



**Select Harvests Limited**  
**Bell Potter Emerging Leaders Conference 2023**

**David Surveyor - Managing Director and CEO**  
**12 September 2023**



**SELECT HARVESTS**

# Disclaimer and Basis of Preparation

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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.

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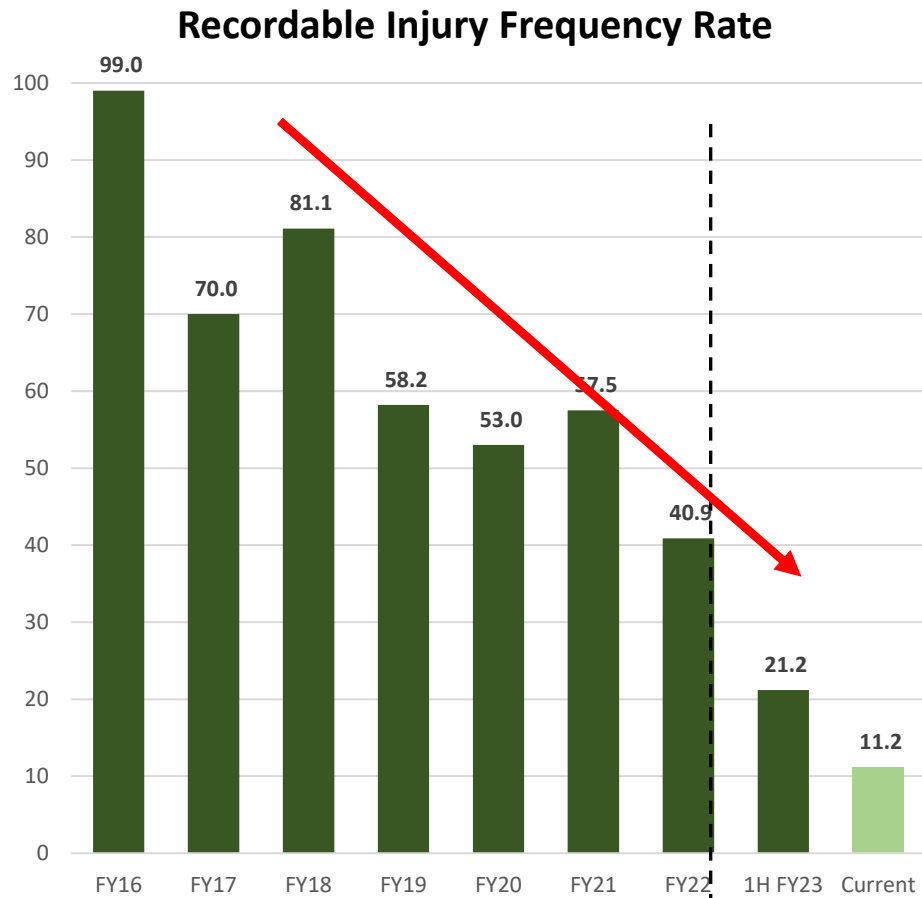
The Select Harvests Limited financial statements are prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. This includes application of AASB 141 Agriculture in accounting for the current year almond crop, which is classified as a biological asset. In applying this standard to determine the value of the current year crop, the Company makes various assumptions at the balance date as the selling price of the crop can only be estimated and the actual crop yield will not be known until it is completely processed and sold. The resulting accounting estimates will, by definition, seldom equal the related actual results, and have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

# Agenda

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# Safety - Performance Accelerating



