



SELECT HARVESTS

FY2024 Half Year Results Presentation

31 May 2024

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Brad Crump – CFO and Company Secretary

WEBCAST

This presentation deck accompanies a live webcast at 10:30am AEST on Friday 31st May 2024

You can participate in the webcast by using the following link

https://us02web.zoom.us/webinar/register/WN__nkRhSJOATTmPnnLKbEqJ5g

You are advised to log on at least 15 minutes before 10:30am.

If you are unable to participate in the live presentation, an archived version will be available to download from the investor section of the Select Harvests website shortly after the briefing.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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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.



AGENDA

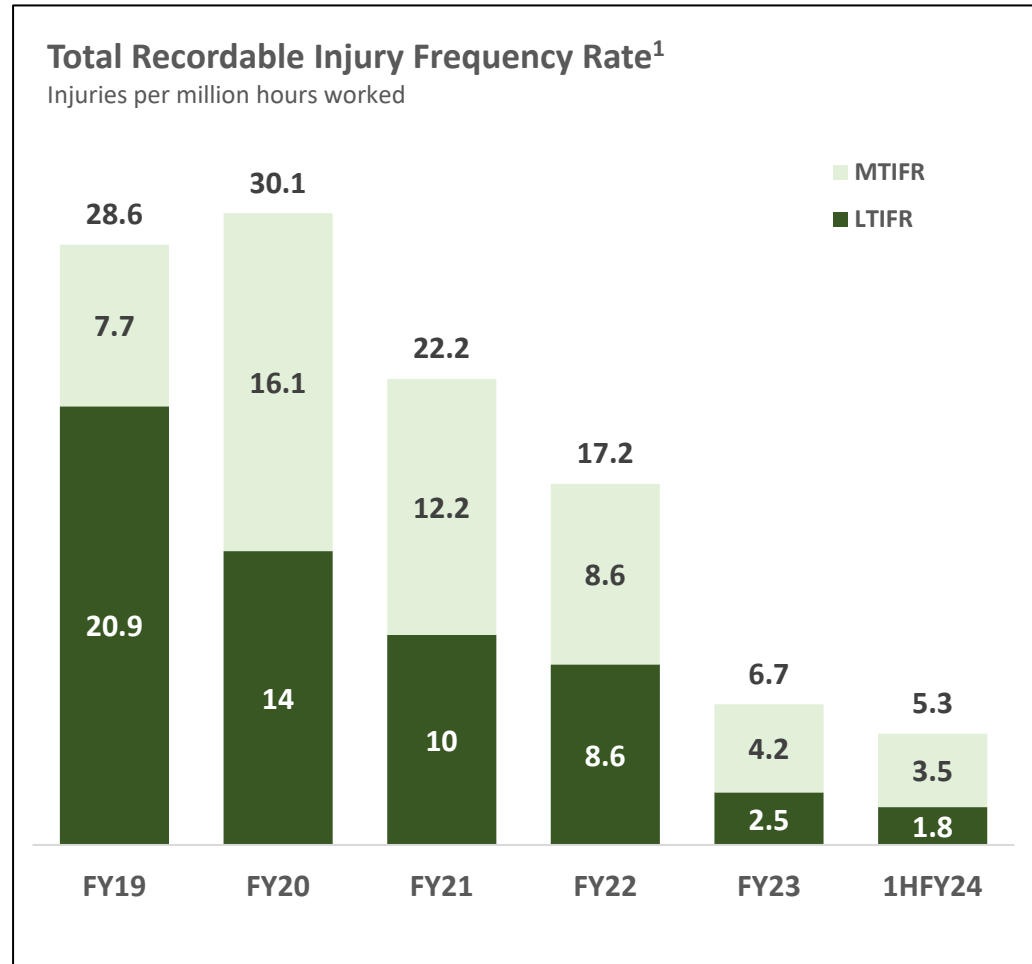
1. Mid Year Performance
2. Financial Results
3. Strategy and Transformation
4. Business Outlook
5. Questions



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**MID YEAR
PERFORMANCE**

Safety – Strong and Continual Improvement



Key Areas of improvement:

- “Felt Leadership” and increased safety visibility underway
- Building safety processes:
 - Incident investigation training for supervising staff
 - External safety coach, effective safety conversations, identify hazards and drive our safety culture
 - Performance measurement and standards
- Increased focus on safety for seasonal workers – introduction of safety videos for five key farm machines (sweeper, shaker, tractor, v/sweeper and conditioner)
- Critical risk review of machine guarding across farms and Carina West Processing Facility

(1) Prior year reporting updated to industry standard for all years in this chart

1H FY2024 Financial Results

**NPAT
(\$2.1m)**

- 2024 crop – **29,000MT @ \$7.52/kg** (\$7.42/kg + \$0.10/kg freight benefit)
- 2023 crop inventory quality write-off **(\$2.1m)**
- 2H FY2024 will see financial benefit of 3rd party processing and hull sales

**Net Debt/
Equity Ratio
57.9%**

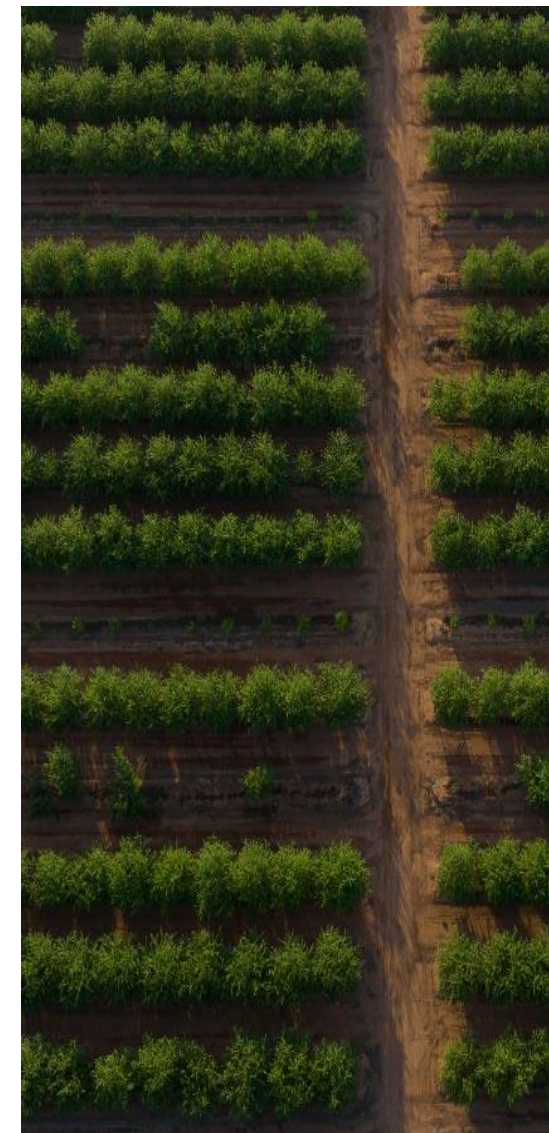
- 1H FY2024 Net Debt \$237.9m
- Debt levels increased as forecast due to lower 2023 crop volume
- Full 2024 horticultural program completed
- 2024 crop sales program has commenced
- 2H FY2024 Net Debt forecast \$160m - \$170m (Net Debt/Equity Ratio 40%)

