



**Westpac & AgFood Opportunities Fund**  
**Australasian AgFood Conference - Virtual**  
25 November 2020



SELECT HARVESTS



# 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

# Australia's largest vertically integrated nut and health food company

### ■ Overview

- Listed on the ASX (SHV), with a market capitalisation of A\$761m (23 November 2020) and 531 employees
- Assets in Victoria, New South Wales and South Australia

### ■ One of the largest almond growers globally

- 9,262 planted hectares of Australian almond orchards in Vic, SA and NSW<sup>1</sup>
- 31% of our planted orchards are currently immature, underpinning future growth<sup>1</sup>
- State-of-the-art almond processing facility at Carina West, North West Victoria. Capabilities include Hulling and Shelling, final stage value-adding and stand-alone Biomass plant.

### ■ Diversified 'better for you' plant-based food portfolio

- Market leading brands: Lucky, Sunsol, and Allinga Farms supplying wholesalers, manufacturers and retailers in both domestic and export markets
- Value-added processing facility in the Northern Suburbs of Melbourne: snacking and cooking nuts, seeds, health mixes and muesli

### ■ Export focused business, with Asia the key target market

- Raw and value-added almond supplier to markets in Europe, the Middle East and Asia
- Our Industrial Division seeing strong demand from Asian food processors, esp. the baking industry

<sup>1</sup> Inclusive of the 1 October 2020 Piangil Almond Orchard acquisition. The acquisition is subject to a number of conditions, with settlement expected in the 3rd week of December 2020

# Select Harvests Strategy

## Select Harvests – in control of our destiny



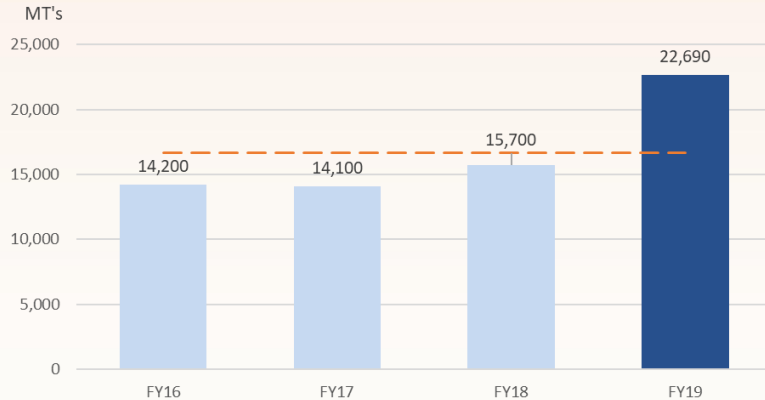
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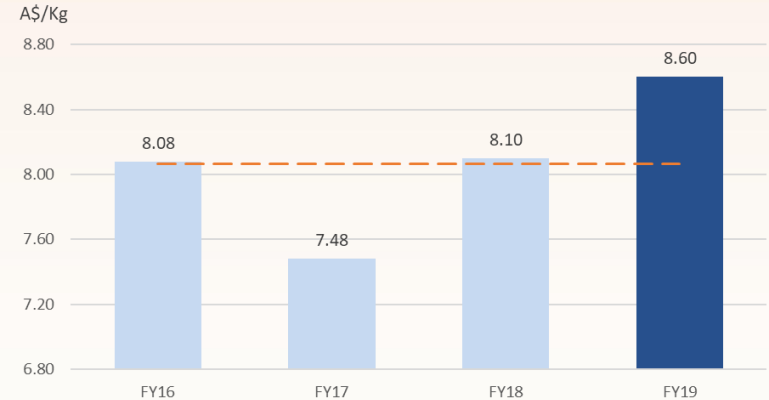
## Recent Performance in Context

