ASX Release – Company Announcement

SELECT HARVESTS

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SELECT HARVESTS LIMITED – 1H FY 2021 HALF YEAR RESULTS

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Paul Thompson, Select Harvests' Managing Director, announces a Net Profit after Tax of $1.3 million for the first six months of the 2021 Financial Year. He said "As anticipated, lower global almond prices have negatively impacted earnings, delivering a first half financial result well below recent prior periods. The company remains focused on factors within its control such as almond volume, quality and operational costs. As a result, the company estimates delivering another large, high-quality crop of 28,250 MT at a cost per kg close to last year."

Overview of 1H FY 2021 Half Year Financial Results

- **1H FY 2021 NPAT of $1.3 million** (1H FY 2020 $17.4 million) **– Down 92.5%**
- **EBITDA[1] of $12.8 million** (1H FY 2020 $34.5 million) **– Down 62.9%**
- **Almond crop of 28,250 MT** (FY 2020 23,250 MT) **– Up 21.5%**
- **Almond price estimate of A$6.00/kg** (FY 2020 A$7.50/kg) **– Down 20.0%**
- **1H FY 2021 Operating Cashflow of $6.3 million** (1H FY 2020 negative $22.9 million) **– Up $29.2 million**
- **Net Debt (excl. finance lease liabilities)/Equity ratio at 31 March 2021 is 21.7%** (31 March 2020 17.6%)
- **Earnings per Share (EPS) of 1.1 cents per share** (1H FY 2020 19.3 cps) **- Down 94.3%**
- **No Interim Dividend Declared for 1H FY 2021**

The 2021 growing season was good across all regions with a wetter than average finish delaying harvest, particularly in NSW. Harvest is now complete, and with over 40% of the estimated crop processed, the company has a good line of sight on both quality and quantity. Quality to date appears to be an improvement on the 2020 crop, however yields are estimated to be marginally lower, with the 2016 age cohort being the most significantly affected across all varieties. The acquisition of the Piangil Almond Orchard has been completed and is included in our crop estimation.

Processing productivity continues to improve, with prior year investments in technology delivering both efficiency gains and an uplift in quality.

[1] *- Non-IFRS measures used by the company are relevant because they are consistent with measures used internally by management and by some in the investment community to assess the operating performance of the business. The non-IFRS measures have not been subject to audit or review.*

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Global demand for almonds remains strong. Australia and the U.S. (specifically California) account for approximately 86% of global almond production. Combined Australian and Californian almond export shipments are up 16.3% for the twelve-month period to March 2021. This momentum has accelerated in recent months, with export shipments up 22.0% in the last six months and 20.6% in the last three months. The industry has delivered strong year on year growth across the key markets of China, India, the Middle East and Europe.

A critical component in determining future almond prices is the size of the Californian almond crop. Current industry estimates of the 2021 Californian almond crop are within the range of 2.8 to 3.2 billion pounds. On 12 May 2021 the United States Department of Agriculture (USDA) released its initial Subjective Estimate for the 2021 Californian almond crop of 3.2 billion pounds (to be harvested from August 2021). If the Subjective Estimate comes to fruition, Californian almond supply will increase by a manageable 2.9% between 2020 and 2021. At the lower end of industry forecasts, supply would decrease by 10.7%. At this stage the impact of the serious and worsening drought conditions in California is not fully known.

Market access remains challenging with recurring COVID-19 lockdowns and increased pressure on available global logistics disrupting our shipping programs. Despite the ongoing market access and logistics issues, Select Harvests has commenced shipping the 2021 almond crop. We anticipate export shipments and cashflows will return to their historic norms, with in excess of 70% of the crop to be shipped in the next 6 months.

Based on current market conditions, our contracted position and having 80% of the crop export sales covered at AUD/USD 0.73 cents, we have used a price of A$6.00/kg to value the 2021 crop.

The Food Division's results have improved compared to last year. Global and domestic demand for almonds as an ingredient and snack remained strong. The company's value-adding processing facilities have continued to improve their productivity. The Consumer Branded business has increased its presence in Woolworths with 16 new Lucky SKU's ranged, while Sunsol continued to achieve strong growth in the domestic market."

Summary

Paul Thompson concluded "Despite Select Harvests delivering another good crop, the 2021 year continues to be challenging. With a record breaking 2020 Californian crop and a USDA Subjective Almond Estimate indicating another large crop this year, we are anticipating low levels of pricing for the remainder of 2021. The ongoing focus for 2021 is to ensure we maintain our horticultural practices to deliver another strong 2022 crop, complete actions to deliver improved quality outcomes and improve productivity as we increase our capacity and capability at Carina West. Critically, we will maintain a strong Balance Sheet to underpin our growth.

Looking forward to the 2022 crop, our tree health remains good with strong 2021 vegetative growth and high bud load. Water prices are expected to remain relatively low given current weather forecasts and storage levels. Global demand for almonds continues to increase at a steady rate, as plant-based protein consumption grows in all markets.

Current USD almond prices are expected to be maintained until Californian crop volume and quality become clearer when the USDA releases its Objective Estimate for the 2021 Californian almond crop on 12 July 2021, Californian almond harvest commences in August 2021 and the impact of the Californian drought is better understood.

The sale of Select Harvests Consumer Branded and non-almond industrial business should conclude in the second half of the financial year, with the transition of technology and capacity to Carina West already commenced."

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Given the 1H FY 2021 result, the Board has determined not to pay an interim dividend. Following the completion of the FY2021 accounts the Board will review the options of making a year-end dividend payment.

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 processing (blanching, roasting, slicing, dicing, meal and paste), trading (industrial products) and Consumer products (Brands - Lucky, Sunsol, 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

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