

29 November 2019



SELECT HARVESTS

SELECT HARVESTS LIMITED – FY2019 FULL YEAR RESULTS

Paul Thompson, Select Harvests Managing Director, announces results for the twelve months of the new reporting period ended 30 September 2019 with a reported Net Profit After Tax (NPAT) of \$53.0 million.

“The 2019 financial year has delivered a very strong result driven by increased almond production and a firm almond sales price. The 2019 crop is 22,690MT, slightly higher than previously announced and up 45% on last year. This is a result of excellent growing and harvest conditions, increased production from our maturing orchard portfolio and the benefits from our investment in risk mitigation such as frost fans. Recent investment in additional sorting technology at the Carina West processing facility has also improved both productivity and quality levels.

Continued increasing global demand and a successful marketing program delivered an almond sales price of A\$8.60 per kg for the 2019 crop (up 7% on last year).

The cost of almond production per kg (excluding tree depreciation) reduced by a further 15%. In 2019 the price of water increased significantly, however the full impact was managed through the company’s water ownership structure and prudent temporary water acquisitions.

The Food Division results were in line with expectations with a challenging domestic retail environment impacting margins. This was offset by good cost control and the continued strong demand for industrial value-added products. Shipments to our international retail partners and industrial customers continue to grow in line with forecasts.”

Overview of FY2019 Full Year Results (note - given the new financial reporting period no financial comparatives are supplied)

- **FY2019 NPAT of \$53.0 million**
- **EBITDA of \$95.2 million**
- **Operating Cashflow of \$80.3 million**
- **2019 almond crop of 22,690 MT (2018 crop 15,700 MT) – up 45%**
- **Almond price of A\$8.60/kg (2018 crop A\$8.05/kg) – up 7%**
- **Almond productivity cost per kg reduction of 15% (excluding tree depreciation)**
- **Net Debt (inc. finance lease liabilities)/Equity ratio at 30 September 2019 is 6.6%**
- **Bank debt fully re-paid - \$7.9 million cash in bank**
- **Earnings per Share (EPS) of 55.5 cents per share**
- **Lost Time Injuries down 61%**

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Dividend

- **2019 Fully Franked Final Dividend 20 cents per share (cps) - following 1H 2019 Fully Franked Interim Dividend of 12 cps**
 - Record Date 13 December 2019
 - Payment Date 6 January 2020

Almond Division

Almond Division FY2019 EBIT is \$82.2 million.

The 2019 crop volume produced is 22,690 MT (2018 almond crop was 15,700 MT). All tree age cohorts across all geographies yielded at levels higher than industry average. As at the date of this release the hulling and shelling process is complete and the sorting and packing process will finalise next month.

With strong global demand, over 85% of the 2019 crop is sold or committed. The 2019 crop was sold into a variety of markets with in-shell product supplied to India and China and kernel supplied across the company's wide global customer base. The remainder of the inventory will be consumed internally by the Food Division. The average sales price was \$8.60/kg

Improved productivity reduced the almond cost per kg by 15% (excluding tree depreciation). This was driven by:

- The strong uplift in yield performance
- The installation of a further 110 frost fans prior to the 2019 season mitigated the impact of several frost events during critical times in the growing season
- Prior to the 2019 season an additional sorter was installed to improve our in-shell yields
- Management of a challenging FY2019 water market. Ongoing drought conditions, lower annual allocations, increased presence of sophisticated financial investors all placed increased pressure on water (cost and supply) in the Murray Darling Basin. The full impact of the increases was largely mitigated by the company's water strategy, which includes entitlement ownership, leasing, carry-over purchases, annual allocation purchases and forward contracts.

Due to the drought there was strong demand for almond hull and shell for stockfeed.

Food Division

Food Division FY2019 EBIT is \$5.0 million.

The full year overall result involved strong demand for Industrial product from the Chinese and Asian markets, whilst the domestic market remains challenging with retail private label taking a foothold in the key cooking nuts category.

Changing demographics, demand for healthier plant-based products and increasing affluence in Asia is driving higher consumer demand for our products. The high growth Asian market remains a key focus for Select Harvests in both the Industrial and Consumer segments.

FY2019 has seen a significant increase in the export of value-added Industrial blanched, sliced, diced roasted and meal product to food processors in Asian markets. To meet this rising demand, we had a focus on improving the operational performance of our Parboil facility, which increased the output and subsequent Group EBIT contribution.

