innovation 2020 award.
- Both products are winners in the Health Food Cereal category. Survey of 10,000 people by Nielsen. Product of the Year surveys 35 categories in total.

Healthy Food Guide Award 2019 for Lucky Smart Snax Protein

- The 2019 Healthy Food Guide Awards are a credible guide to the most nutritious food products in supermarkets, judged by a panel of dietitians and nutritionists.
- Lucky Smart Snax Protein was the winner of the award in the Best Packaged Savoury Snack Category.



FY2020 Food Division & Corporate Outlook

Industrial Sales

- Continued strong demand in Export Market
- Strong relationships developed in China
- Increased demand for paste related product
- Tightening in local market

Lucky

- New packaging and marketing program to re-engage consumers
- Continue with China/PepsiCo license
- New Product Development pipeline exciting

Sunsol

- Continue growth through export
- Further New Product Development opportunities centered around Probiotics

Processing Cost

- Increase focus on OEE & quality
- Strategic and replacement CAPEX investment to reduce cost

People, Culture & Sustainability

- Zero harm
- Invest in leadership capabilities
- Step change on sustainability reporting
- Modern Slavery requirements imbedded

Corporate

- Standardise JDE processes across the group
- Focused capital and cash management disciplines in place
- Assess commercially attractive growth options

Growth in the Food Division remains a key focus

Almond Crop Update

Almond Board of California October 2019 Position Report:

- USDA Subjective Estimate - 10 May 2019 = 2.20 billion pounds (1 million MT)
- Industry forecasting 2.3 to 2.4 billion pounds
- Oct YTD Receipts 1.60 billion vs 1.55 billion pounds LY up 2.36%
- Shipments 609m vs 570m pounds LY up 6.89%
- Commitments 693m vs 586m pounds LY up 18.31%

Almond Board of Australia 2019 September Position Report

- 2019 Crop – 100,000MT
- Domestic annual consumption approx. 25,000MT
- YTD Export shipments 62,445MT vs 47,002MT LY up 32.8%
- 2018 Full Year Export 60,894MT

Market pricing is dependant on future US crop



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Strategy and 2020 Priorities



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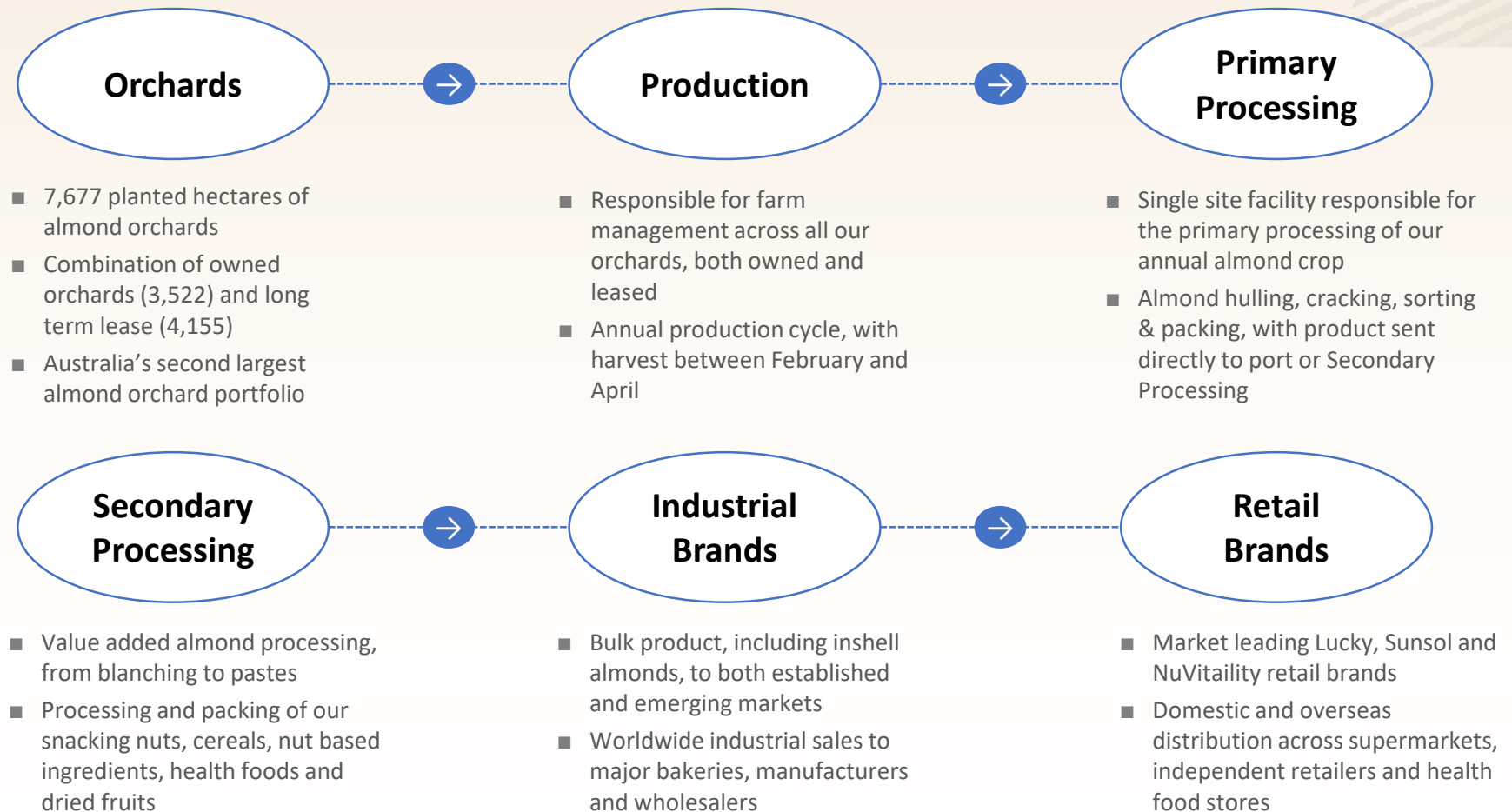
Select Harvests – in control of our destiny



