



SELECT HARVESTS

Select Harvests Limited (“SHV”)

Paul Thompson, Managing Director

12th PAC Partners Agribusiness & Food Conference (Melbourne)

28 April 2015



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Agenda

- SHV- Review
- SHV- Key Drivers & Assets
- SHV - Strategy & Activities Update
- SHV - 2015 Crop Update
- Almond Market Global Trends
- SHV – Business Focus

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SHV - Review



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- Select Harvests has undergone significant transformation in last 5 years
- Undertook a deliberate move to more directly expose shareholders to the compelling fundamentals of almonds & healthy eating
- Select Harvests has transition from predominantly a manager of 3rd Party orchards to integrated agribusiness by:
 - Prioritising Risk Mitigation & Productivity
 - Increasing scale & leverage growth
 - Building Brands in Business to Business and Consumer segments
 - Exiting lower profit segments
 - Growing customer base

Select Harvests is an integrated growing agribusiness



SHV - Key Drivers



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Existing portfolio – 18,000 acres

- Circa 13,000 acres almond trees
- 60% owned, 40% leased
- Average age 11 years old
- Unplanted land bank of 5,000 acres

Orchard

- Investment in risk mitigation and capex relate productivity is near complete
- 15,600 MT p.a. crop potential from existing portfolio at maturity: (current maturity profile base: 10-12,000 tonnes)
- 6,000 MT p.a. crop potential from land bank at maturity
- 25,000 MT processing capacity at Carina West plant: capex largely sunk to support future capacity

Food

- Brands starting to show growth – 14% sales are from products launched in last 18 months
- Agents appointed – Thailand & Malaysia
- Business 2 Business growth has got to the point where capacity is the bottleneck not demand

The business is set to deliver sustainable cash flows



SHV - Food Division - Brands



- Market leader in the cooking nut category.
- Cooking Nut product range: almonds, walnuts, cashews, hazelnuts, brazil nuts, pine nuts, pistachios, macadamias, sunflower seeds and pepitas (Value share 36.8% as at 20/7/14. Source Aztec National Chains Scan data)
- Snacking product range: portion control packs, Lucky Smart Snax and Lucky Snack Tubs.
- Distribution: major supermarkets and export markets including the Middle East, Indonesia and Papua New Guinea.



- Product range: nuts, dried fruit, legumes and pulses, cereals, grains, seeds, flour, muesli and organic foods.
- Bulk and convenient packs.
- Distribution: health food stores and pharmacies nationally.



- Product range: muesli, dried fruit, nuts and snacks.
- Distribution: major supermarkets (muesli) and export markets including Hong Kong, Singapore, Malaysia, Indonesia and the Pacific Rim.



- Product range: muesli, dried fruit, wholefoods, nuts and snacks.
- Distribution: Health aisle of major supermarkets and export markets including Hong Kong, Singapore, Malaysia, Indonesia and the Pacific Rim.



- Product range: almonds and other nuts, dried fruit, seeds, nut pastes and pralines.
- Bulk pack.
- Products sold to local and overseas food manufacturers, wholesalers, distributors and re-packers.



Source: Company Data and Aztec National Chains Scan data





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SHV- Latest new products

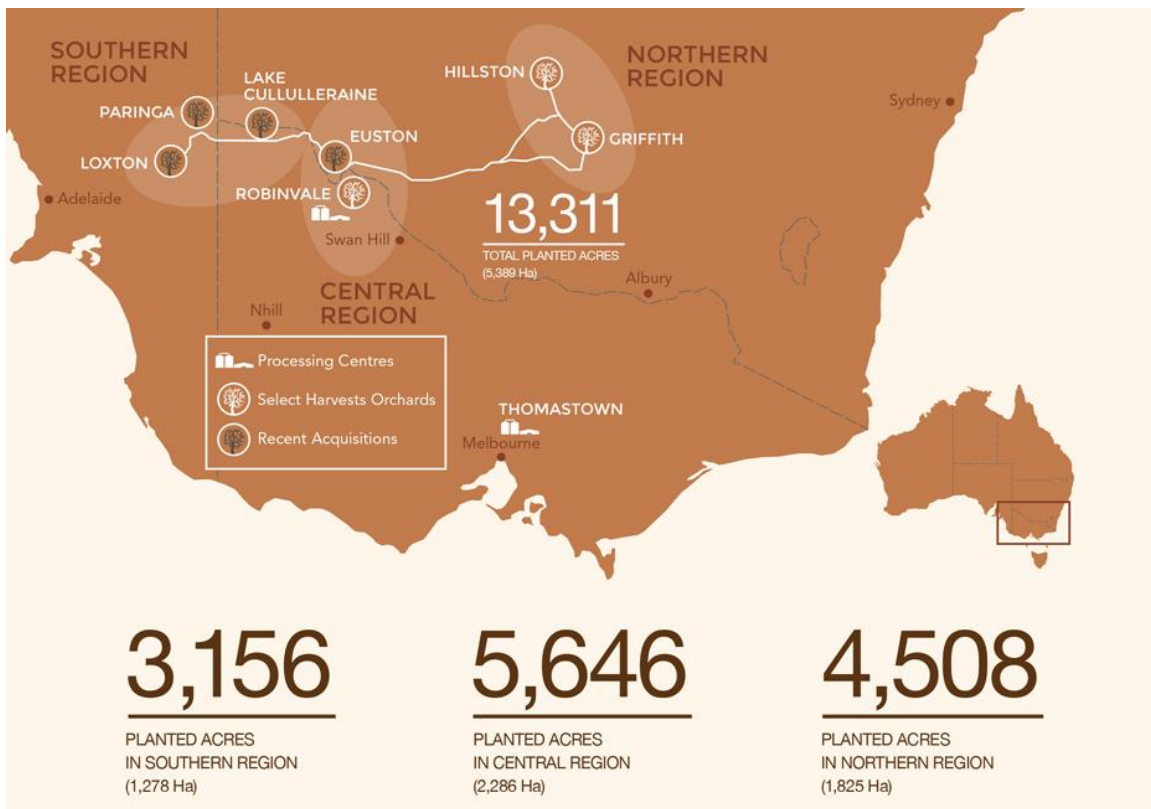
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SHV -Geographic Diversity & Scale