**Operating
Cashflow
(\$28.5m)**

- Operating cashflow negative driven by:
 - Lower 2023 crop sales revenue
 - 2024 crop growing and harvest costs (seasonal peak)
 - Higher interest expense

**NAV¹/Share
(Market Value)
\$5.75**

- Net Asset Value is above current share price



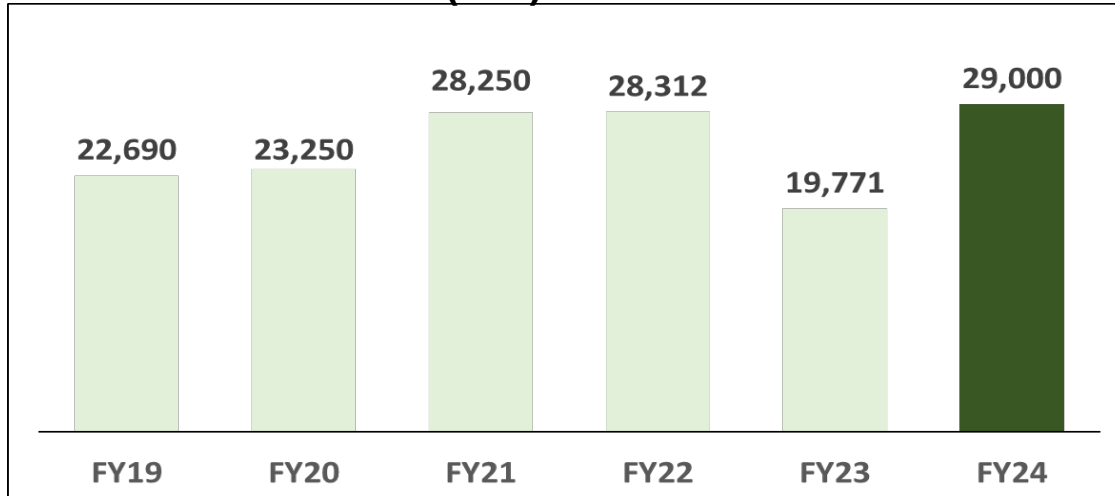
1. NAV based on market value

Note: Half year result based on 75% 2024 Crop Fair Value Recognition given increased % of harvest completed at balance date

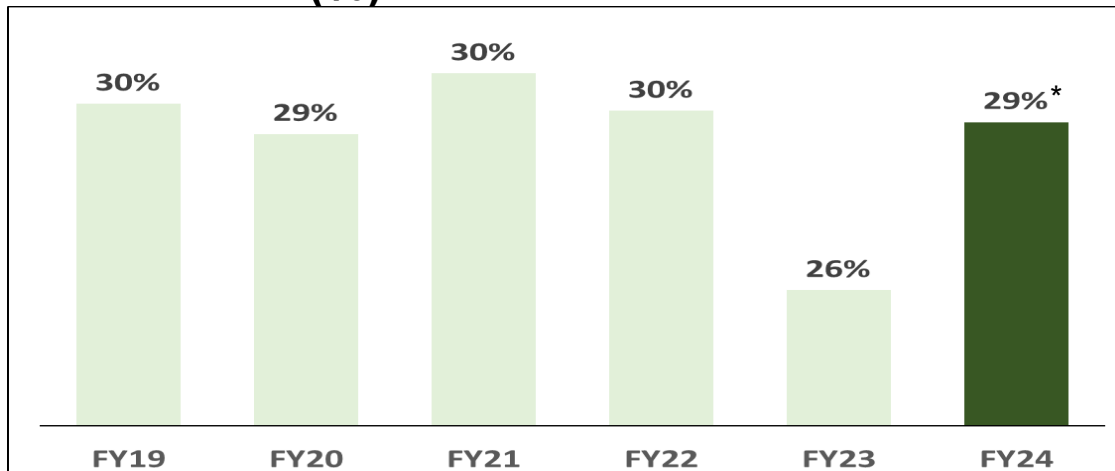
Key Results Drivers – Volume

Strong 2024 crop volume

Almond Volume (MT)



Crack-out (%)



2024 Crop

- We have commenced execution of our horticulture strategy targeting improved yield
- Increasing the Forecast crop to 29,500 – 30,000MT
- Above forecast yields achieved in South Australia
- Yields in Victoria in line with forecast
- Yields in NSW were below forecast – slower recovery due to impact of prior year weather events on heavier soils
- Quality profile is positive

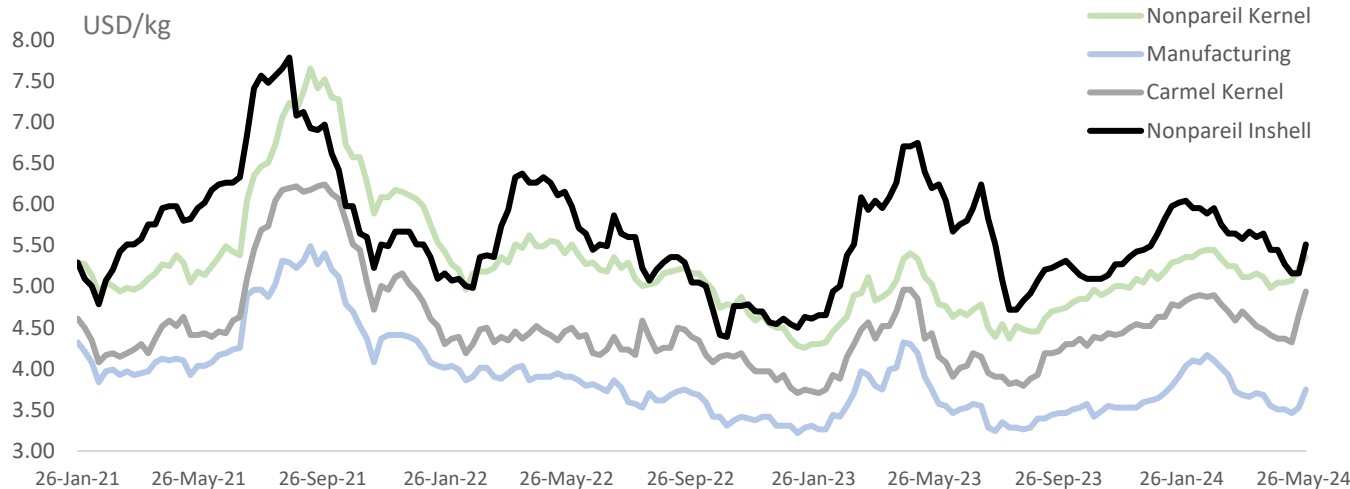
2023 Crop contracted or to be consumed as Value-add