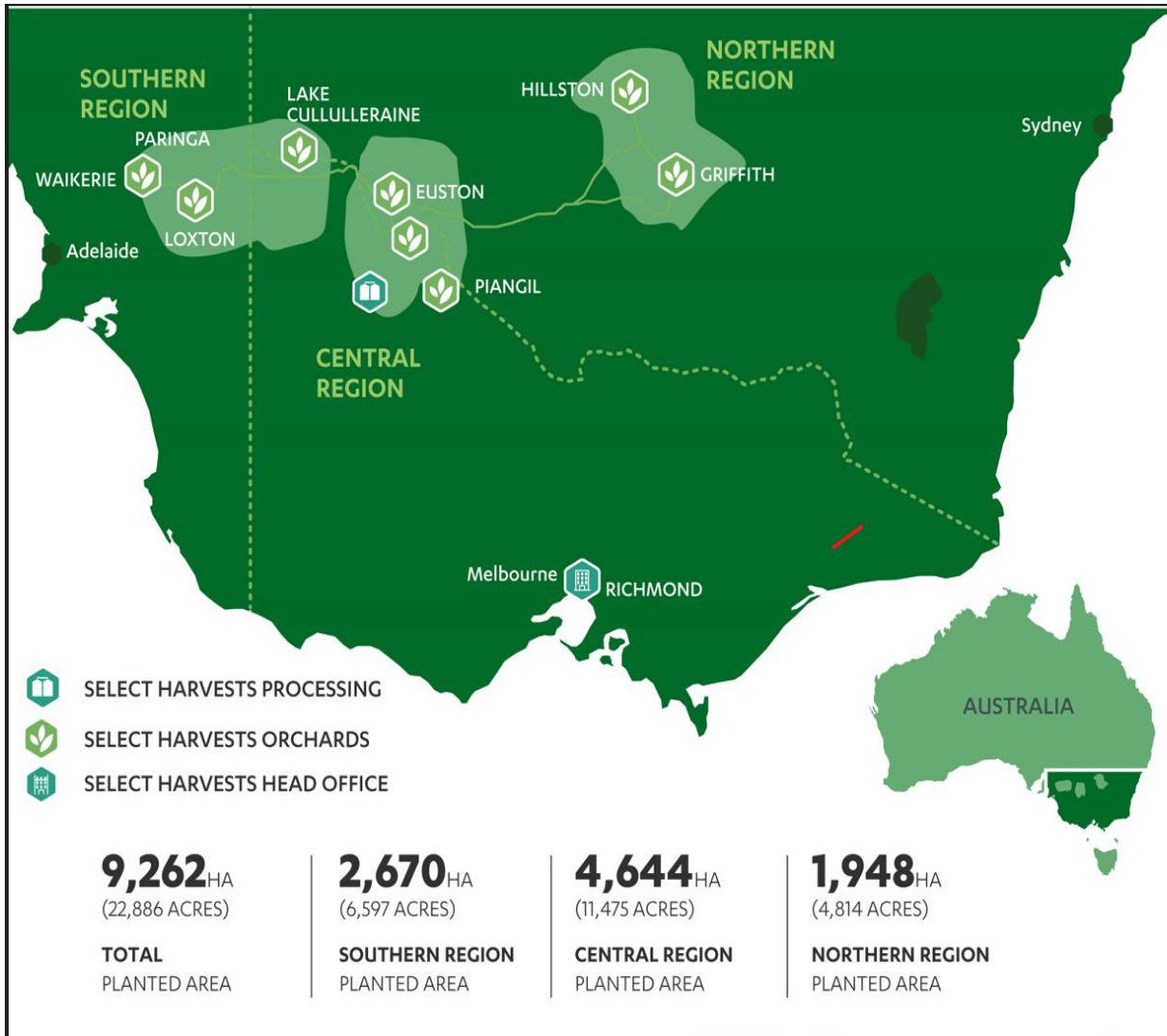
## Key Areas of Focus:

- Leading Safety - visible 'Felt Leadership', emphasising the importance of engagement, personal connection and purposeful action
- Conducting effective safety observations and conversations, understanding "The Why" of the behaviour
- Incident investigations that determine the root cause by using appropriate tools such as ICAM and Why Tree
- Safety gains lead to operational gains – implement safety fundamentals and operational improvements follow

