



SELECT HARVESTS

Select Harvests Limited (“SHV”)

Half Year ending 31 December 2015 - Results Presentation

25 February 2016





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Agenda



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Overview

Financial Results & Analysis

Business Update

Outlook

Appendices



Overview



- **1H16 Reported Net Profit after Tax ("NPAT") of \$23.9m**, compared to Restated 1H15 NPAT of \$17.0m - **up 41%**
- **1H16 Underlying NPAT of \$21.1m** (excluding the impact of non-recurring items), compared to 1H15 NPAT of \$19.6m - **up 8%**
- **Operating cash flow of \$80.8m**, compared to 1H15 cash flow of \$18.4m - **up 339%**
- **Gearing (Net Debt to Equity) is 17.8%** - **down from 37.6%**
- **Underlying 1H16 Earnings per Share ("EPS") 29.5 cents per share ("cps")**, compared to 1H15 EPS of 31.6 cps - **down 7%**
- **Interim Dividend declared of 21 cps** (Record Date: 4 March 2016, Payment Date: 15 April 2016) - **up 40%**

Strong cash generation, low debt and gearing, healthy dividends



Financial Results - Income Statement

Financial Result (\$m)	1H15	1H16
	(\$m)	(\$m)
Revenue	100.6	166.4
EBITDA - Underlying	36.6	33.7
Depreciation	(6.0)	(4.9)
EBIT - Underlying	30.6	28.8
Interest	(2.6)	(2.6)
PBT - Underlying	27.9	26.2
(Tax Expense)	(8.4)	(5.1)
NPAT - Underlying	19.6	21.1
Non recurring items(post tax)	(2.6)	2.8
NPAT - Reported	17.0	23.9
 <i>EPS (underlying) - cents per share</i>	 31.6	 29.5
<i>Interim Dividend - cents per share</i>	15.0	21.0

- **Underlying EBIT \$28.8m (1H15 \$30.6m) - down 6%**
 - Almond Div. \$25.0m (1H15 \$29.7m)
 - down 16%
 - Food Div. \$6.7m (1H15 \$4.1m)
 - up 64%
- **Underlying NPAT \$21.1m (1H15 \$19.6m) - up 8%**
 - Includes \$2.8m tax benefit
 - Non recurring items \$2.8m post tax gain on asset sales in 1H16, and post tax impact of acquisition transaction costs in 1H15
- **Underlying EPS of 29.5cps – down 7%**
- **Dividend of 21 cps unfranked - up 40%**

Half year result impacted by crop value estimates developed at this time of the growing cycle



Financial Results - Balance Sheet

(\$m)	Period ending	31/12/2014	31/12/2015
Current Assets excl. Cash		144.0	163.2
Cash		3.3	12.7
Non Current Assets		279.5	276.3
Total Assets		426.8	452.2
Current Liabilities (excl. Borrowings)		23.9	49.6
Borrowings (incl. lease liabilities)		102.0	65.3
Non Current Liabilities (excl. Borrowings)		38.8	42.1
Total Liabilities		164.7	157.0
Total Equity		262.1	295.2
Net Debt (incl. lease liabilities)		98.7	52.6
Net Debt/Equity		37.6%	17.8%
NTA/Share (\$/share)		\$3.02	\$3.39

- **Net Debt (inc. lease liabilities) \$52.6m**
 - Excluding lease liabilities \$15.6m
- **Gearing (Net Debt to Equity) of 17.8%**
 - Excluding lease liabilities 5.3%
- **Funding**
 - 3 bank facility renegotiated with NAB, RABO and CBA
 - Facility limit of \$115m
 - 3 Year term & seasonal WC facilities
 - Additional acquisition line
 - Sufficient capacity to fund the growing SHV operations, acquisitions & replants

Balance sheet is strong, Gearing is low.