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Vertically Integrated from 'Paddock to Plate'



Vertically Integrated across the entire supply chain from almond orchards to consumer and industrial brands



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FY2020 Top 10 Priorities

1. **Continue 2020 Crop Horticultural Program** – Ensure optimal tree health and production
2. **Implement New Technology** – Capital investment in new sorting technology (improved quality)
3. **Cost Reductions** - Continue to reduce cost per kg across all production stages
4. **Mitigate Water Cost** - With increasingly dry conditions, water management is critical
5. **Manage Cash Position** - Improve working capital and cash conversion rate
6. **Growth** – Assess organic and inorganic options to deliver additional growth
7. **Consumer Foods** – Deliver process improvement project to improve efficiencies
8. **Capital Investment** – Prioritise investment to deliver improved quality outcomes
9. **Execute Export Growth Strategy** - Opportunities in Industrial and Consumer
10. **Corporate** – Standardise and improve processes seamlessly across all Divisions

Fundamentals remain positive and clear opportunities to improve exist

Thank you

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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



Select Harvests - Financial History

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	2009	2010	2011	2012	2013	* 2014	2015	2016	2017	2018	2018	
RESULTS FOR YEARS ENDED 30 SEPTEMBER/ JUNE	30-June										30-September	
Total sales	248,581	238,376	248,316	246,766	190,918	188,088	223,474	285,917	242,142	210,238	67,581	298,474
Earnings before interest and tax	26,827	26,032	22,612	(2,495)	5,241	31,288	85,845	49,785	16,979	34,869	(1,052)	80,065
Operating profit before tax	23,047	23,603	18,473	(8,743)	198	26,833	80,514	44,290	11,978	29,464	(2,089)	76,108
Net profit after tax	16,712	17,253	17,674	(4,469)	2,872	21,643	56,766	33,796	9,249	20,371	(1,536)	53,022
Earnings per share (Basic) (cents)	42.6	43.3	33.7	(7.9)	5.0	37.5	82.9	46.7	12.6	23.2	(1.6)	55.5
Return on shareholders' equity (%)	16.6	15.2	10.5	(2.8)	1.8	12.3	19.8	11.6	3.3	5.4	(0.4)	12.7
Dividend per ordinary share (cents)	12	21	13	8	12	20	50	46	10	12	0	32
Dividend franking (%)	100	100	100	100	100	55	-	54	100	100	N/A	100
Dividend payout ratio (%)	28.2	48.5	38.6	(101.3)	239.8	53.5	62.8	99.1	79.4	51.7	N/A	57.7
Financial ratios												
Net tangible assets per share (\$)	1.56	1.87	2.17	2.19	2.14	2.38	3.35	3.22	2.95	3.34	3.21	3.60
Net interest cover (times)	7.10	10.70	6.70	(0.4)	1.0	6.9	15.9	9.0	3.4	6.4	(1.0)	20.2
Net debt/equity ratio (%)	51.9	39.6	43.3	41.7	49.6	54.0	38.2	23.1	52.5	18.7	15.9	6.6
Current asset ratio (times)	0.79	1.44	1.96	1.42	1.61	4.02	3.36	1.90	1.05	4.49	3.21	2.74
Balance sheet data as at 30 June												
Current assets	81,075	83,993	91,228	76,936	123,303	136,639	207,782	155,521	136,610	162,118	158,855	173,666
Non-current assets	133,884	145,612	214,352	202,371	180,542	194,080	280,130	294,251	343,081	354,435	363,766	379,190
Total assets	214,959	229,605	305,580	279,307	303,845	330,719	487,912	449,772	479,691	516,553	522,621	552,856
Current liabilities	102,348	58,469	46,454	54,369	76,800	33,988	61,893	81,783	130,371	36,104	49,412	63,455
Non-current liabilities	11,735	57,515	90,311	64,608	67,540	121,325	138,632	77,088	71,701	101,809	102,570	73,398
Total liabilities	114,083	115,984	136,765	118,977	144,340	155,313	200,525	158,871	202,072	137,913	151,982	136,853
Net assets	100,876	113,621	168,815	160,330	159,505	175,406	287,387	290,901	277,619	378,640	370,639	416,003
Shareholders' equity												
Share capital	46,433	47,470	95,066	95,957	97,007	99,750	170,198	178,553	181,164	268,567	268,567	271,750
Reserves	12,949	11,327	11,201	10,472	9,144	12,190	12,818	11,168	11,602	9,601	9,802	10,417
Retained profits	41,494	54,824	62,548	53,901	53,354	63,466	104,371	101,180	84,853	100,472	92,270	133,836
Total shareholders' equity	100,576	113,621	168,815	160,330	159,505	175,406	287,387	290,901	277,619	378,640	370,639	416,003
Other data as at 30 June												
Fully paid shares (000)	39,519	39,779	56,227	56,813	57,463	57,999	71,436	72,919	73,607	95,226	95,226	95,737
Number of shareholders	3,296	3,039	3,227	3,359	3,065	3,779	4,328	8,908	11,461	11,943	11,884	10,331
Select Harvests' share price												
- close (\$)	2.16	3.46	1.84	1.30	3.27	5.14	11.00	6.74	4.90	6.90	5.32	7.69
Market capitalisation	85,361	137,635	103,458	73,857	187,904	298,115	785,796	491,474	360,674	657,059	506,602	736,218
\$'000 (except where indicated)												