**Note:** FY23 RIFR = MTIFR + LTIFR

# Select Harvests - Investment Case

## Select Harvests Orchard Map



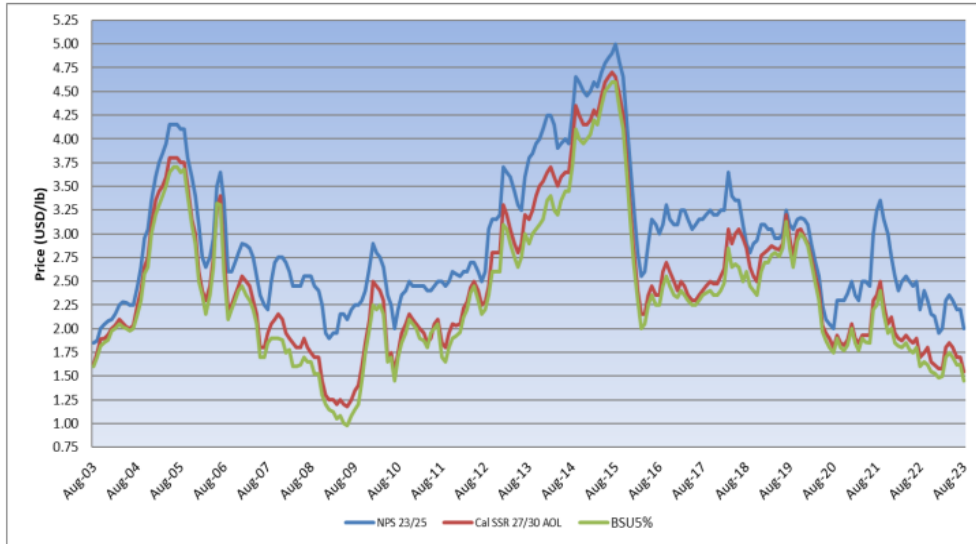
## Why Select Harvests?

- One of the world's largest almond companies - geographic diversity and scale
- Positive long term growth - industry CAGR 5%-8%
- Unique vertically integrated portfolio of quality assets
  - Farms \$365.4M\*
  - Plant (CWPF) \$93M (replacement value \$250M)
  - Water \$128.2m\*
- Delivering initiatives to increase profit from operations
- Strong cashflows during normal operating conditions
- Growth strategy (it's not **only buying** farms) with substantive upside
- Great people that care about the business
- Almonds positioned to leverage global food mega trends

\* Market Value

# Almond Pricing - Lower and Require USA Supply Side Clarity

## Almond Pricing – USD/lb



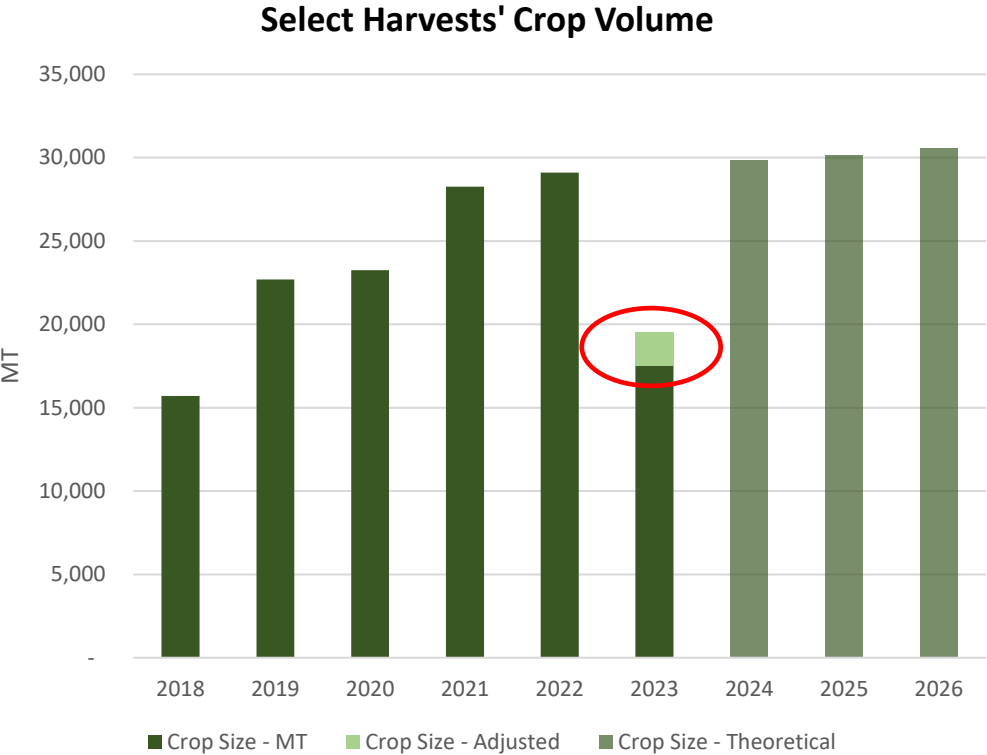
## Sample - Nonpareil Hull and Shell in Kern County USA