# Higher volumes and reduced production costs per kg

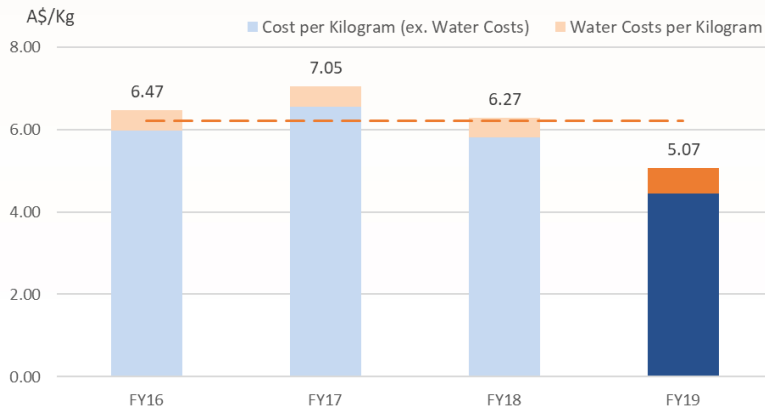
### Almond Volume



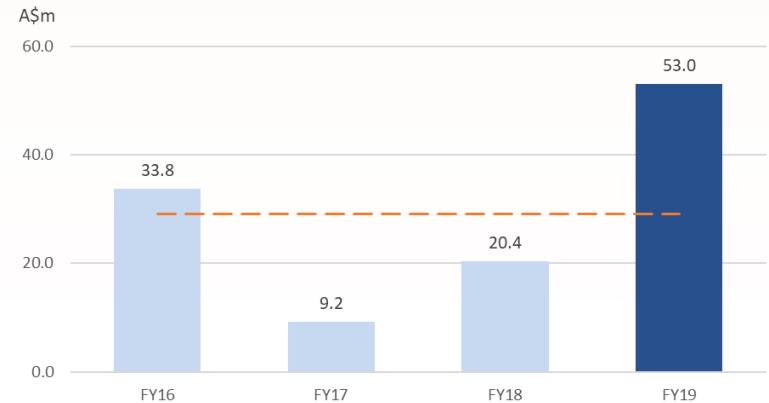
### Almond Price



### Total Almond Cost



### NPAT



— Averages



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## Triple Bottom Line

Committed to reporting our sustainability performance biennially, with annual snapshots on progress

### 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

#### People

23% reduction in Total Recordable Incidents in FY20

32% reduction in Medical Treatment Injuries in FY20

\$100k donated in bushfire relief to directly support impacted communities

100% of labour providers have attested to ethical sourcing policy

#### Planet

Securing future water supply whilst being a leader in the market for water efficiency

51% of energy sourced from renewables

H2E co-generation plant delivered approximately 27% reduction of carbon footprint

Produced 30,000 tonnes of compost in readiness for the 2020/21 season

#### Profit (FY19)

Increased yields by 6,900 MT (of 45%)

Net Profit After Tax of \$53.0 million

Earnings per Share of 55.6 cents per share

Net Debt (including lease liabilities) to Equity of 6.6%

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



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# Planet

## At Select Harvests we are the custodians of the environment within the communities that we operate

### Resource Efficiency

- 51% of net SHV energy consumption is sourced from renewables
- Our H2E co-generation facility uses biomass such as hulls, shells and orchard prunings to generate electricity
- Enough electricity can be generated to power the Carina West Processing Facility and nearby orchard pumps and supply renewable electricity into the local grid.
- H2E co-generation plant delivered approximately 27% reduction of carbon footprint

### Sustainable Farm Management

- The waste ash generated by our H2E co-generation facility is used, along with waste skins and other organic matter, to create compost to recycle and return potassium to SHV orchards
- The compost will increase soil carbon levels, provide a valuable slow-release biological nutrient source, increase water and fertiliser efficiency, and improve soil health
- The compost will reach peak production over the next 12 months with approximately 30,000 tonnes being produced annually, enough to treat approximately 85% of our orchards.

