

# Select Harvests Limited (ASX:SHV)

1H FY 2021 Half Year Results Presentation to 31 March 2021

28 May 2021

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Managing Director & CEO

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Piangil Almond Orchard



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This presentation deck accompanies a live webcast at 1.00pm AEST on Friday 28 May 2021

You can participate in the webcast:

- by using the following link  
[https://us02web.zoom.us/webinar/register/WN\\_hoo8FakHTv65ukpAYVG7eA](https://us02web.zoom.us/webinar/register/WN_hoo8FakHTv65ukpAYVG7eA)
- or by following the links on the Select Harvests website  
[www.selectharvests.com.au/webcast/](http://www.selectharvests.com.au/webcast/) and clicking on the Select Harvests 1H FY 2021 Results webcast link

You are advised to log on at least 15 minutes before 1.00pm.

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**FOR FURTHER INFORMATION, PLEASE CONTACT:** Andrew Angus, Investor Relations:  
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*The Select Harvests Limited financial statements are prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. This includes application of AASB 141 Agriculture in accounting for the current year almond crop, which is classified as a biological asset. In applying this standard to determine the value of the current year crop, the Company makes various assumptions at the balance date as the selling price of the crop can only be estimated and the actual crop yield will not be known until it is completely processed and sold. The resulting accounting estimates will, by definition, seldom equal the related actual results, and have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.*



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# Business Performance

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# 1H FY 2021 Financial Overview

Lower global almond prices have negatively impacted earnings



**\$1.3m**

1.1% Margin



<sup>1</sup>

**\$12.8m**

11.1% Margin



Earnings per Share  
(Basic)

**1.1 cents**

Due to the current unfavourable market conditions no dividend has been declared for the interim financial period.



Net Debt to Equity

**21.7%**

(Excluding lease liabilities)



Almond Division EBIT<sup>1</sup> - **\$3.1m**

Food Division EBIT<sup>1</sup> - **\$3.1m**

Strong yields and a focus on operating costs helped delivered a positive EBIT<sup>1</sup> in a challenging almond price environment



Operating Cash Flow

**\$6.3m**

Positive operational cashflow due to Covid-19 related timing of sales

<sup>1</sup> - Non-IFRS measure 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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# 1H FY 2021 Operating Overview

Continue to maintain better than industry standard yields, with a record almond crop estimated for 2021



**Almond Crop**

**28,250 MT**

Continue to maintain better than industry standard yields



**Average Almond Price**

**\$6.00/kg**

50% of the 2021 SHV crop contracted for sale



**Currency**

**\$0.73 AUD/USD**

Over 80% of crop export sales hedged at approx. \$0.73



**Total Almond Production Costs**

**\$5.56/kg**

Growing costs remain well controlled



**People and Safety**

**6% reduction in TRIFR<sup>1</sup>**



**Piangil Almond Orchard**

Acquisition completed  
Capex program commenced

<sup>1</sup> - Total Recordable Incident Frequency Rate (TRIFR). Based on our Annual Moving Total (MAT) for March 2021.



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# Operating Performance

It is anticipated that the second half of 2021 will be similar to the first half result



## Almond Sales

The 2021 crop has been fully harvested and delivered to our Carina West processing facility. The company's focus is on selling the remainder of the 2021 crop. Without an improvement in pricing, it is anticipated that the second half result will be similar to the first half.



## Processing

40% of the 2021 total crop has been processed to date with no major issues identified. Prior year investment in processing technology has enhanced quality levels and efficiency. Higher inshell production rates and the use of on-farm conditioners is forecast to increase throughput rates and decrease processing costs per kilogram for the 2021 crop.



## Water

2021 crop water commitments have been completed, with a lower cost per kg achieved. FY 2021 water costs impacted by a large volume of 2020 carryover water. The spot price of temporary water rights has significantly reduced.



## Food Division Restructure

The sale of SHV's Consumer Branded and non-almond Industrial business is progressing well. A number of parties are engaged in due diligence and SHV expects to conclude the process by the end of FY 2021.



## Carina West Investment

Prior to the 2021 season capital works were completed to add capacity to stock pad, storage and inshell sorting.



## Corporate

Capital and cash management remain a key focus. Cashflows continue to be impacted by Covid-19 related impacts on the global shipping supply chain. As the 2021 crop is sold, 2H FY 2021 operational cashflows will increase leading to a forecasted positive net operating cashflow for FY 2021.



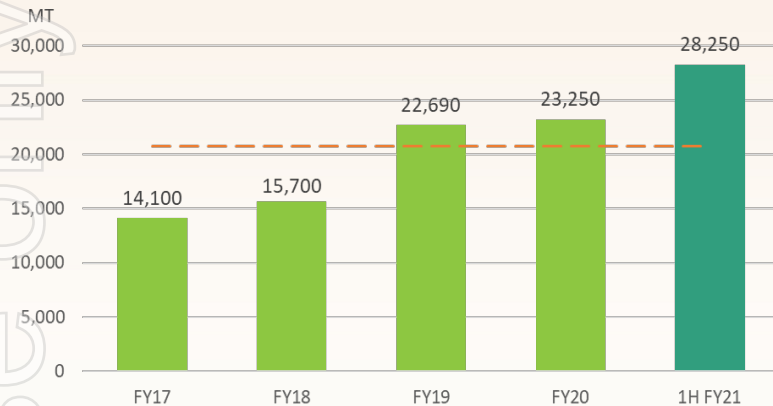
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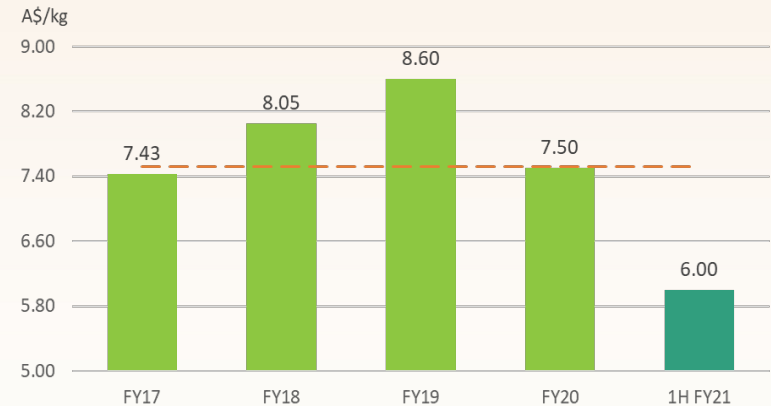
# 1H FY 2021 Results in Context

The company remains focused on factors within its control such as almond volume, quality and production costs

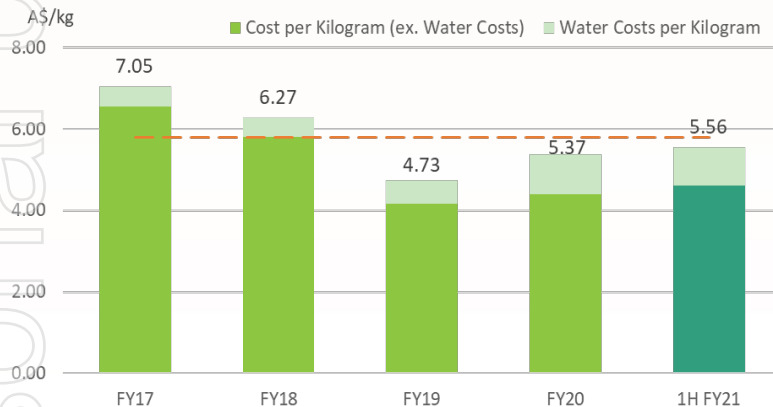
## Almond Volume



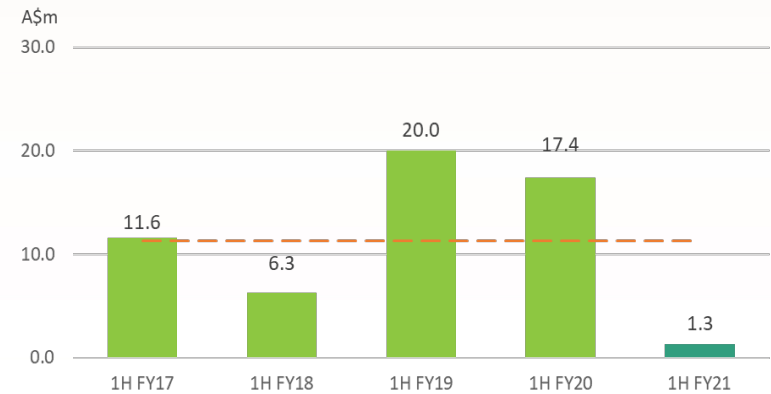
## Almond Price



## Total Almond Production Cost



## NPAT



--- 5 Yr Average



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# Income Statement

Result impacted by reduction of global almond pricing

Income Statement				
\$ millions	1H FY 2021	1H FY 2020	Variance	%
Almond Volume MT	28,250	23,250	5,000	21.5%
Almond Price Per Kg	6.00	7.50	(1.50)	(20.0%)
<b>Total Revenue</b>	<b>116.1</b>	<b>93.5</b>	<b>22.6</b>	<b>24.2%</b>
<b>EBITDA</b>	<b>12.8</b>	<b>34.5</b>	<b>(21.7)</b>	<b>(62.9%)</b>
Depreciation & Amortisation	9.9	9.1	(0.8)	(8.8%)
Almond Division EBIT	3.1	28.1	(25.0)	(88.9%)
Food Division EBIT	3.1	1.7	1.4	82.4%
Corporate	(3.2)	(4.3)	1.1	26.1%
<b>Total EBIT</b>	<b>3.0</b>	<b>25.4</b>	<b>(22.4)</b>	<b>(88.2%)</b>
Net Financing costs	(1.2)	(0.7)	(0.5)	(71.4%)
Tax Expense	(0.5)	(7.3)	6.8	93.2%
<b>NPAT</b>	<b>1.3</b>	<b>17.4</b>	<b>(16.1)</b>	<b>(92.5%)</b>
EBITDA Margin (%)	11.1%	36.9%	(25.9%)	(70.1%)
EBIT Margin (%)	2.6%	27.2%	(24.6%)	(90.5%)
Earnings Per Share (cents)	1.1	19.3	(18.2)	(94.3%)