## Key Price Drivers:

- Global prices are currently softer (were firming prior to the release of the higher than expected, USDA Objective Crop Estimate of 2.6B pounds)
- Forecast USA inventory, carryout is 791M pounds with sellers trying to reduce inventory leading to price declines
- Industry is uncertain on 2023 Californian crop - possibly lower than 2.6B pounds and with quality issues.
  - Hurricane Hillary 19 - 21 August impacted start of harvest operations
  - Mould on hull and shell on the ground - wet and humid conditions
  - Excessive level of rejects due to prevalence of Navel Orange Worm
- Almond price to remain muted until evidence on Californian crop size and quality - concerns have seen prices bottom and now some upshift
- Forecast net sales price based on market and crop profile for the 2023 crop is A\$6.30 - A\$6.50/kg (decrease is notionally A\$0.60/kg market and A\$0.40/kg mix)
- Long-term prices are expected to increase (10-year average is A\$8.26/kg)

# SHV 2023 Crop has Increased - Additional Volume Offsets Lower Prices



- Company previously announced a 2023 crop volume of 17,500MT impacted by:
  - Cold and wet weather through key growing periods
  - Major flooding events across the portfolio pre-harvest
- 2023 crop processing is complete, the volume increases to 19,500MT due to improved crack-out rates for pollinator varieties (that are processed after the Nonpareil variety)
- The 2023 crop had less inshell and a higher than average mix of manufacturing grade material due predominantly to insect damage on a smaller crop (the quality profile does not contain the mould and staining issues of 2022 crop)
- The profit benefit of the additional tonnes is offset by mix and lower global almond price
- Approximately 80% of the 2023 crop is committed for sale and value-added products to ensure velocity