* Nonpareil data to date only

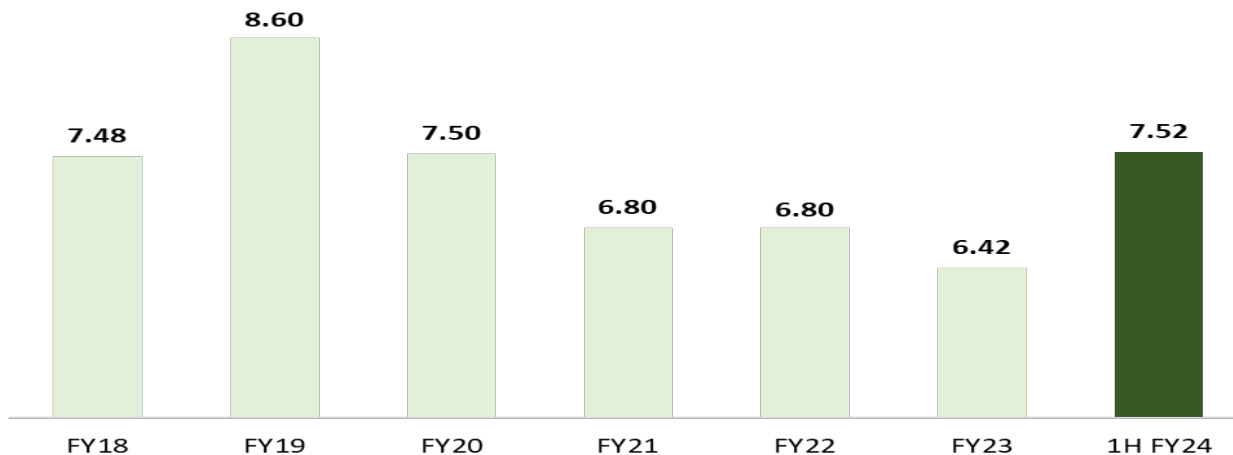
Key Results Drivers – Almond Price

SHV almond price increased by 17% in 1H FY2024

Almond Market Price ¹



SHV Almond Price (A\$/kg)



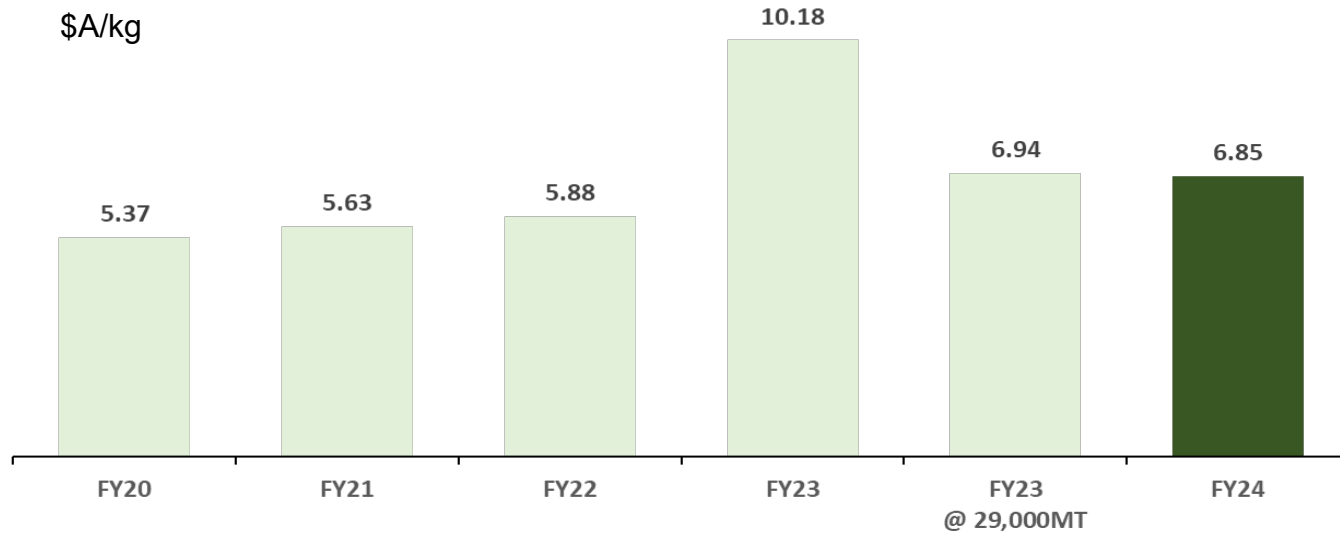
Global pricing increases supported by better SHV crop and sales approach

- 10 May 2024 USDA crop forecast of 3b pounds was seen as price neutral
- Low USA 2023 inventory of quality product
- Increased levels of high quality inshell and kernel have delivered a favourable quality mix for SHV
- Strategic approach taken for 2024 crop sales (i.e. specific countries and customers based on the profile mix)
- Prices are starting to increase again on the back of strong sales and limited availability of quality product ex. USA
- SHV Price forecast increases \$7.57/kg