- Increased revenue due to Covid-19 delayed 2020 crop sales occurring during 1H FY 2021
- 1H FY 2021 EBITDA<sup>1</sup> \$12.8m (1H FY 2020 \$34.5m) - decreased result driven by lower global almond pricing
- Almond Division EBIT<sup>1</sup> \$3.1m (1H FY 2020 \$28.1m)
  - Global almond price decreased to \$6.00/kg (1H FY 2020 \$8.20/kg and FY 2020 \$7.50/kg)
  - Additional volumes generated from Piangil acquisition
  - Hull volumes sold decreased due to improved seasonal conditions
  - Total 2021 crop costs/kg (excl. water) increased by 4.9% due to maturity profile and lower net yields
- Food Division EBIT<sup>1</sup> higher at \$3.1m (1H FY 2020 \$1.7m)
  - Improved margins from value-added Industrial food products
  - Increased ranging of Lucky and Sunsol sales growth
  - Operational costs held flat
- Corporate costs lower due to decreased employee payments and discretionary spend

<sup>1</sup> - 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.



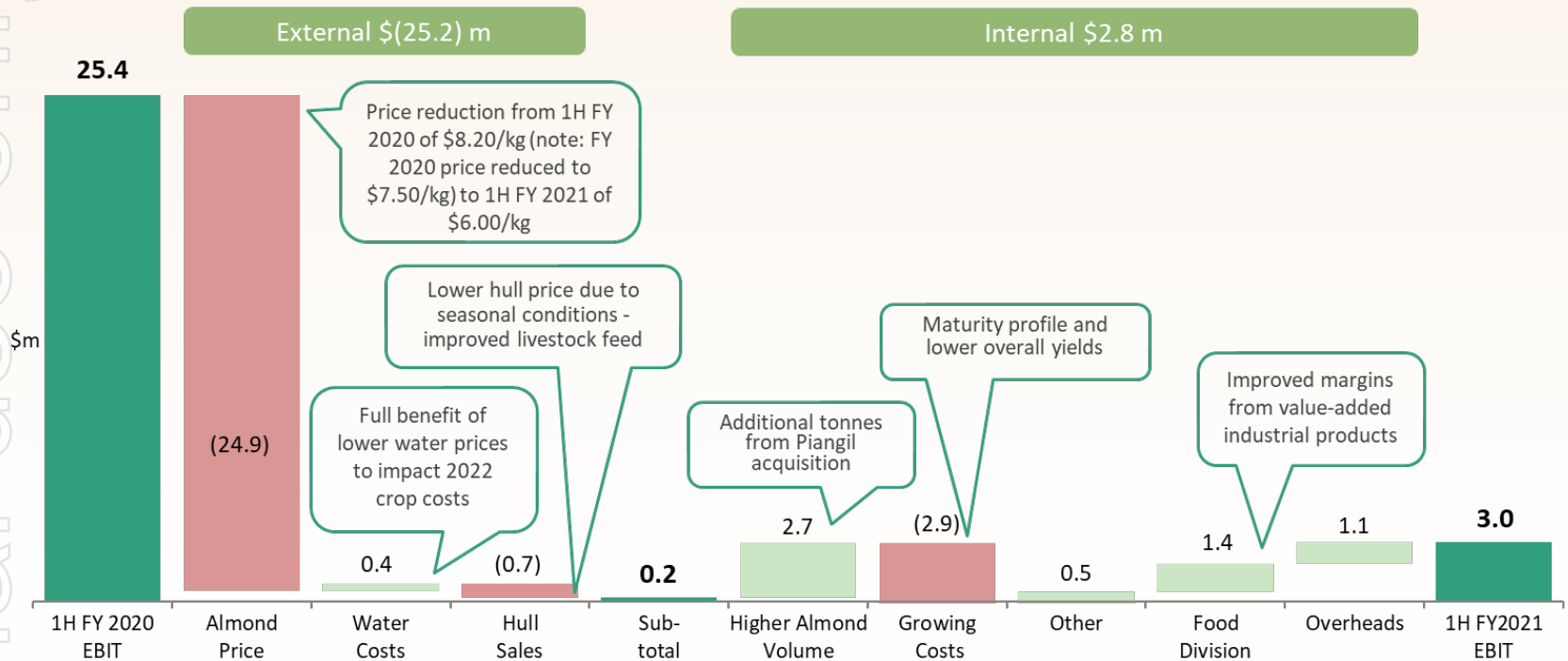
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# Group EBIT Movement

1H FY 2021 Group EBIT significantly impacted by lower global almond prices

## Group EBIT<sup>1</sup> Movement



<sup>1</sup> - 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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# Current Year Almond Crop Sensitivities

40% of SHV's 2021 total crop has been processed to date, with 50% contracted for sale.

80% of export sales forecasts are hedged against the USD at \$0.73

- A portion of the current year almond crop is classified as a biological asset and valued in accordance with AASB 141 "Agriculture". In applying this standard, the consolidated entity has made various assumptions at the interim balance date.
- The actual crop quality and yield will not be known until it is processed.
- The actual price will not be known until the crop is fully contracted and sold.
- Assumptions and sensitivities are outlined below.

Metric	Assumption	Sensitivity - EBIT Impact
Crop Size	28,250 MT	1% movement = \$1.7m
Crop Price	AUD \$ 6.00/kg	1% movement = \$1.7m
AUD/USD FX Rate	\$0.73	1¢ movement = \$2.3m



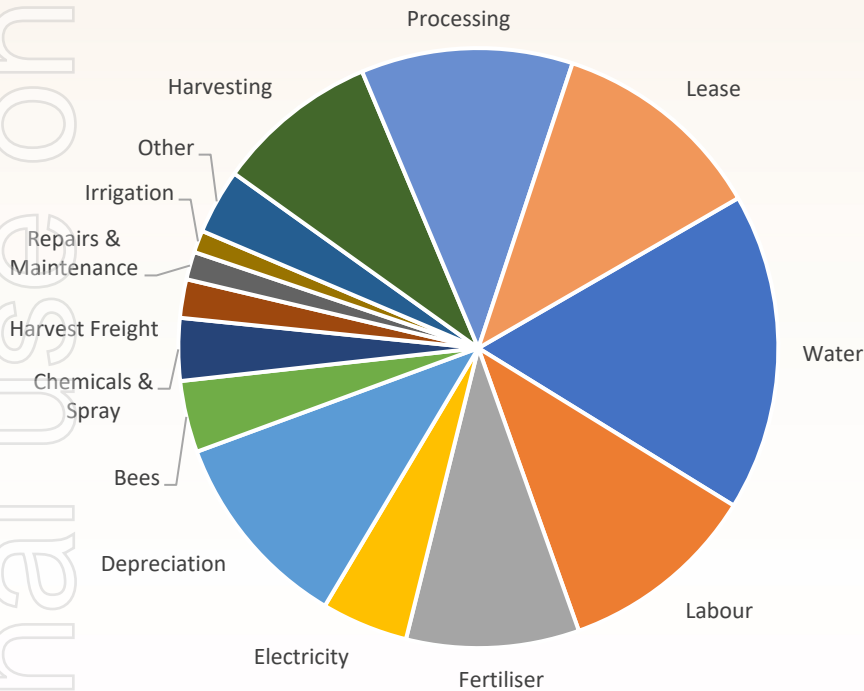
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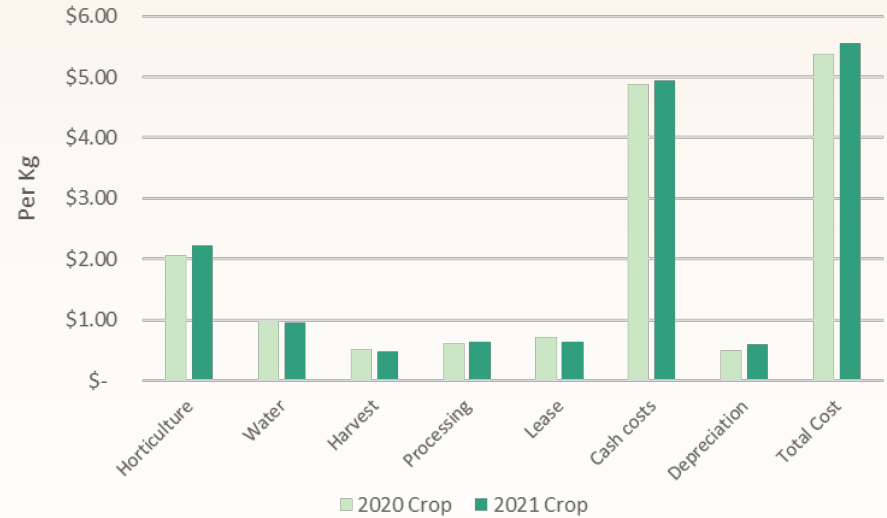
# Crop Costs

