



SELECT HARVESTS

Select Harvests Stock Pitch

Tribhuvan Krishnan

A photograph of almond meal and almonds. In the center, a small metal bowl is filled with a mound of fine, light-colored almond meal. Surrounding the bowl are several whole almonds scattered on a rustic wooden surface. In the background, a wooden spoon and a white bowl filled with almonds are visible, slightly out of focus.

Overview

Select Harvests Ltd

Company Profile

Select Harvests Ltd

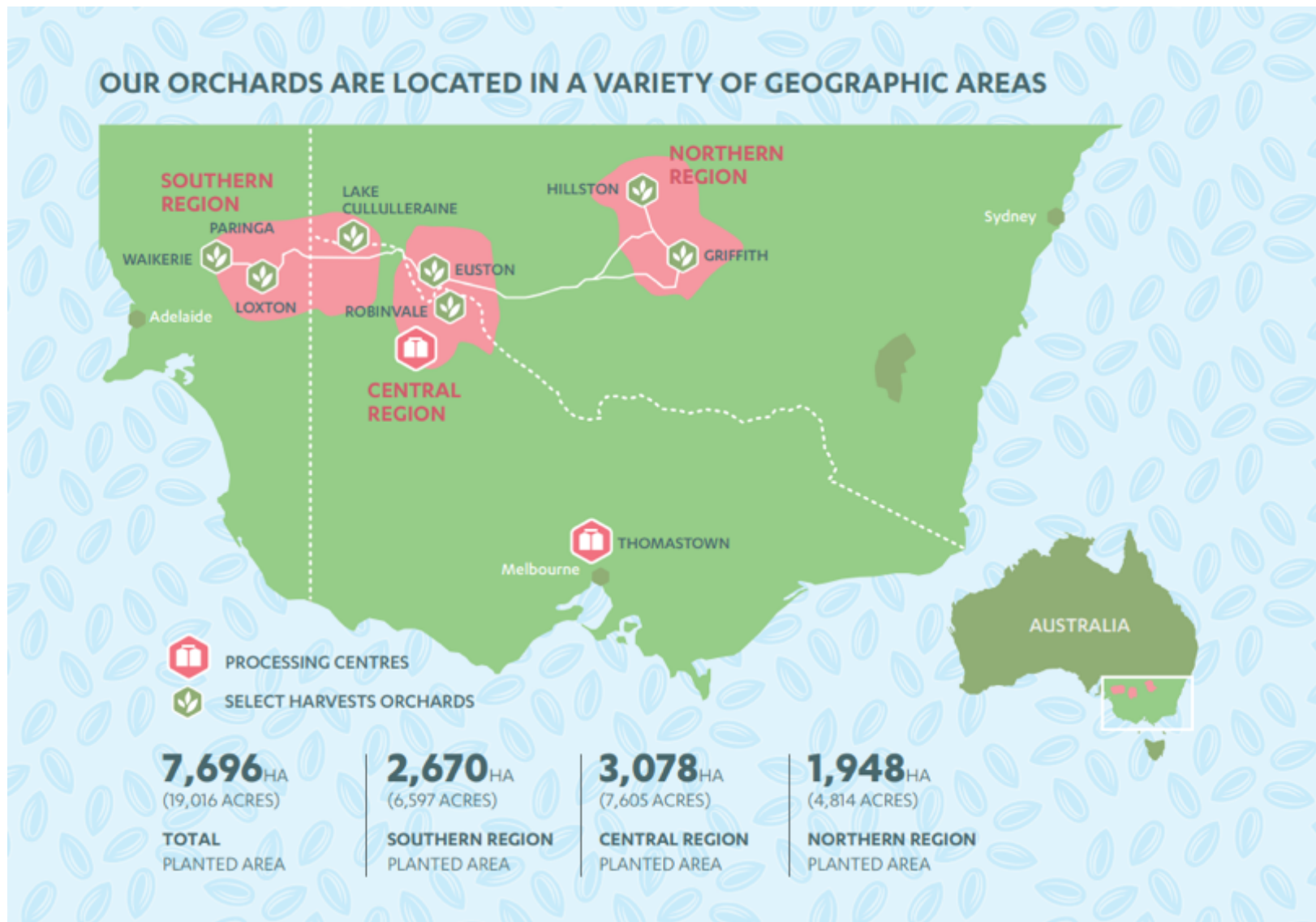


Information

Current price	\$7.11	Market cap	\$683.83 m
52 week range	\$5.19 - \$9.43	Enterprise value	\$743.60 m
Ticker	ASX: SHV	P/E Ratio	12.76
		Annual dividend yield	4.52 %

- Select Harvests is an ASX listed company that is Australia's largest vertically integrated nut and health food company.
- Select Harvests' core capabilities: horticulture, orchard management, food processing, sales and marketing.
- Select Harvests serves the Australian retail and industrial markets in addition to export markets.
- Select Harvests is one of the world's top 3 producer of almonds. Australia represents 7% of the global almond production industry.