(1) Source: Stratamarkets

Key Drivers – Production Cost

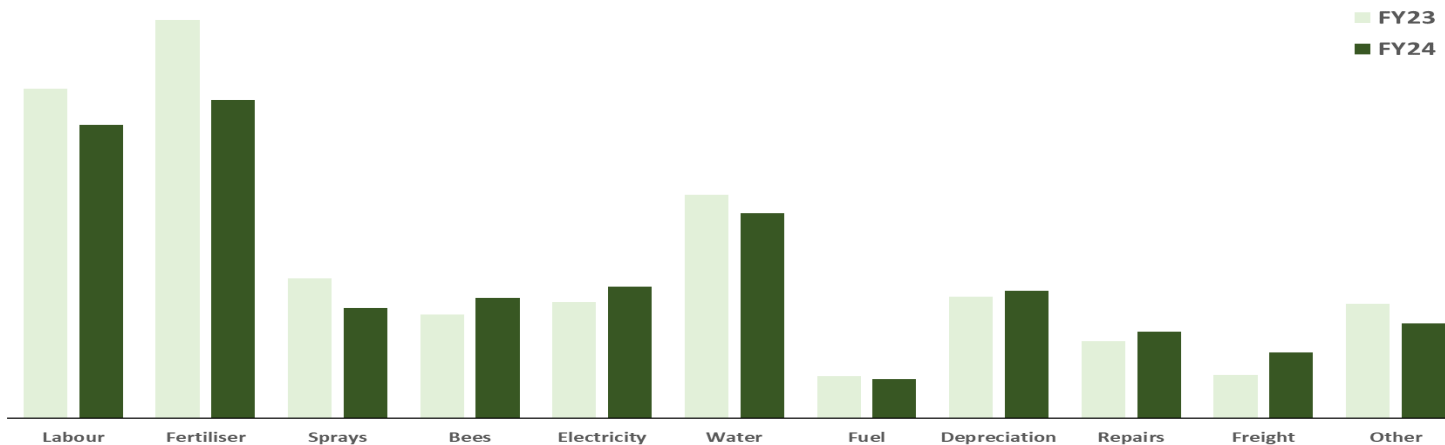
Total Almond Production Cost¹



Cost Reduction

- Cost of production reduced to **\$6.85/kg** despite \$9.2m of inflationary costs and \$5.2m increase in lease costs
- Water costs decreased – usage was higher (drier year) offset by lower pricing
- Electricity costs higher due to additional water pumping requirements
- Processing and Growing Labour optimisation strategy delivered increased efficiencies and lower costs
- Centralised procurement reduced fertiliser costs supported by market prices easing
- Harvest costs reduced with higher volumes (improved labour utilisation)
- Processing costs reduced with increased throughput rates achieved

Total A\$ Growing Cost: 2023 vs 2024 Crop



(1) Production cost equals growing, harvest, processing, lease and bearer plant depreciation costs



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**FINANCIAL
RESULTS**

Income Statement

Improvement in profitability due to return to normal operating profile and profit recognition

\$ millions (except where indicated)	1H FY2024	1H FY2023 Restated*	Variance	% Change
Almond volume (Mt)	29,000	17,500	11,500	65.7%
Almond price (\$/kg)	7.52	7.45	0.07	0.9%
Revenue	67.8	68.9	(1.1)	(1.6%)
EBITDA	18.7	(117.7)	136.4	115.9%
Depreciation and amortisation	(14.8)	(15.8)	1.0	6.3%
EBIT	3.8	(133.5)	137.3	102.8%
Interest expense	(6.9)	(4.0)	(2.9)	(72.5%)
Tax benefit / (expense)	0.9	41.2	(40.3)	97.8%
Reported Net profit after tax	(2.1)	(96.2)	94.1	97.8%
Earnings per share (cents)	(1.8)	(79.5)	77.7	97.7%

Factors Contributed To Improved Earnings:

- 1H FY2024 EBITDA of A\$18.7m (1H FY2023 (\$117.7m) loss)
 - 75% of 2024 Crop fair value profit recognized in line with earlier harvest completion
 - Increased 2024 crop volume
 - Almond price increased to A\$7.52/kg (1H FY2023 A\$7.45/kg)
 - Lower overall cost of production per kg
- Reduction in depreciation recognition due to orchard lives being aligned to tree production profile
- Interest costs higher due to increased rates and a higher average debt profile
- 2H FY2024 profitability to increase as third-party inventory gets processed and higher hull sales are recognised

(1) 1H FY2023 revenue restated due to change in revenue recognition policy relating to recognition of external grower volumes

Balance Sheet

SHV balance sheet has remained in line with first half expectations

\$ millions (except where indicated)	1H FY2024	1H FY2023 Restated
Current assets ex. cash	308.7	211.1
Cash	0.3	2.3
Right of use assets	199.2	192.3
Non-current assets (ex. ROU assets)	513.9	513.9
Total assets	1,022.1	919.7
Current liabilities (ex. Borrowings & Lease liabilities)	131.3	65.9
Borrowings	238.2	192.2
Lease liabilities	238.9	226.6
Non-current liabilities (ex. Borrowings & Lease Liabilities)	2.9	3.3
Total liabilities	611.3	488.0
Total equity	410.8	431.6
Net debt/equity (%)	57.9%	44.0%
Return on capital employed (%)	0.6%	(20.2%)
Liquidity ratio (>1.2x)	3.0	2.8