Increase in cost per kg due to maturity profile and lower net yield

## Crop Costs by Type



## Cost per Kg – 2020 Crop vs. 2021 Crop



	2020 Crop	2021 Crop	Change
<b>Hort. Cost Per Kg</b>	\$2.06	\$2.23	8.3%
<b>Water Cost Per Kg</b>	\$0.98	\$0.95	-3.1%
<b>Cash Cost Per Kg</b>	\$4.88	\$4.95	1.4%
<b>Total Cost Per Kg</b>	\$5.37	\$5.56	3.5%



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# Balance Sheet

Balance Sheet remains in a strong position

## Half Year Ending Balance Sheet

\$ millions	1H FY 2021	1H FY 2020
Current Assets excl. Cash	231.8	212.1
Cash	2.8	1.3
Non-Current Assets	517.4	360.9
AASB16 Right of Use Assets	228.3	239.1
<b>Total Assets</b>	<b>980.3</b>	<b>813.4</b>
Current Liabilities (exc. Borrowings)	46.4	48.9
Borrowings (Excl. Lease Liabilities)	115.4	70.4
Lease Liabilities (Incl. AASB16)	256.7	269.5
Non-Current Liabilities (excl. Borrowings)	42.0	33.0
<b>Total Liabilities</b>	<b>460.5</b>	<b>421.8</b>
<b>Total Equity</b>	<b>519.8</b>	<b>391.6</b>
<i>Net Debt/Equity (Excl. Leases)</i>	21.7%	17.6%
<i>ROCE (return over six months)</i>	0.4%	3.3%

- Increased current assets – inventory / biological assets balance increase due to larger crop produced and on hand for sale (Piangil). Receivables higher due to increased sales.
- Non-current asset increase due to the acquisition of Piangil.
- Owned orchards, the Carina West Processing facility and Water Assets are all held on the Balance Sheet at cost.
  - Market value remains significantly higher – based on October 2020 orchard valuations completed and current market value of permanent water rights.
- Net bank debt excluding finance leases \$115.4m is higher due to the debt component of financing the Piangil acquisition
  - All covenant measures for the period ending 31 March 2021 were met.
- Gearing (net bank debt/equity) is 21.7%
- Return On Capital Employed (ROCE) reduced due to lower EBIT<sup>1</sup> as a result of reduced global almond pricing.

<sup>1</sup> - 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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# Cash Flows

Positive operational cashflow due to Covid-19 related timing of sales



Cash Flow		
\$ millions	1H FY 2021	1H FY 2020
<b>EBITDA</b>	<b>12.8</b>	<b>34.5</b>
Change in Working Capital	6.8	(33.1)
Tax Paid	(5.6)	(16.8)
Net Interest	(7.7)	(7.5)
<b>Cash Flow From Operations</b>	<b>6.3</b>	<b>(22.9)</b>
<b>Investing Cash Flows</b>	<b>(162.9)</b>	<b>(27.4)</b>
Capital Raising	115.4	-
Increase/(decrease) in debt	51.7	59.1
Dividends paid	(2.8)	(15.8)
<b>Financing Cash Flows</b>	<b>164.3</b>	<b>43.3</b>
<b>Net (Decrease)/Increase in Cash/Cash Equivalents</b>	<b>7.6</b>	<b>(7.0)</b>

- Lower EBITDA<sup>1</sup> of \$12.8m - operational performance due to lower almond pricing
- Working capital improvement due to the Covid-19 related out of cycle sales program – sales occurred in 1H FY 2021
- Lower tax instalments paid due to lower earnings
- FY 2021 Investing cash flows of \$162.9m driven by:
  - Tree & Orchard Development: \$10.1m
  - Property Plant & Equipment: \$10.9m
  - Water Purchases: \$4.4m (excludes Piangil)
  - Piangil Acquisition: \$138.3m (includes \$13.5m for water)

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# Market Outlook

Carina West Processing Centre



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# Global Almond Supply

SHV remains well positioned through its low operating costs, ability to deliver large scale value-add production and strong balance sheet to benefit from an increase in almond prices going forward

- Australia, the U.S. (specifically California) and Spain account for approximately 93% of global almond production<sup>1</sup>.
  - **California:** on 12 May 2021 the USDA released its initial Subjective Estimate for the 2021 California almond crop of 3.2 billion pounds (to be harvested from August 2021). With California currently in the grip of a serious and worsening drought, most industry forecasts are estimating a 2021 crop of between 2.8 - 2.9 billion pounds. 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%.
  - **Australia:** it is unlikely that the growth the Australian almond industry has experienced over the last 10 years will be repeated over the next 10 years. The major limiting factor on the future growth of Australian almond developments is the price, security and deliverability of water.
  - **Spain:** the 2021 Spanish almond crop is expected to be down 6% vs. 2020, with spring frost affecting some growing areas in 2021.

## California Almond Production (2000/01 to 2025/26)

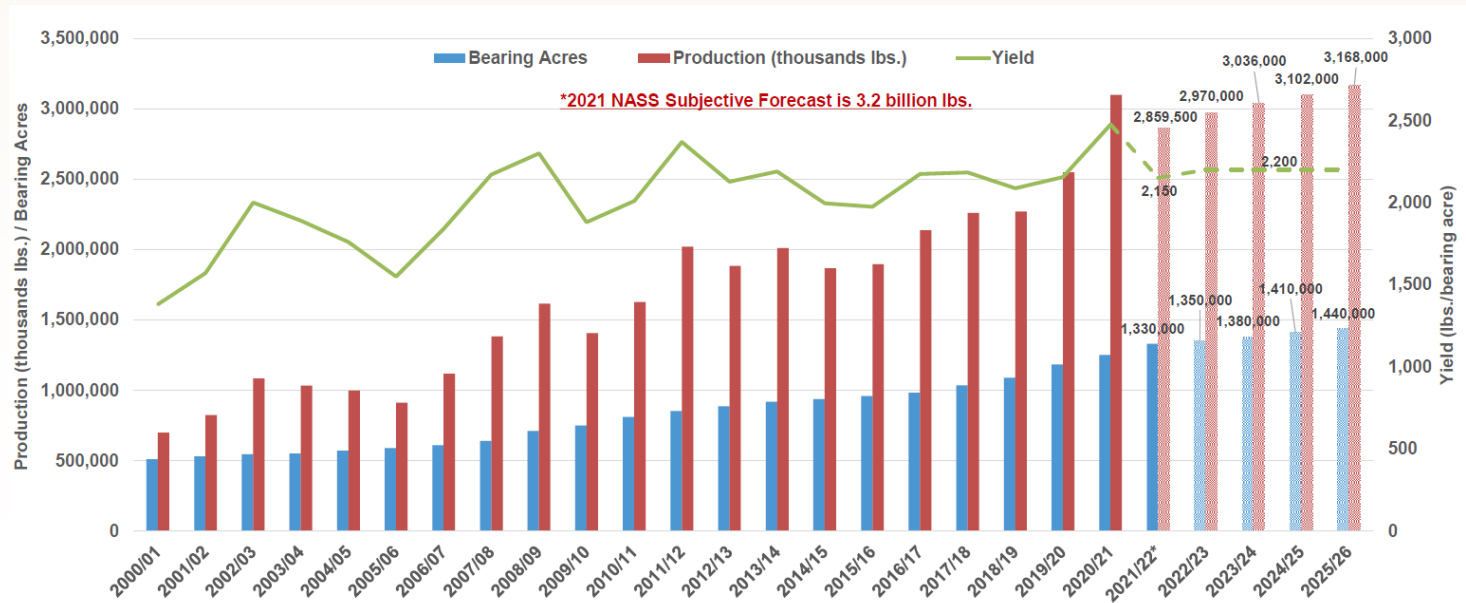


Chart Source: The Almond Board of California, 20 May 2021.  
<sup>1</sup> International Nut & Dried Fruit council (INC) 2020/21 Statistical Yearbook



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# Global Almond Demand

Demand for almonds is growing in all markets, with record breaking export shipments

- Almond shipments continue to respond strongly to the 10-year low price environment, with record-breaking monthly U.S. and Australian shipments
  - Combined Australian and U.S almond export shipments were significantly higher over the last 3, 6 and 12 month periods of 2020/21 vs. the same corresponding periods in 2019/20.
- Growing consumer demand for healthy snacking and plant-based & vegan diets in all markets will continue to underpin strong global demand growth.
- Almonds remain the leading nut type for introductions into new consumer food products such as milks, confectionary and butters. This is resulting in increasing demand for value added manufactured almonds.
  - According to Innova Market Insights, there were approximately 12,000 new global almond product introduction in CY 2020, with Australian almond introductions increasing by 20% CAGR between 2010 and 2020, reaching 386 new products in 2020.