* The 2014 result has been restated due to the early adoption of changes to Accounting Standards, AASB 116 Property, Plant and Equipment, and AASB 141 Agriculture, impacting 'bearer plants'.

Source: Company Data



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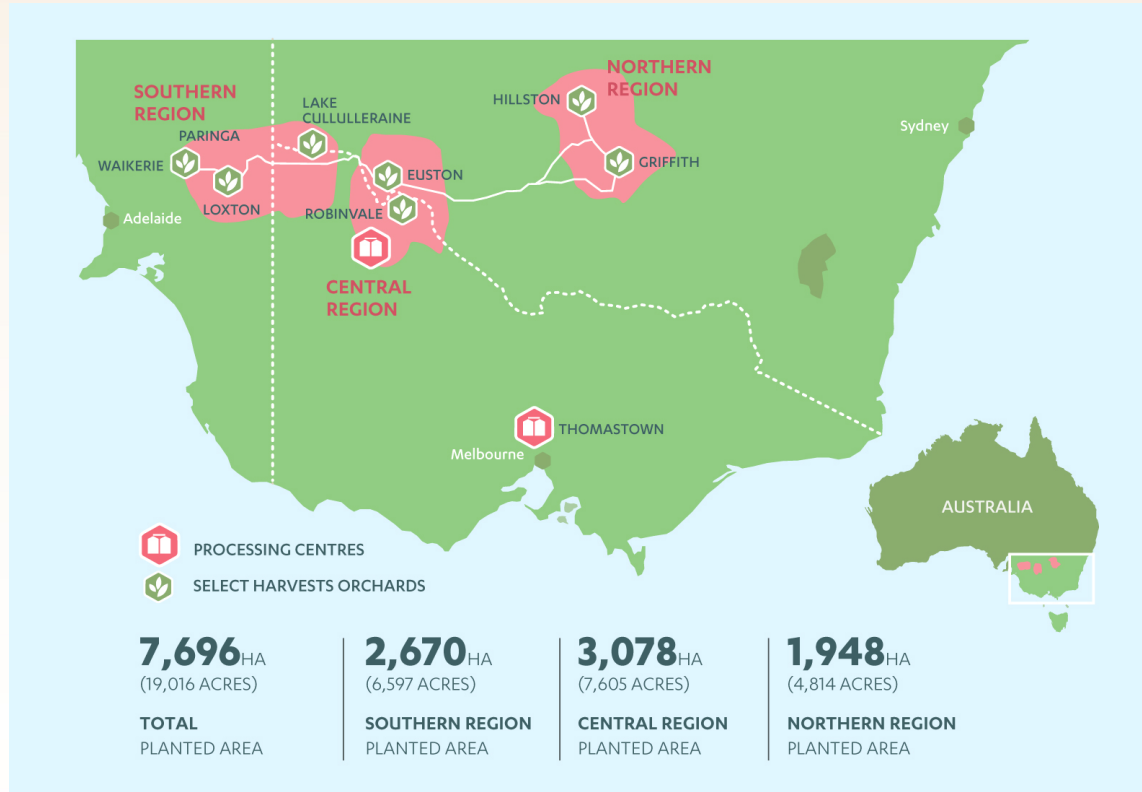
Almond Orchards – Our productive foundation

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.