Key Features of the Balance Sheet

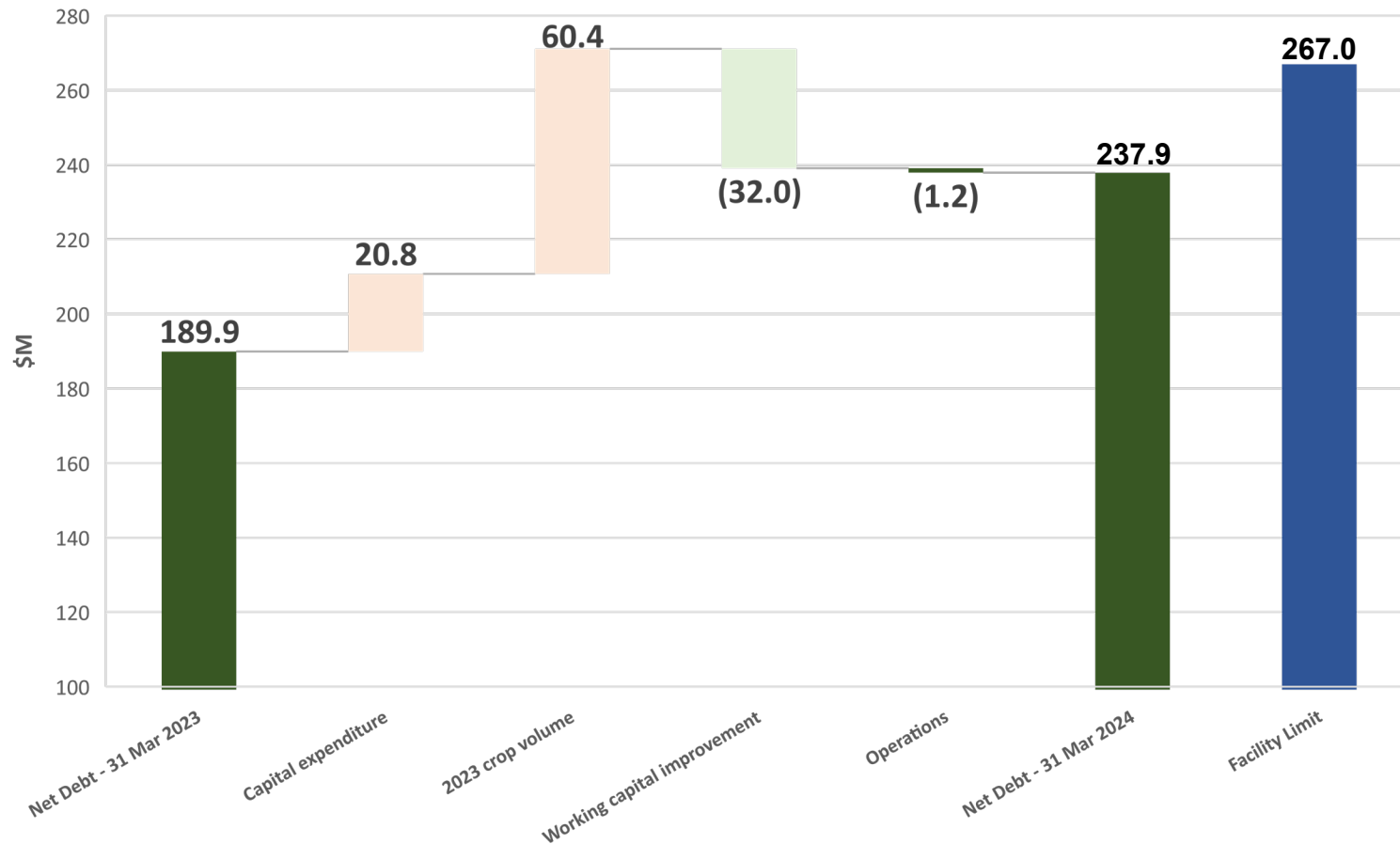
- Inventory/biological asset levels higher than 1H FY2023, due to an increased 2024 crop and higher volumes of third-party inventory (to be processed by SHV)
- Receivables lower due to improved customer terms and the lower volume of sales due to the lower 2023 crop
- SHV owned orchards, Carina West processing facility and permanent water rights on balance sheet at cost
 - Market value of land assets is A\$365.4m (book value A\$236.5m¹)
 - Insurance replacement value of Processing facility \$250m (book value A\$86.4m)
 - Portfolio of permanent water rights is A\$117.8m (book value \$58.8m²)
- Higher current liabilities due to higher volumes of third-party volumes received for processing
- Lower volume 2023 crop and related lower pricing resulted in a higher peak debt balance
- All covenant measures for the period ending 31 March 2024 met
- Debt facilities remain adequate for forward operations
- Gearing of 57.9%.

1) Independent valuations September 2022
2) Market value assessment September 2023

Bank Facilities – Debt and Cash

Net debt increased as forecast but sufficient coverage from debt facilities remains

Net Debt movement - March 2023 to March 2024



Drivers of Higher Net Debt:

- Lower volume of almonds available to sell due to reduced 2023 crop
- Reduction in price impacting 2023 crop value

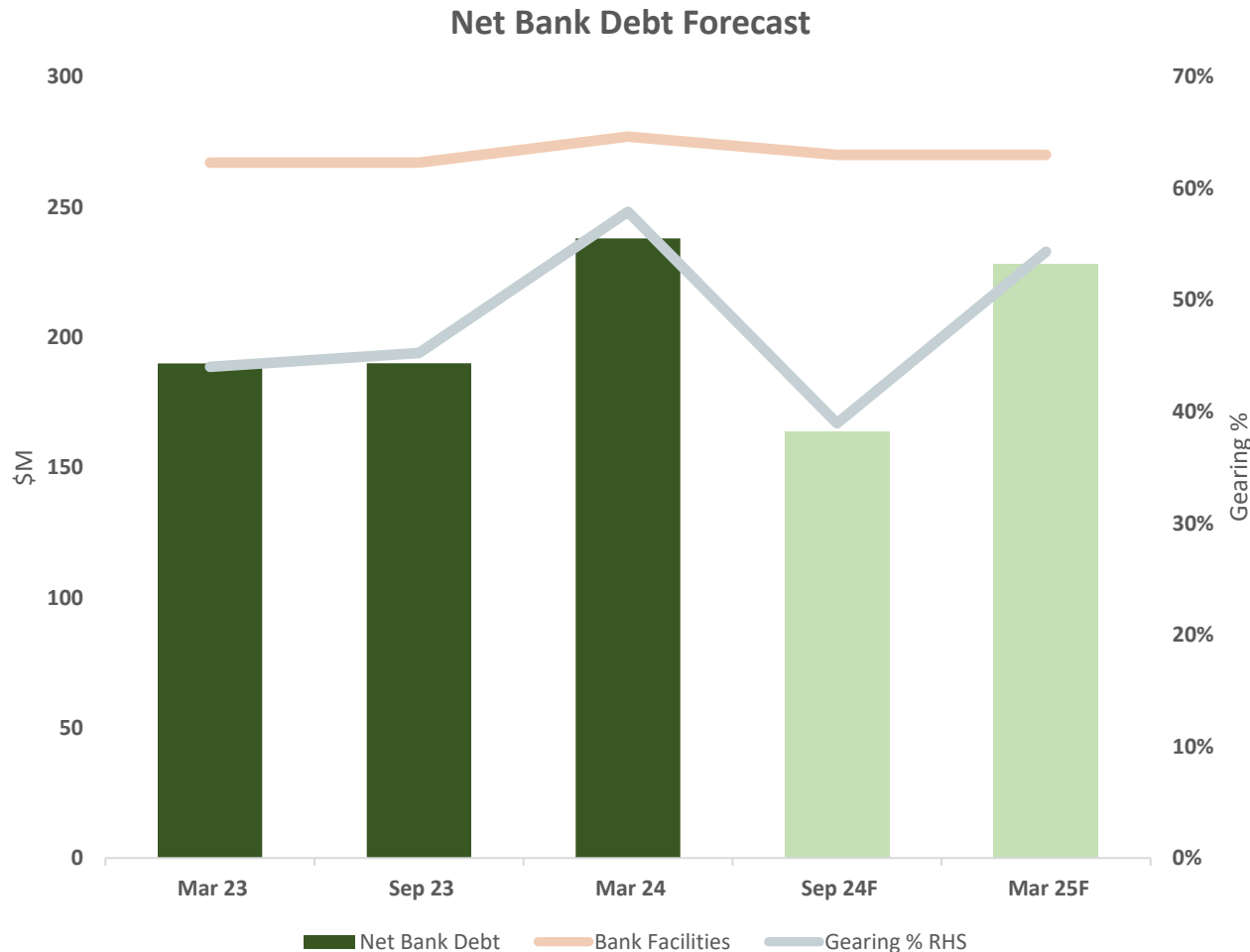
Partially offset by progress of cash initiatives generated by the Project Management Office