## Combined Australian and U.S. Almond Exports

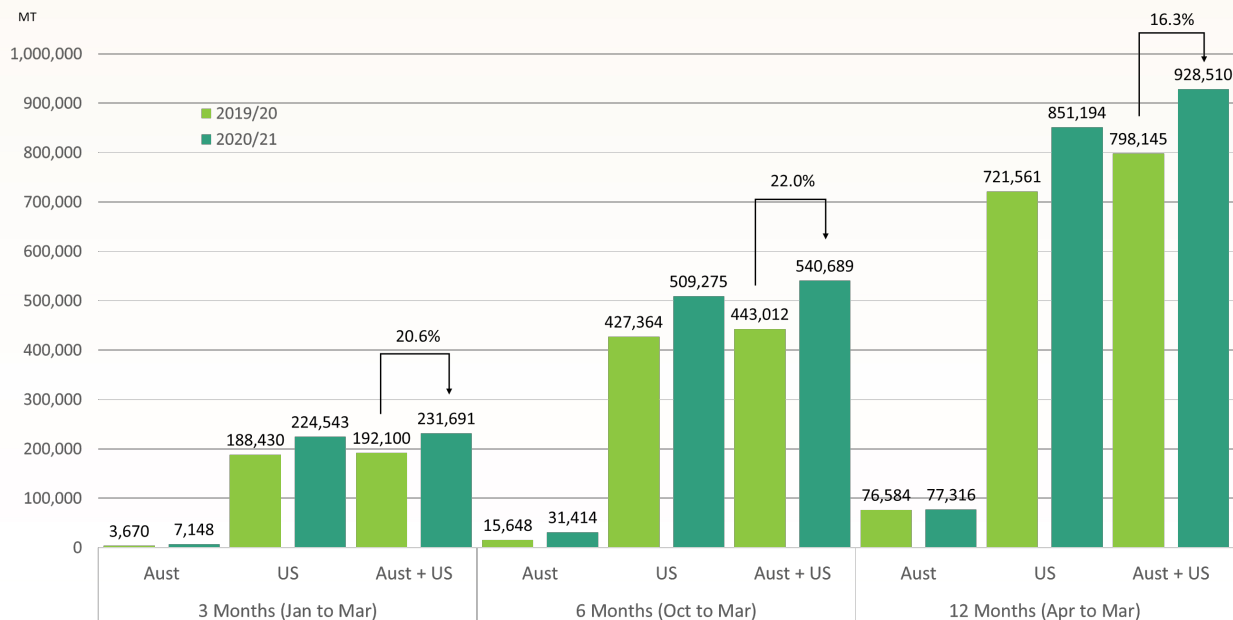


Chart Source: Almond Board of California and Almond Board of Australia



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# Strategy and 2H FY 2021 Priorities



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# Select Harvests Strategy

Select Harvests – in control of our destiny

## VISION

To be a Leader in the Supply of Better for You Plant Based Foods

## VALUES



**TRUST &  
RESPECT**

DO THE  
RIGHT THING



**INTEGRITY &  
DIVERSITY**

BE ONE  
TEAM



**SUSTAINABILITY**

PROTECT AND  
GROW



**PERFORMANCE**

OWN IT



**INNOVATION**

THINK OUTSIDE  
THE SQUARE

## STRATEGIC PRIORITIES

THE PATHWAY  
TO ACHIEVING  
OUR VISION

### Optimise the Almond Base

Increase productivity and achieve sustainably high yields from our growing almond orchard base

### Grow our Brands

Grow our consumer and industrial brands, aligned to the increasing consumption of plant based foods

### Expand Strategically

Pursue value accretive acquisitions that align with our core competencies in the plant based agrifoods sector

## OPERATIONAL FOCUS

WHAT WE DO  
EVERYDAY

### Customers

Exceed our current customer's expectations and grow our customer base, focused on the Asian marketplace

### Supply Chain

Optimise our end-to-end supply chain to achieve maximum value for the business as a whole

### People

Focus on a safe working environment, well-being, company culture, leadership development and staff training, attraction and retention

### Capital

Target capital discipline, balance sheet strength, superior shareholder returns and long term growth

## GOAL

Sustainable Shareholder Value Creation



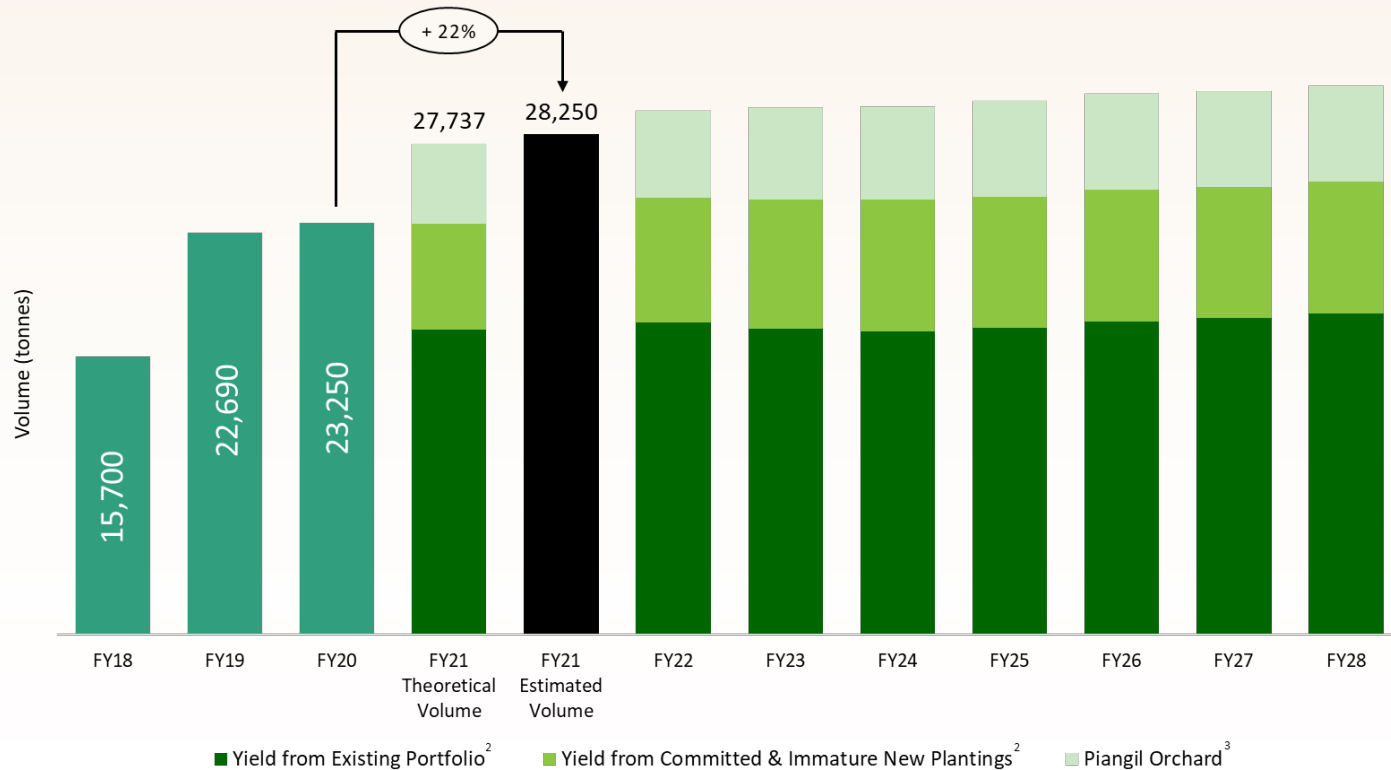
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# Volume Growth

Our investment in greenfield developments and orchard acquisitions will platform long term growth

## Select Harvests Theoretical Harvest Volume (2021 – 2028)<sup>1</sup>



<sup>1</sup> The almond crop is biennial in nature with expected +/- 10% per annum variation in tonnage  
<sup>2</sup> Assuming a 3.3MT per ha (1.35MT per acre) maturity profile for Select Harvests' orchards and immature yields based on the average of the 2019 and 2020 crops  
<sup>3</sup> Assuming a 3.5MT per ha (1.4MT per acre) maturity profile for Piangil Almond Orchard.