Select Harvests has a global scale - planted almond orchard portfolio of 7,696 hectares

Select Harvests – Orchard Profile

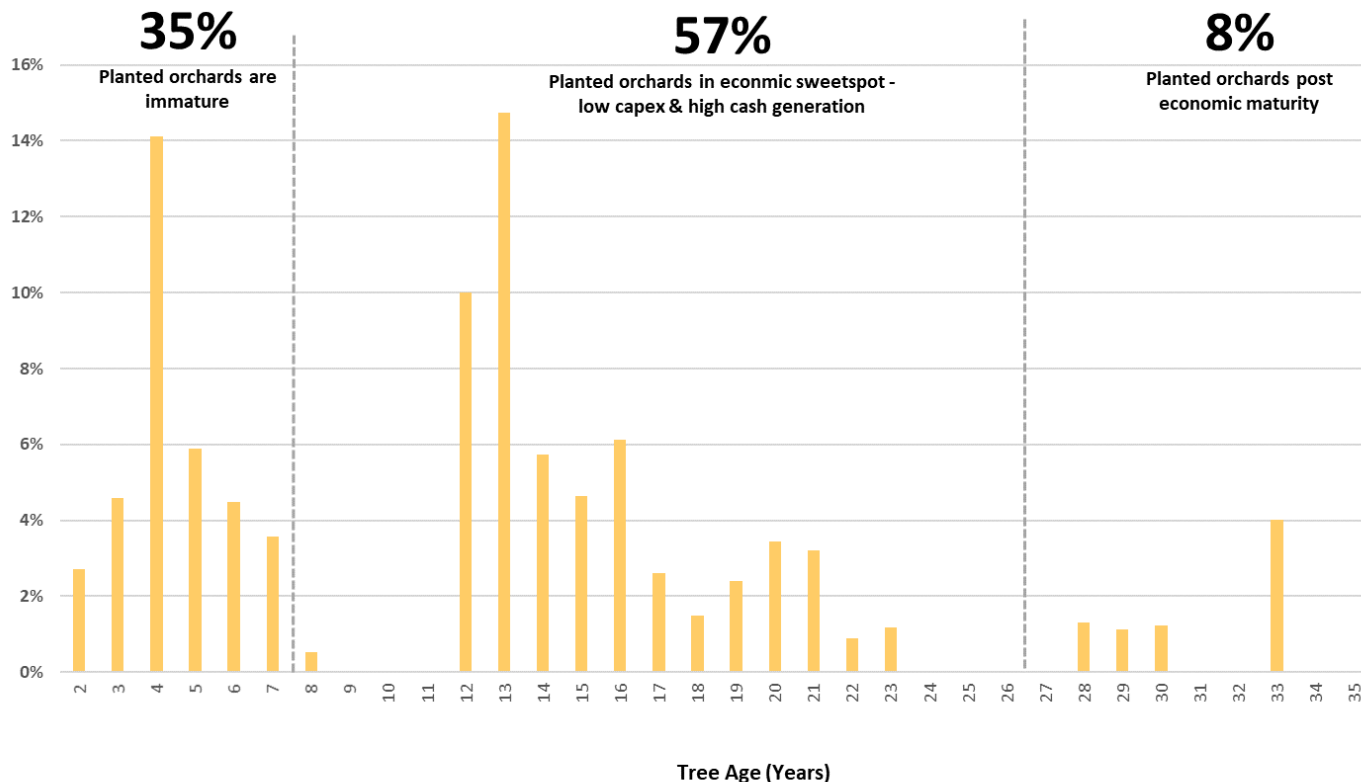
Select Harvests Almond orchard portfolio	Total Planted (as at 30 September 2019)	
	Acres	Hectares
Central Region		
Company Owned	4,183	1,693
Leased	3,422	1,385
Total	7,605	3,078
Northern Region		
Company Owned	1,797	727
Leased	3,017	1,221
Total	4,814	1,948
Southern Region		
Company Owned	2,769	1,121
Leased	3,828	1,549
Total	6,597	2,670
Total		
Company Owned	8,749	3,541
Leased	10,267	4,155
Total	19,016	7,696

Select Harvests is 19% of Australia's almond acreage

Optimise Almond Base - Orchard Age Profile

Age Profile of SHV Almond Orchard Portfolio

93% of current planted acres are cash generative



Growth and improvement occurred in SHV orchard portfolio in recent years - acquisition, replants, greenfields



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Targeting an Above Average Yield Per Acre @ Maturity

