

22 November 2022

## SELECT HARVESTS LTD FY2022 RESULTS ANNOUNCEMENT

Select Harvests Limited (ASX:SHV) is pleased to announce its results for the financial year ended 30 September 2022 (FY2022) as follows:

### Overview of FY2022 Full Year Results

- **Reported NPAT of \$4.8 million** (FY2021: \$15.1 million)
- **Continuing Operations<sup>1</sup> NPAT of \$6.2 million** (FY2021: \$25.3 million)
- **Reported EBITDA<sup>2</sup> of \$37.9 million** (FY2021: \$55.4 million)
- **Continuing Operations<sup>1</sup> EBITDA of \$40.4 million** (FY2021: \$59.6 million)
- **Operating Cashflow of \$26.8 million** (FY2021: \$38.2 million)
- **2022 almond crop of 29,000 MT** (2021 crop 28,250 MT)
- **Almond price of A\$6.80/kg** (2021 crop A\$6.80/kg)
- **Net Bank Debt/Equity ratio at 30 September 2022 of 25.9%**
- **Earnings per Share (EPS) of 3.9 cents per share**
- **2022 Fully Franked Final Dividend 2 cps**
  - Record Date 9 December 2022
  - Payment Date 3 February 2023

FY2022 has been a challenging year with several uncontrollable events impacting on operations and the company's financial result. Lower than average global almond market pricing, adverse weather events, biosecurity impacts on bee supply and a fire at the Carina West Processing facility. These have all led to operational challenges that have had to be carefully managed to minimise the impact on the FY2022 result.

Paul Thompson, Select Harvests Managing Director, said "The 2022 almond crop was 29,000MT, up 750MT. The average yields for both mature and immature orchards once again exceeded industry standards. Our ongoing investment in on farm conditioners and state of the art processing sorters has delivered the highest quality crop possible from a wetter than normal harvested crop. While the inshell % was down at 25% compared to 31% in FY2021 this was still an outstanding achievement.

<sup>1</sup> Continuing operations represents earnings excluding those related to the sale of the Lucky and Sunsol brands and the costs attributed to the staged closure of the Thomastown production facility (discontinued operations).

<sup>2</sup> EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation.

Hulling and shelling of the almond crop was completed at the end of September 2022. Despite the poor harvesting conditions the crop quality is at similar levels to last year. Sorting and packing activities will continue until at least the end of February as we market and ship the remainder of the crop. Continual investment in quality improvement and factory productivity improvements at the Carina West production facility will lead to additional benefits as Select Harvests' crop volume increases in the coming years.

Following another large 2021 Californian almond crop (2.9 billion pounds) and a strong selling sentiment from US growers (due to rising production costs and cash flow requirements), the export almond price remained at historically low levels. Many buyers are managing their inventory by reducing their purchase cycles to fit more immediate demand patterns, lower consumer confidence and taking advantage of low market prices. Despite this environment, Select Harvests was able to take advantage of some higher priced varieties and by targeting premium markets.

Strong sales volumes were achieved for our Value-Add Almond Business. Gross margins however were negatively impacted due to the use of contracted higher priced prior period crop as raw material input against decreased sales prices driven by the lower almond market price. Lower priced 2022 input stock will commence being used in December 2022, improving margins considerably. The value-add facility is delivering strong throughput and yield performance.

A continued focus on delivering high yields, targeted price realisation and cost management has helped to offset a flat almond price that has remained at A\$6.80/kg. The company has sold or committed for sale 73% of the FY2022 crop with the balance held to be used to target premium price opportunities and cover internal value-add processing requirements.

Very wet weather conditions and the impact of the fire on our warehousing and fumigation capacity in FY2022 have led to higher warehousing and distribution costs. Offsetting this were lower water costs and tight cost control, resulting in a 4.4% increase of 2022 crop production costs compared to the prior year.

## **OUTLOOK**

### **The Market**

The 2022 USDA Objective estimate, released in July 2022, forecasted the 2022 Californian almond crop to be 2.6 billion pounds, 10% lower than 2021. With the US harvest nearly complete, indications are that volumes may be lower with smaller sizing and variable quality. This, combined with severe ongoing Californian drought conditions, rising production costs and removal of bearing acres, may lead to an increase in the global almond price.

Additionally, shipping and logistics activities are returning to a more normal operating environment.

The October 2022 U.S. Almond Board Position Report show shipment levels remaining flat compared to the same three month period last year. The marketing program is no longer affected by shipping and logistical constraints.

The Australian Almond Board September 2022 shipping report (covering seven months) shows Australian shipments up 3.9% with substantially increased volumes to China offset by reduced inshell volumes to India (due to lower inshell production). Again, logistical constraints are no longer impacting shipments with August and September being record months with combined export shipments up 41%.

Based on the likely size and profile of the US 2022 crop and the current Californian drought issues impacting the 2023 US crop, we anticipate global market patterns returning to more normal trading conditions.

## Select Harvests 2023 Crop & Costs:

- To date we have experienced wetter than average growing conditions. Several orchards, and their related infrastructure, have been impacted by the volume of water flowing through the river systems. To date damage does not appear material however this continues to be monitored. Once we understand the implications of these conditions, we will communicate the impacts on 2023 crop quantity and quality.
- The temporary water market has continued to soften as the storage levels in the Murray Darling are at or near maximum levels. Based on current market pricing there should be a further \$2m - \$3m in savings for the 2023 crop's growing costs.
- Crop costs are expected to materially increase due to the price of imported fertiliser and crop chemicals, most of which have been previously secured to lock in supply.
- The final component of the value-add process will be completed in 1H FY2023 with the natural roasting line (including oven) to be completed, further increasing throughput levels.
- Commercialisation opportunities continue to be progressed for compost and liquid hull to fertiliser options.

## CONCLUSION

Paul Thompson said "The fundamental drivers of the almond macro and our business remain strong. The demand for almonds, including raw almonds and value-added almond products, continues to increase globally. We remain focused on executing our strategy to maximise yield and price realisation, control cost and mitigate risk where we can.

The almond market price is always uncertain between the completion of the U.S. crop harvest in November and bloom in February. We expect the market to return to more normal trading patterns, leading to an increase in global almond movements. Ongoing drought conditions in California will adversely impact their 2023 crop and pricing is likely to start to rise. There will be an increasing premium paid for higher grade quality product.

Our 2023 marketing campaign will commence once there is more certainty in market pricing."

As previously advised Paul Thompson will be stepping down early in the New Year and David Surveyor will commence as CEO. The transition process has commenced.

## ENDS

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

## 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, in the inner suburbs of Melbourne, Australia while its orchards are in North West Victoria, Southern New South Wales and South Australia. Our 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)