



SELECT HARVESTS

Select Harvests Limited (“SHV”)

Half Year ending 31 December 2014 - Results Presentation

26 February 2015





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Disclaimer & Basis of Preparation

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Agenda



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Overview

Results Discussion & Analysis

Outlook

Appendices



Overview



- **1H15 Reported Net Profit after Tax ("NPAT") of \$18.8m**, compared to Reported 1H14 NPAT of \$18.4m
- **1H15 Underlying NPAT of \$21.5m** (excluding the impact of acquisition transaction costs), compared to 1H14 NPAT of \$18.4m - **up 17%**
- **1H15 Underlying Earnings before Interest & Tax ("EBIT") of \$33.3m**, compared to 1H14 EBIT of \$27.0m - **up 23%**
- **Operating cash flow of \$18.4m**, compared to 1H14 cash flow of \$23.5m - **down 22%**
- **Gearing (Net Debt to Equity) 37.6%** - **down from 45.3%**
- **1H15 Earnings per Share ("EPS") 30.4 cents per share ("cps")**, compared to Reported 1H14 EPS of 32.0 cps - **down 5%**
 - **Excluding impact of acquisition transaction costs EPS was 34.6cps** - **up 8%**
- **Interim Dividend declared of 15 cps** (Record Date: 5 March 2015, Payment Date: 16 April 2015) - **up 36%**

On track for another strong year of earnings in FY15, based on current crop & price estimate



Overview



- **Strong group performance - capitalising on the benefits of integrated and more diversified business model**
 - Almond Division EBIT \$32.3m (based on 2015 crop estimate) - up 29% on 1H14 EBIT of \$25.0m
 - larger productive base & better prices, greater geographic spread, steady improvement
 - Food Division EBIT \$4.1m - flat
 - Trading & Consumer branded sales are up
 - Increased marketing investment, in a tough environment making good progress
 - Lucky market share gains (41.7% share Aug 2014) – best for 7 years
- **Growing future production base**
 - Acquired 2 properties in 1HFY15 - Amaroo & Mullroo - 2,445 acres of planted almond orchards & 2,865 unplanted acres
 - Orchard plantings (Jul/Aug 2014) 700 acres - 300 acres replanted, 400 acres new plantings
- **Balance Sheet strength**
 - Balance Sheet has been steadily improving – positioned with high quality growth assets
 - Capital raising Aug 2014 - \$46.5M placement, \$19.7M Share Purchase Plan
- **One Select**
 - SHV in better shape to grow – people, structures, processes, risk management, performance, funding, outlook
 - Environment - Zero major environment incidents

Increased productive scale & diversity through recent orchard acquisitions - 2 in 1HFY15



Financial Results - Income Statement

Financial Result (\$m)	1H14	1H15
	(\$m)	(\$m)
Revenue	100.7	100.6
EBITDA - Underlying	28.7	35.5
Depreciation	(1.8)	(2.2)
EBIT - Underlying	26.9	33.3
Interest	(2.1)	(2.6)
PBT - Underlying	24.8	30.7
(Tax Expense)	(6.4)	(9.2)
NPAT - Underlying	18.4	21.5
Acquisition Costs (post tax)	-	(2.7)
NPAT - Reported	18.4	18.8
 <i>EPS (Reported) - cents per share</i>	 32.0	 30.4
<i>Interim Dividend - cents per share</i>	11.0	15.0

- **EBIT of \$33.3m (1H14 \$26.9m) - up 23%**
 - Almond Div. \$32.3m (1H14 \$25.0m)
 - up 29%
 - Food Div. \$4.1m (1H14 \$4.0m)
 - steady
- **Underlying NPAT \$21.5m (1H14 \$18.4m) - up 17%**
 - Driven by almond division
- **EPS of 30.4cps - down 5%**
 - Underlying EPS 34.6cps – up 8%
- **Dividend of 15 cps unfranked - up 36%**

The result is driven by almonds – controlling the critical mass of almonds is rewarding shareholders