Year	Harvest Volume (tonnes) per acre based on 1.2 Tonnes per Acre @ Maturity	Harvest Volume (tonnes) per acre based on 1.35 Tonnes per Acre at Maturity & Immature Yields at 2019 Levels
1	0.0	0.0
2	0.0	0.0
3	0.3	0.45
4	0.5	0.92
5	0.8	1.16
6	1.0	1.28
7+	1.2	1.35

Note:

Biennial Nature of Crop

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

Variation between Regions and Farms

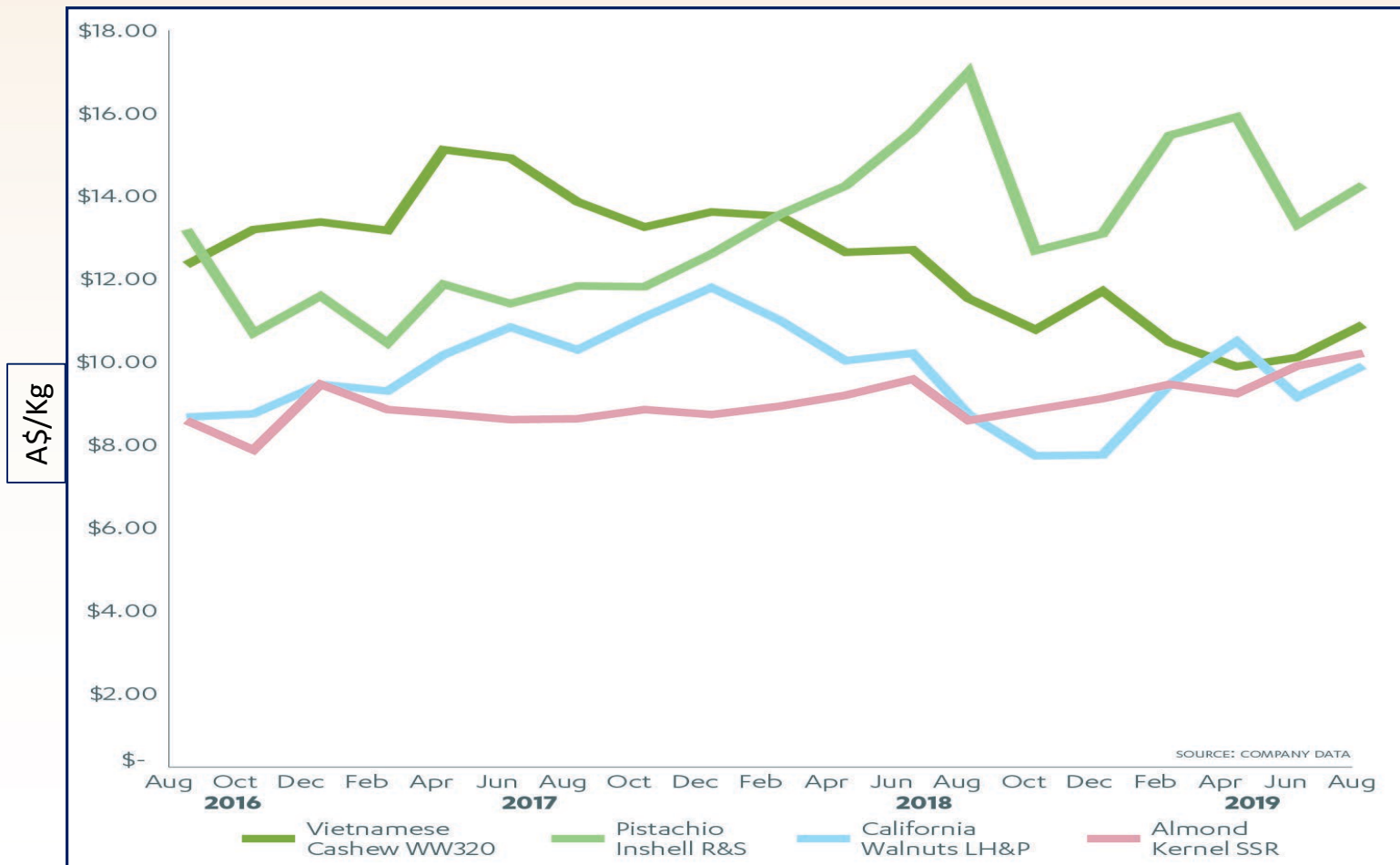
- Yields are not uniform and vary across both farms and growing regions