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Geographic diversity limits exposure to:

- Weather
- Disease spread
- Insect infestation

Amaroo to Robinvale

Distance: 225 km
Drive Time: 2.5 hours

Grewal to Robinvale

Distance: 140 km
Drive Time: 1.8 hours

Mendook to Robinvale

Distance: 40km
Drive Time: 0.5 hours

Australia's 2nd largest and most geographically diverse almond producer

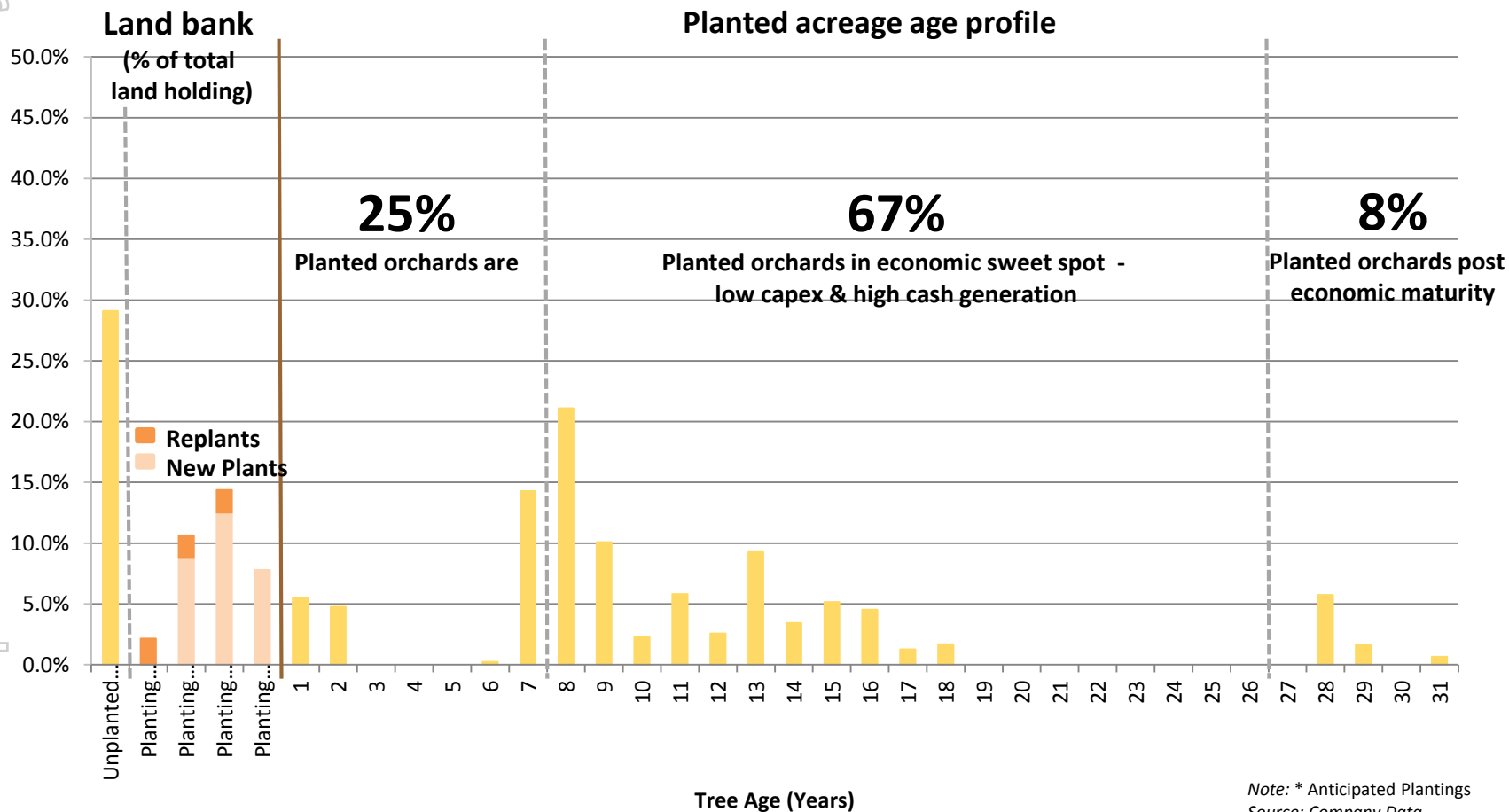


SHV Orchard Profile – Young Orchards PLUS Longevity



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Select Harvests almond orchards have an average age of 10.9 years. On track to double acreage by 2018.