Select Harvests Ltd Infrastructure Overview




Sunsol
PRO-biotic
Salted Caramel & Peanut
with Almond & Linseed


Sunsol
PRO-biotic
Almond & Cashew
with Pepitas & Chia

Business

- ✓ SOURCE of Dietary Fibre
- ✓ SOURCE of Protein
- ✓ BOOSTED with PRO-biotics



400g NET

SOURCE of Dietary Fibre
SOURCE of Protein
BOOSTED with PRO-biotics



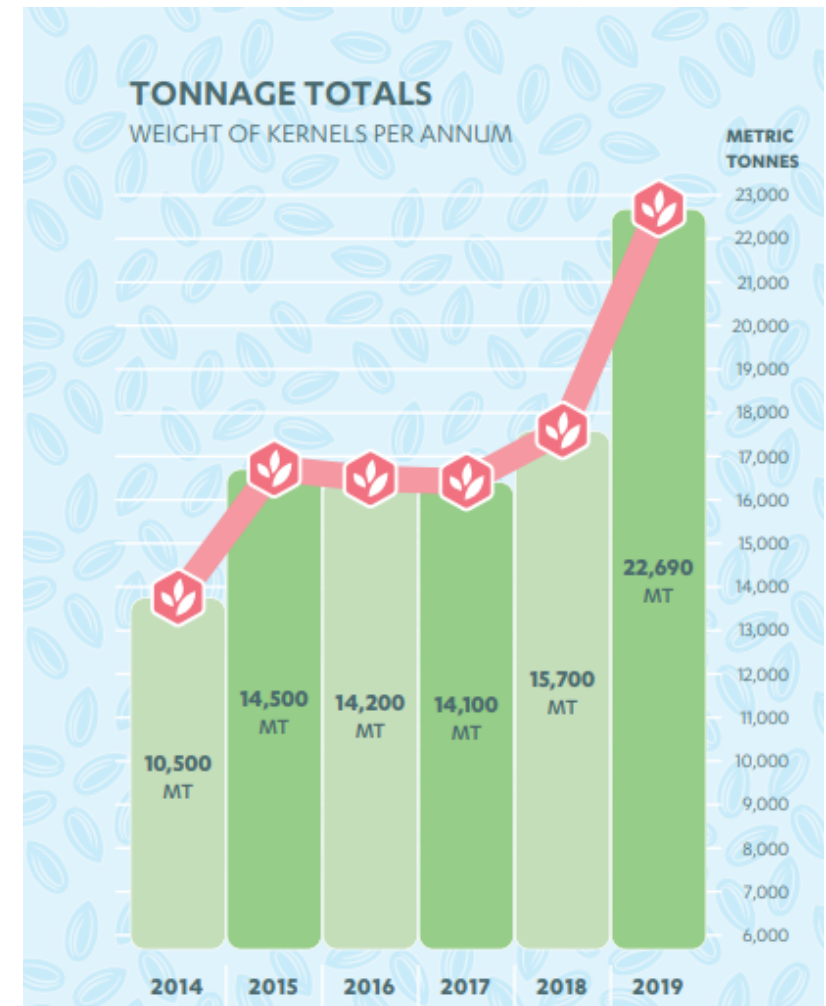
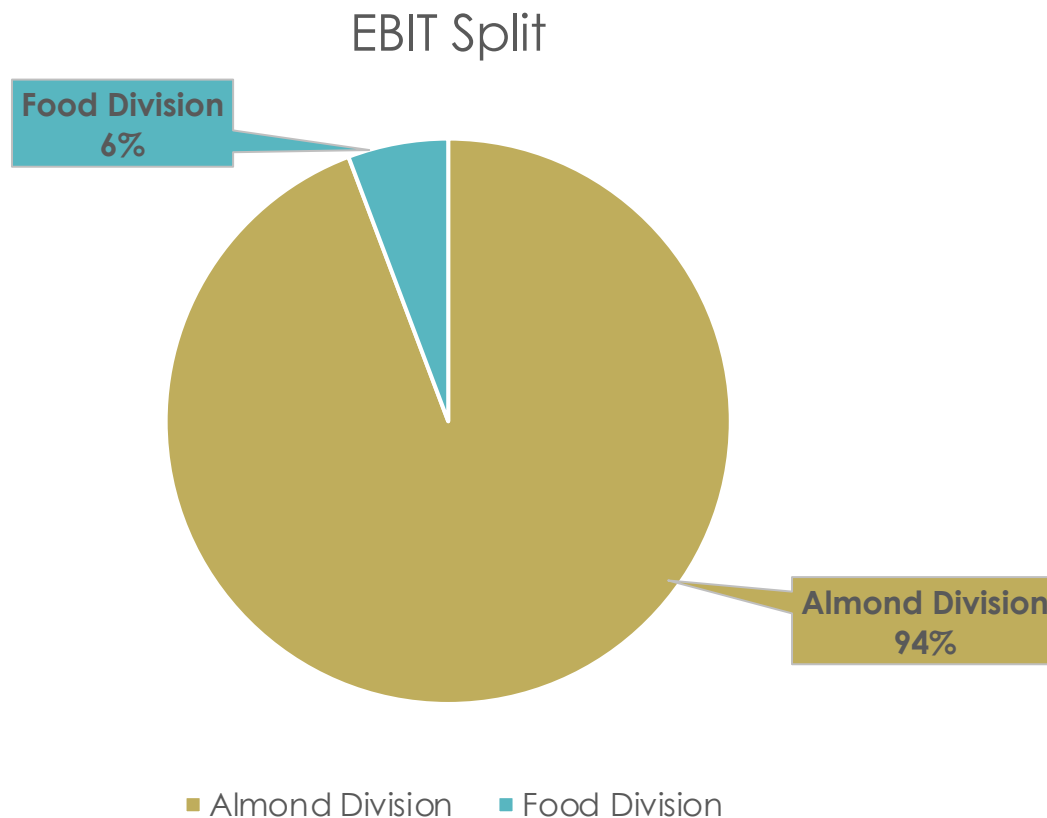
400g NET