Post Economic Maturity Yield

- The yield for post economic maturity farms deteriorates as tree age increases

Significant tonnage upside available with a higher yield per acre at maturity

Tree Nut Pricing



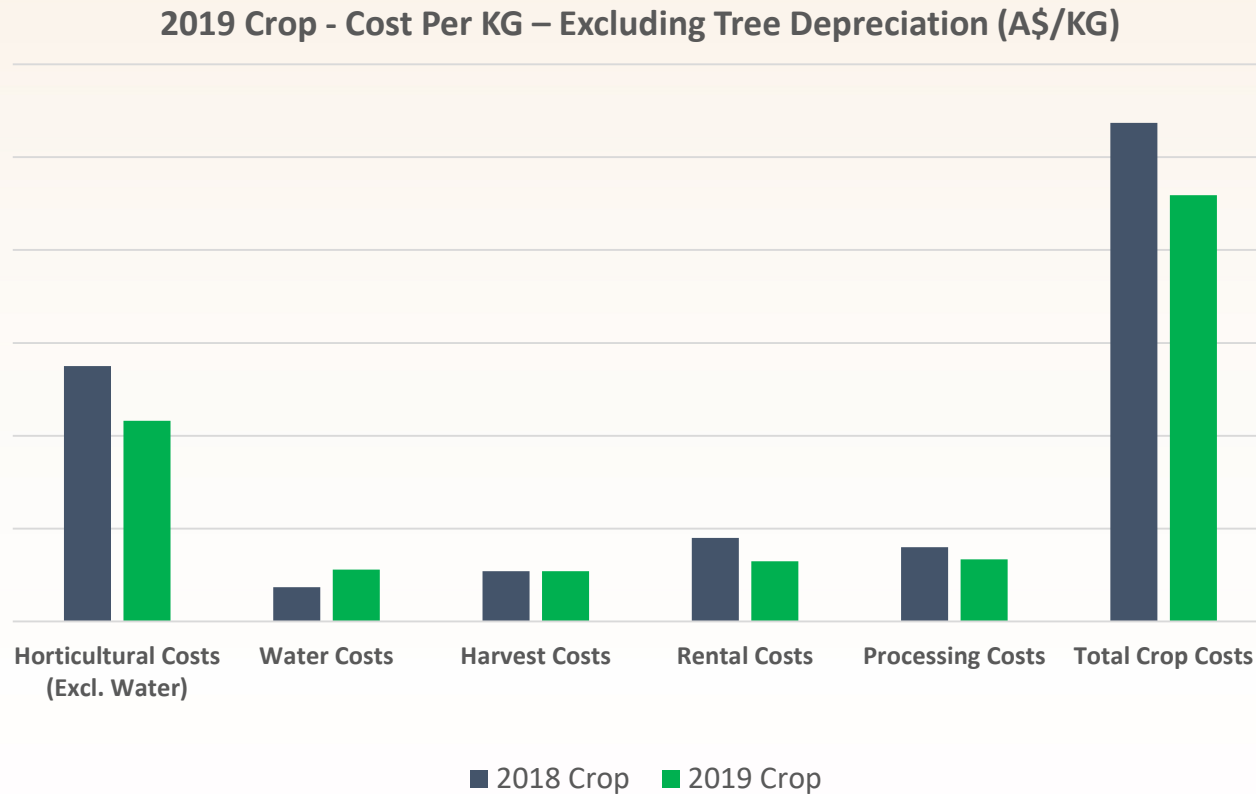
Almonds are currently the best value in the basket - driving consumption



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Cost of production



Achieving increased yields has led to improved productivity



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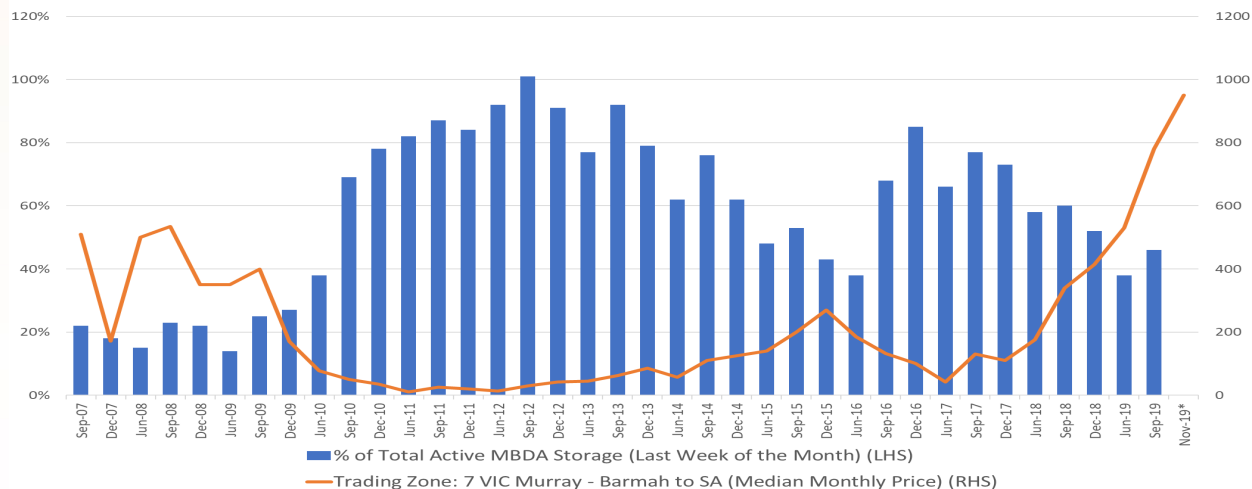