Financial Results - Balance Sheet

(\$m)	Period ending	31/12/2013	31/12/2014
Current Assets excl. Cash		114.1	144.0
Cash		3.3	3.3
Non Current Assets		195.4	279.5
Total Assets		312.7	426.8
Current Liabilities (excl. Borrowings)		24.8	23.9
Borrowings		83.0	102.0
Non Current Liabilities (excl. Borrowings)		28.9	38.8
Total Liabilities		136.7	164.7
Total Equity		176.1	262.1
Net Debt		79.7	98.7
Net Debt/Equity		45.3%	37.6%
NTA/Share (\$/share)		\$2.40	\$3.02

- **Net Debt \$98.7m**
- **Gearing (Net Debt to Equity) of 37.6%**
 - Down from 1H14 of 45.3%
- **Funding**
 - Facility limit of \$140m
 - Sufficient capacity to fund the growing SHV operations, acquisitions & replants

Balance sheet has absorbed growth and is strong



Financial Results - Cash Flow

(\$m)	1H14	1H15
EBITDA	28.7	35.5
Change in Working Capital	(2.6)	(14.8)
Net Interest	(2.6)	(2.3)
Cash flow from operating activities	23.5	18.4
Investing cash flows	(20.3)	(83.3)
Proceeds from equity raising	-	64.0
Increase/(Decrease) in Debt	(4.5)	0.2
Dividends Paid	(3.7)	(3.0)
Net Increase/(Decrease) in Cash and Cash Equivalents	(5.0)	(3.7)

- **Operating cash flow down by \$5.1m**
- **Working Capital increase of \$14.8m**
 - Cash required for new farm Hort Programs
 - Rising commodity prices has put pressure on working capital – especially Food Business
- **Investing cash flows of \$83.3m**
 - Orchard and land acquisitions \$66.8m (includes \$11.1 m of water)
 - Property, Plant & Equipment \$13.8m
 - Tree development \$2.7m
- **Positive operating cash flow allowed**
 - Orchard replanting program
 - Orchard acquisitions
 - Dividend payments

Select is generating strong operating cash flow while continuing to grow





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Results - Almond Division

EBIT (\$m)	Underlying		Variance
	1H14	1H15	
Almond Division	25.0	32.3	+29%

- **FY14 Crop completed**
 - Fully processed and 80% sold
 - Crop has been further downgraded due to insect & moisture damage – negative EBIT impact (\$3m) pre-tax in 1H15
- **FY15 Crop Update**
 - **Yield estimate** - 13,400 tonnes (consistent with previous advice)
 - Recently acquired orchards – slightly sub industry avge. for next couple of years as we introduce SHV Hort program
 - Balance of portfolio – around industry avge.
 - **Price estimate** - A\$10.20/kg - well above FY14 avge. (A\$8.50/kg)
 - Initial quality looks good
 - 40% of crop sold. Recent transactions closer to A\$11.00/kg
- **Activities & Outlook**
 - Harvest commenced last week – on track. Increased harvest equipment & night harvesting will aid quicker harvest
 - Presence of insects has been detected – actively managing
 - Orchard plantings (Jul/Aug 2015) - 925 acres (375Ha) new plantings at Allinga (SA)
 - Bedding down and integrating acquisitions - Improving on farm productivity and execution
 - Reviewing Water Policy - All FY15 water requirements have been secured at below current market levels
 - Project Management: Dryer – commissioned. Cogen plant – contract signed & works commenced
 - Investigating funding models for Greenfield orchards
 - Actively seeking mature orchard acquisitions

Almond Division – greater productive scale & geographic diversification – 81% orchards at maturity





Results - Food Division

	Reported		Variance
	1H14	1H15	
EBIT (\$m)			
Food Division	4.0	4.1	-

Positive result in tough environment

- Revenue of A\$70.6 million was up 9.4% (A\$64.5 million 1H14)
- Astute trading and price increases have protected bottom line
- Marketing investment has delivered branded growth share
 - Lucky – highest market share in 7 years
 - New products represent 14% of branded sales
- Industrial customer demand (confectioners, bakers, food manufacturers) remains solid

Cost saving

- Cost reductions driven by better labour management, increased machine and supply chain efficiency
- Production cost per kg remained flat year-on-year in spite of private label volume loss

Activities & Outlook

- Increase price to pass on commodity price and FX impact
- Continue to focus on cost and innovation
- Focus on cost & innovation
- Improving the platform – safety, training
- Scoping new markets both local and export
- Improving supply chain efficiency - logistics, systems, service

