



SELECT HARVESTS

Select Harvests Limited (ABN 87 000 721 380)

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ASX Announcement

20 September 2024

Business update and \$80.0 million fully underwritten capital raising

Select Harvests Limited (**SHV, Company or Select Harvests**) is pleased to provide a business update and to announce that it has today launched a fully underwritten capital raising to raise approximately \$80.0 million (**Offer**) through a pro rata accelerated non-renounceable entitlement offer (**Entitlement Offer**) and a placement to institutional investors (**Placement**).

Business Update

- SHV's operational review has developed a strategy that delivers a disciplined path to execute its growth strategy and enact identified cost reduction initiatives
- The strategy includes near-term organic growth opportunities to improve the productive capacity of SHV's core horticultural assets and target leadership in processing scale and efficiency. These initiatives are forecast to support an increase in yield of up to 15% from FY26 and potentially deliver processing capacity of 50,000MT p.a. (an increase of 10,000MT)
- Select Harvests' 2024 crop expected to be approximately 29,500MT
- Record volume of almonds sold to date supported by a strong Select Harvests crop and an increasing pool of external grower almonds
- Approximately 79% of the 2024 crop is contracted for sale with strong demand for remaining volumes in an improving almond price environment
- Forecast FY24 Underlying EBIT is expected to be in the range \$17m to \$19m¹ and Forecast FY24 Underlying NPAT is expected to be in the range \$1.5m to \$3m¹ supported by a FY24 final almond price that is expected to be in the range \$7.70 to \$7.75 per kg
- Forecast FY24 net debt is expected to be \$230m to \$245m² due to temporary cash collection delays driven by freight impacts and record crop volume
- SHV is undertaking a capital raise with proceeds allocated to the repayment of debt and provision of facility headroom (\$71.6m), capital investment to increase processing capacity (\$5.0m) and costs of the Offer (\$3.4m)
- The Offer is expected to reset the balance sheet with appropriate gearing (32-35%)³ and provide flexibility for SHV to pursue its strategic growth plan.

¹ FY24 estimates calculated using management's unaudited 11 month actual + 1 month forecast profit and loss. Subject to finalisation of FY24 financial year end and external audit.

² 2H FY24 Net Debt guidance of \$160m - \$170m was provided on 31 May 2024.

³ Gearing calculated as total net debt / total

. Pro forma gearing range is calculated as the FY24 forecast net debt range of \$230m to \$245m less net capital raising proceeds of \$72m.



International Almond Market

The total Californian crop receipts for last year (2023) were 2.47 billion pounds with a low carry in volume of 500 million pounds, much of which is considered low quality. The 2024 objective crop forecast is 2.8 billion pounds. With the California harvest underway there are some early signs the crop may be smaller than expected and kernel sizes are also reported as being smaller. Whilst there remain some concerns over the quality of the crop from serious insect damage, we expect this year's US crop will be better than the prior seasons quality. The volume of almond inventory in supply chains also appears to be low across the key export markets of India and China.

The Californian supply and demand dynamics appear favorable for SHV and are contributing to sellers taking a stronger position with 379 million pounds contracted for sale and reduced supply.

2024 Crop and Current Pricing

Global almond prices have continued to firm since July 2024, driven by the 2023 and 2024 crop dynamics outlined above.

The Select Harvests 2024 crop is a high-quality mix of inshell and kernel grades. Our 2024 sales program is well underway with approximately 79% of volumes contracted and our 2024 export crop hedged at USD 66c. The 2025 export crop is 35% hedged at USD 67c.

The 2024 harvest is expected to deliver a crop of approximately 29,500MT. The California almond production forecast of 2.8 billion pounds is assisting to drive the almond price higher with our latest forecast price for Select Harvests' 2024 crop being within the range of \$7.70/kg - \$7.75/kg.

FY24 Earnings Guidance

FY24 Underlying EBIT is expected to be in the range \$17m to \$19m⁴ (FY23 \$149.3m loss), with:

- a record volume of almonds sold and
- lower overall cost of production per kg.

FY24 Underlying NPAT⁵ is expected to be in the range \$1.5m to \$3m⁴ (FY23 \$114.7m loss), including:

- higher interest costs due to increased rates and a higher average debt profile.

FY24 Reported NPAT is expected to be in the range \$2.5m to \$4m⁴ (FY23 \$114.7m loss), including the following one-off items which Select Harvests expects to recognise (before tax):

- an impairment of its Yilgah orchard of approximately \$6.5m;
- a rebalancing of water licences resulting in a gain on sale of approximately \$8.7m; and
- a provision for costs relating to logistics delays of approximately \$1.0m

Freight Delays and Forecast FY24 Net Debt

As a result of the Company's Project Management Office (**PMO**) initiatives, SHV engaged a new logistics provider in April 2024 with the aim of lowering costs. The transition to a new service provider has not been as smooth as planned and as our almond volume has grown, the process has not

⁴ FY24 estimates calculated using management's unaudited 11 month actual + 1 month forecast profit and loss. Subject to finalisation of FY24 financial year end and external audit.