Water Market Pricing

■ Water prices have decoupled from supply and demand fundamentals

- The drought is having a major impact on water prices, but is not the only factor underpinning higher water prices
- Influence of increased permanent cropping on demand and deliverability
- Governments policies and intervention: buybacks, water efficiency grants, trade restrictions between zones (IVT) inter valley trading, inconsistent carry-over policies, and extraction licenses above sustainable resource availability
- Environmental flow obligations and timing
- Sophisticated financial investors in both entitlement and annual allocation markets
- Global commodity prices remaining buoyant

Water Storage vs. Annual Allocation Prices



*Nov-19 storage not yet available

**The drought is having a major impact, but is not the only factor underpinning higher prices.
Our water strategy protects us from the full impact of the recent price increase**



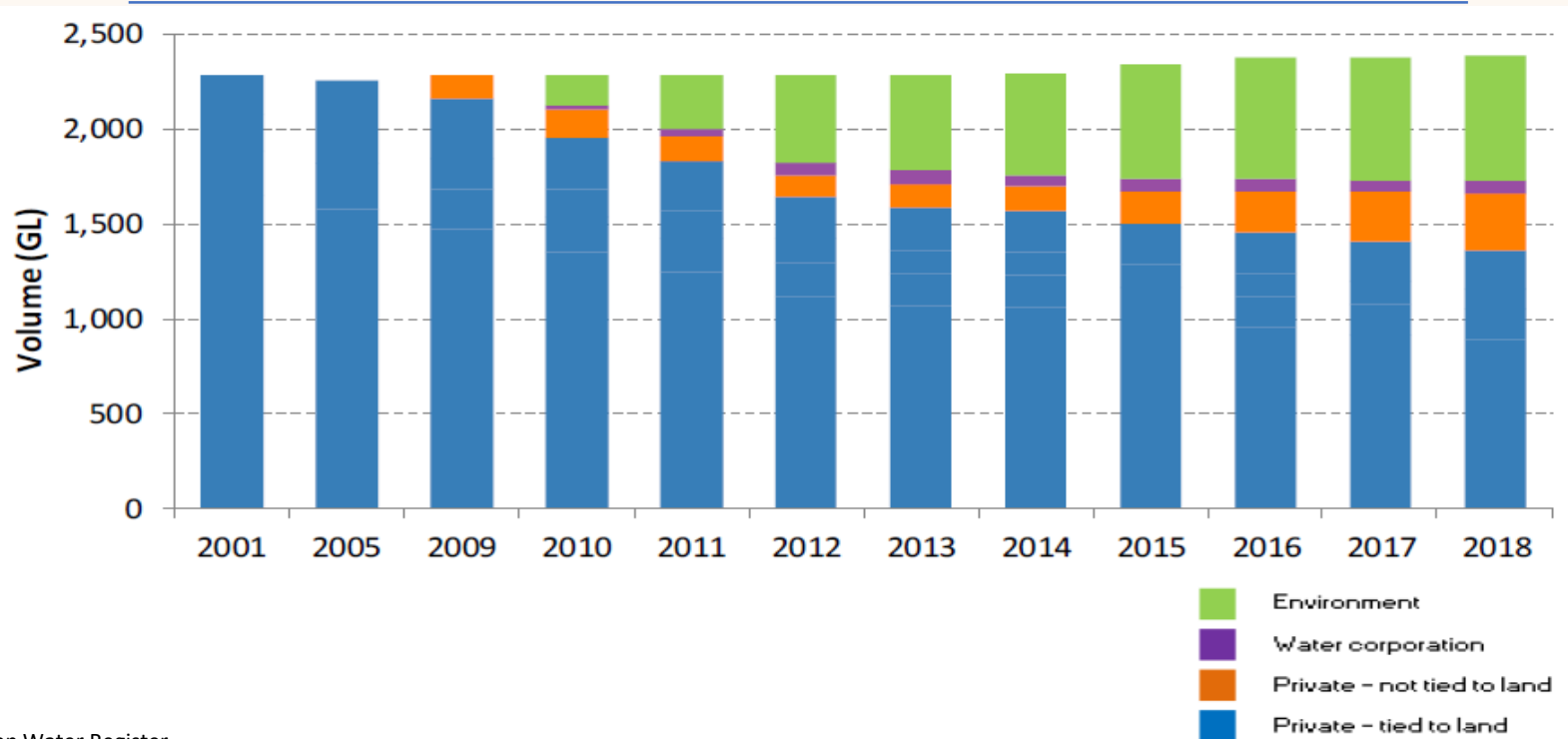
SELECT HARVESTS



The ownership of water has changed

- The share of permanent entitlements owned by non-water users and the environment has increased significantly