Food division focus – margin management and return on investment



Summary – US (California) Status



- **US Crop Update (2013/14) – harvested – 300 million pounds smaller than first anticipated**
 - Market estimate of USA 2013/14 Almond crop - now 1.8 billion pounds (Ref: CAB Position Report – 12 Feb 2015)
 - Down 300 million pounds on original NASS Objective Estimate of 2.1 billion pounds
- **Californian Drought - situation is worse than Feb 2014 – covers much greater proportion of almond growing counties**
 - Feb 2014 - 10% of California in Exceptional Drought (covered a small number of almond growing counties), 67% Extreme Drought
 - Feb 2015 - 41% of California in Exceptional Drought (covers the vast majority of almond growing counties), 67% Extreme Drought
- **Californian Snowpack - situation is worse than Feb 2014 – more pronounced in Central and South**
 - 2014 - State (23% of April Ave, 26% of Normal as at today) - North Sierra (15%, 17%), Central (29%/33%), Southern (22%/26%)
 - 2015 - State (17% of April Ave, 21% of Normal as at today) - North Sierra (16%, 20%), Central (18%/23%), Southern (16%/21%)
- **Californian Surface Water - situation is broadly equivalent to Feb 2014 – worse in Central and South**
 - Just endured the hottest year on record, placing additional stress on trees and limited water supplies
- **Californian Ground Water - introduction of Sustainable Groundwater Management Act (“SGMA”) in 2014 will have lasting impact**
 - 39% of all water used in California comes from groundwater (in some counties up to 60%)
 - Regulation enforced in 2014 - catchment plans required by 2017 - implementation from 2017 - long term issue
- **Californian Temperature - record temperatures are placing added pressure on tight water supplies**
 - 2014 was the hottest year on record, placing additional stress on trees and limited water supplies

80% of the world's almond supply has multiple, significant, long term supply constraints



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





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Appendix



Strategic Objectives & Activities



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		FY13 INITIATIVES	FY14 INITIATIVES	FY15 INITIATIVES
1. CONTROL CRITICAL MASS OF ALMONDS	Secure the critical mass of nuts needed to maximize profitability and leverage the global almond opportunity.	<ul style="list-style-type: none"> Acquired 1,286 acres almond orchard Ceased WA investment 	<ul style="list-style-type: none"> Acquired 680 acres planted orchard Acquired 1,000 acres unplanted Replanted 512 acres @ higher densities 	<ul style="list-style-type: none"> Acquired 2,481 acres planted orchard Acquired 4,465 acres unplanted Acquired 6,215 ML high security water Planting 948 acres Allinga
2. IMPROVE YIELD & CROP VALUE	Improve yield and overall crop value by perfecting on-farm and farm to factory practices.	<ul style="list-style-type: none"> Restructured Horticulture Division Investments in Benchmarking/Tech. Improve efficiency/protect yield \$500K frost fans 	<ul style="list-style-type: none"> Total review of Horticultural assets Further \$500K frost fans Additional harvest equipment 	<ul style="list-style-type: none"> Additional harvest equipment Biostimulants trial Trial catch & shake harvest technology
3. BE BEST IN CLASS SUPPLY CHAIN	Continuously improve our supply chain, achieving high quality, low cost and optimum capital utilisation.	<ul style="list-style-type: none"> Restructured Operations Division 	<ul style="list-style-type: none"> Evaluate operational improvements & refine proposals New Optical Sorter at Thomastown 	<ul style="list-style-type: none"> Biomass Electricity Cogen. Plant Carina West Dryer
4. INVEST IN INDUSTRIAL & TRADING DIVISION	Allocate resources to leverage our trading skills and grow sales in the industrial channel	<ul style="list-style-type: none"> Grew Industrial Division 40% 	<ul style="list-style-type: none"> Grew Industrial Division 24% through local and SE Asia customer base Innovations assisted growth 	<ul style="list-style-type: none"> Expanding business with food processors in local and SE Asian markets
5. TURN AROUND PACKAGED FOOD BUSINESS	Develop a new model for the packaged food category that will deliver sustainable returns above the cost of capital.	<ul style="list-style-type: none"> Exited unprofitable Retail Brand business Product Research/Collect Insights 	<ul style="list-style-type: none"> Product Development - Innovation/Renovation/Reformulation/ Repackaging Brand relaunch - Sunsol & Lucky Smart Snax 	<ul style="list-style-type: none"> Multiple relaunches & new products Range rationalisation New distributors - Thailand & Malaysia
6. FIX OUR SYSTEMS & PROCESSES	Develop the business systems and processes required to be a global industry leader.	<ul style="list-style-type: none"> OHS improvement - LTI's dropped 60% 	<ul style="list-style-type: none"> OHS improvement - LTI's dropped 73% New risk management framework New OHS policies/procedures 	<ul style="list-style-type: none"> IT upgrade
7. ENGAGE WITH OUR PEOPLE & OUR STAKEHOLDERS	Engage with investors and our industry while developing the team required to be a global industry leader.	<ul style="list-style-type: none"> Investor engagement – conferences, site tours and road shows 	<ul style="list-style-type: none"> Hort 3 training for Farm Management Refreshed company website Introduction of employee newsletters/intranet 	<ul style="list-style-type: none"> Further development of Performance Review process Diversity Committee