⁵ Underlying NPAT is a non-IFRS measure which excludes one-off items



scaled effectively with it, resulting in longer than expected timeframes to produce required export documentation and delayed delivery to customers.

The impact of these delays is that Select Harvests' cash collection is slower than forecast for FY24. Net Debt is expected to be in the range \$230m to \$245m. Approximately \$56m of sales previously forecast to be collected by 30 September 2024 are now expected to be collected by 31 December 2024. The Company is starting to get on top of the challenge with the rate of recovery in documents now exceeding shipping volumes with the backlog reducing.

SHV has recognised a one-off provision of \$1m in FY24 to cover costs associated with freight delays.

2025 Crop Update

SHV's almond bloom and pollination is now complete, with overall tree health positive. Pleasingly, Select Harvests was not impacted by varroa mite, with bees moving freely between states in Australia during pollination. Early indications point to another strong crop albeit with some patchy pollination observed in the nonpareil variety across the industry.

Strategy Execution Update

The Company strategy continues to be executed through our PMO and initiatives continue to deliver positive outcomes.

In FY25 we are focusing on continued improvement in underlying process and systems together with the execution of our horticulture, sales and processing strategies.

Summary

In closing, David Surveyor said:

"The market conditions resulting from the lower than forecast California almond production, low carry-in and declining bearing acres in California are improving the price with the forecast 2024 crop to be in the range of \$7.70/kg - \$7.75/kg. Whilst there is much more to do, the strategic initiatives and cost reductions resulting from the Company's initiatives are expected to deliver a significantly better financial result than FY23.

The logistics issue whilst transitory in nature will increase full year debt and has highlighted the prudence in undertaking a capital raise. The Company will use the funds from this raise to retire debt and progress the business strategy.

We remain focused on growing, processing and selling almonds as efficiently as possible."

Details of the Offer

SHV has today announced a fully underwritten Offer of approximately \$80.0 million comprising the Placement and the Entitlement Offer.

The Placement and Entitlement Offer are expected to result in the issue of approximately 21.1 million new fully paid ordinary shares in SHV (**New Shares**), representing approximately 17.4% of SHV's existing fully paid ordinary shares (**Shares**) on issue. Each New Share issued under the Placement and the Entitlement Offer will rank equally with existing Shares on issue.

Bell Potter Securities Limited and Barrenjoey Markets Pty Limited are acting as joint lead managers and underwriters of the Offer. The Placement and Entitlement Offer are fully underwritten. Select Equities Pty Ltd are acting as co-manager to the Offer.



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Placement

The Placement involves the offer of approximately 7.9 million New Shares to institutional investors at an issue price of \$3.80 per New Share to raise approximately \$30.0 million, representing 6.5% of SHV's current issued capital and pursuant to the Company's available placement capacity under ASX Listing Rule 7.1.

The issue price of \$3.80 per New Share represents a 15.6% discount to the last traded price of the Shares on the Australian Securities Exchange (**ASX**) of \$4.50.

The Placement is being conducted today, Friday, 20 September 2024, and tomorrow, Saturday, 21 September 2024. Settlement is expected to occur on Thursday, 26 September 2024 with issue of the New Shares expected to occur on or around Friday, 27 September 2024.

Entitlement Offer

The Entitlement Offer, which seeks to raise approximately \$50.0 million, will consist of a 1-for-9.2 pro-rata accelerated non renounceable entitlement offer, including:

- a fully underwritten institutional entitlement offer intended to raise approximately \$30.0 million (**Institutional Entitlement Offer**); and
- a fully underwritten retail entitlement offer intended to raise approximately \$20.0 million (**Retail Entitlement Offer**).

Under the Entitlement Offer, eligible Shareholders are invited to subscribe for 1 New Share for every 9.2 Shares they hold as at 7:00pm (Melbourne, Australia time) on Tuesday, 24 September 2024 (the **Record Date**). Fractional entitlements will be rounded down to the nearest whole share. All New Shares in the Entitlement Offer will be issued at a price of \$3.80 per New Share which represents:

- a 15.6% discount to the last close price of the Shares on ASX of \$4.50 on Thursday, 19 September 2024; and
- a 13.6% discount to the theoretical ex-rights price (**TERP**)⁶ of \$4.40,

and is the same as the issue price under the Placement.

Entitlements cannot be traded on the ASX or transferred. Eligible Shareholders who do not take up their entitlements under the Entitlement Offer in full or in part, will not receive any value in respect to those entitlements not taken up.

SHV's Shares will remain in a trading halt pending completion of the Placement and the Institutional Entitlement Offer, with trading expected to resume on Monday, 23 September 2024.

Institutional Entitlement Offer

Eligible institutional Shareholders will be invited to participate in the Institutional Entitlement Offer, which is being conducted today, Friday, 20 September 2024, and tomorrow, Saturday, 21 September 2024. Eligible institutional Shareholders can choose to take up all, part or none of their entitlements under the Entitlement Offer.

⁶ Theoretical ex-rights price (**TERP**) includes the shares issued under the Placement, Institutional Entitlement Offer and the Retail Entitlement Offer. TERP is the theoretical price at which Shares should trade immediately after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Shares trade on ASX immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated by reference to the closing price of the Shares as traded on ASX on Thursday, 19 September 2024, being the last trading day prior to the announcement of the Entitlement Offer.