Focus on improving working capital management - driving improved cash velocity

Debt headroom increases in 2H FY2024 in line with the 2024 crop sales cycle

Net Debt vs Facility limit

Debt levels are forecast to reduce in 2H FY2024 as the 2024 crop sales program is delivered



Forecast debt profile based on 1H FY2024 Fair Value assumptions:

- Is forecast to reduce to a seasonal low point in September 2024
- FY2025 operational debt profile is expected to be in line with FY2024
- Debt levels going forward are expected to reduce with:
 - Higher crop volumes
 - Higher almond pricing
 - Higher external processing volumes and value add margins
 - Ongoing efficiency improvements
- Current facility levels are forecast to remain adequate for operations going forward
- All covenant requirements forecast to be met

Cash Flows

Lower 2023 crop sales and pricing impacted 1H FY2024 cashflows

\$ millions (except where indicated)	1H FY2024	1H FY2023
Customer receipts	87.0	82.7
Supplier & employee payments	(103.1)	(100.7)
Tax refund/ (paid)	-	1.4
Net interest	(12.4)	(10.2)
Cash flow from operations	(28.5)	(26.7)
Net property, plant and equipment	(9.1)	(13.2)
Net water rights	-	-
Tree developments costs	(1.2)	(2.9)
Bearer plants and plantation land	-	-
Other items	-	0.1
Investing cash flows	(10.4)	(16.0)
Issue of shares	-	-
Increase in debt	51.5	52.8
Lease payments	(8.9)	(10.7)
Dividends paid	-	(2.0)
Financing cash flows	42.6	40.1
Net increase / (decrease) in cash	3.7	(2.6)
Cash at beginning of the half year	(5.2)	(1.5)
Cash at the end of the half year	(1.4)	(4.1)

Main Cash Movements

- Negative operating cash flows for the half year driven by:
 - Lower 2023 crop sales volumes and prices – low sales volumes in the second half
 - Increased borrowing costs due to higher debts levels
 - Investment of \$10.4m lower than 1H FY2023 due to focus on fast returning and essential capex only until sales profile returns to normal
- Cashflow is expected to return to positive in second half driven by:
 - Majority of 2024 crop being sold (minimal stock levels forecast to be held at 30 September 2024)
 - Improved pricing due to the higher quality 2024 crop profile
 - Cash received from increased third party processing and higher hull volumes



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**STRATEGY &
TRANSFORMATION**

Strategic Priorities - Disciplined Execution

Strategy is focused on delivering increased Shareholder returns through improved performance and growth