Strategic - Objectives & Activities

		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 Bio stimulants 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



Productivity – Controllable Improvements

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People/OHS/Safety – Right people, right training, right systems, right resources

- Intangible impact – difficult to measure entire specific impact – collectively reveals itself in improved productivity & results

Orchard Productivity – investing incrementally more in crop production & yield initiatives to capture significantly more crop value

- Every 0.1 MT/acre productivity gain delivers additional yield of 1,800 tonnes p.a. - EBIT \$13 million p.a. (A\$7.50/kg almond price)

Harvest Productivity – ensure harvest is safe, quick, efficient & value enhancing

- Increase equipment matrix/night harvest operations – reduces time required for harvest
- Installation of Dryer increases proportion of crop available to the lucrative in-shell market

Cogeneration/Processing Productivity – produce sustainable power from waste stream & permanently lower energy cost base

- Will save circa \$2m p.a. in energy costs and deliver lowest quartile costs/kg

Quality Productivity – produce a greater proportion of higher quality & higher value nuts

- 15-18% price differential between grades (Supreme grade vs manufacturing grade)

Food Productivity

- Greater proportion of branded product sales.

Supply Chain Productivity – ensure we have the optimal supply chain to service our customers & efficiently market our products

- Supply chain is under review

Finance Productivity – ensure that we have the optimal funding model to support & grow the business

- Funding model is under review

Investments are generally capital light – productivity is now more about execution



2015 Crop Update



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Harvest Progress Update

- **95% of crop harvested** (this time last year 83%)

Volume Update

- **13,400 tonnes** (In line with previous guidance)

Processing Update

- **30% of est. crop has been processed**
- Quality is good as expected
- Level of insect damage is lower than 2014
- Higher in-shell yields than 2014, export shipments have commenced

Price Update

- **A\$11.00/kg** (previous guidance A\$10.20/kg)
- **55%** of crop sold
- Price negotiations with local retailers ongoing



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- Demand has been Nuts growing for the last 5 years and continues to grow:
 - Almonds offer a unique matrix of nutrients, and have been clearly linked with improved heart health.
 - Significant promotion by Industry
 - Programs focused on promoting the nutritional benefits of nuts and almonds have helped to drive this increased awareness, eg. Almond Board of California, Almond Board of Australia and Australia's Nuts for Life campaign.
- Supply until recently has been keeping pace with demand
 - Better varieties
 - Higher yields.
 - Top 5 US marketable crops have been in the last 6 years. (2013/4 Equal 2nd)

Consumers are seeking more protein in their diets in the developed and developing world