Changing ownership of high-reliability water shares in northern Victoria



Source: Victorian Water Register



SELECT HARVESTS



Murray-Darling Basin water market inquiry

- **SHV will participate in the ACCC's Murray-Darling Basin water markets inquiry**
 - SHV supports the Murray-Darling Basin (MDB) system. Clearly defined water property rights and tradable markets supported by robust price mechanisms have significantly improved water use efficiency and agricultural output across the MDB.
 - The water markets have evolved significantly since the MDB Plan was set up in 2012. The ACCC inquiry is a good opportunity to address the current issues impacting water markets, take advantage of new technology and re-align water markets to community expectations.
- **Our submission to the ACCC inquiry will highlight five key issues:**
 1. The growth and entry of non-irrigator sophisticated financial investors.
 2. The lack of accurate, comprehensive and timely data on water market activity.
 3. The need for transparent and robust market rules similar to ASX.
 4. The requirement for water brokers to be regulated similar to ASX stock brokers.
 5. Increase collaboration between Federal and State governments to harmonise environmental flows, carryover and inter valley trading.

Almond Market Outlook – US Shipments October 2019

US October 2019 Position Report

	US Export Shipments				US Domestic Shipments				US Total Shipments			
	Last Year	This Year	Growth (million lbs)	Growth (%)	Last Year	This Year	Growth (million lbs)	Growth (%)	Last Year (million lbs)	This Year (million lbs)	Growth (million lbs)	Growth (%)
October	178.9	203.0	24.0	13.4%	68.2	62.6	(5.6)	(8.3%)	247.1	265.5	18.4	7.4%
Last 3mth	384.9	430.1	45.2	11.8%	185.3	179.4	(6.0)	(3.2%)	570.2	609.5	39.3	6.9%
Last 6mth	655.2	742.0	86.8	13.2%	373.8	365.5	(8.3)	(2.2%)	1,029.1	1,107.6	78.5	7.6%
Last 9mth	1,025.4	1,104.1	78.7	7.7%	564.2	552.3	(11.8)	(2.1%)	1,589.6	1,656.5	66.9	4.2%
Last 12mth	1,477.6	1,568.1	90.4	6.1%	738.4	735.2	(3.2)	(0.4%)	2,216.1	2,303.3	87.2	3.9%
Season	384.9	430.1	45.2	11.8%	185.3	179.4	(6.0)	(3.2%)	570.2	609.5	39.3	6.9%

Source: Almond Board of California October 2019 Position Report

US Shipments remain resilient – export shipments continue to grow



SELECT HARVESTS



AASB 16 – Leases – Impact from 1 October 2019

Initial impact on adoption as follows:

Balance sheet \$'000	30 September 2019	AASB 16 Transition	1 October 2019
Total Current Assets	173,666		173,666
Total Non Current Assets	379,190		379,190
ROU - AASB16	0	209,760	209,760
Total Assets	552,856	209,760	762,616
Total Liabilities	136,853		136,853
Lease Liabilities - AASB 16	0	237,773	237,773
Total Liabilities	136,853	237,773	374,626
Contributed equity	271,750		271,750
Reserves	10,417		10,417
Retained profits	133,836	(28,012)	105,824
Total Equity	416,003	(28,012)	387,991
Net debt			
Cash and Cash equivalents	7,945	0	7,945
Lease Liabilities	(35,371)	0	(35,371)
Lease Liabilities - AASB 16	0	(237,773)	(237,773)
Net debt	(27,426)	(237,773)	(265,199)
Gearing ratio	6.6%		68.4%

Financial Impact

- Major leases relate to long term orchard leases
- Impacts net Gearing Ratio
- No impact on cash earnings
- Will be some minor impacts to NPAT – still be determined based on capitalisation/growing costs etc.
- Interest cover ratios still well within covenants

SHV to transition to new standard from 1 October 2019 – major Balance Sheet impact

Useful Almond Industry websites

Industry Associations

- Californian Almond Board www.almondboard.com
- Almond Board of Australia www.australionalmonds.com.au

Industry Reports

- US Crop Forecasts (Subjective, Objective) <http://www.almonds.com/growers/resources/crop-forecasts/tc-NASS-Crop-and-Acreage-Reports>
- Monthly Almond Position Reports <http://newsroom.almonds.com/position-reports>
- Almond Almanac <http://www.almonds.com/sites/default/files/2017%20Almanac%20Final%20-%20updated%207.5.18.pdf>
- UC Davis Almond Development Costings <https://coststudies.ucdavis.edu/en/current/commodity/almonds/>

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

Definitions & Explanations

¹ – **EBITDA & EBIT 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.