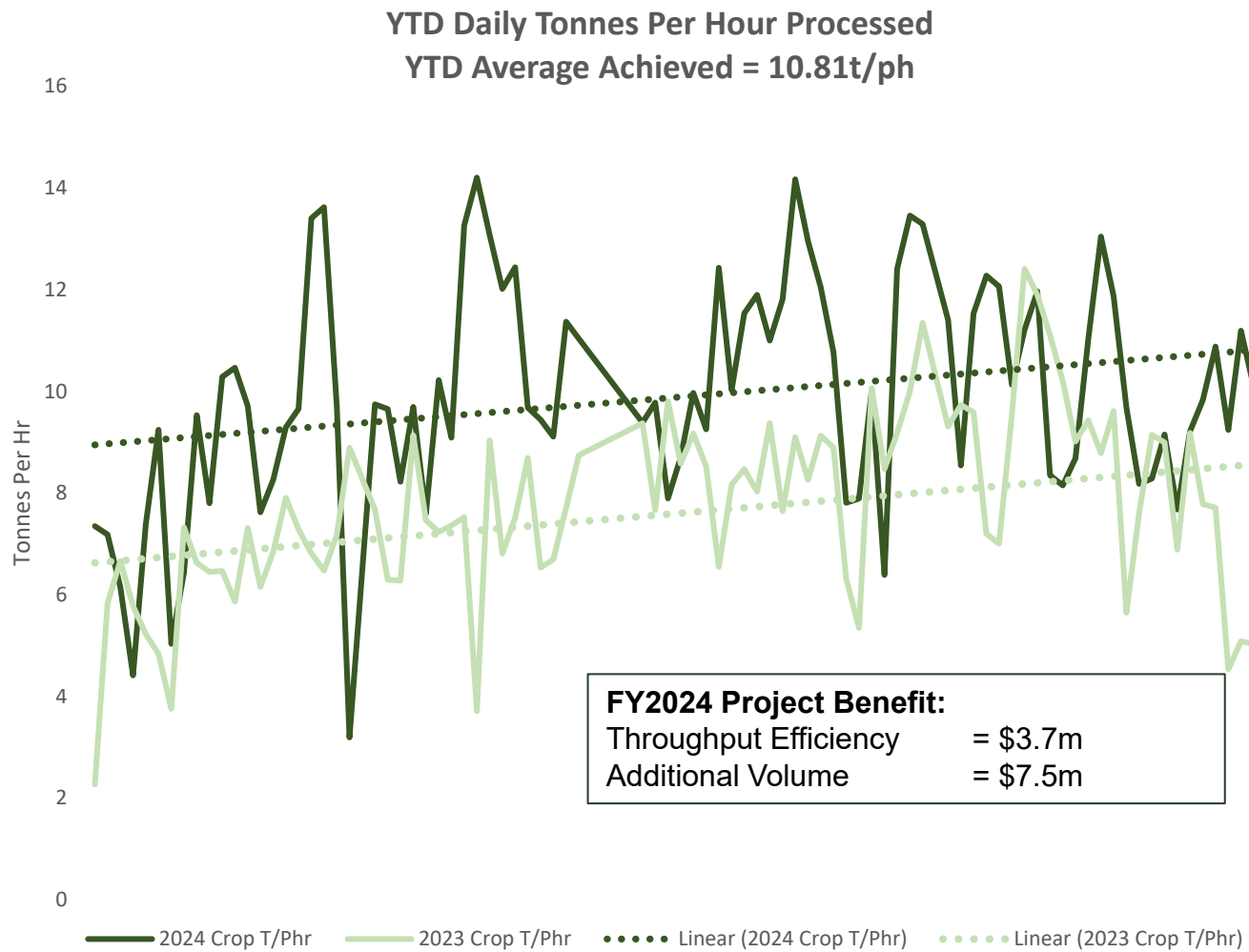
Strategic Pillars

- | | | | |
|--|--|--|---|
| <p>1</p> <p>Substantially greater almond volume</p> | <p>2</p> <p>Leadership in processing scale and efficiency</p> | <p>3</p> <p>Maximise returns from almond crops</p> | <p>4</p> <p>Innovate to drive step-out growth</p> |
| <ul style="list-style-type: none">• Farming cost down initiatives• Water strategy portfolio balance• Grow external almond volume (10,500MT)• Implementation of horticulture:<ul style="list-style-type: none">• Increase yield• Cost• Improve quality• Consider acquire or lease farms• Farms profit cells | <ul style="list-style-type: none">• CWPF Phase 1: Increased capacity to 40,000 MT• Increased and stabilised value-added production• Activity based costing• Processing Cost savings• Manufacturing Excellence• CWPF Phase 2: Options to further increase capacity• Disciplined almond quality upgrade management• CWPF profit cells | <ul style="list-style-type: none">• Focus on velocity• Use activity-based costings to optimise Cost to Serve• Increase cash thru shift in customer terms• Sales Strategy execution• Margin/price optimisation• Deepen relationships with direct customers• Sales profit cell | <ul style="list-style-type: none">• Processing Phase 3:<ul style="list-style-type: none">• Major Expansion• Innovation of by-product (hull and shell)• Remain open to adjacent business opportunities• Food innovation |

Note: As activity progresses the specific project details will evolve

Processing Improvement - On track

Average volumes processed per day are currently 30% higher than prior year



Key operational improvement target generating improved returns:

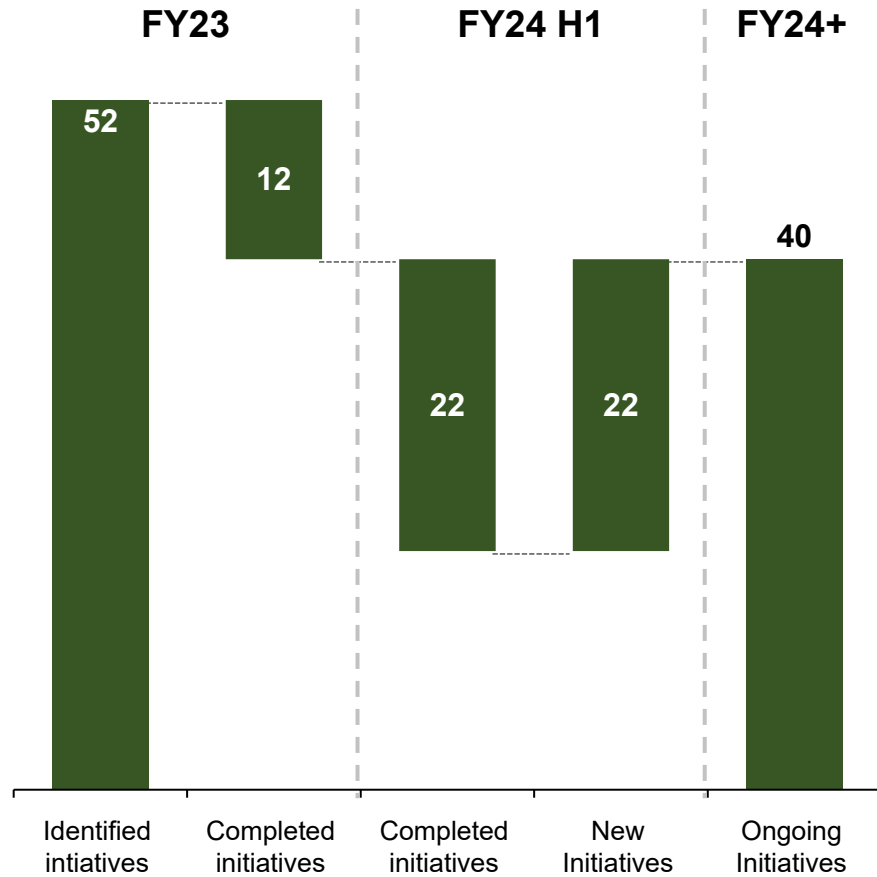
- Processing facility will handle a record volume in CY2024
- The targeted 10t/ph rate being achieved – 30% higher than prior year
- Improved throughput delivers reduced costs of processing per kg
- Options being considered for further increase in capacity

