



SELECT HARVESTS

# Select Harvests Limited (“SHV”)

Morgan Stanley Australian Emerging Companies Conference

Paul Thompson, Managing Director

18 June 2015

## Strong & Healthy



# Disclaimer & Basis of Preparation

For personal use only

*This presentation is provided for information purposes only and has been prepared using information provided by the company. The information contained in this presentation is not intended to be relied upon as advice to investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should consider their own individual investment and financial circumstances in relation to any investment decision.*

*Certain statements contained in this presentation may constitute forward-looking statements or statements about future matters that are based upon information known and assumptions made as of the date of this presentation. These statements are subject to risks and uncertainties. Actual results may differ materially from any future results or performance expressed, predicted or implied by the statements contained in this presentation.*





## Agenda - Healthy Growth

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

For personal use only



# SHV - Overview



For personal use only

- **Select Harvests is listed on the Australian Securities Exchange (ASX:SHV)**
- **SHV market capitalisation is A\$714 million**
  - 71,435,801 shares @ A\$10.00/share as at 12 June 2015
- **SHV is headquartered at Thomastown in Melbourne's Northern suburbs**
- **SHV employs approx. 350 FTE's**
- **SHV has 2 Divisions**
  - **Almond Division**
    - 13,311 acres almond orchards (planted)
    - 5,000 acres greenfield (unplanted)
    - Carina West Processing Facility - Hulling & Shelling
  - **Food Division**
    - Packaged Foods (Proprietary Brands and Retail Brands)
    - Industrial & Trading Division
    - Thomastown Processing Facility –Value Added Processing

Select Harvests is an integrated growing agribusiness



# SHV Key Assets - Orchards - Geographic Diversity & Scale



For personal use only



## 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 2<sup>nd</sup> largest and most geographically diverse almond producer**

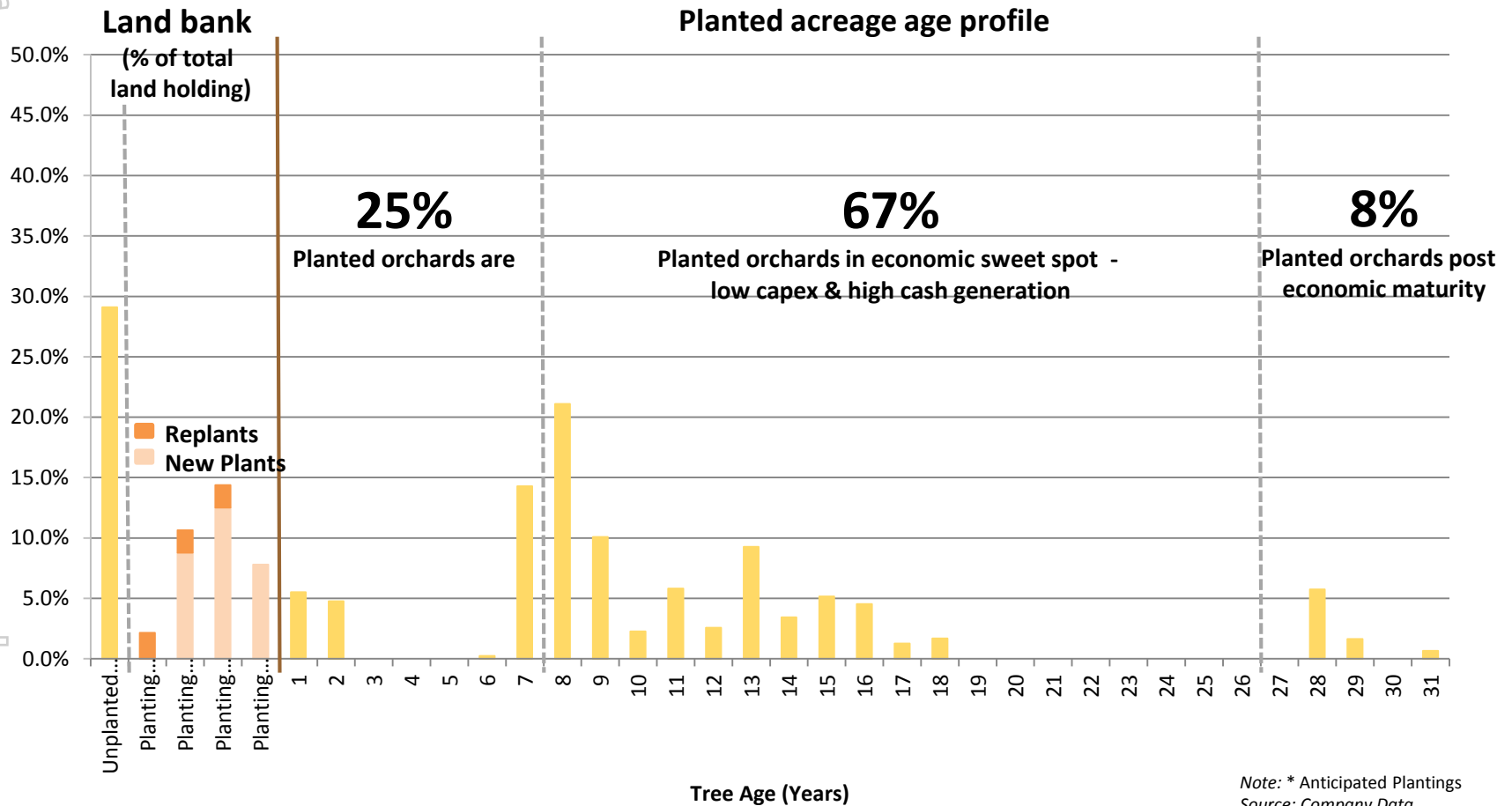


# SHV Key Assets - Orchard Profile - Young Orchards PLUS Longevity



SELECT HARVESTS

For personal use only



Select Harvests almond orchards have an average age of 10.9 years. Currently Exploring Greenfield Funding Options.





# SHV Key Assets - Food



SELECT HARVESTS

For personal use only

## Food Business Sales 1H15 – A\$71M

- Industrial & Trading Sales 1H15 A\$35M
- Packaged Food Sales 1H15 A\$36M
  - Branded sales \$19M
    - up 14% on 1H14 - 13% from new products
    - Lucky Brand market position** 
      - 39.1% share-12 month MAT 31 March 2015**
  - Unbranded sales \$17M

## Recent Key Activities

- Rationalising the range/removing low margin products & duplication
- Shifting the focus to branded products
- Launched Sunsol products in Thailand
- Began industrial business into South Africa

## Capabilities

- Blanching/Slicing/Grinding/Dicing/Conching/Roasting (Dry & Oil)/Sorting
- Export to India, Thailand, China, Indonesia, UAE, UK, Germany, Spain, Italy, France, Sweden, Holland, Greece
- Packaged Foods supply key Australian retailers and has an emerging export business to SE Asia
- Trading & Industrial supply Australian and multinational food processors, confectioners and distributors



# SHV Key Assets - Food - Brands



For personal use only



- 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





# SHV - Review



For personal use only

- 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 3<sup>rd</sup> 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 Strategy - 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"> <li>Acquired 1,286 acres almond orchard</li> <li>Ceased WA investment</li> </ul>	<ul style="list-style-type: none"> <li>Acquired 680 acres planted orchard</li> <li>Acquired 1,000 acres unplanted</li> <li>Replanted 512 acres @ higher densities</li> </ul>	<ul style="list-style-type: none"> <li>Acquired 2,481 acres planted orchard</li> <li>Acquired 4,465 acres unplanted</li> <li>Acquired 6,215 ML high security water</li> <li>Planting 948 acres Allinga</li> </ul>
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"> <li>Restructured Horticulture Division</li> <li>Investments in Benchmarking/Tech.</li> <li>Improve efficiency/protect yield</li> <li>\$500K frost fans</li> </ul>	<ul style="list-style-type: none"> <li>Total review of Horticultural assets</li> <li>Further \$500K frost fans</li> <li>Additional harvest equipment</li> </ul>	<ul style="list-style-type: none"> <li>Additional harvest equipment</li> <li>Bio stimulants trial</li> <li>Trial catch &amp; shake harvest technology</li> </ul>
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"> <li>Restructured Operations Division</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate operational improvements &amp; refine proposals</li> <li>New Optical Sorter at Thomastown</li> </ul>	<ul style="list-style-type: none"> <li>Biomass Electricity Cogen. Plant</li> <li>Carina West Dryer</li> </ul>
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"> <li>Grew Industrial Division 40%</li> </ul>	<ul style="list-style-type: none"> <li>Grew Industrial Division 24% through local and SE Asia customer base</li> <li>Innovations assisted growth</li> </ul>	<ul style="list-style-type: none"> <li>Expanding business with food processors in local and SE Asian markets</li> </ul>
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"> <li>Exited unprofitable Retail Brand business</li> <li>Product Research/Collect Insights</li> </ul>	<ul style="list-style-type: none"> <li>Product Development - Innovation/Renovation/Reformulation/ Repackaging</li> <li>Brand relaunch - Sunsol &amp; Lucky Smart Snax</li> </ul>	<ul style="list-style-type: none"> <li>Multiple relaunches &amp; new products</li> <li>Range rationalisation</li> <li>New distributors - Thailand &amp; Malaysia</li> </ul>
6. FIX OUR SYSTEMS & PROCESSES	Develop the business systems and processes required to be a global industry leader.	<ul style="list-style-type: none"> <li>OHS improvement - LTI's dropped 60%</li> </ul>	<ul style="list-style-type: none"> <li>OHS improvement - LTI's dropped 73%</li> <li>New risk management framework</li> <li>New OHS policies/procedures</li> </ul>	<ul style="list-style-type: none"> <li>IT upgrade</li> </ul>
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"> <li>Investor engagement – conferences, site tours and road shows</li> </ul>	<ul style="list-style-type: none"> <li>Hort 3 training for Farm Management</li> <li>Refreshed company website</li> <li>Introduction of employee newsletters/intranet</li> </ul>	<ul style="list-style-type: none"> <li>Further development of Performance Review process</li> <li>Diversity Committee</li> </ul>