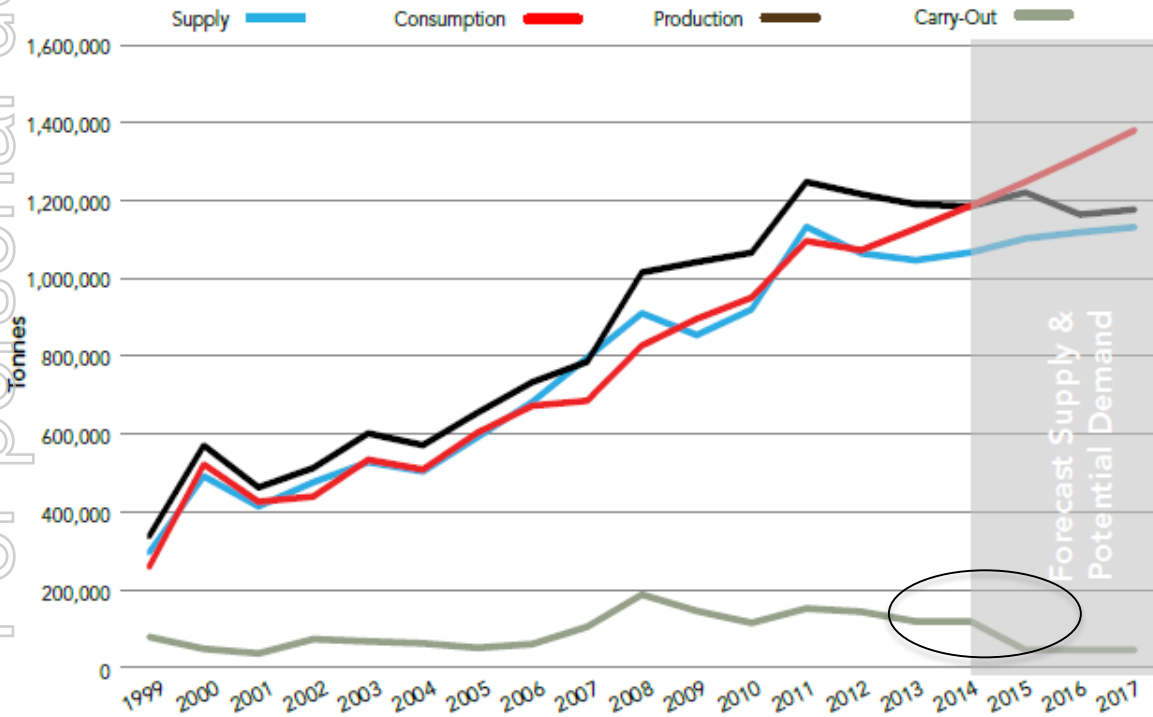


Global Supply & Demand

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- Worldwide demand for almonds has doubled over the past ten years
- Global almond production has increased from 900 million pounds in 2000 to 2.4 million pounds in 2015
- The increase in global supply represents an averaged increase of 100 million lbs per year over 15 years.
- International almond consumption has grown at an average of 11% per annum over the past five years, and 8% over the past decade.

Global Almond Supply Versus Demand Forecast



Country	g per capita
Aust	1013
Germany	854
USA	700
Middle E	272
China	91
India	53





Demand – Developing World Remains a Massive Opportunity

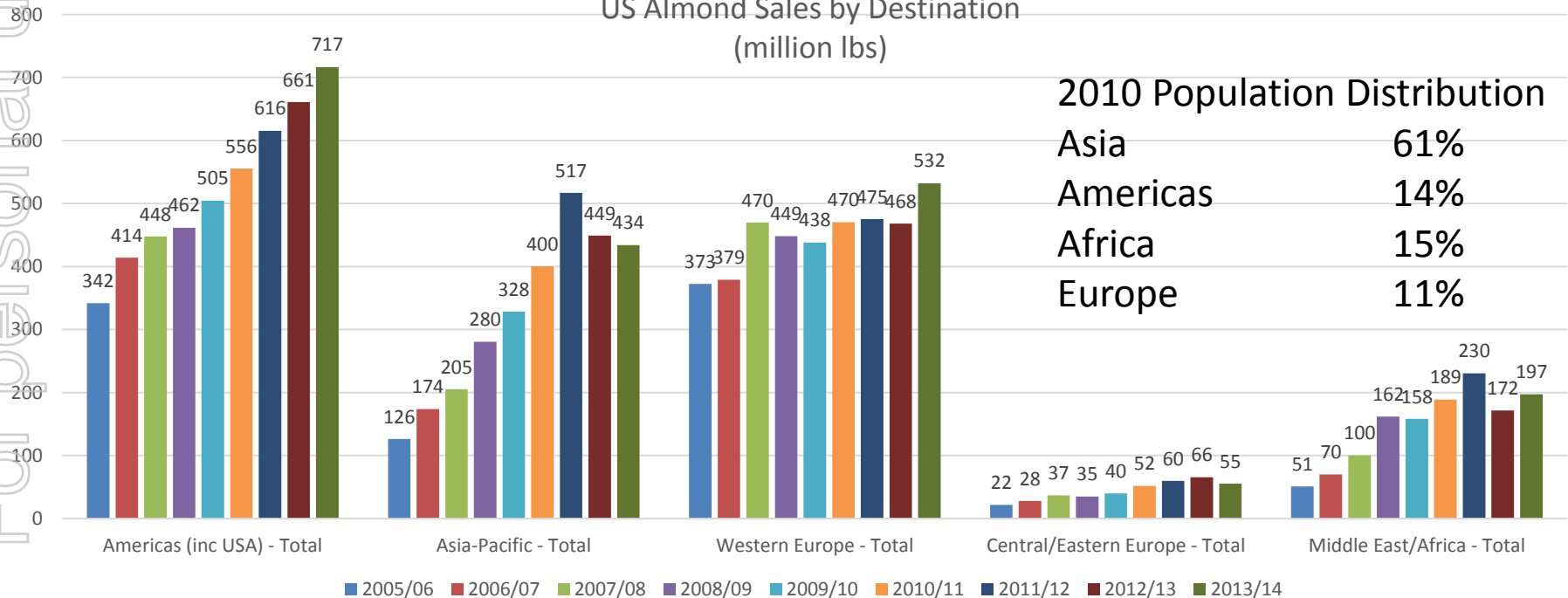
Population Growth and Demand from Developing Markets

- Global demand for almonds is being driven by population growth in destinations such as India, Middle East and China.
- Increasing affluence in developing markets has dramatically increased consumption of all tree nuts, including almonds.
- Continued growth is expected as these populations continue to expand and trend towards a more health conscious diet.
- Traditional markets such as Western Europe have also continued to grow.
- Growth opportunities: Asia, Central/Eastern Europe & Africa

CAGR (2008/09-2013/14) – 5 Years – 6.9%

- Americas 9.2%
- Asia Pacific 9.1%
- Western Europe 3.5%
- Central Europe 9.5%
- Middle East/Africa 4.0%

US Almond Sales by Destination (million lbs)



2010 Population Distribution

- Asia 61%
- Americas 14%
- Africa 15%
- Europe 11%

Source: 2013 California Almond Acreage Report, CDFA. Almond Insights 2013/14, ABA.