### Climate Change & Water

- We are cognisant of the potential impact we have on our environment and the impact that climate change has on our business
- We aim to manage our water efficiency through best practice water delivery systems, water optimisation technology such as soil water monitoring, plant based monitoring and high-resolution imagery
- In some orchards we are recycling water from the drainage system, minimising the impact on the water table. In addition, trials are being run on higher yielding almond varieties that use less water per tonne of almonds produced

### Bee Stewardship

- Supplying alternative forage sources for bee arrivals where possible and supply water for bees at hive sites
- No weedicides to be sprayed when hives present
- Predetermined preference not to spray fungicides during bloom unless disease pressure is severe and crop is at risk
- If a crop protectant spray is required, the choice of product will be discussed with the beekeeper/brokers
- Inspections to ensure diseases and hive strength are monitored



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# People

## The success of Select Harvests is underpinned by the knowledge, experience and talent of our people

### Ethics & Integrity

- Culture of strong ethics and integrity drive the behaviours of SHV and support our social license to operate
- These behaviours are central to everything we do and allow us to build and sustain enduring stakeholder relationships
- Fraud, Anti-Bribery and Corruption Policy in place

### OHS & Wellbeing

- Focused on Zero Harm. Ensuring the safety of our people, by preventing injuries before they occur
- Supporting employee wellbeing through a holistic wellness program
- Total recordable incidents reduced by 23% in FY20
- Medical Treatment Injuries improved by a reduction of 32% in FY20

### Inclusion & Diversity

- SHV recognises the advantages of having an inclusive and diverse workforce
- SHV employs people from many different ethnicities, with 45% of our workforce identifying as having ethnic diversity in 2018/19
- We have an Inclusion and Diversity policy in place

### Human Health & Nutrition

- Sunsol's PRO-biotic toasted muesli range products won Product of the Year 2020 within the Health Food Cereal Category
- Lucky Smart Snax Protein product won the Healthy Food Guide Awards 2019 within the Best Packaged Savoury Snack category.

### Food Safety

- Food safety and quality is the cornerstone of our production processes at Carina West, Thomastown and in our orchards
- Our Food Safety Plan has been developed using HACCP principles to manage and control food safety, regulatory and quality risks through all stages of our operations

### Sourcing Sustainability

- SHV engages with approximately 1,543 suppliers across 21 countries, with most suppliers based in Australia
- SHV has an Ethical Sourcing Policy in place, with the objectives of upholding human rights, protect the environment and operating in a sustainable manner



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## Profit

# Select Harvests provides real economic benefits to the local and regional communities in which we operate

Our orchards and major processing capacity are in regional Victoria, South Australia and New South Wales. In all these areas, we positively impact local and regional economies and contribute to economic development through a variety of methods. These include taxes and other payments to governments at local, state and federal level, local procurement, employment and investing in programs and projects that benefit local communities. Our values of 'protect and grow' encourage regular stakeholder engagement which allows us to assess and modify our approach to supporting regional economic development.

### Total economic contribution in FY2019

#### Suppliers

Expenditure with contractors and suppliers	\$185.7m
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#### Employees

Employee expenses for salary wages and incentives	\$42.5m
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#### Taxes

Tax payments to State and Federal Government	\$23.1m
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#### Capital Providers

Payment to providers of capital	\$4.0m
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#### Community

Community investment	\$150k
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+  
+  
+  
+

**Total economic contribution**  
  
**= \$255.5m**



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# Piangil Almond Orchard

The Piangil Almond Orchard acquisition is expected to settle in the 3<sup>rd</sup> week of December 2020

Aligned to strategy	Optimise the almond base	<ul style="list-style-type: none"> <li>The Acquisition aligns with SHV’s strategy to grow our almond orchard base</li> </ul>
	‘Top quartile’ orchard	<ul style="list-style-type: none"> <li>Piangil Almond Orchard is a high yielding ‘top quartile’ orchard. SHV’s immediate focus will be to invest in equipment and infrastructure to improve yield quality, harvest risk mitigation and irrigation efficiency</li> </ul>
	Attractive maturity profile	<ul style="list-style-type: none"> <li>The Piangil Almond Orchard has an attractive maturity profile with 389 ha (25%) of immature almond orchards, and a weighted average age of 10.9 years (SHV’s pre-acquisition weighted average orchard age is 12.6 years)</li> </ul>
Increased economies of scale	Significant increase in orchard portfolio	<ul style="list-style-type: none"> <li>The Acquisition increases SHV’s planted area by 20% from 7,695 ha to 9,262 ha and is expected to increase almond production by approximately 4,600 tonnes<sup>1</sup> p.a. in its first full year, increasing to 5,400 tonnes<sup>1</sup> p.a. at maturity in 2026</li> </ul>
	Close proximity to Carina West facility	<ul style="list-style-type: none"> <li>The orchard is located on the Murray River, in the Sunraysia almond growing region at Piangil, approximately 86kms from SHV’s Carina West processing facility</li> </ul>
	Improves utilisation of Carina West facility	<ul style="list-style-type: none"> <li>The additional production is expected to optimise utilisation of SHV’s Carina West processing facility, with increasing processing economies of scale expected to lower per unit production costs.</li> </ul>