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



# SHV- Business Focus



SELECT HARVESTS

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

For personal use only

**Business has a solid base and several controllable productivity opportunities**



# SHV Productivity - Controllable Improvements



**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**



For personal use only

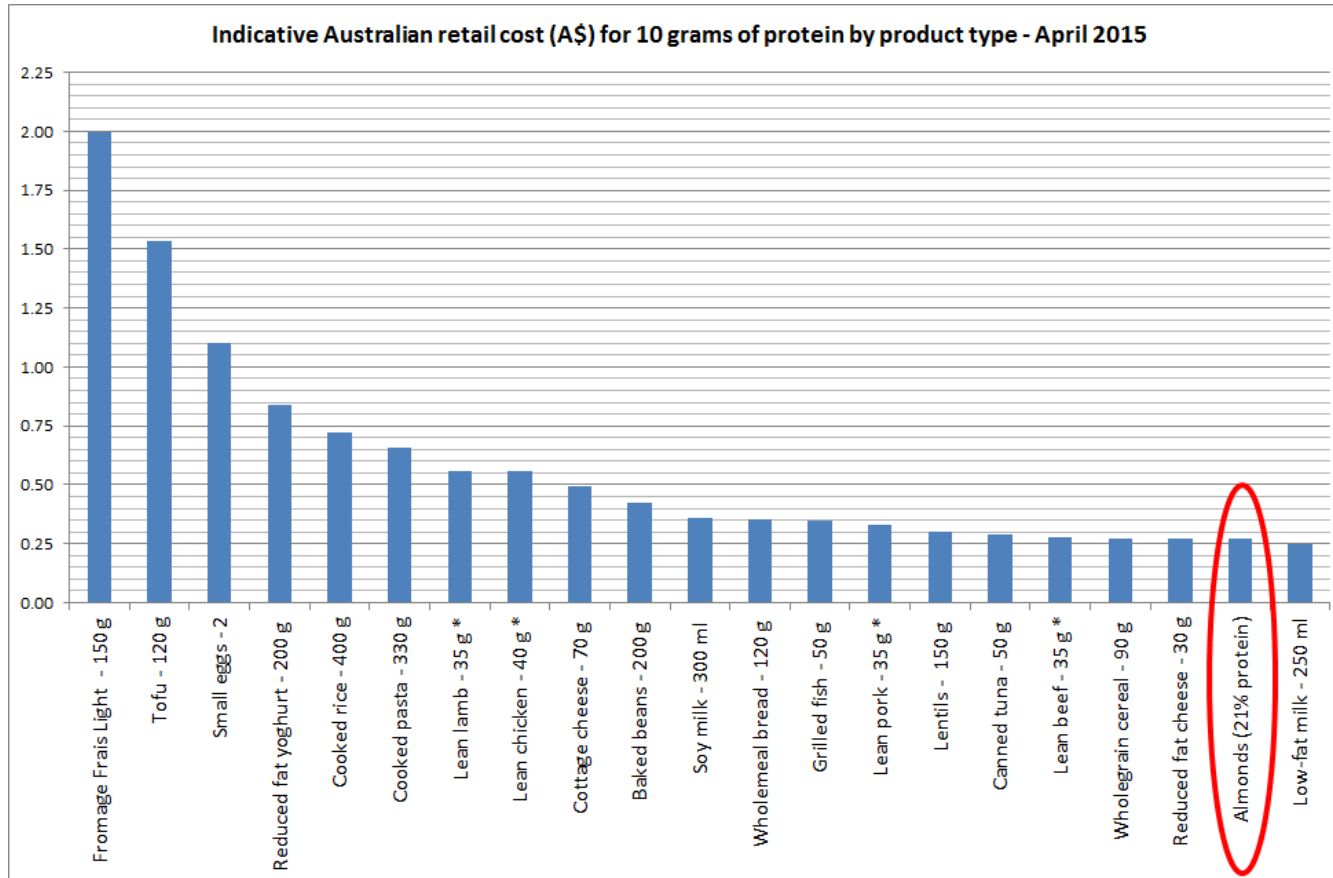
- Demand has been Nuts growing for the last 5 years and continues to grow:
  - Almonds offer a unique matrix of nutrients and have been clearly linked with improved heart health.  
[http://www.almonds.com/sites/default/files/content/State%20of%20the%20Science\\_Almond%20Nutrition%20Research%202013.pdf](http://www.almonds.com/sites/default/files/content/State%20of%20the%20Science_Almond%20Nutrition%20Research%202013.pdf)
  - 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 horticultural practices
  - Higher yields.
  - Top 5 US marketable crops have been in the last 6 years. ( 2013/4 Equal 2<sup>nd</sup>)