Financial Results - Cash Flow

(\$m)	1H15	1H16
EBITDA	36.6	28.8
Change in Working Capital	(15.9)	54.2
Net Interest	(2.3)	(2.2)
Cash flow from operating activities	18.4	80.8
Investing cash flows	(83.3)	(31.0)
Proceeds from equity raising/asset sales	64.0	63.3
Increase/(Decrease) in Debt	0.2	(81.8)
Dividends Paid	(3.0)	(17.8)
Net Increase/(Decrease) in Cash and Cash Equivalents	(3.7)	13.5

- **Operating cash flow \$80.8m – up 339%**
- **Working capital decrease of \$54.2m**
 - Proceeds from 2015 crop in 1H16
 - More than funding higher input hort. program
- **Investing cash flows of \$31.0m**
 - Orchard and land acquisitions \$5.0m
 - Water acquisitions \$5.0m
 - Irrigation upgrades, plant and equipment \$12.0m
 - Tree development \$3.2m
 - Project H2E \$3.9m
 - Project Parboil \$1.9m
- **Proceeds from Sale & Leaseback - \$63.3m**
- **Positive operating cash flow allowed**
 - Investment on our base business
 - Orchard replanting program
 - Orchard acquisitions
 - Dividend payments

Our asset base can now generate strong and sustainable operating cash flows



Business Status



Almond Division

- Focussed on delivering low cost position by delivering improved yield, lower cost and improve quality
- Funded orchard expansion plan in place to increase production to 20,000MT by 2022/3

Food Division

- Business now well positioned in growth categories domestically
- Looking to generate non organic growth

Balance Sheet

- Strong position to handle highs and lows of commodity pricing with sufficient capacity to grow

Funding

- Secure off and on balance sheet alternatives have been established

Last few years have been used to transform business to establish a sound base for growth.



Demand

- Higher prices, softening demand, increased supply and credit squeeze have had an impact
- Demand is re-emerging in some markets as credit/stock begins to move through the system
- US Domestic consumption is down 7.9% vs last year

Supply

- US 2015 Crop - Up 1.8% vs last year
 - Market estimate of USA 2015/16 Almond crop - now 1.9 billion pounds (Ref: CAB Position Report – 11 Feb 2016)
 - Record plantings as US farmers transition to more reliable water sources
 - Sales and commitments 58% vs. 7 year average of 66%
- Spanish Crop
 - Spanish crop estimate not available, but crop adversely affected by drought and unsynchronized bloom
- Australian crop
 - Slightly down on last year

Supply remains constrained: pricing retracting from record levels



Summary – US (California) Status

Californian Drought (Ref: Californian Government Department of Water Resources)

- **Snowpack - Below Average**
 - Snowpack 96% of normal - as at 19 Feb
- **Water Storage - Below Average**
 - Storage at 63% of average and 43% of capacity
- **Californian Temperature - Second hottest year on record**
 - 2015 was the second hottest year (following 2014), placing additional stress on trees and limited water supplies
 - Outlook is for another hot season

US 2016 Crop

- **Bloom & Chilling hours – Good** - Some of the best conditions in recent years
- **Outlook - Challenging**
 - State water allocations 15% vs 20% last year increasing reliance on aquifers
 - Long range forecast for another hot year

California continues to be affected by serious drought



Select Harvests 2016 Crop Estimate

Harvest has commenced in all states

- Good harvest conditions experienced to date
- Weather outlook for harvest period is clear at this stage

2016 Crop estimate 13,700 tonnes

- 2015 crop 14,500: this year impacted by tree removal and biannual nature of pollinators
- Quality appears better than 2015
- Nut size larger than 2015

2016 Price estimate A\$9.00/kg

- Last year's pool price was \$11.45/kg
- Calculation based on sales commitments, current market price and internal price forecast

Select Harvests expects to deliver its 2nd largest crop ever



Almond Division

	Underlying		Variance
	1H15	1H16	
EBIT (\$m)			
Almond Division	29.7	25.1	-16%

FY15

- Fully processed, largely sold and contracted
- \$4m positive impact on the 1H16 EBIT due to improved mix