Select Harvests operates with 2 divisions: Almond and Food

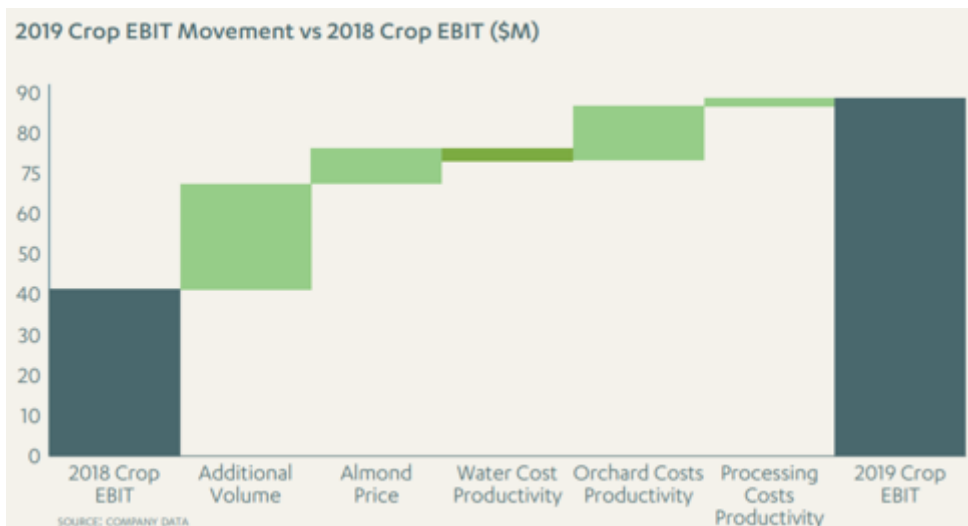
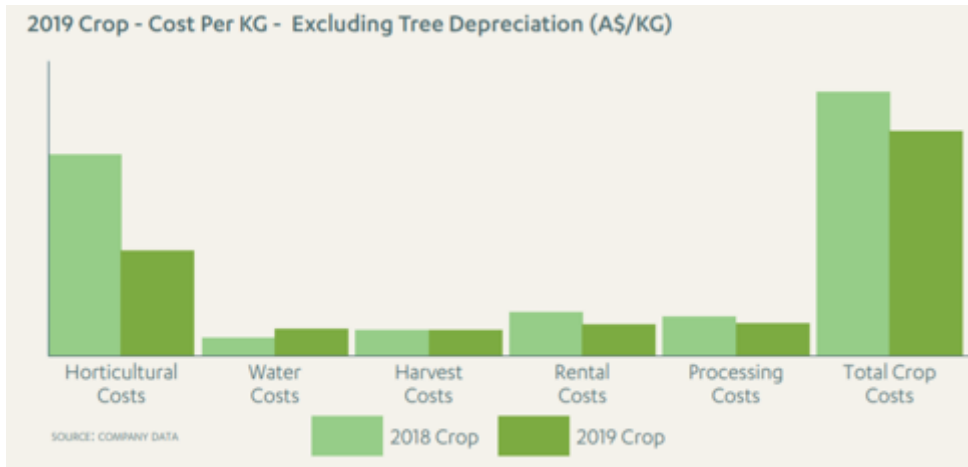