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



# Demand – Protein Affordability - 2015

For personal use only



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**





# Demand – Developing World Remains a Massive Opportunity

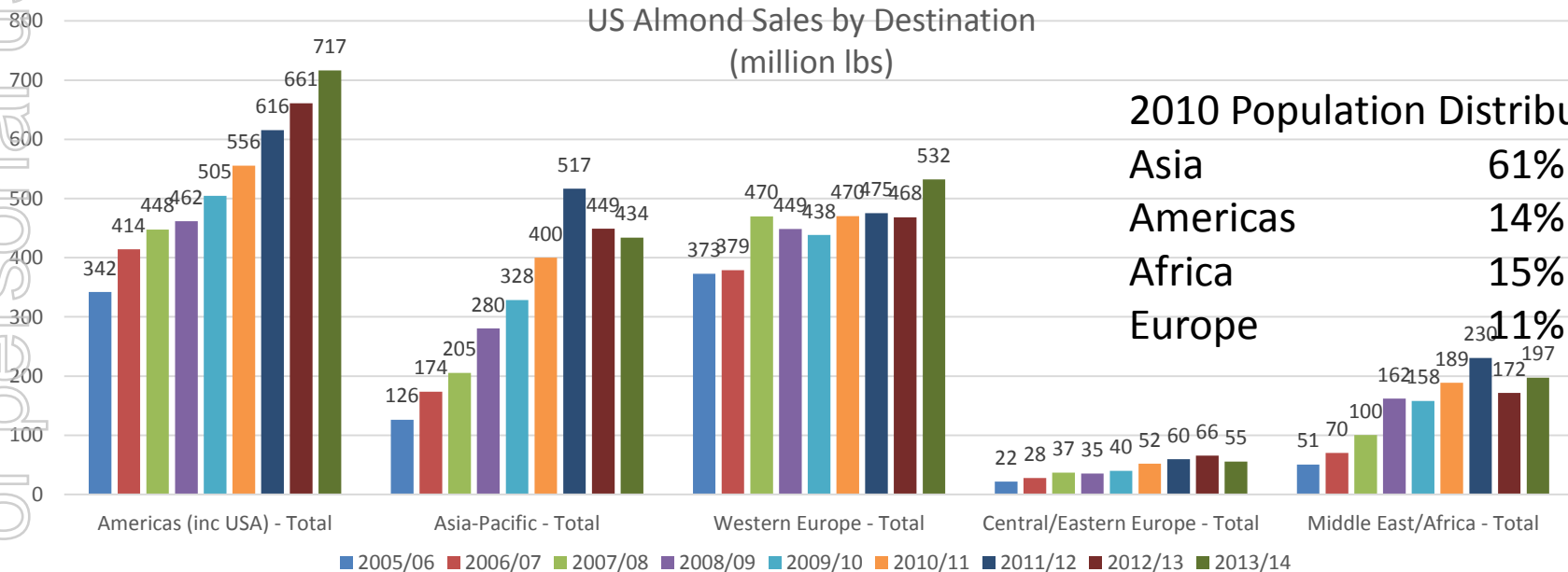


## Population Growth and Demand from Developing Markets

- 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%



## 2010 Population Distribution

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

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

## Recent FTA's with North Asia will benefit Australian almond Industry



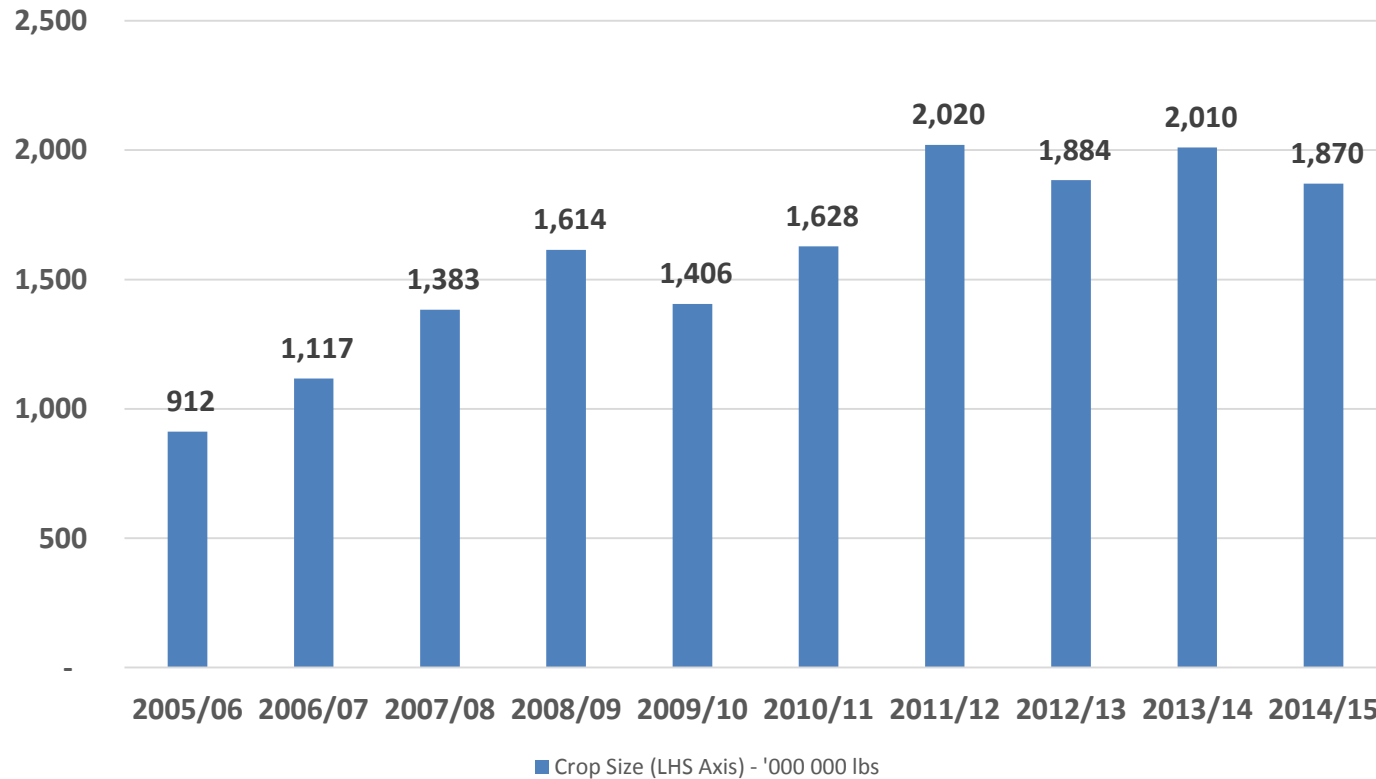
# Supply – US Crop 80%+ of global supply



SELECT HARVESTS

For personal use only

## US Crop - Volume & Price History



4<sup>th</sup> largest almond crop in history, following 2<sup>nd</sup> largest, 3<sup>rd</sup> largest and the largest - all since 2011/12



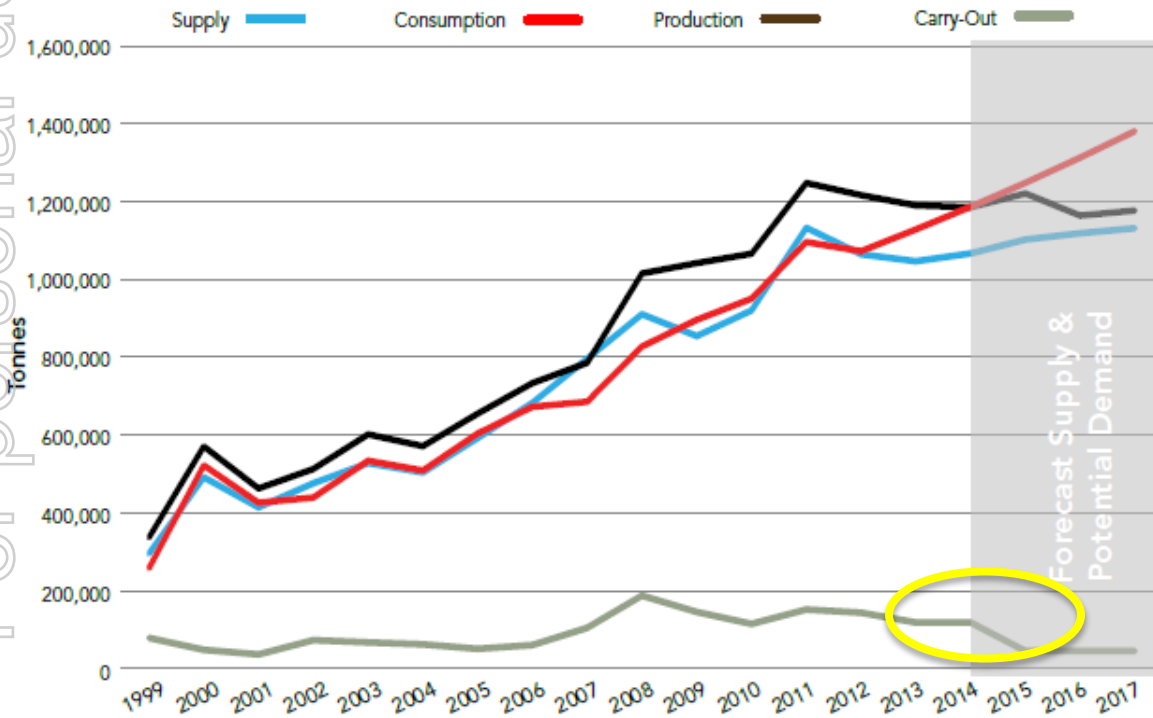
# Global Supply & Demand



For personal use only

- 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	Consumption (gm per capita)
Australia	1,013
Germany	854
USA	700
Middle East	272
China	91
India	53



# US Crop History Analysis



Crop Year	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast
Bearing Acres	510,000	610,000	640,000	710,000	750,000	770,000	800,000	820,000	850,000	870,000
YOY Growth		20%	5%	11%	6%	3%	4%	2%	4%	2%
Non Bearing Acres	100,000	145,000	125,000	115,000	90,000	85,000	75,000	110,000	120,000	150,000
Total Acres	610,000	755,000	765,000	825,000	840,000	855,000	875,000	930,000	970,000	1,020,000
Bearing to Non Bearing Ratio		19%	16%	14%	11%	10%	9%	12%	12%	15%
Yield (Metric tonnes per acre)	0.7	0.8	1.0	1.0	0.9	1.0	1.2	1.0	1.1	1.0
Crop Size (LHS Axis) - '000 000 lbs	912	1,117	1,383	1,614	1,406	1,628	2,020	1,884	2,010	1,870
YOY Growth		22%	24%	17%	(13%)	16%	24%	(7%)	7%	(7%)
Vs Base Growth		22%	52%	77%	54%	79%	122%	107%	120%	105%
Shipments - Total - '000 000 lbs	914	1,066	1,261	1,389	1,472	1,668	1,899	1,867	1,937	2,134
YOY Growth		17%	18%	10%	6%	13%	14%	(2%)	4%	10%
Vs Base Growth		17%	38%	52%	61%	82%	108%	104%	112%	133%
Shipments - Domestic - '000 000 lbs	304	368	395	411	450	490	547	588	642	693
Shipments - Export - '000 000 lbs	610	698	866	978	1,022	1,178	1,352	1,278	1,296	1,407
Carry Out Stock - '000 000 lbs			231	413	321	254	336	317	350	287
Percentage of Crop			17%	26%	23%	16%	17%	17%	17%	15%
Percentage Previous Yr Crop			21%	30%	20%	18%	21%	16%	19%	14%
US Farm Price - US\$/lb (RHS Axis)	\$2.81	\$2.06	\$1.75	\$1.45	\$1.65	\$1.79	\$1.99	\$2.58	\$2.90	\$3.50
YOY Growth		(27%)	(15%)	(17%)	14%	8%	11%	30%	12%	21%