Significant progress on implementation of company's 7 strategic platforms & transition to a fully integrated agribusiness



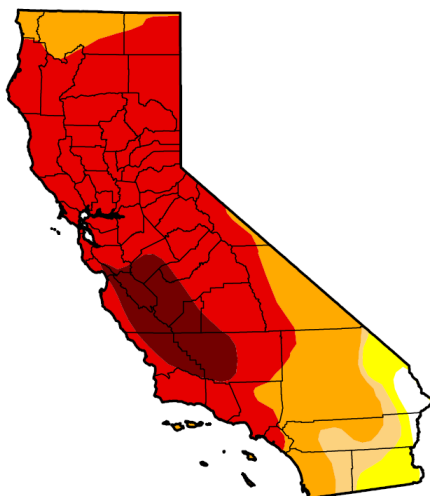
Global Supply - US Drought



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U.S. Drought Monitor California

February 4, 2014
(Released Thursday, Feb. 6, 2014)
Valid 7 a.m. EST



Intensity:

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

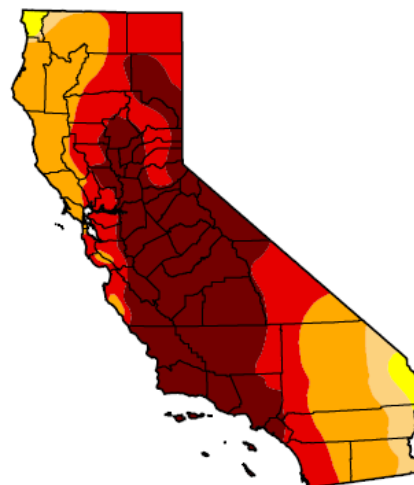
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Author:
Anthony Artusa
NOAA/NWS/NCEP/CPC

<http://droughtmonitor.unl.edu/>

U.S. Drought Monitor California

February 17, 2015
(Released Thursday, Feb. 19, 2015)
Valid 7 a.m. EST



	Drought Conditions (Percent Area)					
	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	0.16	99.84	98.10	93.44	67.46	41.20
Last Week 2/10/2015	0.16	99.84	98.10	93.44	67.46	39.99
3 Months Ago 11/18/2014	0.00	100.00	99.72	94.42	79.69	55.08
Start of Calendar Year 12/31/2014	0.00	100.00	98.12	94.34	77.94	32.21
Start of Water Year 9/30/2014	0.00	100.00	100.00	95.04	81.52	58.41
One Year Ago 2/18/2014	0.00	100.00	94.54	90.82	68.30	14.62

Intensity:

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Author:
Richard Heim
NCDC/NOAA