<sup>1</sup> Based on a 3.5MT per ha (1.4MT per acre) maturity profile



## Water Markets Inquiry

# SHV is pleased to see that the ACCC has taken on board the feedback provided in our initial inquiry submission

- Select Harvests initial submission to the ACCC's Murray-Darling Basin water markets inquiry highlighted:
  - The growth and entry of non-irrigator financially sophisticated investors
  - The lack of accurate, comprehensive and timely data on water market activity
  - The need for transparent and robust market rules similar to ASX
  - The requirement for water brokers to be regulated similar to ASX stockbrokers
  - Increase collaboration between Federal and State governments to harmonise environmental flows, carryover and inter valley trading
- The ACCC's interim inquiry report was released on 30 July 2020. SHV is pleased to see that the ACCC has taken on board the feedback we provided in our initial inquiry submission
- The ACCC's preliminary view is that the current governance of the Basin and the regulatory frameworks for water trading do not meet required standards.
- SHV is also encouraged by the ACCC's further investigation of the conduct of some investors in the water markets. It is very disappointing that this conduct is not illegal under current regulation (as noted by the ACCC in the interim report).
- Select Harvests has provided feedback on the interim report, with a final ACCC report due by February 2021.
- A copy of Select Harvests public submissions to the inquiry can be found on the ACCC's water market inquiry webpage: [www.accc.gov.au/focus-areas/inquiries-ongoing/murray-darling-basin-water-markets-inquiry](http://www.accc.gov.au/focus-areas/inquiries-ongoing/murray-darling-basin-water-markets-inquiry)

## Murray Darling Basin



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## FY21 Top 10 Priorities

Continue to execute on our growth strategy, underpinned by a world class portfolio of almond assets

1. **Safety and Wellbeing** - Ensure the safety and wellbeing of our employees during the COVID-19 pandemic
2. **2021 Horticultural Program** – Deliver optimal tree health and production
3. **Cost Reductions** - Continue to reduce cost per kg across all production stages
4. **Piangil Almond Orchard** - Invest in P&E to improve yield quality, harvest risk mitigation and irrigation efficiency
5. **Food Division Review** – Complete the review of the Food Division, including strategic growth options and supply chain solutions
6. **Marketing Program** – Maximise the value of the 2021 almond crop
7. **Manage Cash Position** – Manage cash flow and working capital disruptions caused by COVID-19
8. **Strategic Growth** – Assess organic and inorganic options to deliver additional growth
9. **Industrial Sales** – Continue to capitalise on the growing global demand for value-added almonds
10. **Capital Investment** – Prioritise investment to deliver improved quality and efficiency outcomes