Source USDA Position Report

**US Domestic Almond Consumption has grown 9 years straight – including the throughout the GFC**



# US Crop History Analysis



SELECT HARVESTS

For personal use only

Op Year	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast
Bearing Acres	510,000	610,000	640,000	710,000	750,000	770,000	800,000	820,000	850,000	870,000
YOY Growth		20%	5%	11%	6%	3%	4%	2%	4%	2%
Non Bearing Acres	100,000	145,000	125,000	115,000	90,000	85,000	75,000	110,000	120,000	150,000
Total Acres	610,000	755,000	765,000	825,000	840,000	855,000	875,000	930,000	970,000	1,020,000
Bearing to Non Bearing Ratio		19%	16%	14%	11%	10%	9%	12%	12%	15%

## 10 Year Review Of US Almond Industry

- Acreage:** Mix between bearing and non bearing consistent, the later years will be impacted by aging orchards retiring
- Yields:** Australian US yield very similar
- Crop Size:** Aside from climatic impacts there will be no dramatic to crop, drought impact not clear in 2014/15
- Shipments:** It would appear crop size has been limiting consumption growth, as all markets steadily growing
- Carry Out Stock:** 2014/15 will be at the lowest in recent history
- Pricing :** Pricing behaviour has been rationale like all commodities

Percentage of Crop			17%	26%	23%	16%	17%	17%	17%	15%
Percentage Previous Yr Crop			21%	30%	20%	18%	21%	16%	19%	14%
US Farm Price - US\$/lb (RHS Axis)	\$2.81	\$2.06	\$1.75	\$1.45	\$1.65	\$1.79	\$1.99	\$2.58	\$2.90	\$3.50
YOY Growth		(27%)	(15%)	(17%)	14%	8%	11%	30%	12%	21%

**80% of supply is produced in California**



# SHV- 2015 Crop Update



SELECT HARVESTS

For personal use only

- **Harvest Progress Update**
  - **100% of crop harvested**
- **Volume Update**
  - **13,400 tonnes** (In line with previous guidance)
- **Processing Update**
  - **48% of est. crop has been processed**
  - Quality is good as expected
  - Higher in-shell yields than 2014
  - Cash receipts have commenced
- **Price Update**
  - **A\$11.00/kg**
  - **65% of crop committed**
  - Price negotiations with local retailers ongoing





# US Update



For personal use only

## ABC May 2015 Position Report – 12 June 2015 - <http://www.almonds.com/sites/default/files/content/newsletters/attachments/2015.05posrpt.pdf>

- **2014 US Crop Supply** – down 5% - 3<sup>rd</sup> largest crop ever produced
- **2014 US Shipments** – down 7% (US Domestic shipments – flat, US Export shipments – down 10%)
- **Forward Commitments** – 332 million lbs – up 17% (US domestic – up 27%, US Export – up 11%)
- **Inventory Impact** - Carry-in 1 Aug 2014 - 351 million lbs. Carry-out est. 30 July 2015 – 288 million lbs

## Blue Diamond Almonds Market Report - 12 June 2015 - <http://www.bdingredients.com/blue-diamond-almonds-market-report-2/>

- **Shipments** - “California almond industry shipments in May continue at a pace that exceeds 2014 crop supplies”
- **Demand Intact** - “Strong demand, in the face of rising prices, illustrates the versatility of almond usage and global reach of almond demand”
- **Pricing** - “Pricing will firm in the short-term. Longer term, prices will remain at or above current levels unless the 2015 crop exceeds expectations and late fall / winter precipitation begins to break the drought”

## 2015 US Crop Forecasts

- This crop will be affected by drought
  - NASS Subjective Forecast - 6 May 2015 – 2015 crop forecast 1.85 Bn pounds
  - NASS Objective Forecast - 1 July 2015
- **Early indicators are next year will be similar to last year at best, new plantings impact unknown**

ABC: Almond Board California

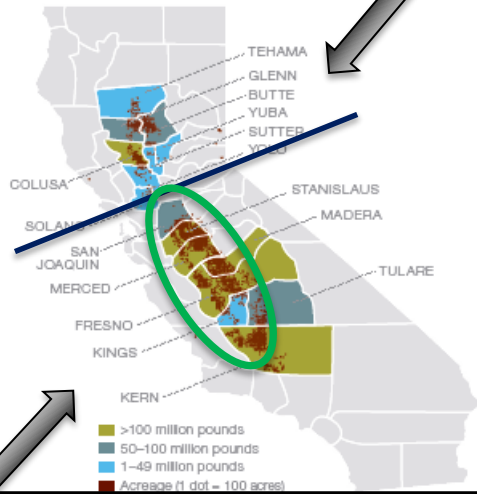
**No decline in consumption despite historically high prices.**



# Global Supply - US Almond Production & Drought

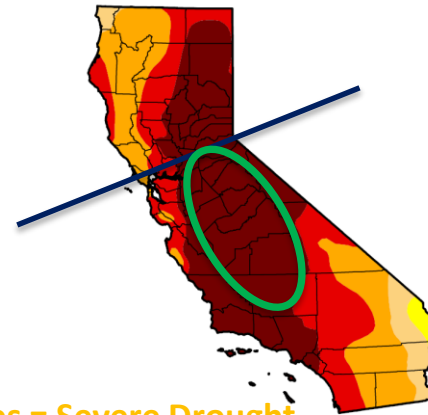
**14% - North Counties % of US Almond Prod'n**

Almond Production by County 2013/14



**86% - South Counties % of US Almond Prod'n**

U.S. Drought Monitor  
California



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

June 9, 2015  
(Released Thursday, Jun. 11, 2015)  
Valid 8 a.m. EDT

	Drought Conditions (Percent Area)					
	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	0.14	99.86	98.71	93.91	71.08	46.73
Last Week 6/2/2015	0.14	99.86	98.71	93.91	69.61	46.73
3 Months Ago 3/9/2015	0.16	99.84	98.11	93.44	67.46	39.92
Start of Calendar Year 1/1/2015	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 6/9/2014	0.00	100.00	100.00	100.00	76.68	24.77

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

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

Author:  
David Mikulus  
NOAA/NWS/NCEP/CPC

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

## CALIFORNIA'S 3 MAIN WATER SOURCES

<u>Snowpack</u>	<u>Groundwater</u>	<u>Surface Water (Dams)</u>
Nil - 0% of 1 April Avge	(See next slide)	State Water Project - 20% Allocation (2/3/15) Central Valley Project - 0% Allocation (27/2/15)
~ 30% of water supply generally held in snowpack	~ 30-60% of water use from groundwater	~ 30% held in dams

**Too early to understand long term impact – 47% of California in Exceptional Drought @ 9 June 2015**

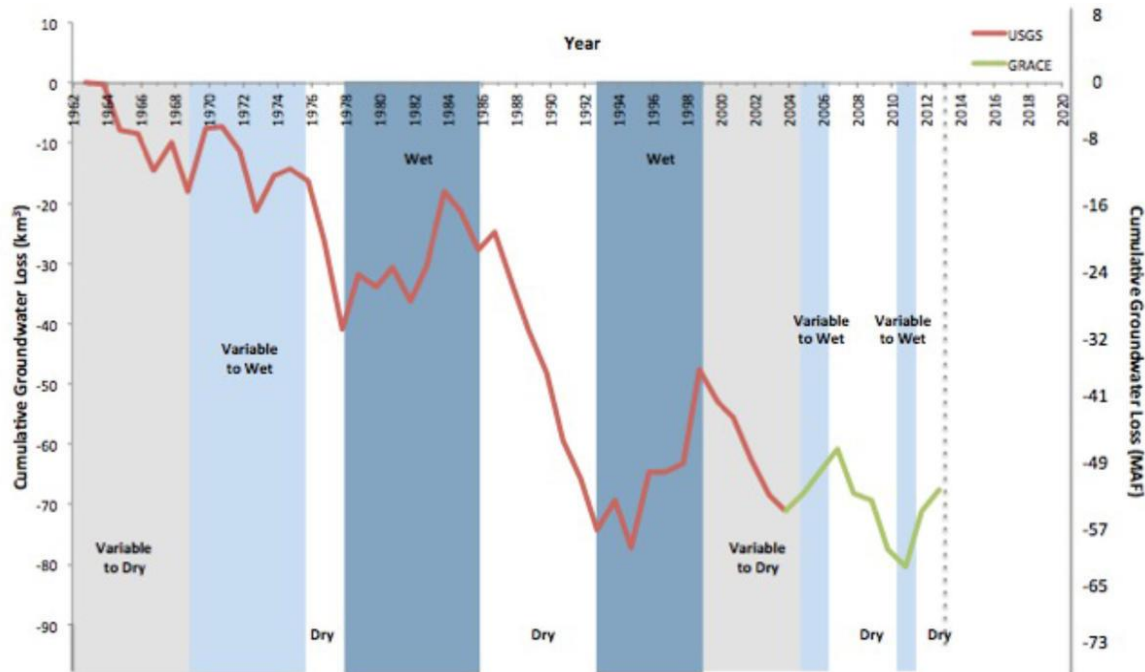


# US Ground Water



SELECT HARVESTS

For personal use only



Cumulative groundwater losses (cubic km and million acre-ft) in California’s Central Valley since 1962. The red line shows data from USGS calibrated groundwater model simulations from 1962-2003. The green line shows satellite-based estimates of groundwater storage losses produced by the UCCHM at UC Irvine. Background colors represent periods of drought (white), of variable to dry conditions (grey), of variable to wet conditions (light blue) and wet conditions (blue). Groundwater depletion mostly occurs during drought; and progressive droughts are lowering groundwater storage to unsustainable levels. After Figure B9 from USGS Professional Paper 1766. USGS data courtesy of Claudia Faunt. Satellite data courtesy of NASA and the National Center for Atmospheric Research.