# SHV 2024 Crop - Good Start, Looks Promising



## 2024 Crop

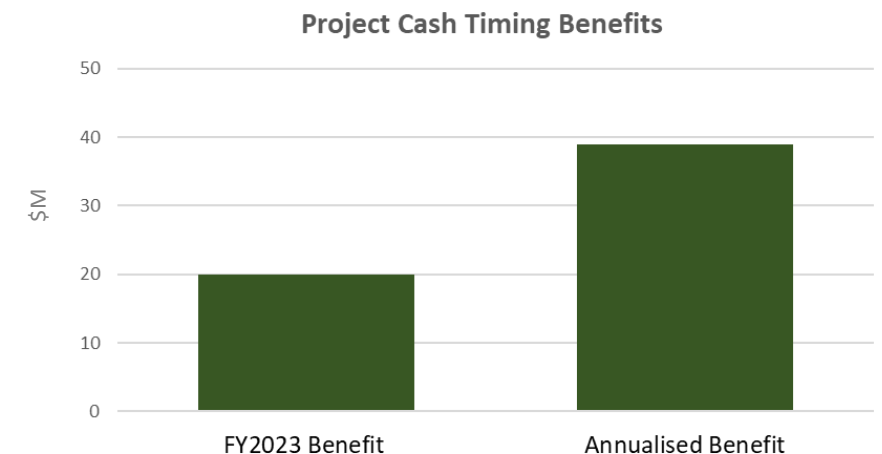
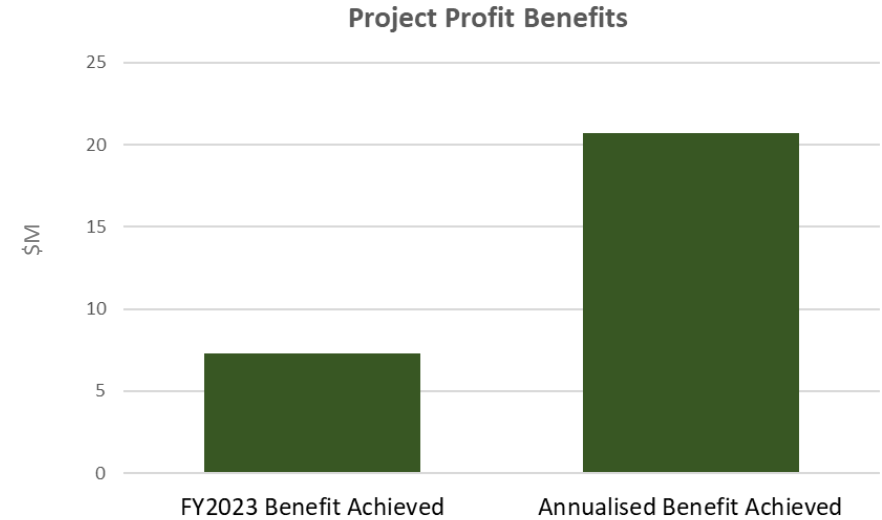
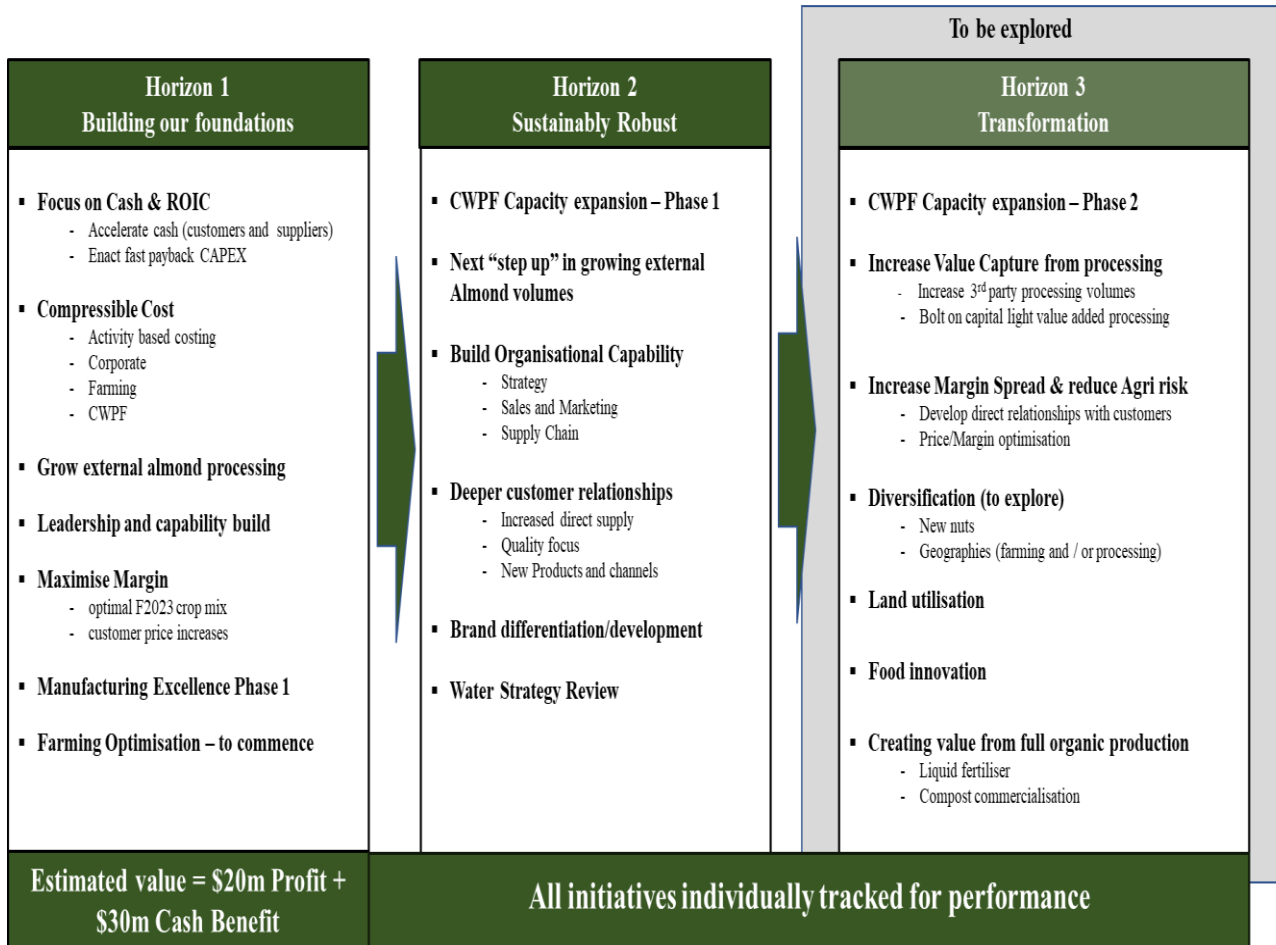
- Crop progress on track to return to produce strong result
  - Tree health is positive
  - Good bud health observed across the orchard portfolio
  - Bloom and pollination process was favourable
  - Forecast shift to El Nino weather pattern is positive for almond growth
- Farming inputs
  - Water availability remains favourable
  - Fertiliser inputs committed at lower pricing – increased application planned to lift soil nutrient levels
- Data analysis of previous weather related crop rebounds supports likely return to strong 2024 yields