# Triple Bottom Line

## People

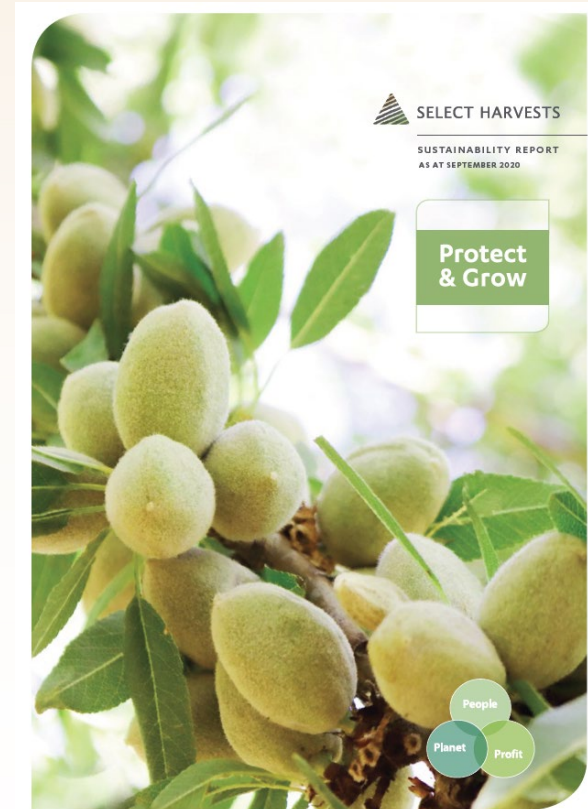
Ethics & Integrity, OHS & Wellbeing, Inclusion & Diversity, Human Health & Nutrition, Food Safety, Sourcing Sustainability

## Planet

Resource Efficiency, Sustainable Farm Management, Climate Change & Water, Bee Stewardship

## Profit

Positive absolute shareholder returns, 20% or higher EPS CAGR over 3 years, TSR at or above 75<sup>th</sup> percentile over 3 years, for capital deployment ROCE > WACC



[www.selectharvests.com.au/sustainability](http://www.selectharvests.com.au/sustainability)



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# 2021/22 Focus Areas

## Planet



### Water Efficiency

100% of our orchards use drip irrigation tree and soil monitoring systems



### Sustainability

Develop sustainability targets to build on 2020 Sustainability Report



### Orchard Composting

Seeking a license to sell surplus compost to third parties

## People



### Securing Labour

Commenced securing harvest labour for 2022



### HRIS System

HRIS System to be implemented over the next 12 months



### Investment in Skills

Graduate program and ongoing career development in place

## Profit



### Food Division Restructure

Expected to concluded by the end of FY 2021



### Carina West Investment

Increase the volume and range of value-added almond products to integrate Thomastown capacity



### Water Costs

Lower water costs to flow into FY 2022, with estimated savings of \$6m to \$8m due to favourable carryover rates



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# 2H FY 2021 Top 10 Priorities

Continue to execute on our growth strategy, underpinned by a world class portfolio of almond assets

1. **Safety and Wellbeing** - Ensure the safety and wellbeing of our employees
2. **2022 Horticultural Program** – Deliver optimal tree health and production
3. **Food Division Restructure** – Complete the sale of SHV's Consumer Branded and non-almond Industrial business by the end of FY 2021
4. **Processing** - Further developing the Carina West processing facility to increase the volume and range of value-added almond products
5. **Cost Reductions** - Continue to reduce cost per kg across all production stages
6. **Marketing Program** – Maximise the value of the 2022 almond crop
7. **Manage Cash Position** – Manage cash position and maintain balance sheet strength to enable business growth
8. **Strategic Growth** – Assess organic and inorganic options to deliver additional growth
9. **Almond Sales** – Continue to capitalise on the growing global demand for value-added almonds
10. **Capital Investment** – Prioritise investment to deliver improved quality and efficiency outcomes



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# Thank You

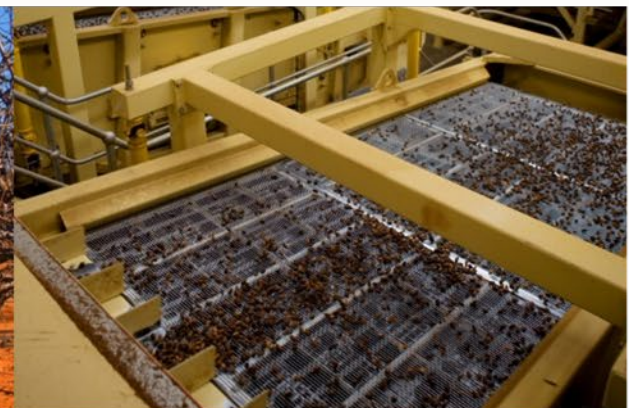
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Please note that background material/data regarding the global almond industry can be found on the Select Harvests Limited website.



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# Appendix

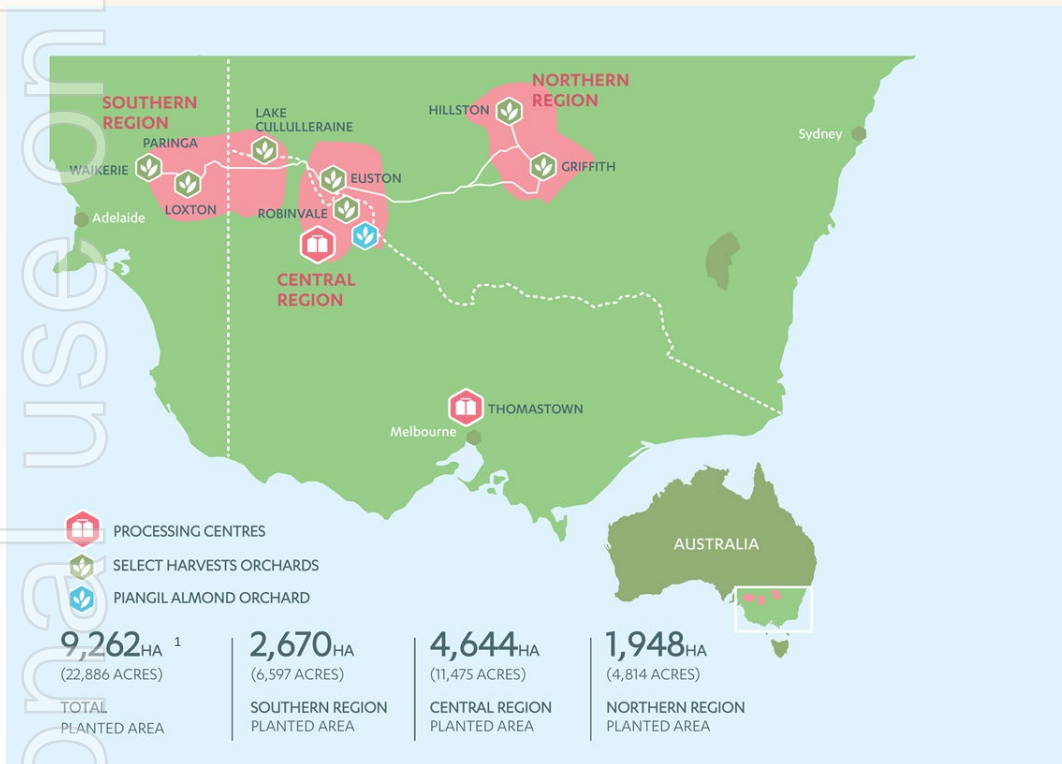


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# Orchard Portfolio

One of the worlds largest almond growers, with a geographically diverse 9,262 hectare orchard portfolio

## Select Harvests Orchard Map<sup>1</sup>



## Benefits of Geographic Diversity & Scale

- Geographic diversity limits exposure to:
  - Weather
  - Disease spread
  - Insect infestation
- Positions the company to maximise harvest volume and reduce variance
- Enables sequential progression of harvest period across regions for better utilization of:
  - Farm equipment
  - Processing
  - Labour
- Secure access to diverse water sources:
  - River Water
  - Aquifers
- Maximises economies of scales to achieve
  - Global bottom quartile almond farming and processing costs
  - Scalable adoption of proven on-farm technologies and processes



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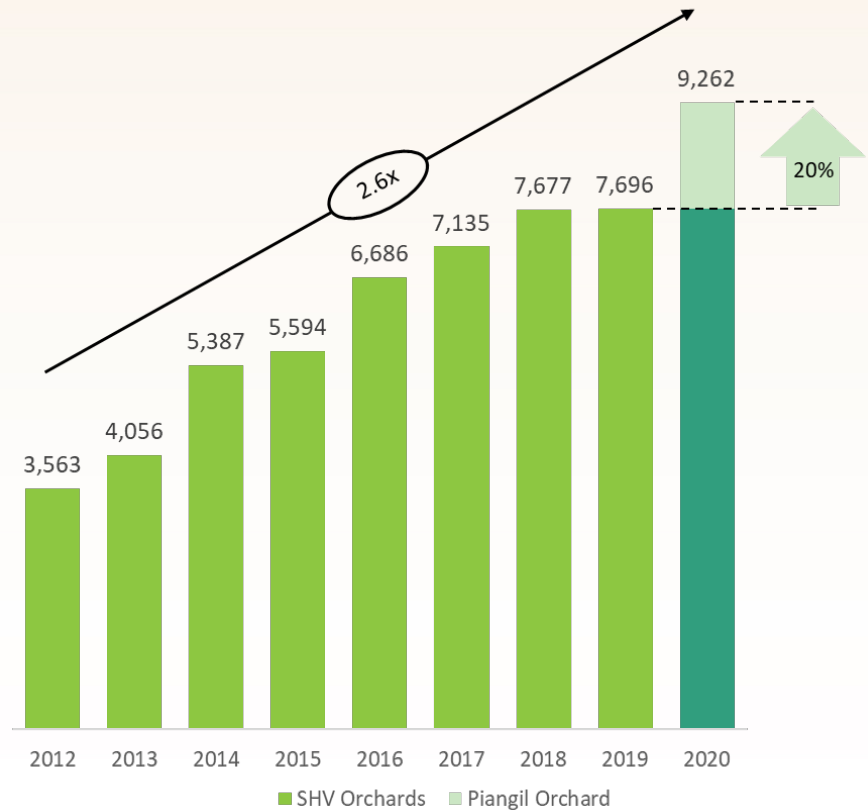
# Orchard Profile