**California Central Valley Groundwater losses are significant, long term and escalating**



# SHV- Business Focus



SELECT HARVESTS

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

For personal use only

**Business has a solid base and several controllable productivity opportunities**







SELECT HARVESTS

# Thank you

Please direct any queries to:

Paul Thompson  
Managing Director  
+61 3 9474 3544

Paul Chambers  
Chief Financial Officer  
+61 3 9474 3544

Andrew Angus  
Investor Relations  
+61 402 823 757

Please note that background material/data regarding the global almond industry can be found on the Select Harvests website - [www.selectharvests.com.au](http://www.selectharvests.com.au)

For personal use only



# SHV Key Assets - Almond



SELECT HARVESTS

For personal use only

## 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
- Geographically diversified – orchards spread across NSW/VIC/SA

## 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

## Processing

- 25,000 MT processing capacity at Carina West plant - hulling & shelling facility
- Capex largely sunk to support future capacity

**The business is set to deliver sustainable cash flows**







# Demand – Naturally Good – Popular – Healthy – Sustainable - Synergy

For personal use only

**Healthy** – Protein, Fibre, Healthy Fats, Essential Nutrients (Vit.E, Magnesium, Calcium, Potassium, Riboflavin, Niacin, Phosphorous, Iron)

[http://www.almonds.com/sites/default/files/misc/HP/Documents/unleash\\_the\\_crunch\\_power\\_of\\_almonds\\_final.pdf](http://www.almonds.com/sites/default/files/misc/HP/Documents/unleash_the_crunch_power_of_almonds_final.pdf)

**Favourite Nut** – Rated favourite nut by food professionals due to Taste, Texture & Versatility

<http://www.almonds.com/food-professionals/food-service#taste-and-texture>

<http://www.almonds.com/food-professionals/food-service#versatility>

**Health Claims** – there are significant bodies of work that indicate almonds have legitimate health claims

[http://www.almonds.com/sites/default/files/misc/HP/Documents/new\\_research\\_provides\\_more\\_reasons\\_to\\_eat\\_almonds\\_fy14.pdf](http://www.almonds.com/sites/default/files/misc/HP/Documents/new_research_provides_more_reasons_to_eat_almonds_fy14.pdf)

<http://www.almonds.com/pdfs/mediterranean-diet.pdf>

<http://www.almonds.com/sites/default/files/misc/HP/Documents/almonds-diabetes-your-diet.pdf>

<http://www.almonds.com/health-professionals/nutrition-and-research#references>

**Sustainable** – There are plenty of reasons to eat more plant-based meals

<http://www.almonds.com/sites/default/files/misc/HP/Documents/powerofplantbasedmeals.pdf>

**Almonds are unique product – desirable, sustainable and healthy for you**



# Demand – Synergy



SELECT HARVESTS

For personal use only

- **Synergy** – Almonds help boost sales of other significant global products (Chocolate, Cereals etc.)
  - e.g. Chocolate is a large, growth industry (US\$107 Billion p.a., 25% growth 2007-12, 27% forecast 2012-17)
  - 65% of chocolate consumers prefer nuts in their chocolate – and their preferred nut is almond
    - <http://www.almonds.com/sites/default/files/content/pages/attachments/almg120208chocolatecollateral.pdf>
    - <http://www.almonds.com/almondsandchocolate>

**Almonds are both a driver & beneficiary of global growth – due to natural attributes & health claims**



# Demand - Asia has only Just Started



SELECT HARVESTS

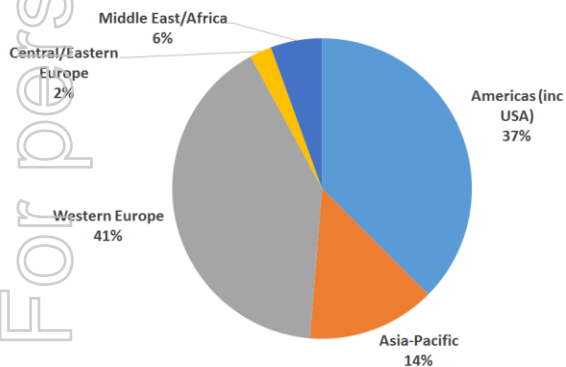
For personal use only

	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%
<b>Combined Total</b>	<b>99</b>	<b>11%</b>	<b>354</b>	<b>24%</b>	<b>425</b>	<b>21%</b>
<b>TOTAL SHIPMENTS</b>	<b>914</b>	<b>100%</b>	<b>1,471</b>		<b>1,937</b>	

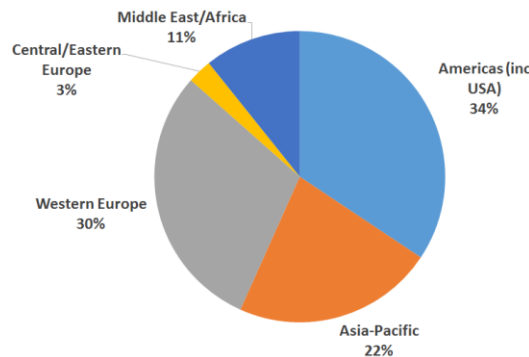
Increase 2005/06 - 2009/10	
Million lbs	%
116	696%
44	110%
94	219%
255	258%
<b>557</b>	<b>61%</b>

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

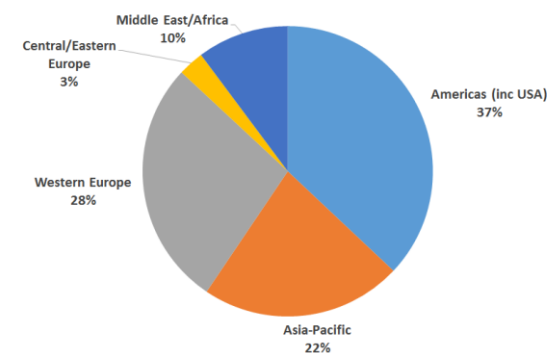
US Almond Sales by Destination - 2005/06 (million lbs)



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.