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# Thank You & Questions

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



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# Appendix



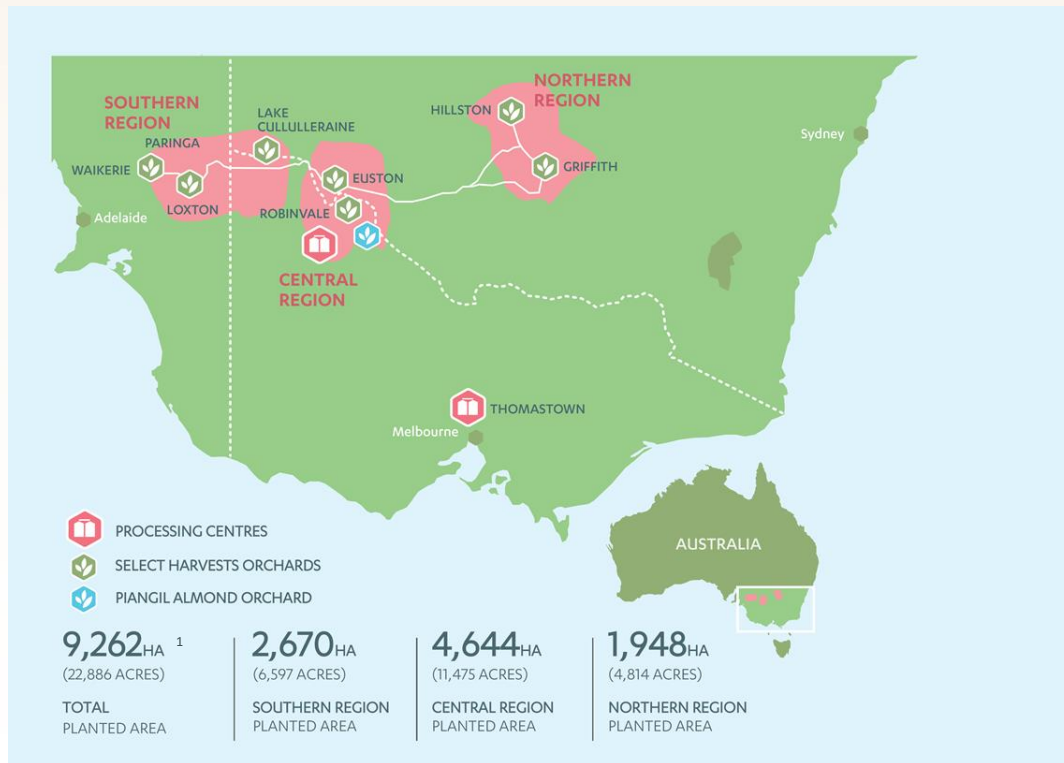
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# Orchard Portfolio

One of the worlds largest almond growers, with a geographically diverse 9,262-hectare orchard portfolio<sup>1</sup>

## 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 & 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

<sup>1</sup> Inclusive of the 1 October 2020 Piangil Almond Orchard acquisition.



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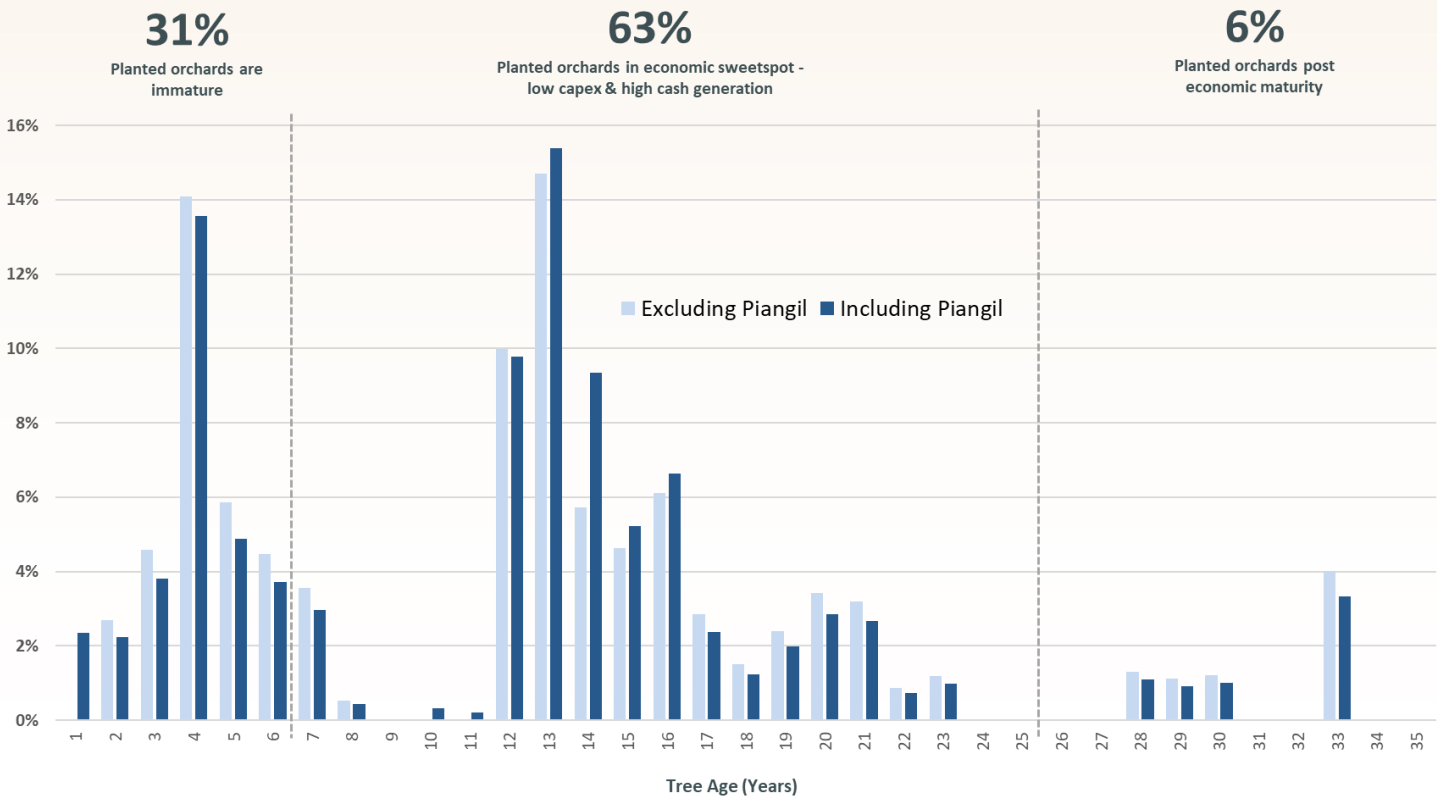