2.6x growth in planted hectares since 2012<sup>1</sup>

## Select Harvests Orchard Profile

Select Harvests	Total Planted	
Almond orchard portfolio	(as at 30 September 2020)	
	hectares	acres
<b>Central Region</b>		
Company Owned	1,693	4,183
Piangil Orchard	1,566	3,870
Leased	1,385	3,422
<b>Total</b>	<b>4,644</b>	<b>11,475</b>
<b>Northern Region</b>		
Company Owned	727	1,797
Leased	1,221	3,017
<b>Total</b>	<b>1,948</b>	<b>4,814</b>
<b>Southern Region</b>		
Company Owned	1,120	2,769
Leased	1,549	3,828
<b>Total</b>	<b>2,670</b>	<b>6,597</b>
<b>Total</b>		
Company Owned	5,107	12,619
Leased	4,155	10,267
<b>Total</b>	<b>9,262</b>	<b>22,886</b>

## Select Harvests Planted Almond Hectares<sup>1</sup>



<sup>1</sup> Excludes West Australia orchards which were sold by Select Harvests in 2016



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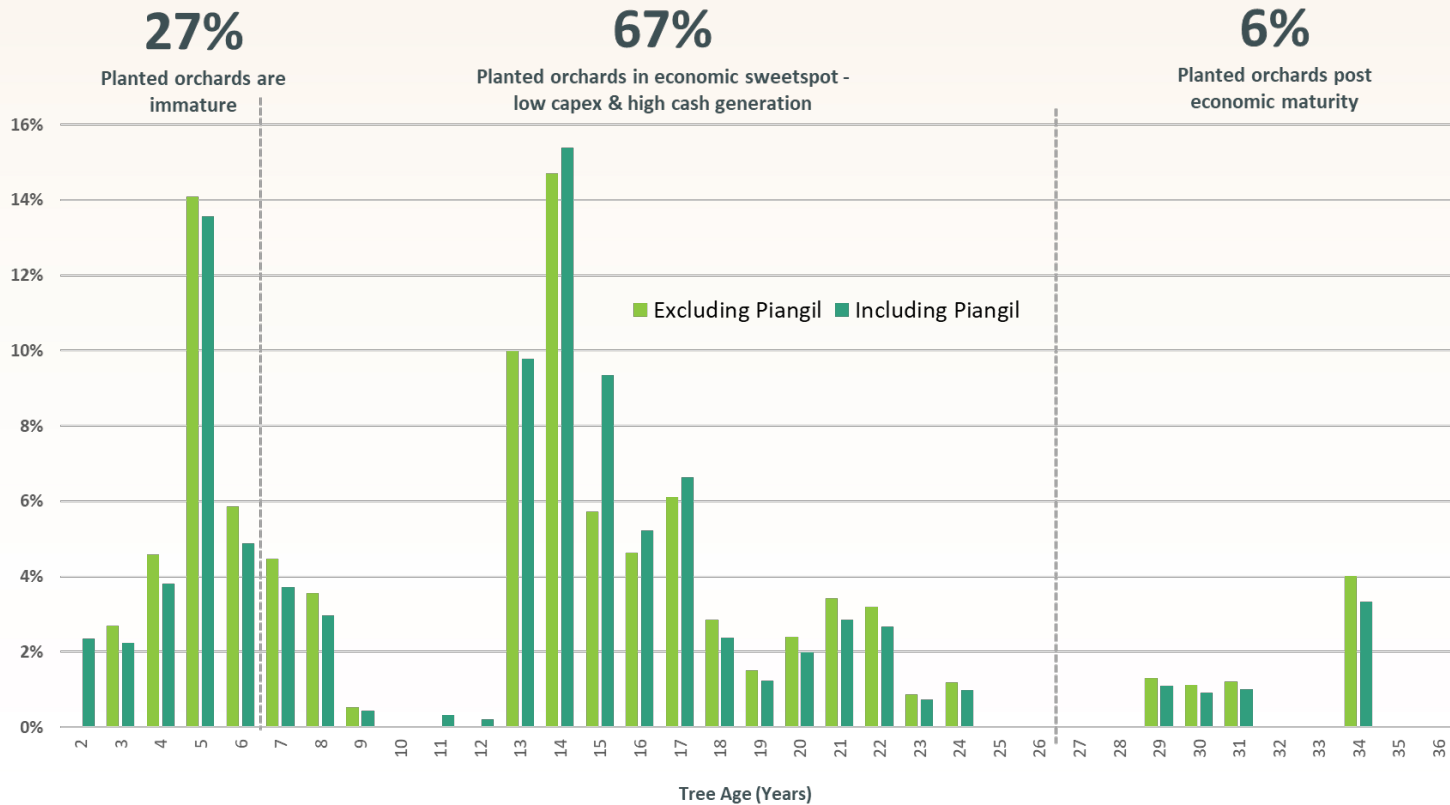


# Orchard Age

Following the Piangil Almond Orchard acquisition, Select Harvests weighted average orchard age is 13.6 years, with 98% of current planted acres cash generative

## Age Profile of Select Harvests Almond Orchards<sup>1</sup>

(98% of current planted hectares are cash generative)

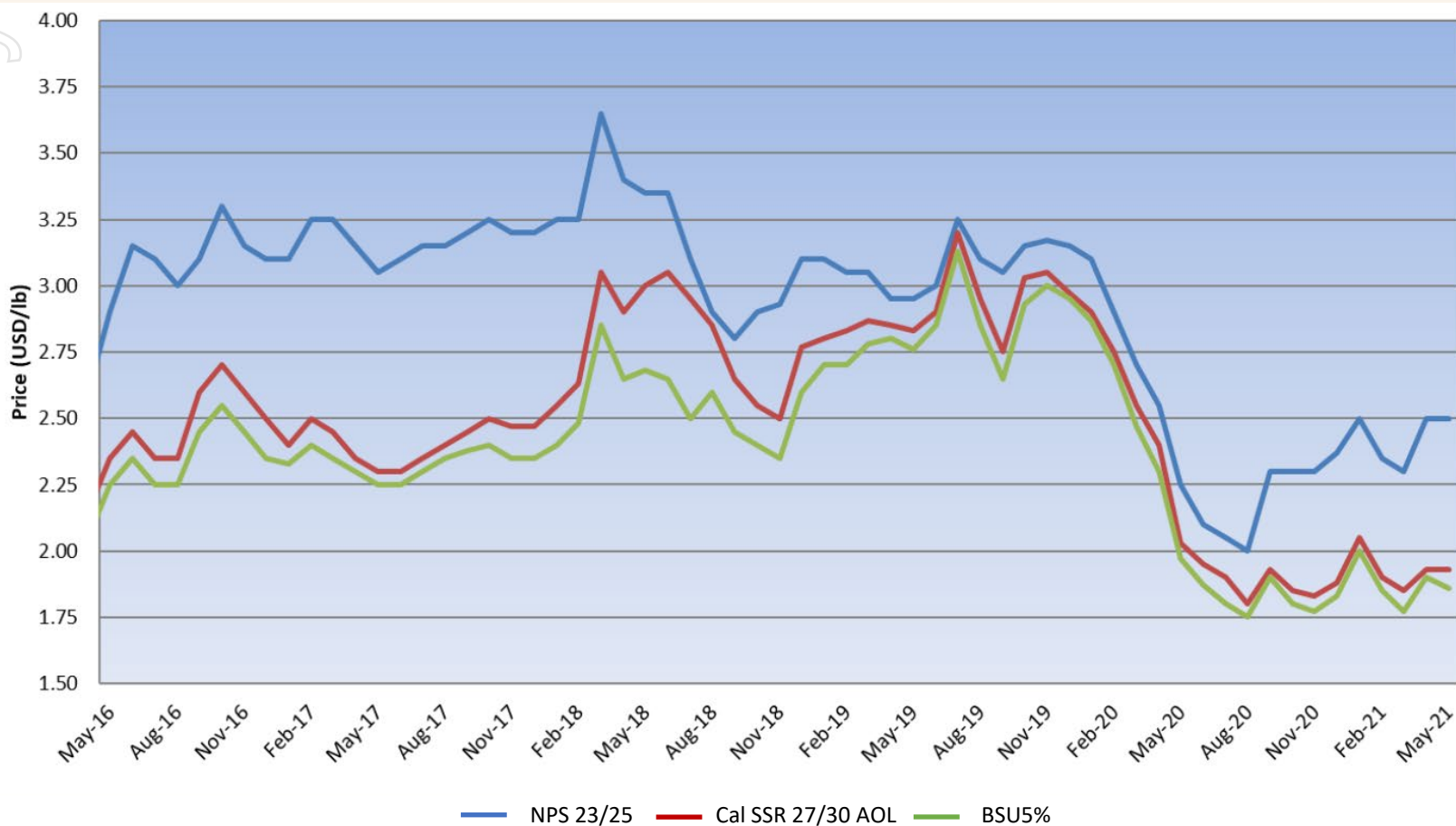


<sup>1</sup> Tree age is in reference to the 2021 crop

# Almond Prices

Higher quality almond varieties are in short supply and have benefitted from rising prices