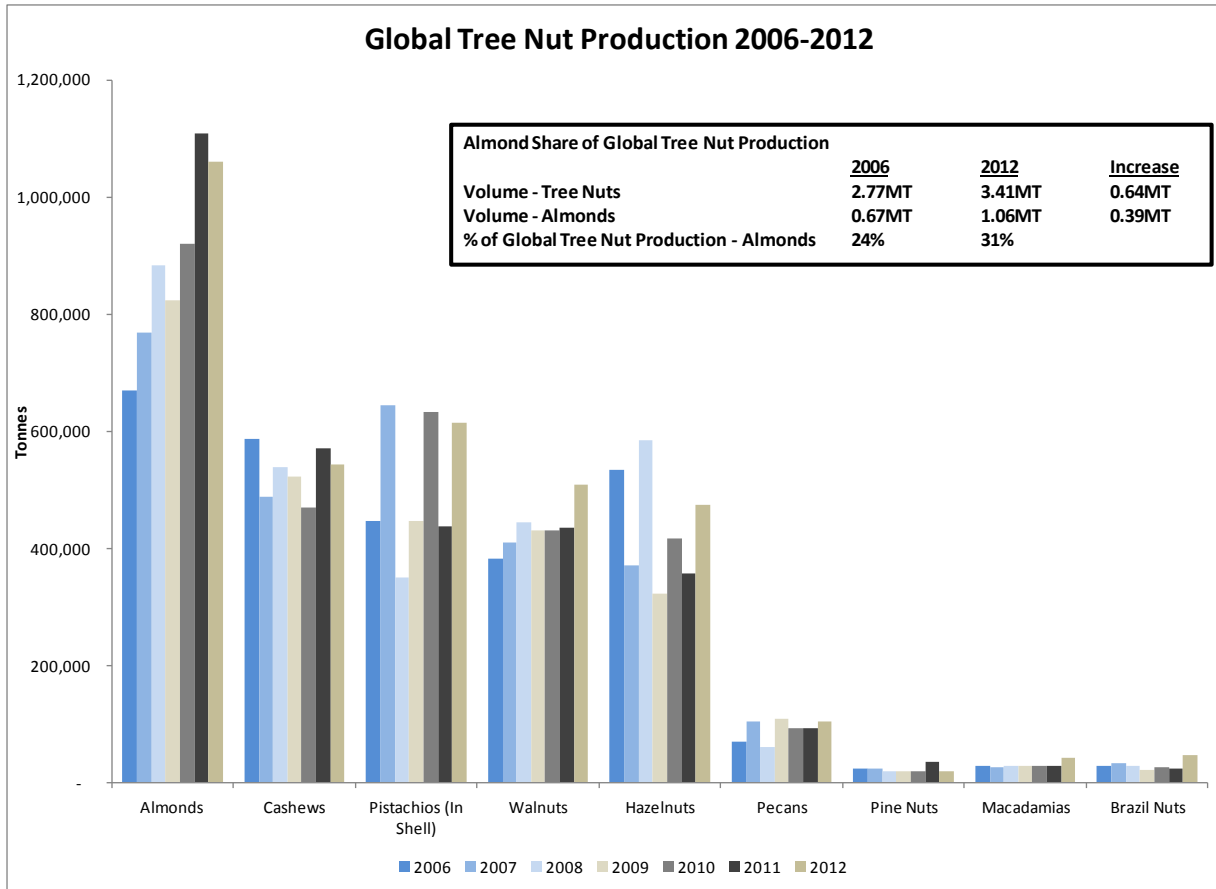


# Supply – Difficult to substitute



SELECT HARVESTS

For personal use only



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

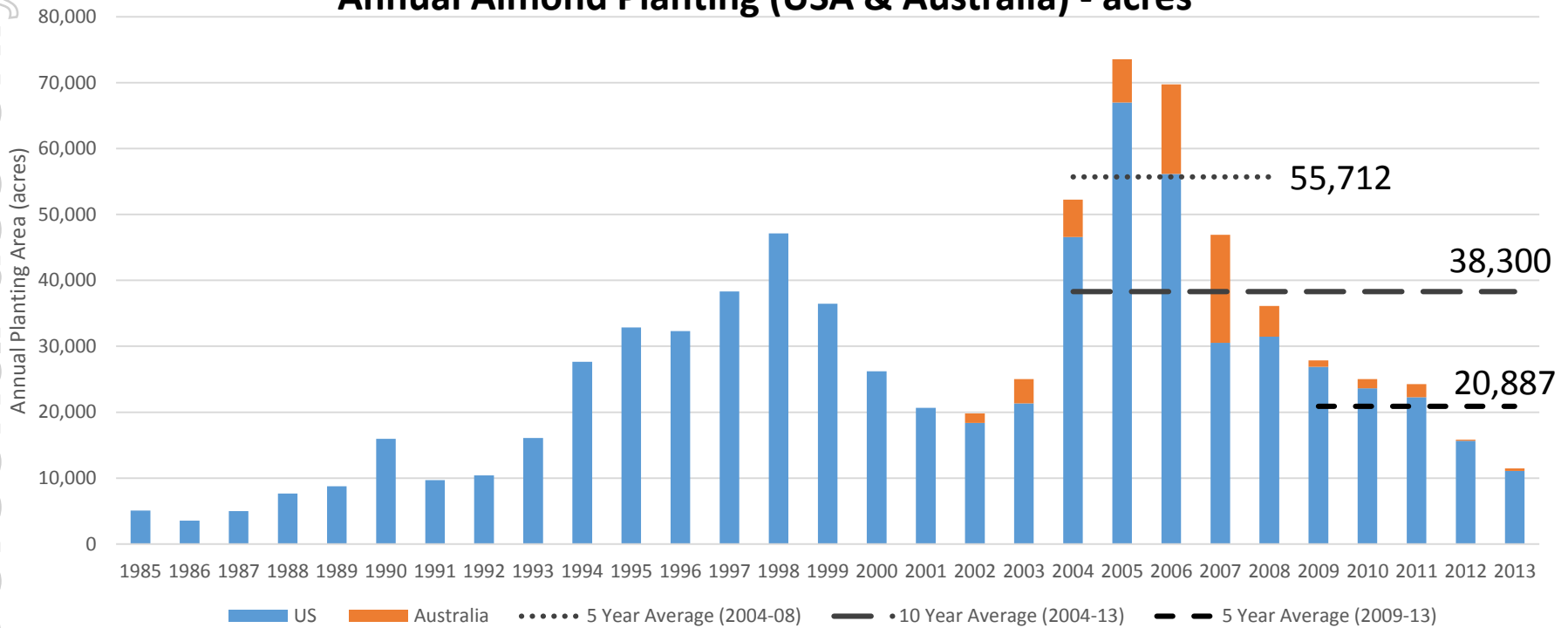
**Almonds are the most versatile and highest volume nut, substitution is difficult**



# 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.*

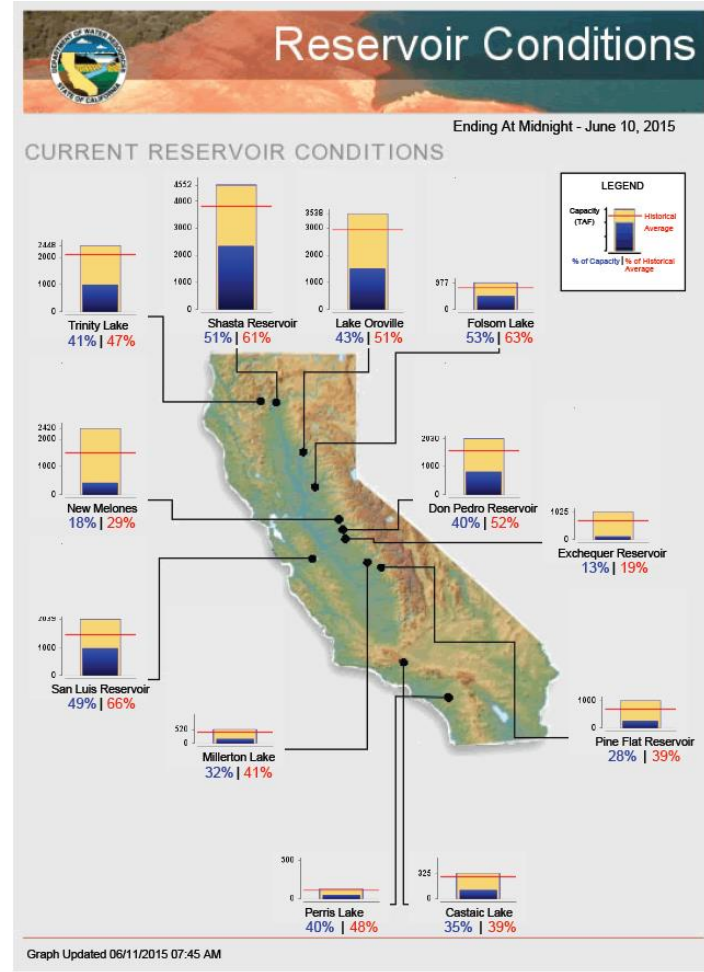
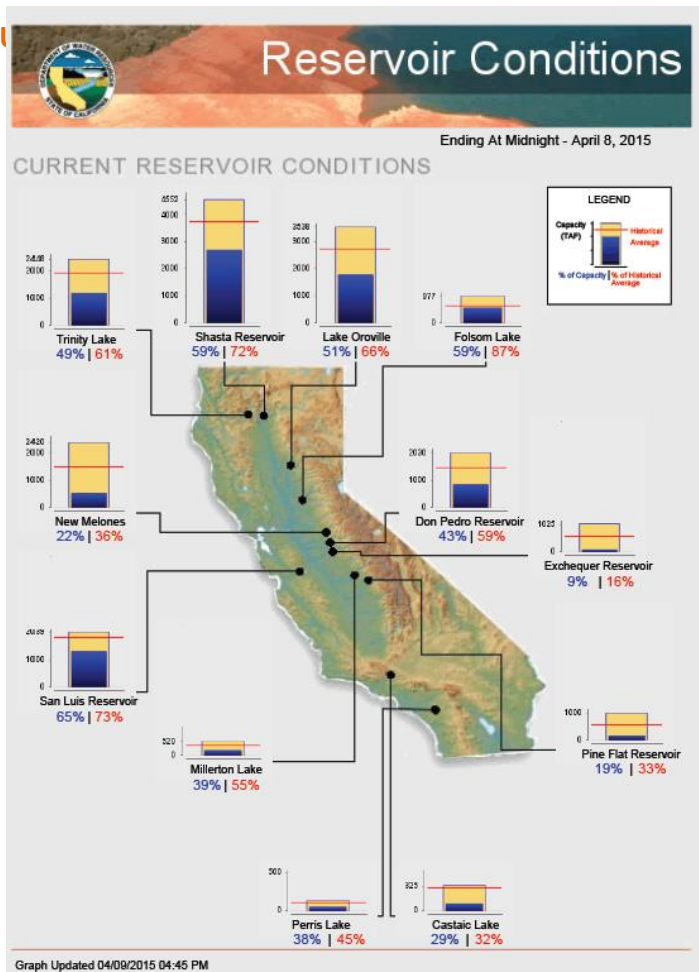


