



SELECT HARVESTS

22nd May 2020

SELECT HARVESTS LIMITED – 1H FY2020 HALF YEAR RESULTS

Paul Thompson, Select Harvests' Managing Director, announces a Net Profit after Tax of \$17.4 million for the first six months of the 2020 Financial Year. He said "The first half has delivered a good result considering the challenges of the drought and the disruption to the supply chain caused by COVID-19. Similar to 2019, we are estimating a large high quality crop of 22,600 MT.

The 2020 growing season was excellent in all regions. Continued investment in our horticultural staff and practices, infrastructure and maturing orchards, enabled the company to achieve another year of above industry standard yield. Harvest is now complete, and with 40% of the estimated crop processed, gives the company a good line of sight on both quality and quantity.

Investment in processing technology delivered further improvements in productivity and quality.

The global demand for almonds remains strong. Australian almond exports are up 25.7% (2019/20 marketing year¹) and US almond shipments are up 5.5% (YTD Aug-April²). We have contracted commitments for 70% of our estimated crop. Market access has been challenging with COVID-19 lockdowns in key export markets disrupting our shipping programs. In addition, the recently announced estimate of a record almond crop grown in near ideal conditions in the US (to be harvested in August 2020) has contributed to prices softening. We now estimate that we will achieve a price of A\$8.20/kg for the 2020 crop.

We have commenced shipping almond kernel and inshell. However, as previously announced, some shipments have been delayed which will impact the timing of cashflows.

The Food Division's results are broadly in line with last year, with the highly competitive domestic retail environment continuing to impact margins. Industrial margins were affected by an extended maintenance closure of our Parboil value adding facility."

Select Harvests Limited

360 Settlement Road
Thomastown
Victoria 3074
Australia

PO Box 5
Thomastown
Victoria 3074
Australia

Telephone (613) 9474 3544
Facsimile (613) 9474 3588
www.selectharvests.com.au

ACN 000 721 380
ABN 87 000 721 380

1 – Almond Board of Australia – April Position Report

2 – Almond Board of California – February Position Report

Overview of 1H FY 2020 Half Year Financial Results

- **1H FY 2020 NPAT of \$17.4 million** (1H FY 2019 \$20.0 million) – **Down 13.4%**
- **EBITDA of \$34.5 million** (1H FY 2019 \$38.5 million) – **Down 10.4%**
- **2020 almond crop of 22,600 MT** (FY 2019 22,690 MT) – **Down 0.4%**
- **Almond price estimate of A\$8.20/kg** (FY 2019 A\$8.60/kg) – **Down 4.7%**
- **Net Debt (excl. finance lease liabilities)/Equity ratio at 31 March 2020 is 17.6%** (31 March 2019 14.1%)
- **Earnings per Share (EPS) of 18.1 cents per share** (1H FY 2019 21.0 cps) - **Down 13.8%**
- **1H FY 2020 Fully Franked Interim Dividend 9 cps**
 - Record Date 19 June 2020
 - Payment Date 3 August 2020
 - Dividend Reinvestment Plan with a 3% discount

Almond Division

Almond Division 1H FY 2020 EBIT is \$28.1 million (1H FY 2019 \$31.5 million).

The 2020 crop volume is estimated to be 22,600 MT. As at the 31st March 2020 harvest activity was approximately 50% complete, therefore half of the fair value of the 2020 crop has been recognised in the company's income statement. Today harvest has been completed and around 75% of the crop has been delivered to our Carina West processing facility.

Consistent yield and quality performance has been achieved through the combination of improved on farm practices and new technology at the Carina West processing facility.

Overall production costs for the 2020 crop have increased. Excluding water, horticultural costs per kg have increased by 7% reflecting the increasing maturity profile of our young trees. The price of water continued to increase in 2020, with the prices of temporary water reaching close to \$1,000/ML. The company's water ownership and management strategy has limited the impact to the 2020 crop to \$9.5 million. Processing costs are forecasted to be in line with 2019.

Food Division

Food Division 1H FY 2020 EBIT is \$1.7 million (1H FY 2019 EBIT \$2.3 million).

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

The industrial food sector is increasingly active. The Parboil value adding facility is enabling the company to meet growing customer demand for almond value-added products, like almond paste for almond milk. Demand for industrial product is expected to increase as the food services sector, domestically and internationally, recommences activity post current COVID-19 shut-downs.

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

Cashflow

1H FY 2020 negative operating cashflow of \$32.2 million (1H FY 2019 negative \$14.4 million) is in line with expectations. The first half of the year delivers a negative cashflow as we invest in the crop's growth. The second half will deliver a strong positive cashflow as the crop is processed and sold and third-party processing income is generated. Consequently, the reported debt position at 1H FY 2020 is at a seasonal peak and expected to reduce substantially by the end of 2H FY 2020.

Summary

Paul Thompson concluded "The first half of 2020 has delivered a strong operating result on the back of a good crop. The ongoing focus on improved horticultural practices in the Almond Division and targeted investments across the business has led to consistent financial performance. Our Balance Sheet remains strong. The company has contracted commitments (including internal use) for 70% of our estimated crop. As a result, an almond price of A\$8.20/kg has been forecast for the 2020 crop.

Looking forward to the 2021 crop, our tree health remains good. Current weather forecasts, water market conditions and storage levels should see a significant drop in the price of annual water allocations. Water and associated costs this year represented over 50% of our growing cost. Almond pricing remains difficult to forecast with continuing strong global demand for almonds being offset by the impact of COVID-19 related lockdowns, and the estimate of a record US almond crop (to be harvested in August).

The Food Division, through new product development and improving efficiencies, is forecasting improved returns in the second half of the year. In the Industrial area we are anticipating increased volumes as markets come out of lockdown."

The Board, recognising the strong position of our business, has declared a fully franked dividend of 9 cents per share.

ENDS

This announcement has been approved by the Board of SHV.

FOR FURTHER INFORMATION, PLEASE CONTACT:

Paul Thompson, Managing Director & CEO
Brad Crump, Chief Financial Officer & Company Secretary
Andrew Angus, Investor Relations

03 9474 3544
03 9474 3544
0402 823 757

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, 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