- Responsible for the growing, processing and sale of almonds to the food industry from company owned and leased almond orchards (19,016 acres).
 - Key activities include: horticultural management, water management, orchard development and investment.
 - Outperformed industry averages and target yields in 2019.
 - 85% of FY2019 crop was sold, with the remainder held for internal value-add requirements.
 - Success driven by good horticultural management, higher yielding varieties, higher tree densities, and modern irrigation and fertigation.
- Responsible for the processing, marketing, and distribution of value-added products – snacking nuts, nut based ingredients, natural health foods, dried fruits.
 - Retail brands: Lucky, NuVitality, Sunsol, Allinga Farms.
 - Industrial brands: Renshaw, Allinga Farms
 - Supply bulk products to bakeries, manufacturers, and wholesalers.
 - Recent growth has come from product innovation (Probiotic muesli) and from strong distributor partnerships in China for wholesale and retail (PepsiCo.)

EBIT is largely driven by the Almond Division



The Almond Division achieved higher yield and productivity



Select Harvests values sustainability alongside growth



- Project H2E - largest energy saving project
- Electricity from almond by-product (hull, shell, orchard waste)
- Powers the Carina West Processing Facility, irrigation pumps at the Carina orchard and exports to grid
- Reduces carbon footprint by 27%



- Water sources – owned, leased, spot market
- Best practice water delivery systems
- Water optimisation technology: soil water monitoring, plant based monitoring, high-resolution imagery
- Recycling of water from drainage systems