## Farm Gate Almond Prices (USD/lb)



Source: Derco Foods



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# Almond Shipment Update

U.S. and Australian almond shipments have responded strongly to lower almond prices

## U.S Shipments:

Carry-in from 2019 crop

Estimated 2020 crop size<sup>1</sup>

Less 2% loss/exempt\*

Less shipments to date:

US Domestic:

Shelled

Manufactured

Products

Inshell

Internal Industry Activity

**Total Domestic**

Export:

North East Asia (inc. China)

Sth East Asia (inc. Vietnam)

Sth Asia (inc. India)

Europe

Mid East/Africa

Others

**Total Export**

Less Commitments

Remaining Unsold Supply

	2020/21 Crop YTD (Million Lbs.) Aug 2020 to Apr 2021	2019/20 Crop YTD (Million Lbs.) Aug 2019 to Apr 2020	% Change
Carry-in from 2019 crop	450	318	41.4%
Estimated 2020 crop size <sup>1</sup>	3,110	2,534	22.7%
Less 2% loss/exempt*	62	51	21.6%
Less shipments to date:			
US Domestic:			
Shelled	393	384	2.2%
Manufactured	283	268	5.2%
Products	5	5	(0.3%)
Inshell	4	4	(19.0%)
Internal Industry Activity	-82	-72	14.0%
<b>Total Domestic</b>	<b>602</b>	<b>590</b>	<b>2.0%</b>
Export:			
North East Asia (inc. China)	285	207	37.8%
Sth East Asia (inc. Vietnam)	51	33	52.8%
Sth Asia (inc. India)	331	212	56.1%
Europe	588	506	16.2%
Mid East/Africa	267	223	19.9%
Others	104	91	14.2%
<b>Total Export</b>	<b>1,627</b>	<b>1,273</b>	<b>27.8%</b>
Less Commitments	724	499	45.2%
Remaining Unsold Supply	<b>545</b>	<b>440</b>	<b>24.0%</b>

## Australian Shipments:

Exports:

Nth East Asia (inc. China)

Sth East Asia (inc. Vietnam)

Sth/Central Asia (inc India)

Europe

Mid East/Africa

Others

**Total Exports**

	2020/21 Crop YTD (MT) Mar 2020 to Feb 2021	2019/20 Crop YTD (MT) Mar 2019 to Feb 2020	% Change
Nth East Asia (inc. China)	26,335	40,661	(35.2%)
Sth East Asia (inc. Vietnam)	8,374	4,895	71.1%
Sth/Central Asia (inc India)	12,198	9,129	33.6%
Europe	17,018	13,771	23.6%
Mid East/Africa	4,887	3,805	28.4%
Others	7,898	4,295	83.9%
<b>Total Exports</b>	<b>76,710</b>	<b>76,556</b>	<b>0.2%</b>

Source: Almond Board of California and Almond Board of Australia

<sup>1</sup> Estimates sourced from Derco Foods April 2021 and April 2020 Almond Reports



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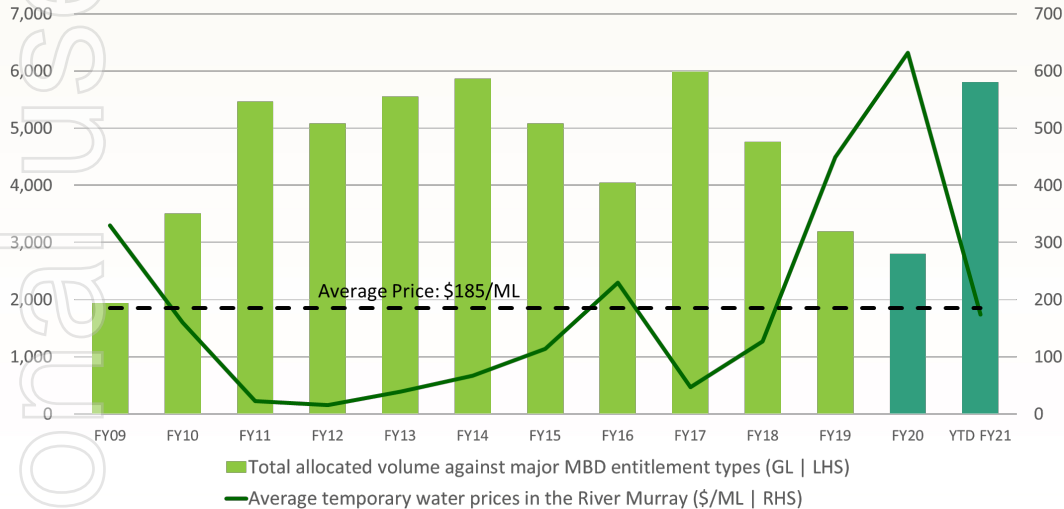
# Water Market Update

The 2020/21 water season has seen higher allocations and a movement of prices back towards long-term averages

## Water Prices

- The 2020/21 water season has seen a movement of temporary water prices back toward their long-term averages, with favourable weather conditions, higher MDBA storage levels and higher annual water allocations announcements.
- Water is being released from the Menindee Lakes to assist with operational requirements within the River Murray. The lakes system will assist with flows to the Murray and SA and will also improve seasonal allocations in NSW, VIC, and SA.
- Total active MDBA storage is currently at 49%, compared to 35% at the same time last year.

## Temporary Water Prices and Allocation Volumes <sup>1</sup>

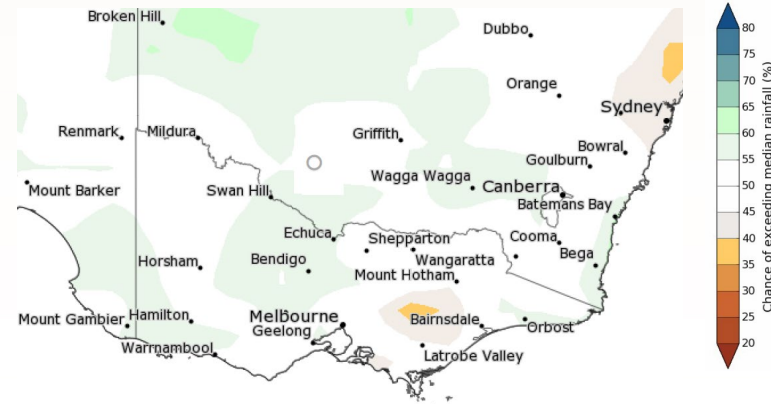


(1) Source: State water registers (2) Source: Australian Bureau of Meteorology

## Climate Outlook

- Wetter than average winter due to warmer sea temperatures North of Australia
- Higher-Median stream flows forecast over the next 3 months
- Winter days and nights likely to be warmer than average
- Increased rainfall is favourable for water prices and on farm water usage

## Chance of Exceeding Median Rainfall (June 2021 to August 2021)<sup>2</sup>



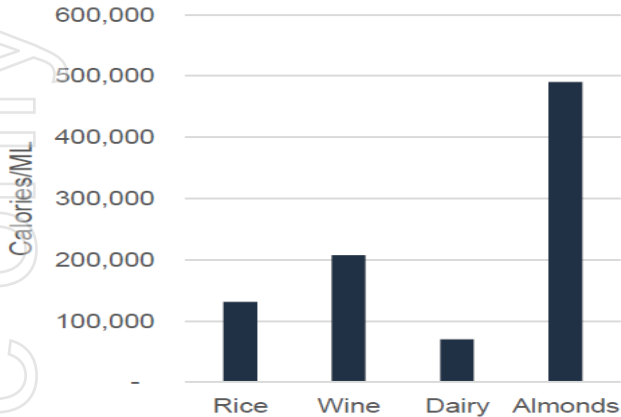
SELECT HARVESTS



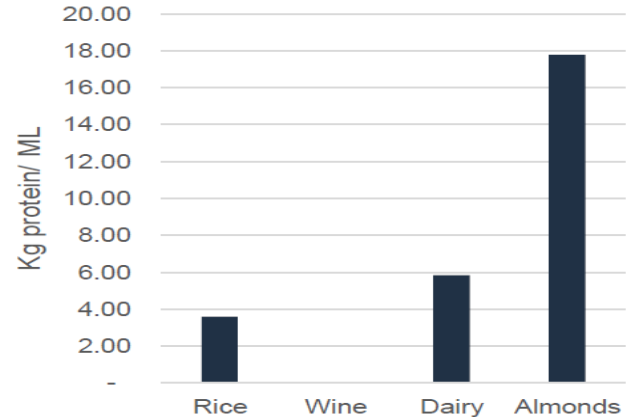
# Water Use Efficiency of Almonds

Almonds have the highest calories per ML of water used, the highest protein per ML of water used and the highest dollars generated per ML of water used