We have invested in marketing personnel and New Product Development. The initial phase has seen the launch of Sunsol Probiotic mueslis. This product was the winner in the Health Food Cereal Category awarded by Product of the Year 2020. We continue to work with PepsiCo Foods (China) Co. Ltd through our Trademark Licence and Distribution Agreement to determine the best channel to market in China for Select Harvests Lucky branded nuts, seeds, blends and snacking products.

A targeted project has been initiated to accelerate growth and improve the profitability of the Food Division. It includes increased investment in brands, accelerating New Product Development, capital investment and process improvement to improve quality and reduce the cost per kg.

Cashflow

As a result of the strong underlying performance, FY2019 produced operating cashflows of \$80.3 million. This allowed all bank debt to be paid as at balance date and delivered a very healthy gearing ratio (including finance leases) of 6.6% (note this is the last reporting period prior to the introduction of AASB 16 – Lease Accounting).

Awards

- Governor of Victoria Export Award - Agribusiness Food and Beverage Category
- Product of the Year 2020 (Winner Health Food Cereal Category)
 - Sunsol PRO-biotic Almond, Cashew & Chia Toasted Muesli
 - Sunsol PRO-biotic Almond & Manuka Honey Toasted Muesli
- Healthy Food Guide Awards 2019 (Best Packaged Savoury Snack category)
 - Lucky Smart Snax Protein

Summary

Paul Thompson summarised “2019 delivered a strong operating result on the back of a very good crop and a continuing firming price. I am very pleased that our strategy of developing high yielding greenfield orchards, the ongoing focus on improved horticultural practices and targeted investments has led to a significantly improved financial outcome. Prior to the commencement of the new season we installed a further 94 frost fans and \$6m in a new sorting line effectively doubling our sorting and packing capacity. This is in preparation for our increasing crop, plus providing the flexibility to react to meet short-term market peaks. The platform is set for Select Harvests to continue to achieve consistent production levels in future years.

The Food Division remains an important part of the company’s future. We have commenced a project critical to accelerating new product development and improving efficiencies to ensure the company’s branded offering delivers required returns. Demand in both domestic and export markets remains strong. We continue to develop relationships with key export clients and are delivering increased volumes of product into growing regional markets.”

Paul Thompson went on to say “Looking ahead to the 2020 crop, our trees remain in good health with a favourable dormancy period and successful pollination program. We will continue delivering a full horticultural program to maximise yield. Productivity efficiency remains a focus over the next few months. While water costs have reached near historic highs, our ownership strategy and prudent management of water purchases has meant Select Harvests will not be fully impacted by current pricing. Phytex technology has been installed and we are targeting an 8% reduction in water usage without adversely impacting yield.

We have largely acquired our full 2020 crop water requirements. We support the ACCC investigation into the water market.”

He concluded “Based on Select Harvests planted almond orchards and anticipated yield, our almond production will incrementally increase over the next three years. We are confident in our ability to maintain yields above industry average, driving significant value upside from our existing orchard base. Our Balance Sheet remains strong, allowing us to withstand the inevitable volatility in our industry.”

ENDS

FOR FURTHER INFORMATION, PLEASE CONTACT:

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About Select Harvests:

Select Harvests Ltd (ASX:SHV) is an ASX-listed, fully integrated almond business consisting of orchards (company owned, leased, joint venture and managed), primary processing (hulling & shelling), secondary processing (blanching, roasting, slicing, dicing, meal), trading (industrial products) and Consumer products (Brands - Lucky, Sunsol, Soland, NuVitality, Renshaw & Allinga Farms, as well as providing Retailer brands). Select Harvests imports a full range of nuts (in addition to its almonds) and a wide range of other ingredients for inclusion in their Consumer Products range. Australia is a significant global almond producer and Select Harvests are one of Australia’s largest almond companies, supplying almonds domestically and internationally, to supermarkets, health food stores, other food manufacturers, retailers and the almond trade.

The company is headquartered at Thomastown on the outskirts of Melbourne, Australia while its orchards are in North West Victoria, Southern New South Wales and South Australia. The primary Almond processing facility (Carina West) is located at Wemen in North West Victoria and the second processing, value-adding and packing facility is located at Thomastown.

For more information, visit www.selectharvests.com.au