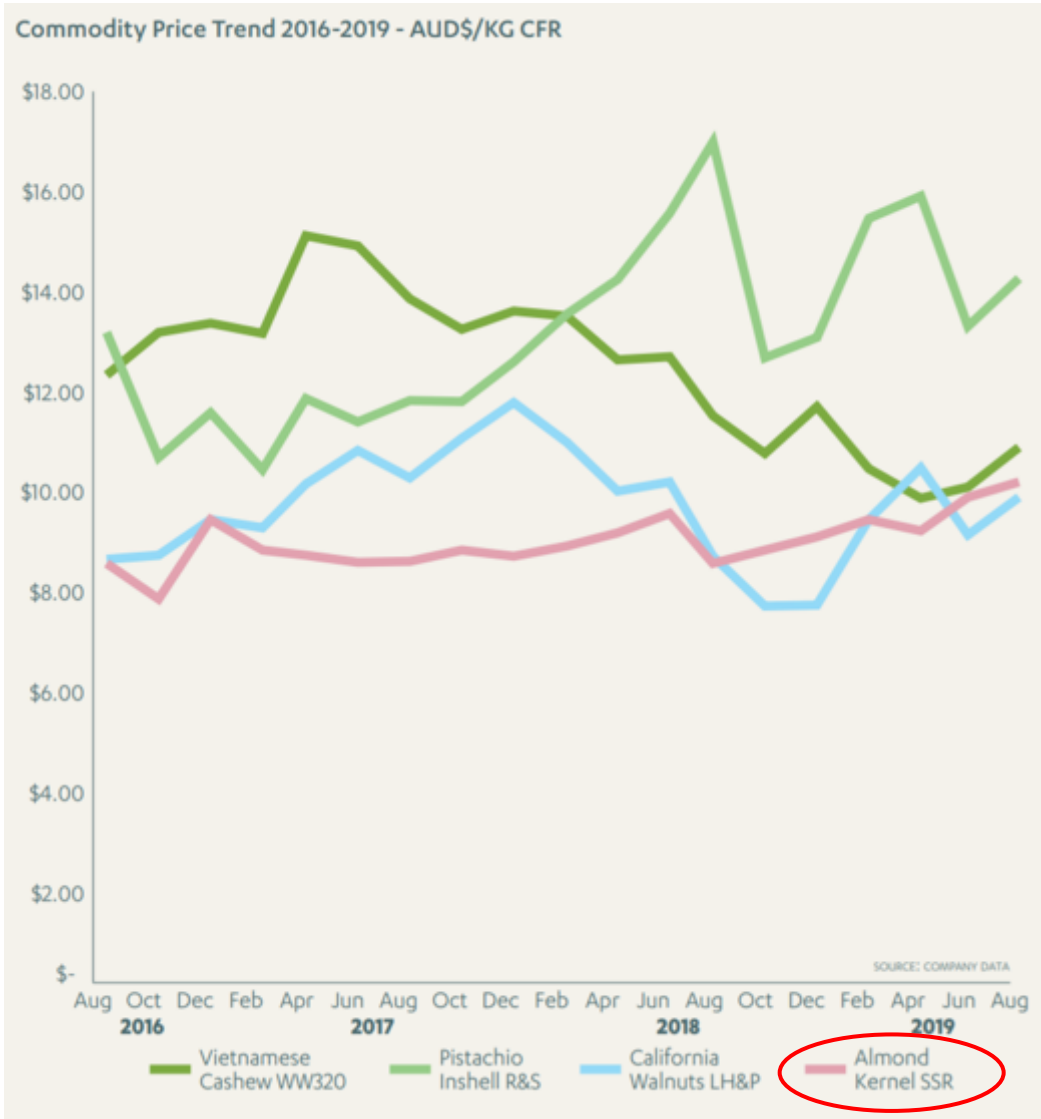


- Bee stewardship is essential for healthy pollination of orchards
- Alternative forage sources for nectar and pollen
- Provision of water at pollination sites
- Avoidance of sprays when bees are present
- Inspections of colonies

A photograph of a white ceramic bowl filled with almonds, placed on a light-colored wooden surface. Several almonds are scattered on the surface around the bowl. A semi-transparent light blue rectangular box is centered over the bowl, containing the word "Industry" in a bold, black, sans-serif font.

Industry

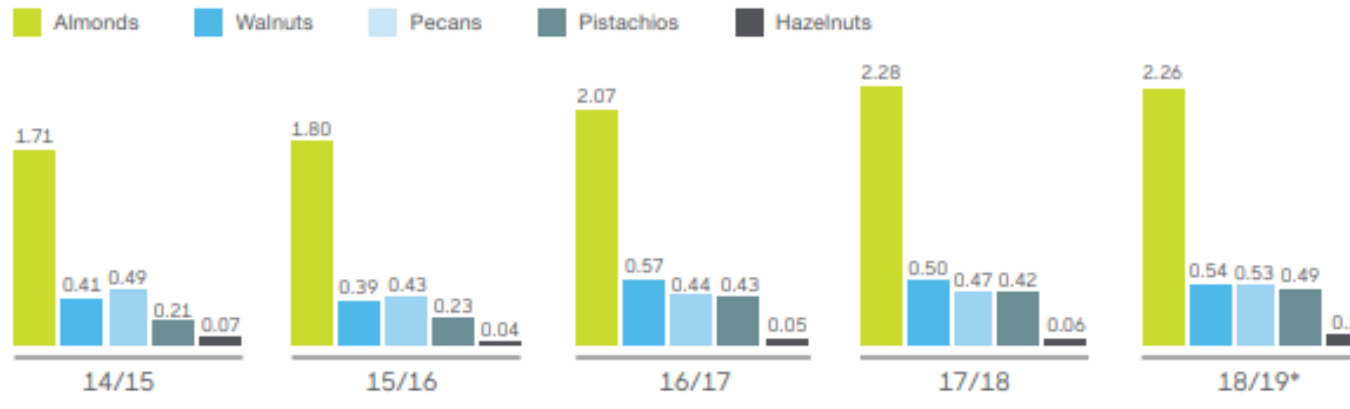
Steady increase in almond prices is driving success



- Almond prices over the last 5 years have been less volatile than other nuts – resulting in more predictable revenue for companies.
- Price strengthening has been driven by:
 - rising middle class wealth in developing economies
 - shift to plant based diets in developed economies.
- Asian and Middle Eastern markets are leading export demand.