# US Surface Water – June 2015 vs April 2015



SELECT HARVESTS

For personal use only



Surface Water Availability is reducing – snow pack is nil and Summer has arrived - water use increasing







# SHV - Almond Division - Risk Mitigation

For personal use only

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

**Maximise: Yield, Price and Quality**



# Select Harvests - Financial History



SELECT HARVESTS

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

Source: Company Data



For personal use only

# Almond Pre-Cleaner & Crop Dryer

For personal use only

## Background

- In 2014, Carina West Processing Plant received 56% of field product with a hull moisture level higher than the desired 15% moisture
- This impacted quality, efficiency and cost

## Solution

- Install Almond Pre-Cleaner and Crop Dryer
- Reduces moisture by 5% each pass
- Installation Cost: \$770k
- Payback years: 0.9
- Drying Capacity: 20MT/h Field Weight
- 1st dryer of its kind used to dry almonds
- Commissioned January 2015

## Specifications

- Dryer Model: Alvan Blanch DF26500
- Dryer Type: 'Double Flow' inclined bed continuous flow
- Fuel: Diesel or steam with heat exchangers
- Furnace: 2 x 800kw 2 stage Riello RS70 diesel pressure jet burners
- Heat Exchangers: 2 x 2t/hr steam at 8.5 bar



Re-located Pre-Cleaner



Alvan Blanch Grain Dryer

# Project H<sub>2</sub>E – Hull to Energy

*“Abates 23,645 tonnes of greenhouse gas emissions equivalent to removing 8,210 cars off the road”*

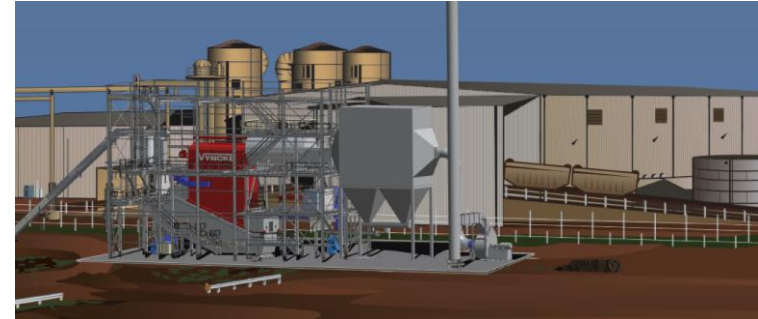
*“Provides enough energy to power 2984 homes”*

## Stage 1

- Bundle Carina West Processing + Carina Dam 1 + Carina Dam 2 by laying connecting cable into one meter point thereby lowering the maximum demand charge between the 3
- Convert all Victorian low voltage transformers greater than 1MWe to high voltage, thereby realising significant supply costs reduction
- Capital Investment – AUD\$1.93
- Complete March 2015

## Stage 2

- Install a biomass boiler/turbine power plant to directly supply electricity and steam to Carina West Processing Plant + Carina Dam 1 + Carina Dam 2 and indirectly off-set costs across SHV (other farms and TT) with remaining generated power.
- Capital investment - AUD\$9.67m
- Complete Q1 2016



## Operational Highlights

- Fuel source: almond hull & shell and field prunings
- Fuel consumed: 3.66T/hr - 30,000T/YR
- Power delivered direct to CW Processing Plant + Carina Dams
- Excess power delivered into local grid
- Operational Hours : 24hr x 7days x 48 weeks
- Operators Employed : 8

## Specifications

- Vyncke 17MW thermal biomass boiler
- Siemens 2.8MWe SST-110 turbine
- Fuel feed system - moving floor type
- Emission control - multi cyclone
- Flue gas stack - 30m carbon steel
- Capital investment - AUD\$9.2m