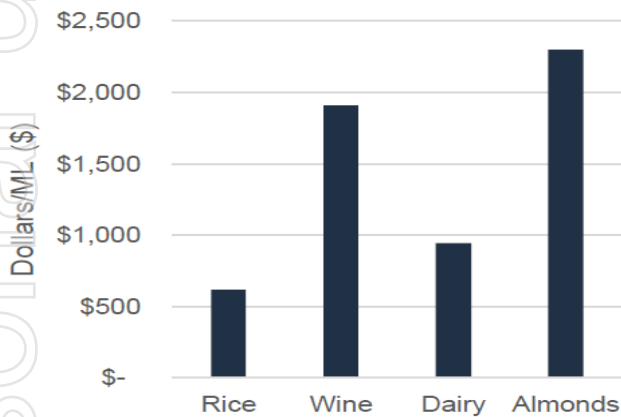
Calories per ML



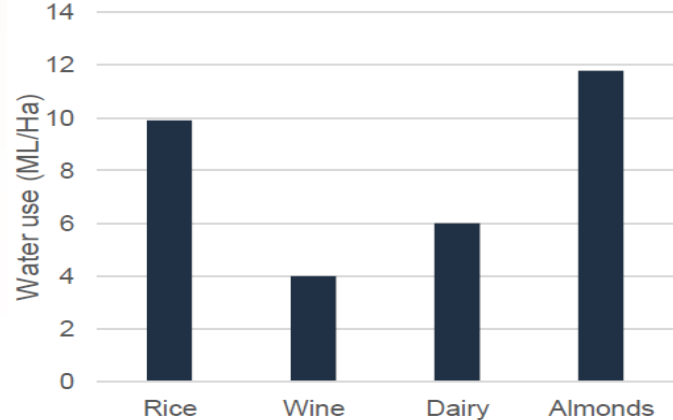
Kg Protein per ML



Dollars per ML (\$)



Water Use (ML/Ha)



Source: March 2021 Report on the 'Economic contribution of the Australian Almond Industry' by RMCG Consulting for Horticulture Innovation Australia



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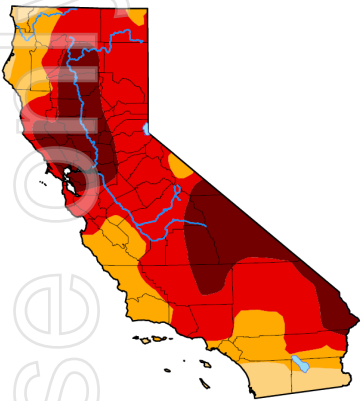


# California Drought Monitor

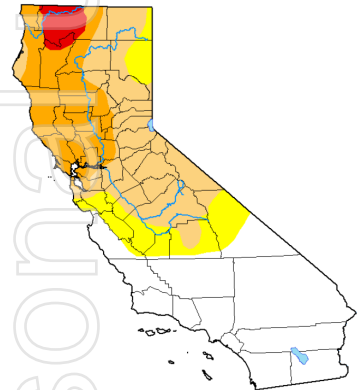
94% of California is currently in a Severe Drought, with 74% of the state in Extreme Drought and 26% in Exceptional Drought

## U.S. Drought Monitor California (May 25, 2021)

May 25, 2021



May 25, 2020



	Drought Conditions (Percent Area)					
	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	0.00	100.00	100.00	94.61	74.46	26.04
Last Week 05-18-2021	0.00	100.00	100.00	94.31	73.33	15.91
3 Months Ago 02-23-2021	0.70	99.30	84.88	56.98	29.54	3.75
Start of Calendar Year 12-29-2020	0.00	100.00	95.17	74.34	33.75	1.19
Start of Water Year 09-29-2020	15.35	84.65	67.65	35.62	12.74	0.00
One Year Ago 05-26-2020	41.80	58.20	46.67	20.84	2.97	0.00

### Intensity:

None	D2 Severe Drought
D0 Abnormally Dry	D3 Extreme Drought
D1 Moderate Drought	D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>

## Points to Note

- 74% of California is currently experiencing Extreme Drought, with the state on track for one of the driest years in modern history.
- Almonds are relatively tolerant to drought from a survival standpoint; however, yields are impacted when water applications are reduced.
- Water shortages caused by the drought could lead to lower yields and smaller nut sizes distribution for both the 2021 and 2022 Californian almond crops.
- High water costs due to the Extreme Drought and the impact of California's Sustainable Groundwater Management Act (SGMA)\* are leading some Californian almond growers to accelerate the removal of planted acres and reduce new plantings.
- SGMA requires governments and water agencies of high and medium priority basins to halt overdraft and bring groundwater basins into balanced levels of pumping and recharge.

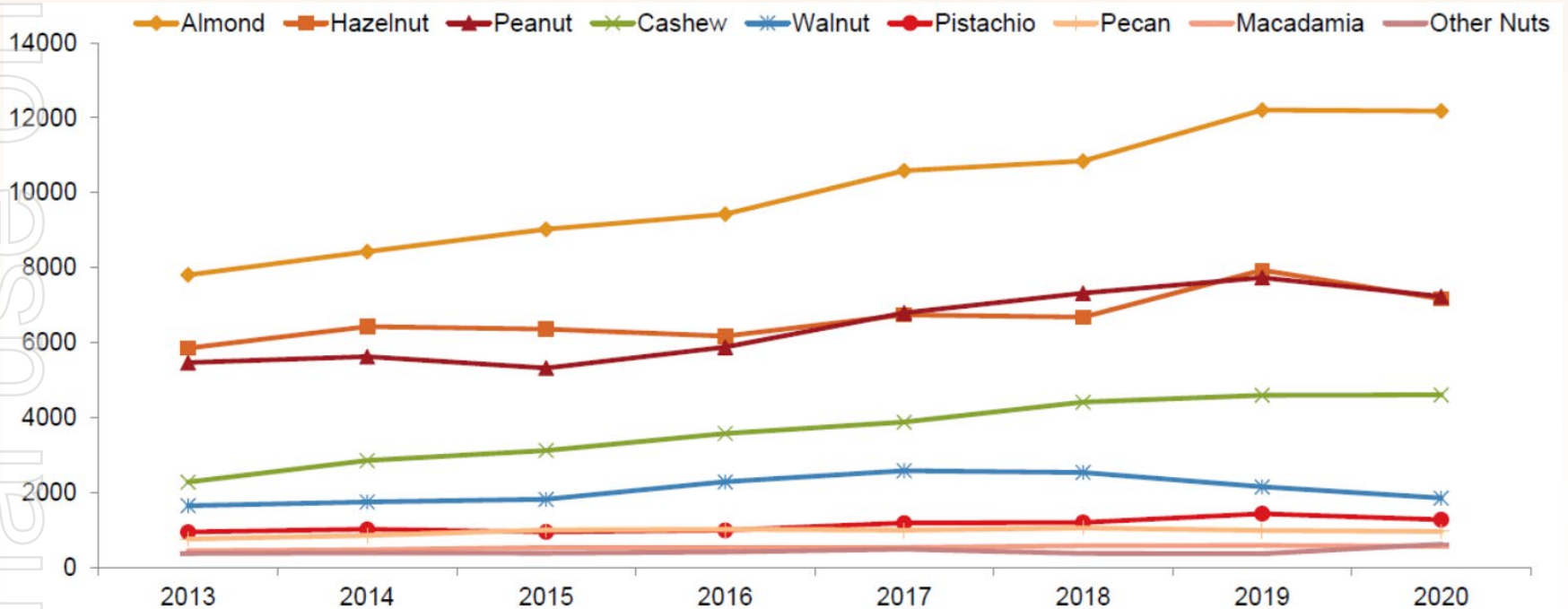
\* [www.water.ca.gov/programs/groundwater-management/sgma-groundwater-management](http://www.water.ca.gov/programs/groundwater-management/sgma-groundwater-management)



# Global Almond Product Introductions

Almonds remain the leading nut type for introductions into new consumer food products globally. This is resulting in increasing demand for value-added manufactured almonds.

## Global New Nut Introductions by Type (2013 to 2020)



Source: Innova Market Insights, May 2021



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# Australian Almond Product Introductions

Australian almond introductions increased by 20% CAGR between 2010 and 2020, reaching 386 new products in 2020

## Australian New Almond Introductions (2010 to 2020)



Source: Innova Market Insights, May 2021



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# Useful Almond Industry Websites

## Industry Associations

- Californian Almond Board [www.almondboard.com](http://www.almondboard.com)
- Almond Board of Australia [www.australionalmonds.com.au](http://www.australionalmonds.com.au)

## Industry Reports

- US Crop Forecasts (Subjective, Objective) <https://www.almonds.com/tools-and-resources/crop-reports>
- Monthly Almond Position Reports <https://www.almonds.com/tools-and-resources/crop-reports/position-reports>
- Almond Almanac <https://www.almonds.com/tools-and-resources/crop-reports/almond-almanac>
- UC Davis Almond Development Costings <https://coststudies.ucdavis.edu/en/current/commodity/almonds/>

## Almond Companies

- Blue Diamond Growers [www.bluediamond.com](http://www.bluediamond.com)
- Blue Diamond Ingredients [www.bdingredients.com/category/almond-market-analysis](http://www.bdingredients.com/category/almond-market-analysis)
- Almond Insights [www.almondinsights.com](http://www.almondinsights.com)
- Derco Foods [www.dercofoods.com/en/english-reports/english-almond-reports](http://www.dercofoods.com/en/english-reports/english-almond-reports)
- RPAC Almonds [www.rpacalmonds.com/marketnews](http://www.rpacalmonds.com/marketnews)
- Wonderful Pistachios & Almonds [www.wonderfulpistachiosandalmonds.com/#ourdifference](http://www.wonderfulpistachiosandalmonds.com/#ourdifference)

## Definition & Explanations

<sup>1</sup>**EBITDA, EBIT & ROCE are 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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