Activities

- Sale & Leaseback completed with First State Super.
- Greenfield developments to plant out 2,500 acres during the winters of 2016 and 2017 commenced
- Company orchard plantings 948 acres in SA – completed Winter 2016
- Continuing to rollout the high input hort. program that is delivering yield improvements in top quartile target
- Acquired 200 acres of planted almonds and 170 acres of land suitable for planting, along with water entitlements
- Continuing to steadily build the company's water portfolio - purchased \$5m of permanent water entitlements
- Increased on farm drying capability
- WA sale (\$9.5m) settles April 2016
- Continue to target both mature orchard and greenfield acquisition opportunities
- All capex within budget and on plan

Currently announced investments in trees will deliver 20,000 tonnes of almonds by 2022/23





Food Division

	Reported		Variance
	1H15	1H16	
EBIT (\$m)			
Food Division	4.1	6.7	64%

FY15

- Revenue of A\$91.7m was up 30.0 % (A\$70.6 million 1H15)
- Strong industrial and Branded sales (Domestic & Export)
- Lucky Market share remains strong

Activities

- Difficult market due to customer and commodity price pressures.
- Processing cost is marginally below last year
- Investing in brands including relaunch of Nu-Vit to Nuvitality
- Executing plans in the export market, next market China
- Sunsol muesli now available in 6 countries
- New products represent 14% of branded sales
- Continuing to grow industrial business in SE Asia & China

Food Division on track to deliver long term target EBIT of \$10m



NuVitality Brand Relaunch



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Brand reinvestment continuing



SHV - Strategy towards 2018



1. CONTROL CRITICAL MASS OF ALMONDS

Secure the critical mass of nuts needed to maximize profitability and leverage the global almond opportunity.

2. IMPROVE YIELD & CROP VALUE

Improve yield and overall crop value by perfecting on-farm and farm to factory practices.

3. BE BEST IN CLASS SUPPLY CHAIN

Continuously improve our supply chain, achieving high quality, low cost and optimum capital utilisation.

4. INVEST IN INDUSTRIAL & TRADING DIVISION

Allocate resources to leverage our trading skills and grow sales in the industrial channel.

5. STRENGTHEN PACKAGED FOOD BUSINESS

Commit funds and develop structure to generate domestic and export growth for the packaged food business delivering sustainable returns above the cost of capital.

6. FIX OUR SYSTEMS & PROCESSES

Develop the business systems and processes required to be a global industry leader.

7. NON ORGANIC GROWTH

Acquire businesses in related categories leveraging existing capabilities that are EPS accretive and deliver sustainable returns above our cost of capital.

8. ENGAGE WITH OUR PEOPLE & OUR STAKEHOLDERS

Engage with investors and our industry while developing the team required to be a global industry leader.

Select Harvests 2018 Strategy delivery is ahead of target – continue to refine and execute



Key Projects Status

Parboil - Value Added Almond Production

- Initial foundations have been laid and machinery in factory. November commissioning and budget track

H2E - Biomass Electricity Cogeneration Plant

- Equipment is being manufactured. November commissioning and budget track

2016 Greenfield – Orchard Development

- Irrigation infrastructure being installed July plant out and budget on track

Non Organic Growth - Diversification

- Targets have been identified and some engagement has been undertaken. Current price expectations make transactions difficult
- Priority export markets have been scoped, leveraging new FTAs

1Select – Business Systems Upgrade

- Scoping of “as is” analysis complete, gap analysis close to competition- Sept roll out on track

OH&S – Performance Improving

- LTIFR and Hazard ID's have approved on a MAT (moving annual total basis)
- LTIFR 30 VS 32