Demand - Asia has only Just Started



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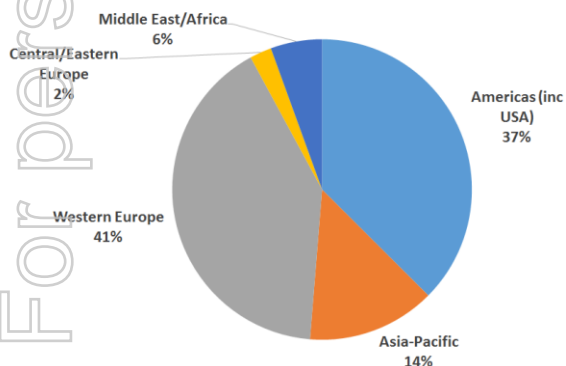
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	2005/06		2009/10		2013/14	
USA Export Shipments	Million lbs	% of Total Shipments	Million lbs	% of Total Shipments	Million lbs	% of Total Shipments
China	17	2%	133	9%	145	7%
India	40	4%	84	6%	102	5%
Middle East/Africa	43	5%	137	9%	178	9%
Combined Total	99	11%	354	24%	425	21%
TOTAL SHIPMENTS	914	100%	1,471		1,937	

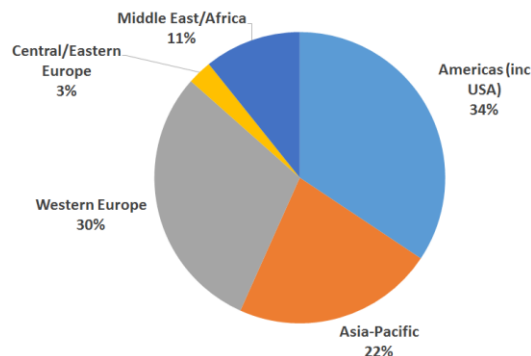
Increase 2005/06 - 2009/10	
Million lbs	%
116	696%
44	110%
94	219%
255	258%
557	61%

Increase 2005/06 - 2013/14	
Million lbs	%
128	768%
62	155%
135	314%
326	329%
1,023	112%

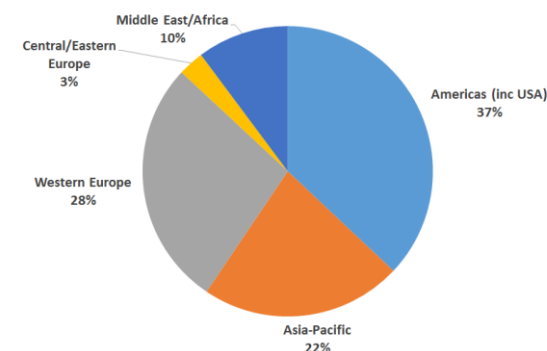
US Almond Sales by Destination - 2005/06 (million lbs)



US Almond Sales by Destination - 2009/10 (million lbs)



US Almond Sales by Destination - 2013/14 (million lbs)



Source: 2013 California Almond Acreage Report, CDFA. Almond Insights 2013/14, ABA.