## Varroa Mite Update

- 24<sup>th</sup> of August the NSW Department of Primary Industries detected Varroa Mite in hives on almond orchards in the Riverina and Sunraysia. The response is eradication, but authorities are constantly reviewing the technical feasibility of this approach
- **Varroa Mite did not impact Select's 2024 crop pollination process**
- Select will work with Govt and beekeepers to optimize industry outcomes



# Project Management Office - Delivering Profit & Cash



NB: Like all Australian businesses inflationary pressures will be consuming some of the gains

# Strategy 2023 - 2028

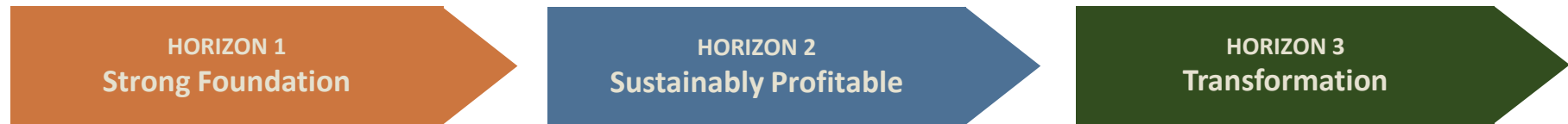
## VISION

To be a leader in the supply of 'better for you' and 'better for the planet', plant-based foods

## MISSION

Our mission is to deliver sustainable returns to our shareholders by marketing premium almond products to the world

## THREE HORIZONS



## STRATEGIC PRIORITIES



## DELIVERY PILLARS



# Strategic priorities - Where the plan takes us

## Substantially greater almond volume

1. Improve orchard yield and quality (farming excellence)
2. Secure water needs
3. Compress costs

### Lower capital intensity growth options:

- Opportunistically acquire/lease farms
- Review loss making leases
- Offer orchard management
- Process 3rd party nuts

## Leadership in processing scale and efficiency

1. Increase capacity to manage higher volumes
2. Achieve Manufacturing Excellence and cost reduction
3. Invest to clear processing bottlenecks
4. Consider new/step change in processing capacity
5. Extend value-adding capabilities

## Maximise returns from the crop

1. Shift from trading to a market focused culture
2. Increase direct sales and customer responsiveness
3. Increase sales velocity
4. Optimise price and margin
5. Explore higher value circular economy for hull and shell
6. Build marketing and NPD capability
7. Build global brand profile

## Innovate to drive step-out growth

1. Seek downstream category opportunities (e.g. milk, spreads)
2. Invest to build value-adding capability
3. Invest in food science to create higher value, novel products (from both kernel and by-products)
4. Capture value from carbon positive initiatives
5. Consider diversification to other nuts and geographies

Leverage our integrated supply chain

# Key Messages - Select Harvests program for Growth and Success

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- **SHV is delivering on the controllables - Project Management Office delivering annualised gains in profit \$21m and cash \$39m**
- **FY2023 Profit in line with market consensus**
  - Increase in 2023 crop offset by mix and global prices
- **Cash velocity improving**
  - Cash initiatives are increasing peak debt headroom (despite global price movements)
  - Debt levels reducing as per 1H FY2023 forecast
- **2024 Farming outlook positive and a good 2024 crop will quickly generate cash**
- **The immediate forward price outlook is a watch out**
  - Pricing pressure from US Objective Estimate with potential for price rebound if reality is different from forecast
- **The Business model is evolving - 4 Strategic themes delivered over 3 horizons**
  - Generate operational leverage from existing business
  - Manufacturing Excellence being operationalised (target is 10t/hour hulling and shelling) with some capex to come
  - Horticulture review is underway to maximise almond volumes and efficiency
  - Almond volume growth - own supply supplemented by increased grower volumes. This delivers substantive growth (incremental 7,000t in 2024) with increased earnings reliability and reduced Agri risk
  - Currently reviewing opportunity for major capacity shift/new plant (20-40,000t)

Thank you