



## SELECT HARVESTS

Select Harvests Limited (ABN 87 000 721 380)

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### SELECT HARVESTS LIMITED – 1H FY2022 HALF YEAR RESULTS

Paul Thompson, Select Harvests' Managing Director, announces a Net Profit after Tax of \$2.0 million for the first six months of the 2022 Financial Year. He said "As previously communicated, the combination of lower global almond prices and a wetter than average, delayed harvest, have negatively impacted earnings. The company remains focused on completing the 2022 harvest and delivering the highest possible level of quality and price for the forecasted volume of 29,630 MT."

#### Overview of 1H FY 2022 Half Year Financial Results

- **1H FY 2022 NPAT of \$2.0 million** (1H FY 2021 \$1.3 million) – **Up 53.8%**
- **1H FY 2022 Continuing Operations NPAT of \$3.8 million** (1H FY 2021 \$3.1 million) – **Up 22.6%**
- **EBITDA of \$15.8 million** (1H FY 2021 \$12.9 million) – **Up 22.5%**
- **Continuing Operations EBITDA of \$17.7 million** (1H FY 2021 \$14.9 million) – **Up 18.8%**
- **2022 forecasted almond crop of 29,630 MT** (FY 2021 28,250 MT) – **Up 4.9%**
- **Almond price estimate of A\$6.64/kg** (FY 2021 A\$6.80/kg) – **Down 2.4%**
- **1H FY 2022 Operating Cashflow of \$15.3 million** (1H FY 2021 \$6.3 million) – **Up \$9.0 million**
- **Net Debt (excl. finance lease liabilities)/Equity ratio at 31 March 2022 is 23.7%** (31 March 2021 21.7%)
- **Continuing Operations Earnings per Share (EPS) of 3.1 cents per share** (1H FY 2021 2.6 cps) - **Up 19.2%**
- **No Interim Dividend Declared for 1H FY 2022**

The 2022 growing season in general was good across all regions. However, wetter and cooler conditions over the summer finishing period has impacted the crop profile with less nonpareil inshell produced. Additionally, ongoing shower activity across a large portion of the orchard footprint has been challenging and has delayed harvest completion impacting inshell percentage, quality and costs. The 2022 harvest process is expected to be completed by mid-June 2022.

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2022 crop processing is well underway with approximately 38% completed to date. Other than a lower percentage of nonpareil inshell, the balance of the crop quality profile is similar to last year. Harvest costs are higher due to the wet harvest conditions and the associated additional handling and drying activities.

Global market activity has increased since the release of the USDA 2022 Subjective Estimate of 2.8 Billion Pounds. Overall market pricing has remained unchanged. Inshell and premium nonpareil pricing has firmed, and lower grade pricing remains low due to high inventory levels in US ports and storage facilities.

The supply chain remains disrupted with freight, port movements and logistics being impacted both outwards and inwards. This is impacting buying cycles, with sellers (growers and packers) having an increasing need to convert product to cash to support next season's input costs. Additionally, substantial increases in freight costs are being incorporated into buying prices. Until such time as this issue eases, and excess US inventory is cleared, it is expected that pricing will remain under pressure.

Australian shipment numbers remain strong, up 118% for the first month of the season and US shipments are starting to improve as traditional markets slowly return back to pre-pandemic levels. The Californian drought continues to cause increasing concern in the industry and will likely negatively impact the US 2022 and 2023 crop.

Margins from the value-add activity were lower due to the higher cost of raw material input and the impacts of the current low almond price.

Based on current market conditions, 51% of the 2022 crop committed for sale and the estimated 2022 export sales program fully hedged at 0.72 cents AUD/USD the 2022 crop fair valuation sales price is A\$6.64/kg. The sensitivities that relate to this are as follows:

Metric	Assumption	Sensitivity - EBIT Impact
Crop Size	29,630 MT	500MT movement = \$3.3m
Crop Price	AUD \$ 6.64/kg	10¢ movement = \$3.0m

#### Asset Values (Orchards, Production Facility and Water Value)

Select Harvests has a unique asset base. It is one of the few fully integrated almond growers, marketers, and processors in the world. We can offer our customers orchard to plate security and managing the whole supply chain to ensure the most profitable and sustainable outcomes.

All our assets are held on the Balance Sheet at historical cost. The most recent market valuation of our assets was undertaken by CBRE in September 2019. The property, plant, and equipment (seven company owned orchards and Carina West processing facility) had a historical value of \$169.8m against a market value of \$249.7m. We subsequently have acquired the Piangil property for \$124m in December 2020.

A revised market valuation of these assets (eight company owned orchards and Carina West processing facility) is currently underway. Management's internal estimate, based on the most recent market transactions, recognising age profile and location of our orchards, indicates a valuation close to \$520m.

Additionally, the current historical value of the water entitlement on the Balance sheet is \$58.1m. Management values the portfolio at \$135m, based on recent water market transactions.

It should be noted that management's total valuation of \$655m does not include any value derived from our leased orchards. The leased orchards represent 45% of our portfolio.

### Balance Sheet

The Company's balance sheet remains strong. Gearing levels (excluding finance lease liabilities) remain below 25%. Select Harvests is trading well within its covenants and has sufficient headroom to trade at current prices for the next season.

In the last two years we have invested in increasing our capacity and capability at Carina West as we transition out of the Thomastown Facility. We still have some projects to complete around warehousing and harvest risk mitigation. Dependent on market conditions and related cashflows, both these capital projects could be postponed and managed via outsourcing arrangements.

Until we are more certain around the almond pricing and cost inflation, we are committed to a maintenance capital program. We will have the benefit from a significant working capital reduction due to the closure of Thomastown.

The transition of Thomastown's almond value-add production to Carina West has been completed. Select Harvests will vacate the Thomastown facility by 30 June 2022.

### Summary

Paul Thompson concluded "Looking forward to the 2023 crop, our tree health remains good with strong 2022 vegetative growth and high bud load. Water prices are expected to remain low given current weather forecasts and storage levels. The market outlook is becoming more positive. Demand is returning post Covid-19 impacts and global inventories are returning to a more balanced position. At current prices almonds are an attractive option with many alternative commodity prices increasing dramatically, due to supply issues.

The 2022 harvest has been one of Select Harvests' most challenging. We remain focused on bringing the harvest to a conclusion over the next few weeks. There may be some quality impacts however the recent investment in new processing technology should mitigate any major issues. The ongoing focus for 2022 is to ensure we maintain our horticultural practices to deliver another strong 2023 crop, control our costs as they come under increasing pressure and deliver on adding additional margin through our investment in value-add technology. Critically, we will continue to maintain a strong Balance Sheet to underpin our growth."

Given the 1H FY 2022 result the Board has determined not to pay an interim dividend. Following the completion of the FY2022 accounts the Board will review the options of making a year-end dividend payment.

This announcement has been approved by the Board of Select Harvests.

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 value-added processing (blanching, roasting, slicing, dicing, meal and paste) under the Renshaw & Allinga Farms industrial brands. 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 Richmond, an inner eastern suburb of Melbourne, Australia, while its orchards are in North West Victoria, Southern New South Wales and South Australia. Its almond processing and value-adding facility (Carina West) is located at Wemen in North West Victoria.

For more information, visit [www.selectharvests.com.au](http://www.selectharvests.com.au)

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