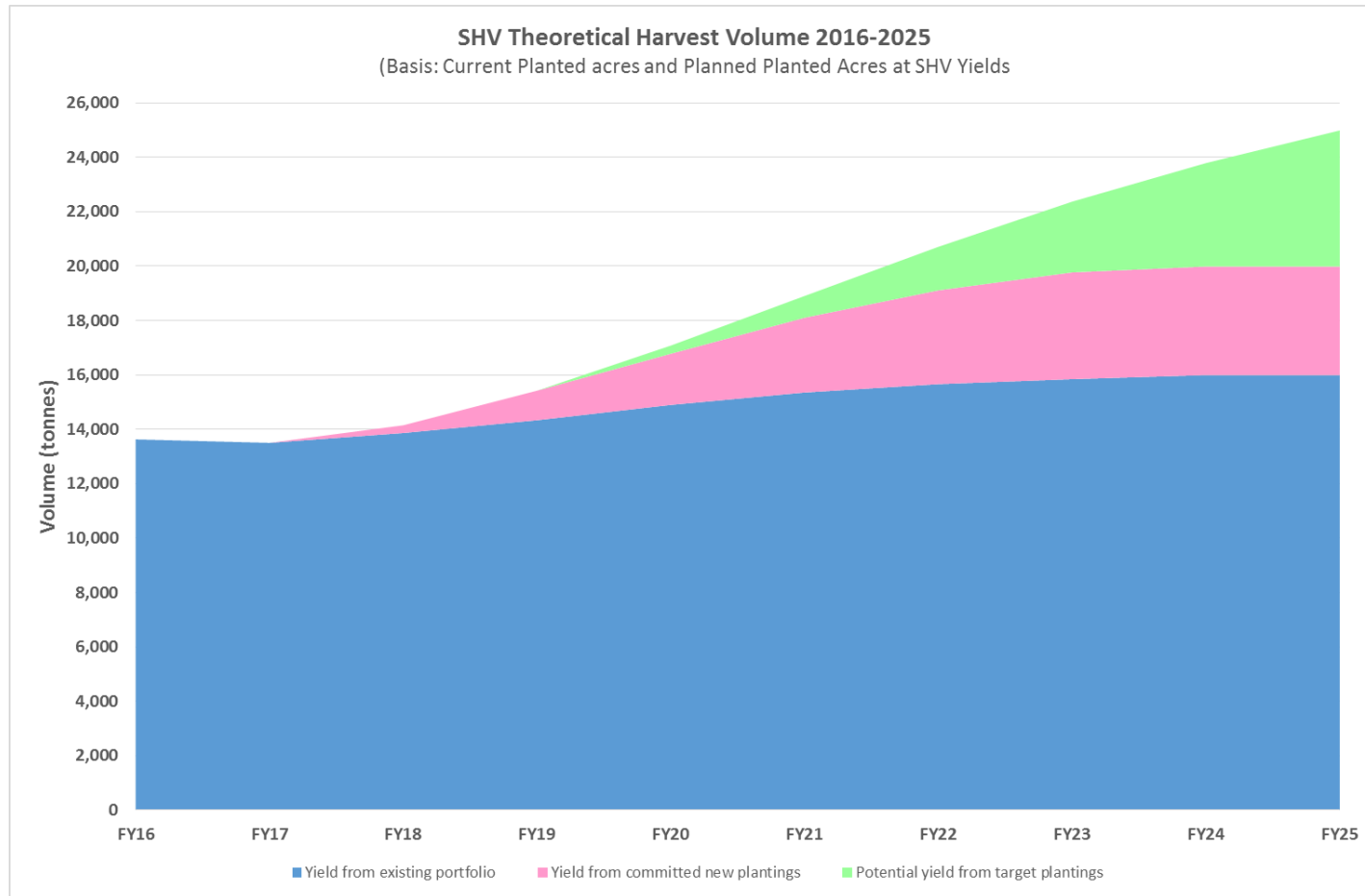
Busy year across the business, still plenty of opportunities in the pipeline



Almond Growth



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Mid term growth is assured



SHV 2016 Business Objectives



1. Roll out Zero Harm OH&S strategy
2. Improve average mature tree yield equal to or greater than 3.2 tonnes/ha (1.3 tonnes/acre)
 - *Select Harvests FY15 average yield over 3.0 tonnes/ha (1.2 tonnes/acre)*
3. Acquire orchards at the right price
4. Implement greenfield program
5. Implement Biomass/Cogen plant
6. Implement Parboil
7. Grow and strengthen Food Business
8. Implement consolidation of One Select ERP platform