PMO – Strategy Execution and Discipline

Execution momentum building with growing profit impact and cash benefit

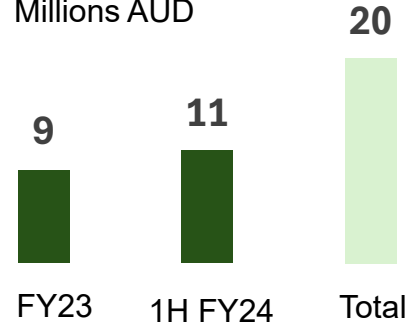
Execution

Count of initiatives



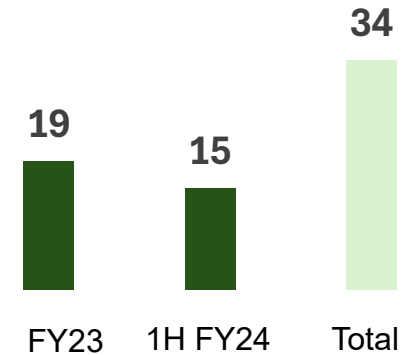
Profit Impact

Millions AUD



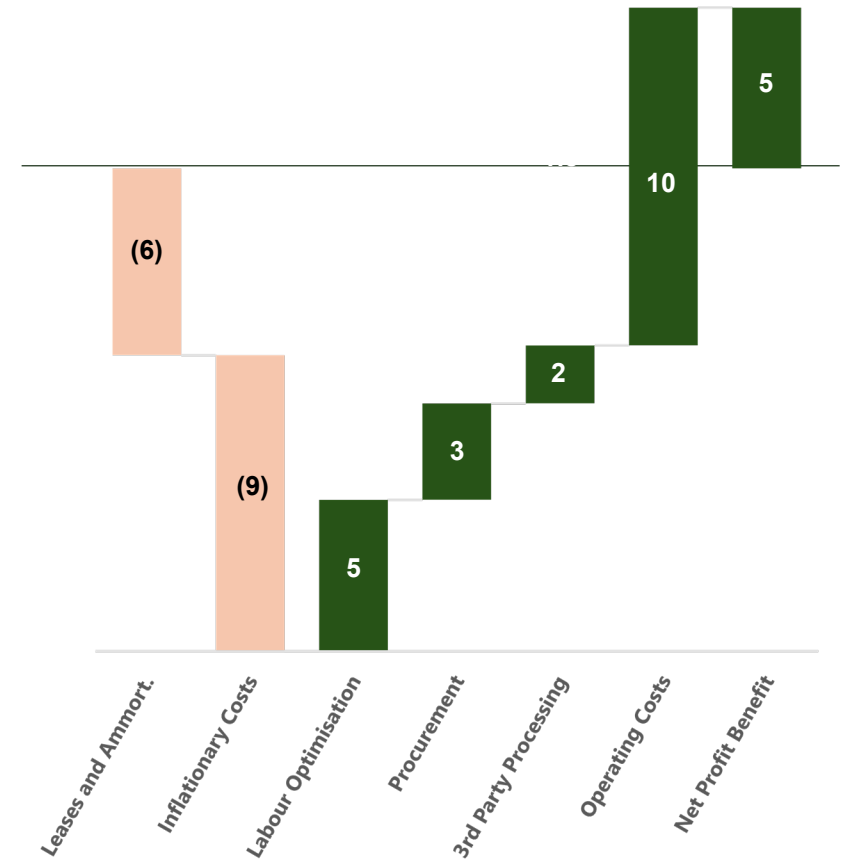
Cash Benefit

Millions AUD



The P&L Impact

Millions AUD





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OUTLOOK

Outlook – Continued Improvement

Full benefit of FY2024 initiatives to flow through.

SHV Crop

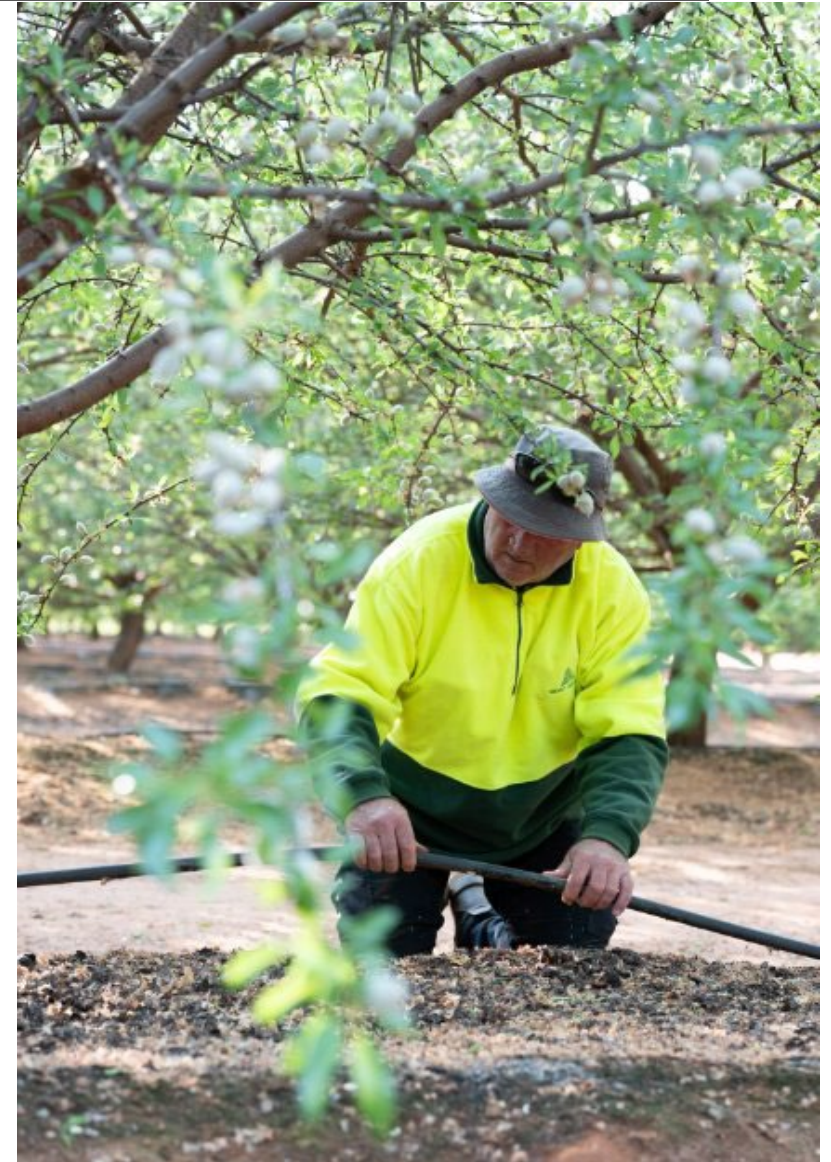
- Orchards back to historic yielding levels
- Yield improvement targeted through strategic input application
- Input costs remain favourable (water, fertiliser and chemicals)
- Forecast weather patterns remain neutral

Californian Crop

- Quality levels of remaining 2023 crop is low
- Carry-out inventory forecast to reduce below 0.4b pounds
- 2024 crop forecast of 3.0b pounds

Pricing

- Pricing is increasing, low US carryover inventory and US 3.0b pound crop
- India demand level expected to remain strong
- China levels of enquiry increasing and converting to orders
- Improved diversification into other markets and channels



Key Messages

Transformation, disciplined management and positioned for the upturn

Operational Gains

- 2024 Forecast increases to 29,500 – 30,000t. Substantial increase in Crop size and Quality (NSW remains an opportunity)
- Total production costs per kilogram reducing
- Increased processing capacity is matched with growth in external supply
- PMO delivering and tracking results (H1 FY2024 \$11m)
- Forecast price is \$7.57/kg – Prices are increasing

SHV Business Model

- Safety performance and capability improving
- SHV is becoming more competitive and lower cost
- SHV transformation progressing well:
 - External supply grows earnings and reduces earnings volatility
 - Horticulture and Sales strategic initiatives in execution
 - Seeking next capacity expansion
- Disciplined financial management:
 - Pipeline of accretive projects will improve return on capital
 - Cashflows improving
 - Profit cells driving more granular performance and accountability





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QUESTIONS