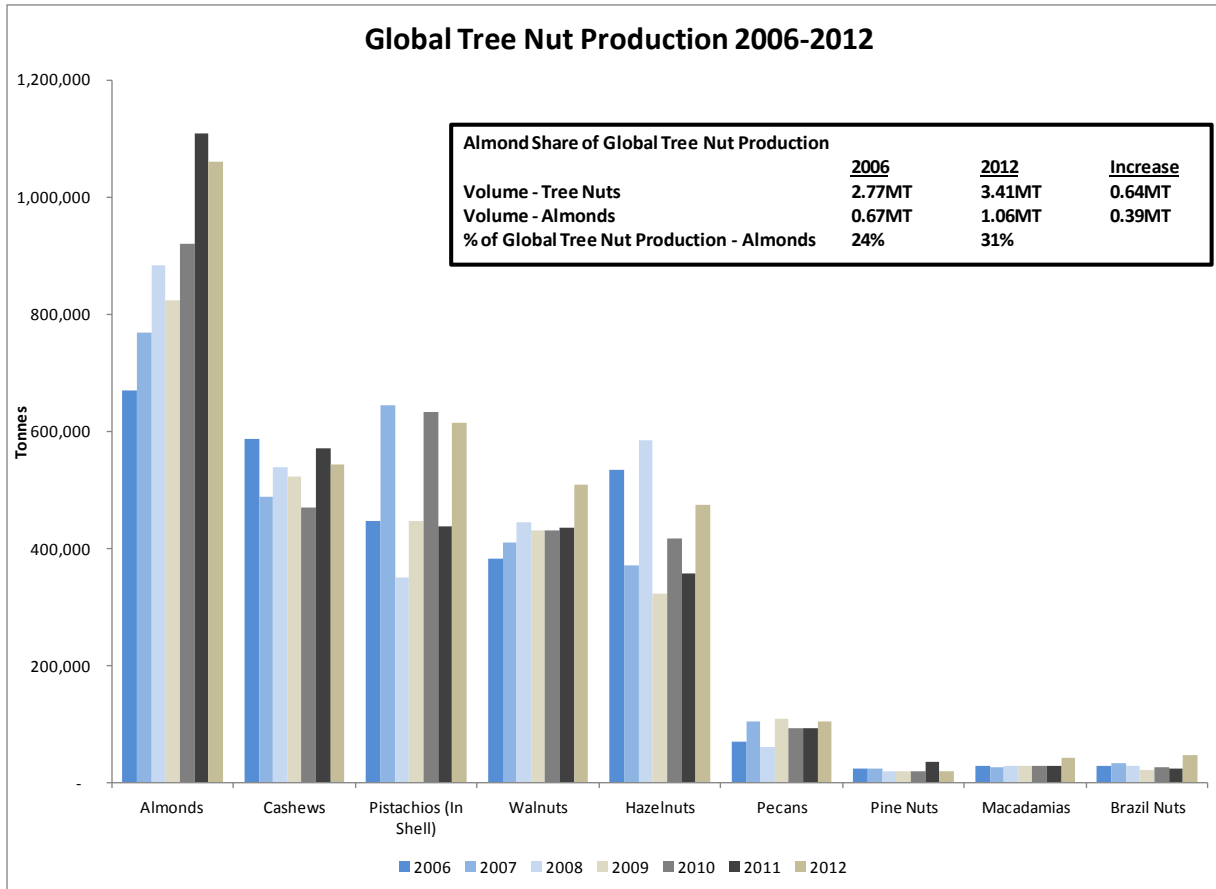


Supply – Difficult to substitute



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Source: Global Statistical Review 2007-2012, International Nut & Dried Fruit Council Foundation (INC), 2013

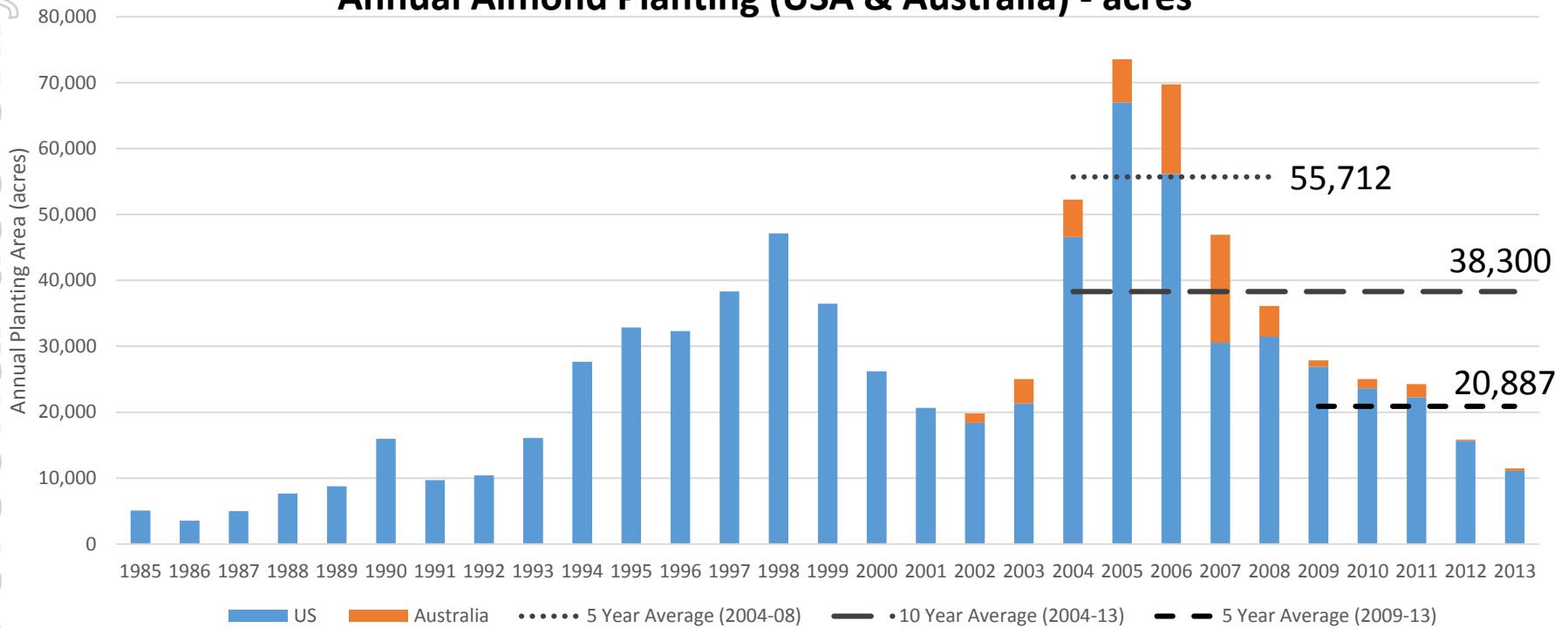
Almonds are the most versatile and highest volume nut, substitution is difficult



Supply Future



Annual Almond Planting (USA & Australia) - acres



Source: 2013 California Almond Acreage Report, CDFA. Almond Insights 2013/14, ABA.