Variety of use makes almonds the most consumed tree nut

Domestic per Capita Consumption of Tree Nuts
crop years 2014/15–2018/19 | pounds per capita



Source: USDA, Economic Research Service, Fruit & Tree Nut Yearbook Tables. *Preliminary.

Consumption forms:

- Whole
- Sliced, Slivered, Diced
- Meal/Flour
- Almond Milk
- Paste and Butter
- Oil

**Global Demand
growing at 7.1%**

Agritech and “Co-product” innovations are emerging



Key Areas of Innovation

- Israeli start-up Edete's automated pollination system has been tested in Australia and California prior to market launch. It has proven to improve yield and reduce volatility .
- Biomass usage extracts value from almond by-products post harvest: electricity, livestock feed, nutrient-rich compost.
- Further research into the use of almond biomass for food grade sugars, plastics, and developing absorbent materials.
- Irrigation technologies that use sensors to manage automated systems are minimising water usage and increasing “crop per drop”.

A photograph of a long, straight path lined with cherry blossom trees in full bloom. The path is covered in a thick layer of fallen pink petals, and the trees on either side are heavily laden with pink blossoms, creating a tunnel-like effect. The path leads towards a bright horizon under a clear blue sky.

Strategy

Strategic priorities are three-pronged



Optimise the Almond Base

- Increase productivity.
- Achieve sustainably high yields from orchard base.
- Aided by horticultural technologies.
- Acquire orchards (greenfield or mature) if suitable and available.



Develop Brands

- Grow consumer and industrial brands through new product development, brand strengthening and improved operational efficiencies.
- Leverage distributor relationships in China (e.g. PepsiCo).
- Grow brands portfolio inorganically.



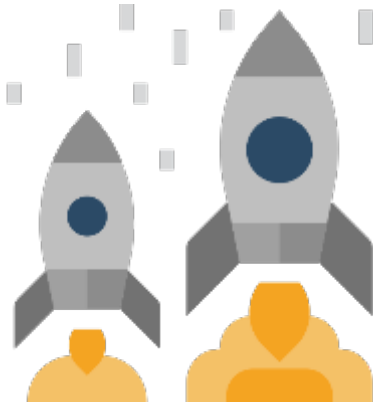
Diversify

- Diversify into other tree nets, where expertise around orchard management, processing, and marketing can be leveraged.
- Pursue accretive acquisitions that align with core competencies in plant based agri-foods.

A top-down view of a glass jar filled with smooth, light brown almond butter. A wooden spoon is partially submerged in the butter. To the right of the jar, several whole almonds are scattered on a white marble surface. A light blue rectangular box is overlaid on the center of the jar, containing the text "Competitive Advantages" in bold black font.

Competitive Advantages

Select Harvests has strong competitive advantages



Competitive Advantages

- **Yield** – Consistently outperformed industry averages.
- **Long-lasting orchards** – Orchards sustain high yields till an older age compared to Californian orchards.
- **Secure future growth** – Immature orchards are outperforming business case and will continue to increase in yield.
- **Sustainability** – Key investments in sustainability-focussed technologies and processes improve productivity.
- **Export Demand** – Australian almonds have strong export demand, driven by quality, trade tensions and proximity to key markets in Asia.
- **Vertical Integration** – Exposure to various points in the supply chain provide multiple value-extraction points and enhance market presence.

A glass bottle of almond milk is the central focus, filled with a creamy white liquid. It sits on a piece of light brown burlap fabric. The background is a light blue wooden surface with several almonds scattered around. To the left, a wooden bowl is overflowing with almonds. The lighting is soft and natural, creating a clean and fresh aesthetic.