**Project H<sub>2</sub>E will reduce Carina West total running costs by 20%**



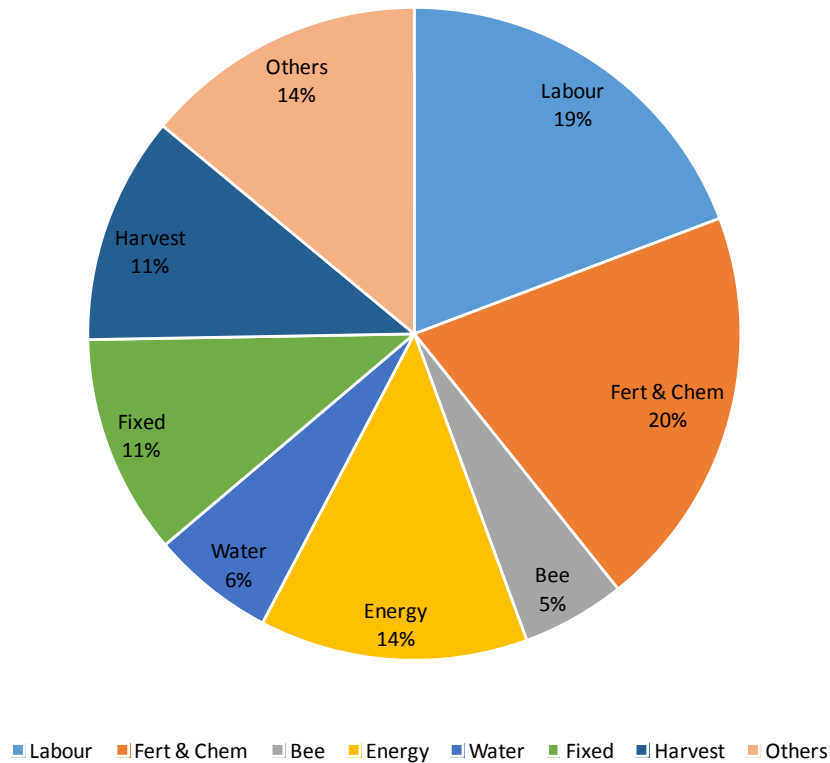
# Costs - SHV Orchards



SELECT HARVESTS

For personal use only

SHV FY2014 Horticulture Costs Forecast Actual by Percentage



A significant portion of our horticultural costs are fixed







SELECT HARVESTS

# Recent New Product Development - Packaged Food

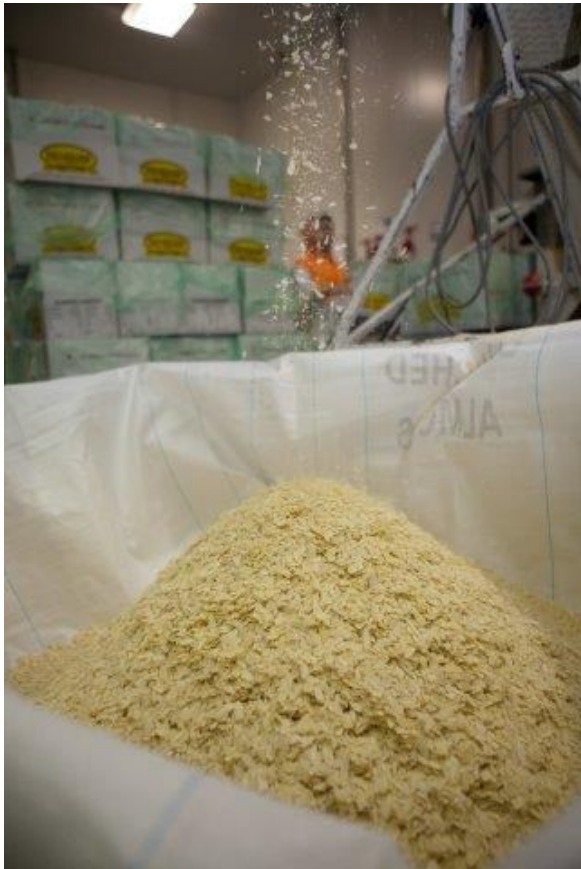
For personal use only





# Recent New Product Development - Trading & Industrial

For personal use only

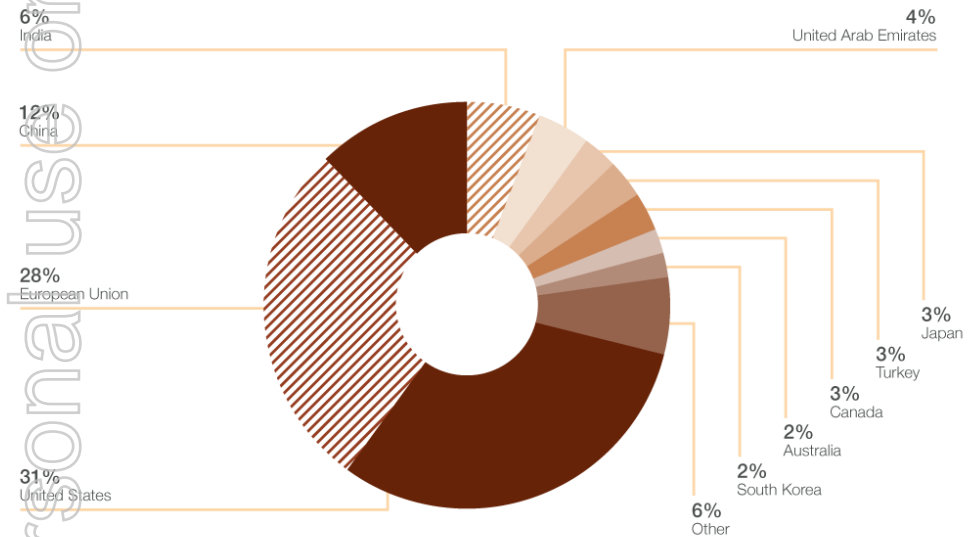


# Global Demand – Diverse. High Growth



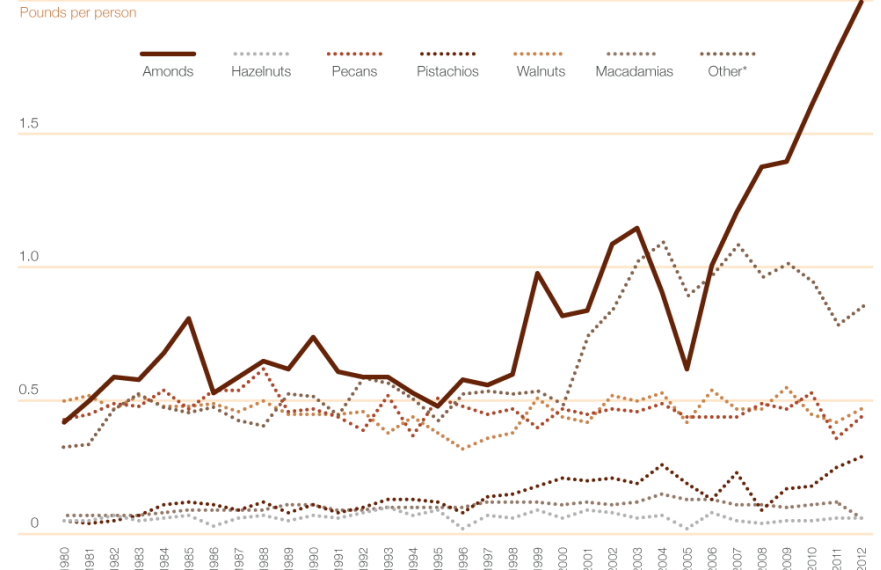
SELECT HARVESTS

GLOBAL ALMOND CONSUMPTION 2013/14



Source: USDA PSD Online

ANNUAL US PER CAPITA CONSUMPTION OF ALMONDS AND OTHER TREE NUTS



\*Brazil Nuts, Pine Nuts, Chestnuts, Cashews and Miscellaneous Tree Nuts.

Source: USDA Economic Research Service

For personal use only

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)



# SHV - Board



**Michael Iwaniw**  
Chairman

Michael Iwaniw was appointed as Chairman of Select Harvests in November 2011 following a career spanning 40 years in Australian agribusiness. He became Managing Director of the Australian Barley Board (ABB) in 1989, retiring from the role some 20 years later. As Managing Director he led the transition from a statutory authority to a publicly listed company, growing the business into an ASX 100 company with a market capitalisation of A\$1.6 billion. Michael has acted as a Non Executive Director of a number of Companies. He is currently Chairman of Australian Grain Technologies and a Non Executive Director of Australian Grain Growers Cooperative. Michael is a member of the Remuneration and Nomination Committee.



**Paul Thompson**  
Managing Director

Paul Thompson joined Select Harvests as Managing Director in July 2012. He is an experienced executive with over 30 years in management. Before joining Select Harvests Paul was President of SCA Hygiene Australasia responsible for a \$600 million turnover business across all of its divisions (FMCG, Pharmacy, Industrial/Foodservice & Healthcare) and overseeing leading brands including Sorbent and Handee. Paul is a member of the Australian Institute of Company Directors and has formerly held positions as a Director of the Australian Food & Grocery Council and councilor in the Australian Industry Group.



**Ross Herron**  
Non-Executive Director

Ross Herron joined the Board on 27 January 2005. A Chartered Accountant, he retired as a Senior Partner of PriceWaterhouseCoopers in December 2002. He was a member of the Coopers & Lybrand (now PriceWaterhouseCoopers) Board of Partners where he was National Deputy Chairman, and Melbourne office Managing Partner and served on several international committees within Coopers & Lybrand. He is Chairman of GUD Holdings Ltd and Royal Automobile Club of Victoria (RACV) Ltd and a non-executive director of a major industry superannuation fund. Ross is Chairman of the Audit and Risk Committee.



**Mike Carroll**  
Non-Executive Director

Michael Carroll joined the Board on 31 March 2009. He works with a range of agribusiness companies in a board and advisory capacity, and has directorships with Queensland Sugar Limited, Sunny Queen Farms, Rural Finance Corporation, Rural Funds Management and Tassal. He has 18 years' experience in banking and finance, having established and led the Agribusiness division within the National Australia Bank. He has worked for a number of companies in the agricultural sector including Monsanto Agricultural Products and a venture capital biotechnology company. He is Chairman of the Remuneration and Nomination Committee.



**Fred Grimwade**  
Non-Executive Director

Fred Grimwade was appointed to the Board on 27 July 2010. Fred is a Principal and Executive Director of Fawcner Capital, a specialist corporate advisory firm, and works with a wide range of companies in a board or advisory capacity. He is Chairman of Fusion Retail Brands Pty Ltd and CPT Global Limited, and is also a director of Australian United Investment Company Ltd, Troy Resources Ltd and XRF Scientific Ltd. He has held general management positions with Colonial Agricultural Company, Colonial Mutual Group, Colonial First State Investments Group, Western Mining Corporation and Goldman Sachs & Co. He is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.



**Paul Riordan**  
Non-Executive Director

Paul Riordan was appointed to the Board in October 2012. He has worked in various rural enterprises during his career, in Australia and the United States, including small seed production, large-scale sheep and grain organisations, and beef cattle. Paul is a cofounder and Executive Director (Operations) of Boundary Bend Olives, Australia's largest vertically integrated olive company. Paul has a Diploma of Farm Management from Marcus Oldham Agricultural College, Geelong and has extensive operational and business experience in vertically integrated agribusinesses, including in horticultural operations and risk management. He is a member of the Audit and Risk Committee.





# SHV – Executive Team



**Paul Chambers**  
CFO & Company  
Secretary

Joined Select Harvests as Chief Financial Officer and Company Secretary in September 2007. He is a Chartered Accountant and has over 25 years experience in senior financial management roles in Australian and European organisations, including corporate positions with the Fosters Group, and Henkel Australia and New Zealand.



**Laurence Van Driel**  
GM Trading &  
Industrial

Laurence joined Select Harvests in 2000. Laurence has over 20 years' experience in trading edible nuts and dried fruits. He has a comprehensive knowledge of international trade and deep insights into the trading cultures of the various countries in which these commodities are sold. He has held senior purchasing and sales management positions with internationally recognised companies.



**Peter Ross**  
GM Horticulture

Peter joined Select Harvests in 1999. Peter held the position of Plant and then Project Manager for the processing area of the Almond Division, before being appointed to the role of General Manager Processing in July 2012. Prior to joining Select Harvests, Peter ran his own maintenance and fabrication business servicing agriculture, mining and heavy industry.



**Carolyn Barbuto**  
GM Human Resources

Carolyn joined Select Harvests in November 2014. She has acquired comprehensive Human Resource experience with past roles in the following organisations: CSL Ltd, Colonial Mutual and more recently The Nuance Group. She is a dedicated HR professional with strong leadership, strategic insight and operational skills.



**Bruce van Twest**  
GM Operations

Bruce joined Select Harvests in 2012. With a deep working knowledge of complex 'end to end' supply chains, Bruce has been a highly successful contributor within the executive management teams of large-scale corporates across food production, apparel, industry consumables and suppliers to automotive industries. Prior to joining Select Harvests he was Operations Director at Kraft Foods, CEO of Bizwear & Alert Safety and Director Supply, ANZ at SCA Hygiene Australasia.



**Mark Eva**  
GM Sales & Marketing  
- Consumer Products

Mark joined Select Harvests in 2012. Mark has strong FMCG experience across branded, private label and commodity products with track record of driving profitable sales growth. He joins Select Harvests from SCA Hygiene where he was the Director of Sales and Marketing, Consumer. He was previously General Manager – Marketing, Sales and Innovation at Bulla Dairy Foods.