Playing the long game - continuing to execute our successful cash generative growth strategy



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



Select Harvests - Financial History



SHV Historical Summary	Units	2006	2007	2008	2009	2010	2011	2012	2013	2014*	2015
Total Sales	(A\$M)	217.9	229.5	224.7	248.6	238.4	248.3	251.3	191.1	188.1	223.5
EBIT	(A\$M)	38.4	40.5	27.1	26.8	26.0	22.6	19.6	37.7	31.3	89.6
EBIT Margin (EBIT/Sales - %)	(%)	17.6%	17.6%	12.1%	10.8%	10.9%	9.1%	7.8%	19.7%	16.6%	40.1%
PBT	(A\$M)	37.9	40.0	25.4	23.0	23.6	18.5	13.4	32.7	26.8	84.3
NPAT	(A\$M)	26.5	28.1	18.1	16.7	17.3	17.7	9.5	22.9	21.6	56.8
Issued Shares	No. of Shares	39.7	38.7	39.0	39.5	39.8	56.2	56.8	57.5	58.0	71.4
Earnings Per Share	(AUD Cents per Share)	67.1	71.0	46.7	42.6	43.3	33.7	16.8	40.1	37.5	82.9
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	50.0
Payout Ratio	(%)	80.0%	80.0%	96.7%	28.2%	48.5%	38.6%	47.6%	29.9%	53.3%	60.3%
Net Tangible Assets per Share	(A\$/Share)	1.83	1.57	1.41	1.56	1.87	2.17	2.19	2.14	2.38	3.35
Net Interest Cover	(times)	82.3	75.8	15.6	7.1	10.7	6.7	3.2	7.5	7.0	16.9
Net Debt	(A\$M)	1.3	1.6	46.8	52.4	45.0	73.1	66.8	79.3	94.8	109.7
Shareholder Equity	(A\$M)	101.5	95.5	94.1	100.9	113.6	168.8	160.3	159.5	175.4	287.4
Net Debt to Equity Ratio	(%)	1.3%	1.7%	49.7%	51.9%	39.6%	43.3%	41.7%	49.7%	54.1%	38.2%
Share Price	(A\$/Share)	13.02	11.60	6.00	2.16	3.46	1.84	2.40	3.90	5.14	11.79
Market Capitalisation	(A\$M)	517.0	449.4	234.1	85.4	137.6	103.5	120.0	224.3	298.1	835.1
P/E Ratio		19.5	16.0	12.9	5.1	8.0	5.8	12.6	9.8	13.8	14.7

* 2014 figures have been rebased according to early adoption of Accounting Standards, AASB 116, Property, Plant and Equipment, and AASB 141, Agriculture, impacting "bearer plants".

Source: Company Data



Select Harvests – Orchard Summary



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Select Harvests	Planted		Under development		Total	
Almond orchard portfolio	Acres	Hectares	Acres	Hectares	Acres	Hectares
Central region						
Company Owned	4,169	1,688	-	-	4,169	1,688
Leased	1,481	600	1,400	567	2,881	1,166
Total	5,650	2,287	1,400	567	7,050	2,854
Northern Region						
Company Owned	1,657	671	-	-	1,657	671
Leased	3,017	1,221	-	-	3,017	1,221
Total	4,674	1,892	-	-	4,674	1,892
Southern Region						
Company Owned	1,574	637	-	-	1,574	637
Leased	2,405	974	1,009	409	3,414	1,382
Total	3,979	1,611	1,009	409	4,988	2,019
Total						
Company Owned	7,400	2,996	-	-	7,400	2,996
Leased	6,903	2,795	2,409	975	9,312	3,770
Total	14,303	5,791	2,409	975	16,712	6,766