Risks

There are three significant risks that Select Harvests faces

Risks



Agricultural Risks



Occupational Injuries



Macroeconomic factors

Response

- Select Harvests Ltd continually invests in new technologies that can manage its exposure to risks brought about by climate, pollination, and water. In FY2019, they installed 96 frost fans which prevent orchards from dying due to cold weather. The Senior Management and Board reviews horticultural risks on a monthly basis.
- The Select Harvests Zero Harm Safety and Wellbeing strategy aims to improve safety performance by 15% per annum. This can be achieved through fostering a safety-driven culture, education, process improvement, and employee wellness. Lost Time incidents reduced by 61% in FY2019. The Senior Management and Board reviews safety risks on a monthly basis.
- Select Harvests is exposed to commodity price risk, and foreign exchange risk. Commodity price risk has not been troublesome due to stable, increasing almond prices. Foreign exchange risk is managed through a variety of hedging processes, such as forward contracts. The Senior Management and Board reviews financial risks on a monthly basis.

The background image shows a yellow bag of 'Lucky Snax' mixed nuts, a white bowl filled with various nuts, and some nuts scattered on a light-colored wooden surface. The bag has a circular seal that says 'High in protein to aid recovery from exercise'. The bowl is white with a gold spoon resting on its rim. The nuts include almonds, cashews, and pistachios. A blue rectangular box with the text 'Financial Statements' is overlaid on the center of the image.

Financial Statements

Select Harvests Ltd

SOCI & Balance Sheet

Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019	NOTE	CONSOLIDATED (\$'000)	
		2019 12 MONTH PERIOD ENDED 30 SEPT	2018 3 MONTH PERIOD ENDED 30 SEPT
Revenue			
Sales of goods and services	5	298,204	67,500
Other revenue	5	270	81
Total revenue		298,474	67,581
Other income			
Inventory fair value adjustment	6	9,212	(12,675)
Gain / (Loss) on sale of assets		519	(3)
Total other income		9,731	(12,678)
Expenses			
Cost of sales	6	(201,636)	(51,050)
Distribution expenses		(4,344)	(950)
Marketing expenses		(6,652)	(566)
Occupancy expenses		(1,232)	(478)
Administrative expenses	6	(14,827)	(1,990)
Finance costs		(3,957)	(1,044)
Other expenses	6	551	(914)
PROFIT / (LOSS) BEFORE INCOME TAX		76,108	(2,089)
Income tax (expense) / benefit	7	(23,086)	553
PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF SELECT HARVESTS LIMITED		53,022	(1,536)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in fair value of cash flow hedges, net of tax		23	192
Other comprehensive income for the year		23	192
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF SELECT HARVESTS LIMITED		53,045	(1,344)
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings / (loss) per share (cents per share)	22	55.5	(1.6)
Diluted earnings / (loss) per share (cents per share)	22	55.3	(1.6)

The above statement should be read in conjunction with the accompanying Notes.

Balance Sheet

AS AT 30 SEPTEMBER 2019	NOTE	CONSOLIDATED (\$'000)	
		30 SEPTEMBER 2019	30 SEPTEMBER 2018
CURRENT ASSETS			
Cash and cash equivalents		11,588	6,860
Trade and other receivables	9	50,223	46,157
Inventories	10	111,831	99,410
Current tax assets		-	6,404
Derivative financial instruments	11	24	24
TOTAL CURRENT ASSETS		173,666	158,855
NON-CURRENT ASSETS			
Property, plant and equipment	12	307,923	293,684
Intangible assets	13	71,267	70,082
TOTAL NON-CURRENT ASSETS		379,190	363,766
TOTAL ASSETS		552,856	522,621
CURRENT LIABILITIES			
Trade and other payables	14	32,345	40,319
Interest bearing liabilities	15	8,111	4,822
Derivative financial instruments	11	965	929
Current tax liabilities		16,989	-
Deferred gain on sale	16	175	175
Employee entitlements	17	4,870	3,167
TOTAL CURRENT LIABILITIES		63,455	49,412
NON-CURRENT LIABILITIES			
Interest bearing liabilities	15	30,903	60,958
Deferred tax liabilities	7(c)	39,629	37,197
Deferred gain on sale	16	2,627	2,802
Employee entitlements	17	239	1,613
TOTAL NON-CURRENT LIABILITIES		73,398	102,570
TOTAL LIABILITIES		136,853	151,982
NET ASSETS		416,003	370,639
EQUITY			
Contributed equity	18	271,750	268,567
Reserves		10,417	9,802
Retained profits		133,836	92,270
TOTAL EQUITY		416,003	370,639

The above balance sheet should be read in conjunction with the accompanying Notes.



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