



31 May 2024

**1H FY2024 HALF-YEAR RESULTS | 29,000MT CROP, \$2.1M 1H FY2024 NPAT LOSS BUT WELL PLACED FOR CYCLICAL UPTURN****Overview of 1H FY 2024 Half-Year Financial Results**

- **EBITDA of \$18.7 million** (1H FY2023 EBITDA loss of \$117.1 million)
- **1H FY2024 Loss After Tax of \$2.1 million** (1H FY2023 Loss After Tax of \$96.2 million)
- **2024 forecast almond crop of 29,000 MT** (FY2023 Reported 19,771 MT) – **Up 46.7%**
- **Almond price estimate of A\$7.52/kg** (FY2023 A\$6.42/kg) – **Up 17.1%**
- **1H FY2024 Operating Cashflow of negative \$28.2 million** (1H FY2023 negative \$26.7 million) – **Down 5.6%**
- **Net Debt (excl. finance lease liabilities)/Equity ratio at 31 March 2024 is 57.9%** (31 March 2023 44.0%)
- **Loss per Share (EPS) of 1.8 cents per share** (1H FY2023 Loss Per Share (EPS) of 79.5 cps)
- **No Interim Dividend Declared for 1H FY2024**

Select Harvests Limited ('SHV', 'Select' or 'Company') announces a Net Loss after Tax of \$2.1 million for the first six months of the 2024 Financial Year.

Managing Director, David Surveyor, said "The operating environment for the almond industry remains challenging. In the US almond prices have been below the cost of production since the 2020/21 season<sup>1</sup>. Through this period Select has made strong progress on its transformational program and is ready to benefit from the cyclical upturn.

The 2024 reported crop volume is 29,000MT. However, as we conclude the current re-harvesting process and with improving crack-out rates, the 2024 crop volume is now forecast to be 29,500MT – 30,000MT. Additionally, favourable conditions have meant the 2024 crop is of high quality.

The Company has controlled operating costs and, despite increases in lease cost recognition and inflation, total production costs per kg are lower than last year. 1H FY2024 EBITDA is \$18.7 million, a substantial improvement on the 1H FY2023 EBITDA loss of \$117.1 million.

<sup>1</sup> Mintec Global market update 29 April 2024

<sup>1</sup> EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation.

Select Harvests has commenced the sale of the 2024 crop with an acceleration of sales. Final pricing will be determined by the mix of the saleable crop once processing is completed but we are seeing increasing prices and our current price forecast is \$7.57/kg.

Consistent with the requirements of Accounting Standard AASB 141 Agriculture, the harvested portion of the 2024 crop has been valued at the estimated fair value less costs to sell. As a result of the early start to the 2024 harvest and good conditions during the harvest period, the majority of the 2024 crop harvest was completed as at 31 March 2024. Therefore, the 1H FY2024 Financial Statements recognises 75% of the 2024 crop's fair value profit.

The harvest commenced in early February, and with good conditions, was completed by late April. Favourable conditions and early harvesting have led to a positive 2024 crop profile with improved levels of high quality inshell and good sized kernel grades. Re-harvesting activity will be completed this week and with positive crack-out rates being achieved, the 2024 crop is forecast to be between 29,500 – 30,000MT.

Total 2024 crop growing costs were lower than the prior year with targeted strategic projects leading to improved labour optimisation and favourable fertiliser and operational gains. Additionally, water prices were lower and, despite higher volumes used (drier conditions) total costs were reduced. Partially offsetting this were higher electricity costs due to increased water pumping and increased leasehold cost recognition.

The Company's Carina West Processing Facility is fully operational. The quality mix is favourable across both inshell and kernel products. A key Company strategy has been to increase plant capacity by increasing throughput rates. To date we have increased throughput rates by 30% compared to the same time last year. This is forecast to lead to lower unit costs of production. The value created by this will be seen in the second half as we process a larger portion of the total crop in 2H FY2024.

Operational cashflows were better than forecast but lower than 1H FY2023. This was due to the lower 2023 crop volume leading to less inventory to sell in 1H FY2024. Additionally, the lower 2023 crop quality profile, reduced pricing environment and the full horticultural costs invested in the 2024 crop all had an impact. Given the larger 2024 crop and improved quality profile the cashflows in 2H FY2024 are forecast to be materially positive.