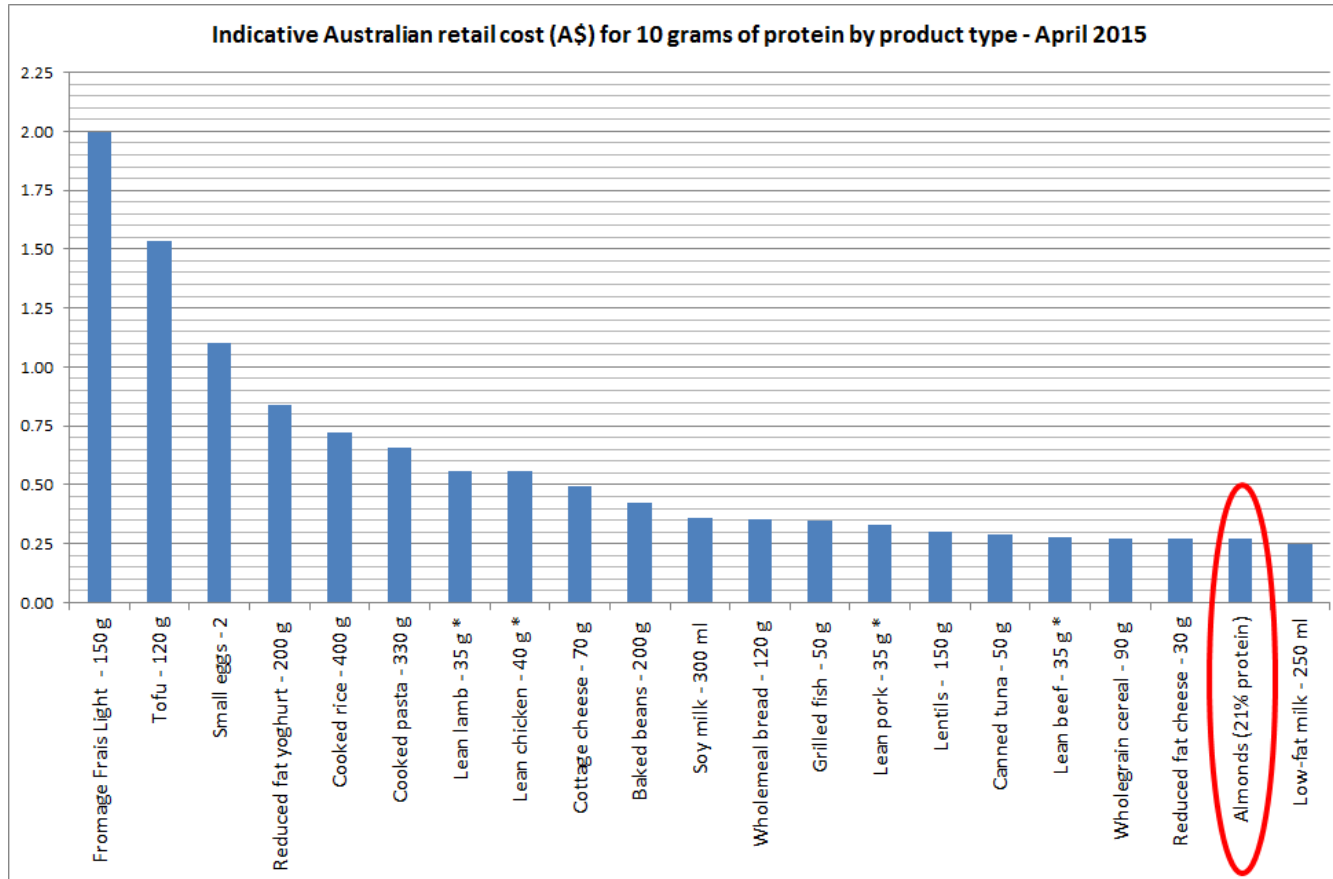
California.

- Nearly half of California’s almond orchard is 15 years old or older – (45.2% - 24.5% are 15-19 years old, 20.7% are 20 years or older)
- *“In spite of ongoing water concerns and high land costs, Rabobank expects California almond growers will continue to increase plantings and total production leading to a rise of about 2% and 3.5% per annum, respectively, over the next decade” – Rabobank April 2015.*



Price – Affordability - 2015

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Source: Protein Data - Australian Institute of Sport (AIS) . Pricing based on company survey (on-line Australian retail pricing, April 2015).

