



26 November 2021

## SELECT HARVESTS LTD FY2021 FULL YEAR RESULTS ANNOUNCEMENT

Select Harvests Limited (ASX:SHV) is pleased to announce its results for the twelve months ended 30 September 2021 (FY2021) as follows:

### Overview of FY2021 Full Year Results

- **Reported NPAT of \$15.1 million** (FY2020: \$25.0 million)
- **Continuing Operations<sup>1</sup> NPAT of \$25.3 million** (FY2020: \$29.2 million)
- **Reported EBITDA<sup>2</sup> of \$40.4 million** (FY2020: \$57.8 million)
- **Continuing Operations<sup>1</sup> EBITDA of \$53.7 million** (FY2020: \$63.0 million)
- **Operating Cashflow of \$38.2 million** (FY2020: \$13.2 million)
- **2021 almond crop of 28,250 MT** (2020 crop 23,250 MT)
- **Almond price of \$6.80/kg** (2020 crop \$7.50/kg)
- **Net Bank Debt/Equity ratio at 30 September 2021 of 18.6%**
- **Earnings per Share (EPS) of 12.7 cents per share**
- **2021 Fully Franked Final Dividend 8 cps**
  - Record Date 10 December 2021
  - Payment Date 4 February 2022

In FY2021 Select Harvests made the strategic decision to sell the Lucky and Sunsol brands and conduct a staged closure of the Thomastown production facility (discontinued operations). A one-off cost from discontinued operations of \$9.1 million has been recognised in the FY2021 accounts. With a focus now solely on almonds, Select Harvests will no longer report segment results with all operations now consolidated on a Group basis.

<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.

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Paul Thompson, Select Harvests Managing Director, said “The 2021 almond crop was 28,250MT, up 5,000MT on last year including the Piangil orchard acquisition, which was in line with the business case assumption. The average yields for both mature and immature orchards once again exceeded industry standards. The recent investment in new inshell sorters, improved orchard practices and favourable market conditions resulted in 28% inshell shipments for the 2021 crop, up from 18% in 2020.

Following a record Californian almond crop (3.2 billion pounds) and an aggressive selling program, the export almond price dropped to historic low levels. This drove the demand for almonds up 22% as buyers initially took advantage of low prices. As demand increased, Select Harvests was able to take advantage of higher priced positions. While prices recovered somewhat, they have since reduced again due to the impact of global supply chain challenges.

A focus on delivering high yields, price realisation and cost management has helped to offset the impact of a \$0.70/kg reduction in the almond price to \$6.80/kg. The company has sold or committed for sale 81% of the FY2021 crop with most of the balance held to cover internal value-add processing requirements.

Hulling and shelling of the almond crop was completed in mid-September and crop quality improved vs last year due to recent investments in new sorting technology. Sorting and packing will continue until early January as we market and ship the remainder of the crop. Investment in quality improvement and factory productivity improvements at the Carina West production facility will pay further dividends as Select Harvests’ crop volume increases in the coming years.

Favourable weather conditions in 2021 led to higher storage levels and a movement of annual temporary allocation prices below the long-term average. Lower water costs will benefit Select Harvests FY2022 results, with estimated savings of \$6m - \$8m due to ongoing favourable temporary water prices.

Strong sales volumes and margins were achieved for our Industrial Value-Add Almond Business, despite lower almond prices. Net sales for the Industrial Value-Add Almond Business approached \$60 million in FY2021, a 2.5 times increase over the last 5 years. The company will continue to look for opportunities to further grow this area of the business.”

## **OUTLOOK**

### **The Market**

The October 2021 U.S. Almond Board Position Report revealed that shipments and forward commitments have been impacted by ongoing global shipping and logistics issues, with lower shipments for the crop year to date vs. last year. It should be noted last year was a record crop.

Shipping and logistic issues have had less impact on the Australian industry. The Australian Almond Board September 2021 Position Report saw a strong performance with exports up 34% vs. last year.

Australia and the U.S. (specifically California) account for approximately 87% of global almond production. Since the release of these Position Reports we have seen almond market pricing soften to between \$6.75/kg and \$7.25/kg, with ongoing concerns that the logistic issues are unlikely to be resolved until the New Year.

We anticipate that market pricing is unlikely to change until the size of the current U.S. crop is confirmed and there is a better understanding of the impact of the ongoing Californian drought on the 2022 U.S. almond crop.

### Select Harvests FY2022 Crop & Costs:

- To date we have experienced good growing conditions. While some orchards in South Australia have been impacted by recent storms, the impact is not material.
- Temporary water market has continued to soften as the storage levels in the Murray Darling reach near maximum levels. Based on current market pricing there should be a further \$6m - \$8m in savings for FY2022.
- Investment in Value-Adding capacity and capability will be operational by the first week of December.
- Investment in increasing Sorting and Packing capability and capacity is planned for completion in February.
- Government funding has been secured to develop a Hull to Fertiliser trial plant at Carina West. This will be commissioned in the third quarter of FY2022.

### CONCLUSION

Paul Thompson said "The fundamental drivers of our business remain strong. The demand for almonds, including raw almonds and value-added almond products, continues to increase globally. We remained 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. Recent disruptions caused by market access issues impacting both the Australian and U.S. industry supply chains make it more challenging this year.

Our 2022 marketing campaign will commence once there is more certainty in the market. We are confident market pricing will improve before we commit shipments of our 2022 crop."

### 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 Thomastown on the outskirts 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)