Investing cash outflows were lower than 1H FY2023 as the Company consciously lowered its level of capital expenditure as cashflows were forecast to be lower due to prior period crop and market factors.

Additionally, tree development costs decreased as more young trees reached their full maturity profile.

## **Balance Sheet**

The Company has continued to maintain headroom within its banking facilities and met all required covenants and is forecast to do so going forward. It has done so despite two consecutive years of unfavourable conditions impacting quality and volumes produced, in addition to historically low almond prices. As noted above, cashflows will improve in 2H FY2024 as the crop is sold and debt levels are forecast to reduce to between \$160m - \$170m and a gearing ratio of ~40% (FY2023 gearing ratio of 46%).

Actions have been put in place to lower costs of production, tightly manage capital expenditure and increase the level of sales velocity. These actions, in addition to closely managing the Company's cashflow, ensures the current debt facilities are sufficient for operations going forward.

Debt and gearing levels as at 31 March 2024, as per normal, approached their seasonal peak. As a result of the lower 2023 crop and lower pricing earlier in 1H FY2024, debt balances peaked in May 2024 and will decrease during the second half of FY2024 as the 2024 crop is sold.

All of the Company's assets are held on the Balance Sheet at historical cost. Property, plant, and equipment (ten Company owned orchards and Carina West processing facility) has a historical value of \$323.0m against a market value of \$458.4m<sup>1</sup>. Additionally, the current historical value of the water entitlements on the Balance Sheet is \$58.8m. The market value the of the water entitlements is \$117.8m, based on recent water market transactions.

It should be noted that the Company's market value of net assets of \$605.2m does not include any value derived from our leased orchards. The leased orchards represent 45% of our portfolio.

### Market Outlook

The market price in our 1H FY2024 results is recognised at A\$7.52/kg – this net number comprises a sell price of A\$7.42/kg and includes A\$0.10/kg saving achieved through PMO improvements related to freight and logistics.

Following the release of the US Department of Agriculture Subjective Estimate on 10 May 2024 for the 2024 Californian Almond Crop of 3.0B pounds, almond pricing remained neutral. However strong demand combined with the current low levels of available Californian inventory on hand, particularly that of higher quality, has seen prices increase.

Select Harvests' forecast is now a price of A\$7.57/kg for the 2024 crop.

In the longer term we forecast continued improvement in pricing as global supply and demand become increasingly balanced with the removal of almond acres in California and lower carry in volumes on the back of improved demand.

Select's 2024 sales program is progressing well and to date we have contracted 45% of our total 2024 volumes comprising our own and external growers. Inshell sales are effectively complete and kernel product is being contracted with improved quality specifications. The Company continues to grow its customer base allowing for an improved sales profile and customer diversification as we add more direct customers as per our strategy.

<sup>1</sup> PP&E valuation based on full valuation in FY2022 and a sample valuation in FY2023

## **Summary**

David Surveyor concluded “The first half of FY2024 has shown a significant improvement over last year. The sales program is well underway and better pricing has been achieved to date. Our processing facility is delivering throughput 30% higher than last year, increasing the plant’s capacity to 40,000MT. As a result of the targeted initiatives delivered, we have reduced the total cost of production for the 2024 crop.

The 2025 crop growing program has commenced and the Company is executing a full horticultural plan targeting increased yields. Water allocations remain favourable, dam storage levels are high and temporary market water pricing is expected to remain at below average levels.

These achievements have us well placed going into the second half of the year. Processing continues at record throughput rates and achieving good quality product for the sales team to sell. The base has been put in place for the Company to maximise its earnings going forward with an increased crop size, more efficient cost profile, increased ability to process third party product and improved sales and marketing capability.

Debt is forecast to reduce as our sales program continues through the balance of this year.

Select Harvests is focussing on all the factors it can control to grow, process and market as effectively as possible and ensure shareholder returns continue to improve.

Most importantly Select Harvests has continued to improve its safety performance across all measures. This is extremely pleasing as we continue our journey towards world class safety performance.”

Given the 1H FY2024 result, the Board has determined not to pay an interim dividend. Following the completion of the FY2024 accounts the Board will review the options of making a year-end dividend payment.

This announcement has been approved by the Board of Directors 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, sorting and packing) and secondary value-added processing (blanching, roasting, slicing, dicing, meal and paste). Australia is a significant global almond producer and Select Harvests is 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 in 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).