<http://droughtmonitor.unl.edu/>

Orange States = Severe Drought

Red States = Extreme Drought

Dark Brown States – Exceptional Drought

SHV 1H14 2014 – 10% Exceptional Drought, 67% Extreme Drought, 94% Severe Drought

SHV 1H15 2015 – 41% Exceptional Drought, 67% Extreme Drought, 93% Severe Drought

SITUATION IS WORSE THAN FEB 2014 – COVERS A MUCH GREATER PROPORTION OF ALMOND GROWING COUNTIES



Select Harvests - Financial History



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SHV Historical Summary	Units	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Sales	(A\$M)	217.9	229.5	224.7	248.6	238.4	248.3	251.3	191.1	188.3
EBIT	(A\$M)	38.4	40.5	27.1	26.8	26.0	22.6	19.6	37.7	41.8
EBIT Margin (EBIT/Sales - %)	(%)	17.6%	17.6%	12.1%	10.8%	10.9%	9.1%	7.8%	19.7%	22.2%
PBT	(A\$M)	37.9	40.0	25.4	23.0	23.6	18.5	13.4	32.7	37.4
Underlying NPAT	(A\$M)	26.5	28.1	18.1	16.7	17.3	17.7	9.5	22.9	29.0
Issued Shares	No. of Shares	39.7	38.7	39.0	39.5	39.8	56.2	56.8	57.5	58.0
Earnings Per Share	(AUD Cents per Share)	67.1	71.0	46.7	42.6	43.3	33.7	16.8	40.1	50.2
Dividend per Share	(AUD Cents per Share)	53.0	57.0	45.0	12.0	21.0	13.0	8.0	12.0	20.0
Payout Ratio	(%)	80.0%	80.0%	96.7%	28.2%	48.5%	38.6%	47.6%	29.9%	39.8%
Net Tangible Assets per Share	(A\$/Share)	1.83	1.57	1.41	1.56	1.87	2.17	2.19	2.14	2.47
Net Interest Cover	(times)	82.3	75.8	15.6	7.1	10.7	6.7	3.2	7.5	9.3
Net Debt	(A\$M)	1.3	1.6	46.8	52.4	45.0	73.1	66.8	79.3	94.8
Shareholder Equity	(A\$M)	101.5	95.5	94.1	100.9	113.6	168.8	160.3	159.5	182.8
Net Debt to Equity Ratio	(%)	1.3%	1.7%	49.7%	51.9%	39.6%	43.3%	41.7%	49.7%	51.9%
Share Price	(A\$/Share)	13.02	11.60	6.00	2.16	3.46	1.84	2.40	3.9	5.14
Market Capitalisation	(A\$M)	517.0	449.4	234.1	85.4	137.6	103.5	120.0	224.3	298.12
P/E Ratio		19.5	16.0	12.9	5.1	8.0	5.8	12.6	9.8	10.2

Source: Company Data



Acquisitions – Geographic Diversity, Scale & Future.



Allinga – Loxton, SA (A\$16.3M)

- 680 acres mature almond
- 1,000 acres suitable for planting to almonds (FY15)
- Gained SA water buyback/efficiently funding (Net \$5m) to support new plantings

Amaroo – Paringa, SA (A\$52.5M)

- 2,046 acres almond (1,288 acres mature, 758 acres immature)
- 1,500 acres suitable for planting to almond (plant FY16,17)*
- Other acquired assets – 6,215 ML high security water entitlements, 764 acres citrus (leased out),

Mullroo (Grewal) – Lake Cullulleraine, VIC (A\$8.5M)

- 435 acres almond (175 acres mature, 260 acres immature)
- 1,365 acres suitable for planting to almond (plant FY16, 17)*

Mendook – Euston, NSW (A\$2.0M)

- 1,600 acres suitable for planting to almonds (plant FY16)*

* Subject to business case



Geographically diversified portfolio of 13,311 acres of planted almond orchard





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SHV - Almond Division - Risk Mitigation

Area	Action
Farming Practices	<ul style="list-style-type: none">Empowered farm managementIntroduced Harvest guidelines to reduce weather exposure
Management Tools	<ul style="list-style-type: none">Great on-farm KPI's & reportingIntroduction of Leaf Bomb Pressure Test technology
Processing Standards	<ul style="list-style-type: none">Re-introduction of LEAN manufacturing processesHigher quality standards & testing across the businessPasteuriser commissioned and operational
Labour Skill & Management	<ul style="list-style-type: none">Improved training of harvest contractorsQuality & productivity based remuneration for labour
Capex	<ul style="list-style-type: none">Investment in pasteuriser & freefall metal detectorsInvestment in frost mitigation technology
Orchard Development	<ul style="list-style-type: none">Total review of existing orchard potentialLong term development plan inc. plant density & variety
Water	<ul style="list-style-type: none">Water purchase for NSW orchardsNew water policy - exposure over 3 years (1/3 long term lease, 1/3 annual, 1/3 spot)
Frost mitigation	<ul style="list-style-type: none">Installed frost fans on more highly exposed orchards in NSW and VIC
Bees	<ul style="list-style-type: none">Long term Bee Supply Agreement - 3 years (Victorian orchards)