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Entitlements not taken up by eligible institutional Shareholders cannot be traded on market or transferred. Entitlements not taken up by eligible institutional Shareholders, and institutional entitlements that would otherwise have been offered to ineligible institutional Shareholders, will be offered to new institutional investors and existing institutional Shareholders concurrently with the Institutional Entitlement Offer.

Retail Entitlement Offer

Eligible retail Shareholders with a registered address in Australia or New Zealand on the Record Date will be invited to participate in the Retail Entitlement Offer. The Retail Entitlement Offer will open on Thursday, 26 September 2024 and closes at 5:00pm (Melbourne, Australia time) on Thursday, 10 October 2024 (**Retail Offer Period**). Eligible retail Shareholders who take up their entitlement in full can also apply for additional New Shares in excess of their entitlement up to a maximum of 50% of their entitlement.

Further details about the Retail Entitlement Offer will be set out in the retail offer booklet, which SHV expects to lodge with ASX and dispatch on Thursday, 26 September 2024.

Use of Proceeds Received Under the Offer

The funds raised under the Offer are expected to be used as follows:

- **\$71.6m Repayment of Debt and Provision of Headroom** – The Offer is expected to reset the balance sheet with appropriate gearing and provide flexibility to pursue value accretive growth opportunities. Further, this flexibility will support the ongoing strategy to undertake disciplined investment in Select Harvests' Horticulture programme to improve long-term yields, quality and efficiency;
- **\$5.0m Capacity Increase** – Fund a near-term, capital investment opportunity to increase capacity by 10,000MT at the Carina West Processing Facility (**CWPF**); and
- **\$3.4m Transaction Costs** – Fund the transaction costs of the Offer.

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Proposed Timetable

The Company expects that the Offer will be conducted according to the following timetable:

Event	Date
Announcement of Offer	Friday, 20 September 2024
Announcement of results of the Institutional Entitlement Offer	Monday, 23 September 2024
Trading halt lifted - shares recommence trading on ASX on an "ex-entitlement" basis	Monday, 23 September 2024
Record date for Retail Entitlement Offer (7.00pm (Melbourne time)) (Record Date)	Tuesday, 24 September 2024
Retail Entitlement Offer opens	Thursday, 26 September 2024
Offer Booklet and entitlement and acceptance form despatched, and announcement of despatch	Thursday, 26 September 2024
Settlement of the Institutional Placement and the Institutional Entitlement Offer	Thursday, 26 September 2024
Allotment of New Shares under the Institutional Placement and the Institutional Entitlement Offer	Friday, 27 September 2024
Quotation of New Shares issued under the Institutional Placement and the Institutional Entitlement Offer	Friday, 27 September 2024
Normal trading for New Shares issued under the Institutional Placement and the Institutional Entitlement Offer commences	Friday, 27 September 2024
Closing date for acceptances under the Retail Entitlement Offer (5.00pm (Melbourne time)) (Closing Date)	Thursday, 10 October 2024
Announcement of results of Retail Entitlement Offer	Tuesday, 15 October 2024
Settlement of the Retail Entitlement Offer	Wednesday, 16 October 2024
Allotment of New Shares issued under the Retail Entitlement Offer	Thursday, 17 October 2024
Normal trading for New Shares issued under the Retail Entitlement Offer commences	Friday, 18 October 2024
Despatch of holding statements for New Shares issued under the Retail Entitlement Offer	Monday, 21 October 2024

Notes:

All times are Melbourne time.

This timetable is indicative only and subject to change. The board of directors of SHV may vary these dates, in consultation with the Underwriters, subject to the ASX Listing Rules. An extension of the closing date for acceptances under the Retail Entitlement Offer will delay the anticipated date for issue of the New Shares. The board of directors also reserve the right not to proceed with the whole or part of the Entitlement Offer any time before the allotment and issue of the New Shares. In that event, the relevant application monies (without interest) will be returned in full to applicants.

Investor Briefing

An investor briefing will be hosted by David Surveyor, CEO and Tim Bradfield, Interim CFO and Company Secretary at 10:30am (Melbourne time) today, Friday 20 September 2024.

Please pre-register for the briefing via the following link: <https://s1.c-conf.com/diamondpass/10042191-k1pnx9.html>

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This announcement has been approved by the Board of SHV.

ENDS

FOR FURTHER INFORMATION, PLEASE CONTACT:

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Tim Bradfield, Interim Chief Financial Officer & Company Secretary	03 9474 3544
Andrew Angus, Investor Relations	0402 823 757

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 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

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Important Notices

Not for release or distribution in the United States

This announcement has been prepared for publication in Australia and may not be released to U.S. wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

This announcement has been authorised by the Board of Directors. All dollar amounts in this announcement are in Australian dollars unless otherwise indicated.

FURTHER INFORMATION

Bell Potter Securities Limited and Barrenjoey Markets Pty Limited are acting as joint lead managers and underwriters of the Offer. MinterEllison is acting as Legal Adviser to SHV in relation to the Offer.

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