

31 May 2019



SELECT HARVESTS

## SELECT HARVESTS LIMITED – 1H FY2019 HALF YEAR RESULTS

Select Harvests announces results for the first six months of the new reporting period ended 31 March 2019 with a Reported Net Profit after Tax (NPAT) of \$20.0 million. Paul Thompson, Select Harvests Managing Director, said “The first half of the 2019 financial year has delivered a pleasing result driven by a very strong 2019 almond crop. Excellent growing and harvest conditions combined with improved horticultural practices and investment in frost fans and on orchard technology has increased yields on mature and new orchards. Further investment in processing technology has improved productivity and quality levels in our processing facilities. Excluding water, the cost of production per kg has reduced from the 2018 crop. In 2019, the price of water increased significantly, however the full impact was effectively managed through the company’s water ownership structure and prudent temporary water acquisitions. The Food Division’s results were in line with expectations with a challenging domestic retail environment impacting margins offset by continued strong demand for industrial value add products in the growing export market. Shipments to our international retail partners continue to grow in line with forecasts.”

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### Overview of 1H FY 2019 Half Year Financial Results<sup>1</sup> (note - given the new financial reporting period no comparatives are supplied)

ACN 000 721 380  
ABN 87 000 721 380

- **1H FY 2019 NPAT of \$20.0 million**
- **EBITDA of \$38.5 million**
- **2019 almond crop of 20,750 MT (FY 2018 15,700 MT) – up 32%**
- **Almond price estimate of A\$8.50/kg (FY 2018 A\$8.05/kg) – up 6%**
- **Net Debt (inc. finance lease liabilities)/Equity ratio at 31 March 2019 is 24%**
- **Earnings per Share (EPS) of 21.0 cents per share**
- **1H FY 2019 Fully Franked Interim Dividend 12 cps**
  - Record Date 14 June 2019
  - Payment Date 5 July 2019

### Almond Division

Almond Division HY 2019 EBIT is \$31.5 million.

The 2019 crop volume is estimated to be 20,750 MT. As at the 31<sup>st</sup> March 2019 harvest activity was approximately 50% complete therefore half of the fair value of the 2019 crop has been recognized in the company’s income statement.

The 2019 growing season experienced excellent conditions throughout all regions. This combined with 2018 frost affected orchards regenerating from last year’s frost impacts, new horticultural technology and practices, investment in infrastructure and several large greenfield investments coming into commercial production has led to a significant increase in crop size in 2019. Both mature and greenfield orchards have achieved yields above the industry standard. With harvest completed in late April and 60% of the 2019 crop now processed, it is clear that product quality has improved from 2018.

The macro demand for almonds remains strong in both retail and industrial markets. This, in addition to the lower than anticipated 2018 US crop, the lower AUD and increased demand from the China market has led to an increase in the AUD market price Select Harvests is receiving for its almonds. With over 80% of the 2019 crop contracted for sale, an almond price of A8.50/kg is being assumed.

We have commenced shipments into our traditional markets, such as inshell into India and kernel product to European customers which will lead to early cashflow benefits.

There has been a continued focus on horticultural costs related to the 2019 crop. A full horticultural program has led to significant yield increases while achieving a further 6% reduction in costs per kg (excluding water). Water costs for the 2019 crop were 39% higher than 2018 due to increased temporary water prices on the spot market. This price increase was mainly driven by increasingly dry conditions and the impact of a higher number of non-irrigator participants in the water trading market. The company's water ownership policy and close management of the spot market has led to annual water costs increasing by significantly less than general spot market increases.

Processing costs/kg to date are tracking well below 2018. This is due to a combination of the favorable volumes and new technology in the Carina West processing facility.

At this stage our tree health and market conditions look favourable for the future.

## **Food Division**

Food Division 1H FY 2019 EBIT is \$2.3 million

The domestic retail sector remains a challenging market. While sales remain relatively strong, margins continue to be eroded with the introduction of major retailer house brands. New product development is a key focus to ensure continued growth in this area.

The retail export sector is on track with planned growth occurring through our partnerships in China. Product lines have been agreed to and a regular order pattern occurring with increasing volumes. We continue to work and invest with our partners to establish and grow a sustainable position in this increasing market and assess options to enter new regional markets.

The industrial food sector is increasingly active. The current China tariffs imposed on US product has led to a significant uplift in demand in this growing market. As a consequence, greater volumes and margins are currently being achieved and are expected to continue into 2H FY19. Our focus on value-adding is enabling the company to provide additional quality-assured product for this market.

Select Harvests are continuing to invest in people, brands and distribution relationships to build a strong export and domestic business.

## **Cashflow**

1H FY2019 negative operating cashflow of \$14.4 million is in line with expectations. Given the change in financial year the first half of the year will result in a negative cashflow as we invested in the crop's growth. The second half will deliver a strong positive cashflow as the crop is processed and sold. Consequently, the reported debt position at 1H FY2019 is at seasonal peak levels and is expected to reduce substantially by the end of 2H FY2019.

## SUMMARY

Paul Thompson concluded “The first half of 2019 has delivered a strong operating result on the back of a very good crop. I am very pleased that our ongoing focus on improved horticultural practices and targeted investments has led to an improved financial outcome. Following on from this positive start we expect to deliver a strong full year result. The 2019 harvest is complete and 60% of the crop has been processed. Over 80% of the crop is contracted for sale at above A\$8.50 p/kg and is hedged to the USD at attractive rates. While the subjective estimate for the 2019 US crop is forecasting a 12% uplift in volumes this is not expected to impact 2019 pricing.

The Food Division remains a focus for the company. Through new product development and improving efficiencies we are ensuring the company’s branded offering delivers required returns. The current opportunities in the Industrial area are attractive. We have developed relationships with key export clients and are delivering increased volumes of product into growing regional markets”.

Paul Thompson went on to say “Looking forward our tree health is excellent, we have more volume coming on stream from our greenfield orchards at the same time almond pricing remains firm. Work has started on the 2020 crop horticultural program where we aim to continue to achieve yields above the industry average at a lower cost per kg. The trees have now commenced their dormancy period.

We will continue to focus on bringing new products to market in the Food Division and further expand our Industrial customer base. We continue to look for ways to grow and maximize company returns.

The Record Date for the company’s Interim Dividend of 12 cents per share is 14 June 2019 and we would remind you of the opportunity to participate in the company’s Dividend Reinvestment Plan”.

ENDS

### FOR FURTHER INFORMATION, PLEASE CONTACT:

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### About Select Harvests:

Select Harvests Ltd (ASX:SHV) is an ASX-listed, fully integrated almond business consisting of orchards (company owned, leased, joint venture and managed), primary processing (hulling & shelling), secondary processing (blanching, roasting, slicing, dicing, meal), trading (industrial products) and Consumer products (Brands - Lucky, Sunsol, Soland, NuVitality, Renshaw & Allinga Farms, as well as providing Retailer brands). Select Harvests imports a full range of nuts (in addition to its almonds) and a wide range of other ingredients for inclusion in their Consumer Products range. Australia is a significant global almond producer and Select Harvests are one of Australia’s largest almond companies, supplying almonds domestically and internationally, to supermarkets, health food stores, other food manufacturers, retailers and the almond trade.

The company is headquartered at Thomastown on the outskirts of Melbourne, Australia while its orchards are in North West Victoria, Southern New South Wales and South Australia. The primary Almond processing facility (Carina West) is located at Wemen in North West Victoria and the second processing, value-adding and packing facility is located at Thomastown.

For more information, visit [www.selectharvests.com.au](http://www.selectharvests.com.au)