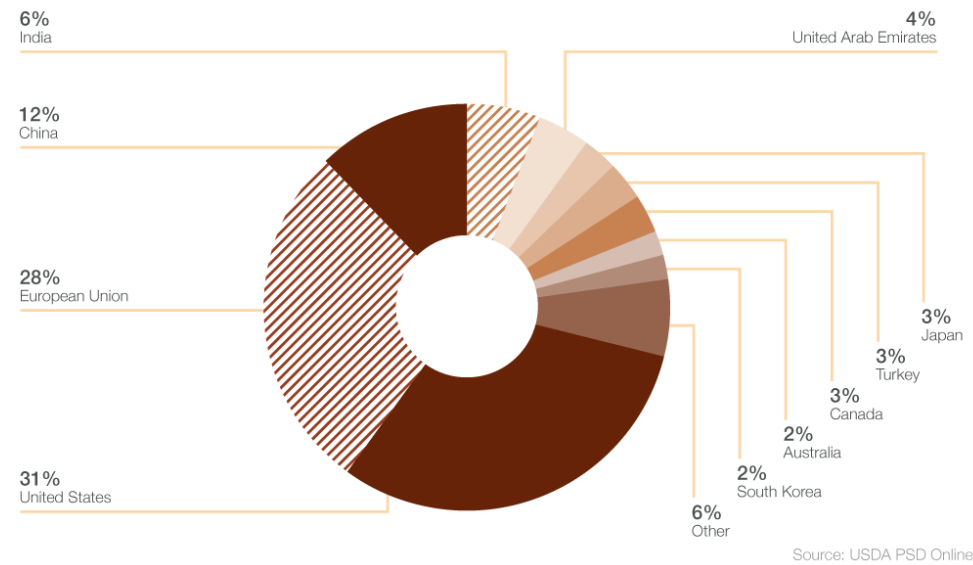
Maximise: Yield, Price and Quality



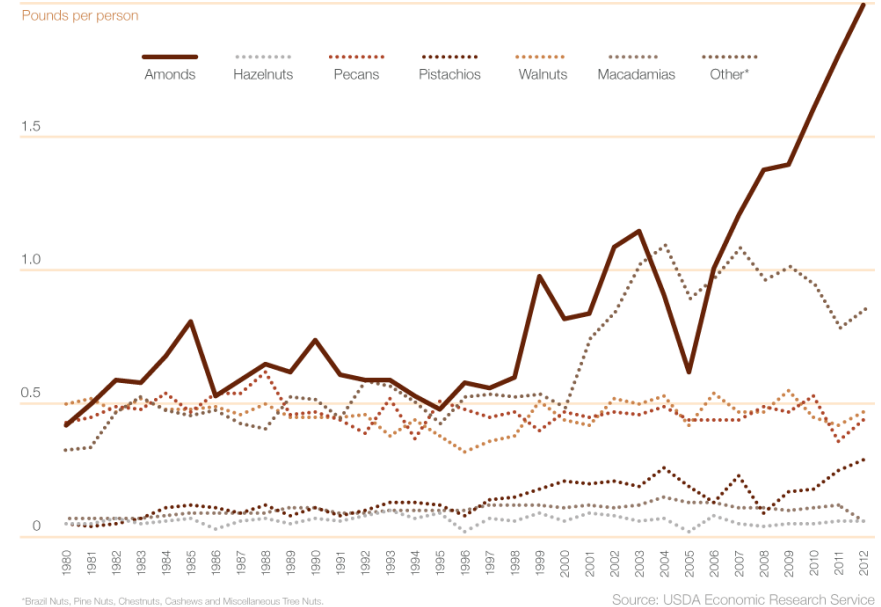
Global Demand – Diverse. High Growth



GLOBAL ALMOND CONSUMPTION 2013/14



ANNUAL US PER CAPITA CONSUMPTION OF ALMONDS AND OTHER TREE NUTS



Almonds have held the No.1 position in global tree nut innovations since 2006 (35% market share 2013).

Long term US per capita consumption of almond outpaces all other tree nuts (376% growth since 1980)