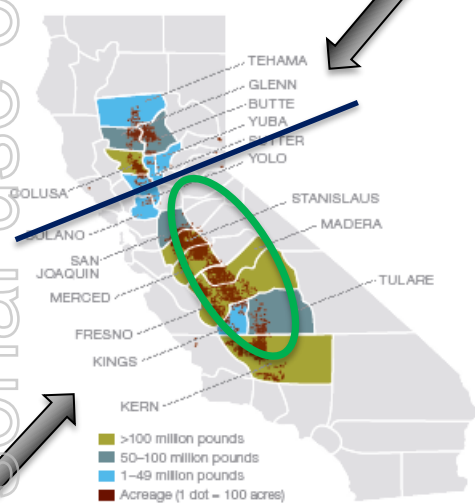
Almonds are one of the most affordable protein sources across all food types



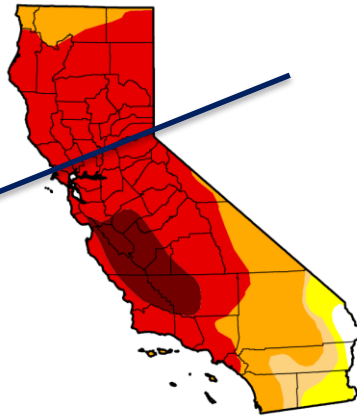
Global Supply - US Almond Production & Drought

14% - North Counties % of US Almond Prod'n

Almond Production by County 2013/14



U.S. Drought Monitor California



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

Intensity:

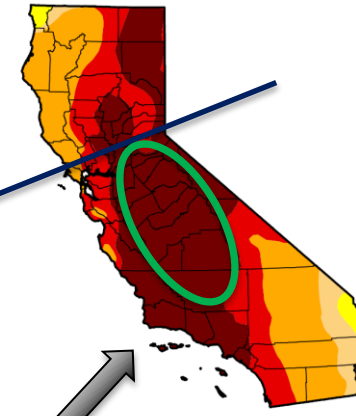
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

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

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

U.S. Drought Monitor California



April 7, 2015
(Released Thursday, Apr. 9, 2015)
Valid 7 a.m. EST

Drought Conditions (Percent Area)

	None	D0-D1	D1-D2	D2-D3	D3-D4	D4
Current	0.15	99.85	98.11	93.44	66.60	44.32
Last Week 3/31/2015	0.15	99.85	98.11	93.44	66.60	41.41
3 Months Ago 1/8/2015	0.00	100.00	98.12	94.34	77.94	32.21
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	81.92	58.41
One Year Ago 4/8/2014	0.00	100.00	99.81	95.21	68.76	23.45

Intensity:

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

Author:
Michael Brewer
NCCD/NOAA
   
<http://droughtmonitor.unl.edu/>

86% South Counties % of US Almond Prod'n

Orange States = Severe Drought
Red States = Extreme Drought
Dark Brown States – Exceptional Drought

86% South Counties % of US Almond Prod'n

Too early to understand long term impact



Californian Almond Board – March 2015 Position Report

- <http://www.almonds.com/sites/default/files/content/newsletters/attachments/2015.03posrptmarch.pdf>
- **US Shipments**
 - March US shipments - 190 million lbs - a record and 26% higher than March 2014
 - US Export shipments - 133 million lbs - 42% higher than March 2014
 - US Domestic shipments - 56 million lbs - 1% lower than March 2014
- **Inventory Impact**
 - Carry-in 1 Aug 2014 - 351 million lbs
 - Carry-out est. 30 July 2015 - 350-400 million lbs (Ref: Hilltop Ranch Newsletter, 10 April 2015)
 - Based on shipping 3yr monthly averages (or current YTD crop adjusted shipments (-8%) for next 4 months)

2015 US Crop Forecasts

- This crop will be affected by drought
 - NASS Subjective Forecast - 6 May 2015
 - NASS Objective Forecast - 1 July 2015

Early indicators are next year will be similar to last year at best, new plantings impact unknown



SHV- Business Focus



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1. Acquire mature cash generating almond orchards
2. Develop green field almond orchards
3. Invest in orchard productivity
4. Invest in energy savings and sustainability: Cogen
5. Invest in new products (Food business)
6. Invest in manufacturing and supply chain footprint
7. Invest in business systems : One Select program

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Business has a solid base and several controllable productivity opportunities





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Thank you

Please direct any queries to:

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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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SHV - Almond Division - Risk Mitigation

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Area	Action
Farming Practices	<ul style="list-style-type: none"> Empowered farm management Introduced Harvest guidelines to reduce weather exposure
Management Tools	<ul style="list-style-type: none"> Great on-farm KPI's & reporting Introduction of Leaf Bomb Pressure Test technology
Processing Standards	<ul style="list-style-type: none"> Re-introduction of LEAN manufacturing processes Higher quality standards & testing across the business Pasteuriser commissioned and operational
Labour Skill & Management	<ul style="list-style-type: none"> Improved training of harvest contractors Quality & productivity based remuneration for labour
Capex	<ul style="list-style-type: none"> Investment in pasteuriser & freefall metal detectors Investment in frost mitigation technology
Orchard Development	<ul style="list-style-type: none"> Total review of existing orchard potential Long term development plan inc. plant density & variety
Water	<ul style="list-style-type: none"> Water purchase for NSW orchards New 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



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

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