# Orchard Age

Following the Piangil Almond Orchard acquisition, Select Harvests weighted average orchard age will be 12.3 years

## Age Profile of Select Harvests Almond Orchards

(95% of current planted hectares are cash generative)



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## Sustainability Case Study: Water Efficiency

# The deployment of plant-based water stress monitoring sensors has increased water efficiency and reduced costs

For Select Harvests, making the best use of the water available to our orchards is vital for productivity and cost-efficiency. Technology to help us achieve this has been evolving rapidly. Several of our orchards are now using data from to deliver the precise amount of water required, when it is needed, avoiding run-off.

At one farm alone, Amaroo in South Australia, this data-driven approach has saved over 600 megalitres of water a year, amounting to cost savings of more than \$250,000.

To achieve this result, two key data technologies are being used in combination. Soil capacitance technology provides detailed information about soil moisture from the crop rootzone. The data is transmitted to a central software system which enables us to schedule irrigation appropriately.

The system works through a series of probes which are installed within the crop rootzone. Each probe contains several sensors spaced at 20cm intervals to the total depth of the rootzone. Each sensor sends out a pulse which deflects from water molecules within the soil to read soil moisture content at different depths.

The Phytech® direct plant sensing technology uses sensors to monitor tree stress levels. The sensors continuously monitor micro-variations of stem diameter and provide an indication of levels of stress within the crop. The recorded data is automatically transmitted to Phytech software for analysis.

This provides a good indication of when to next irrigate. The Phytech system also provides an indication as to the effectiveness of the irrigation application and whether the crop has fully recovered.

These two systems have enhanced our existing approach of soil analysis and irrigation system design to deliver greater benefits to our orchards, the environment and our business.

### Phytech® direct plant sensing technology



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# 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) [www.almonds.com/tools-and-resources/crop-reports](http://www.almonds.com/tools-and-resources/crop-reports)
- Monthly Almond Position Reports [www.almonds.com/tools-and-resources/crop-reports/position-reports](http://www.almonds.com/tools-and-resources/crop-reports/position-reports)
- Almond Almanac [www.almonds.com/tools-and-resources/crop-reports/almond-almanac](http://www.almonds.com/tools-and-resources/crop-reports/almond-almanac)
- UC Davis Almond Development Costings [www.coststudies.ucdavis.edu/en/current/commodity/almonds/](http://www.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)



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