

FY2021 Financial Results

Resilient performance

24 June 2021

SunRice (ASX:SGLLV)

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This presentation should be read in conjunction with other publicly available material. Further information including historical results and a description of the activities of SunRice is available on our website: https://investors.sunrice.com.au/investors/.

About SunRice's structure
The structure of SunRice contains non-standard elements including its dual class share structure comprising A Class Shares and B Class Shares.

A Class Shares confer on their holders the right to vote at general meetings but no right to dividends. A Class Shares are not quoted on ASX and may only be held by Active Growers. The right to vote is based on one member, one vote and no person may hold more than 5 A Class Shares. In practical terms the voting rights held by A Class Shareholders give those shareholders the right to control the election of directors and any changes to SunRice's constitution.

B Class Shares are quoted on ASX and confer on their holders the right to receive dividends, as determined by the directors from time to time. Holders of B Class Shares do not have the right to vote at general meetings of SunRice and may only vote on proposals involving a variation to their class rights or if required for the purposes of the ASX Listing Rules. This means B Class Shareholders have no right to vote on the election of directors of SunRice. No person may hold more than 10% of the total number of B Class Shares on issue.

For more details of the non-standard elements of SunRice's structure see: https://corporate.sunrice.com.au/investors/.

FY2021* results snapshot

In a year marked by continuing critically low Riverina production and COVID-19, SunRice remained focused on optimising returns for our shareholders.

$49.1 million
EBITDA
Down 25% on FY2020

$18.3 million
Group NPAT
Down 19% on FY2020

$1.03 billion
Group revenue
Down 9% on FY2020



33 cents	Fully franked dividend per B Class Share In line with FY2020
5%	Dividend yield Down from 6.4% in FY2020
$66 million	Capital investment in acquisitions
24%	Gearing Up from 15% in FY2020
$6.62 per share	Net tangible assets Down 15% on FY2020
$750 per tonne**	CY20*** Riverina paddy price Up 50% on FY2020

* 'FY2021' refers to the financial year ended 30 April 2021.
** For medium grain Reiziq.
*** In this presentation, 'Crop Year 2020' or 'CY20' refer to the rice crop harvested in 2020, but processed and marketed in FY2021.

Context for FY2021 results and commentary

With only 5% of global rice demand available from the Riverina and facing the uncertainty of COVID-19, SunRice knew the year would be challenging and planned accordingly.

FY2021 Financial Results were driven by a range of factors

- Continued impacts of COVID-19, including disruptions to the international shipping industry; and increasingly deteriorating conditions in key Pacific markets
- Critically low rice production in the Riverina, which resulted in a pre-tax loss of $22.1 million in the Rice Pool
- Further expansion of International Rice sourcing capabilities to meet global demand, with improved performance in this segment offsetting deteriorating results of the Rice Pool and Corporate segments
- Ongoing shortage and significantly increased cost of the Australian crop reduced performance of the CopRice and Rice Food segments, which rely on inputs from the Rice Pool
- Improved seasonal conditions, which led to high pasture availability, in turn reducing demand for supplementary feed products across multiple CopRice product categories
- Unexpected negative step change in commodity prices due to international trade conditions, which further reduced CopRice performance
- Adverse foreign exchange factors
- Improved performance in the Riviana Foods segment, driven by a range of factors including core business growth, integration of prior acquisitions and realisation of benefits from KJ&Co Brands acquisition

FY2021 highlights



28
University and rice research partnerships

12 countries
In SunRice's global supply chain in FY2021, to meet demand in ~50 markets

40%
Of our senior leadership roles are held by women, 12 months ahead of our FY2022 goal

100+
Community organisations supported across 6 countries

2000
Suppliers engaged through the implementation of the SunRice Supplier Sustainability Program; the foundation for the release of SunRice's inaugural Modern Slavery Statement

6
Key brands added to the SunRice Group's portfolio, including Toscano, Hart & Soul and Bare Bakers for Riviana Foods, as well as Top Cow, Top Calf and Longacre in New Zealand for CopRice



Our global operations and markets

SunRice has a unique global presence with opportunity for growth.



GLOBAL MARKETS

SunRice places branded products in approximately 50 countries, with significant markets in the Pacific and the Middle East, and expanding markets across Asia.

OPERATIONAL PRESENCE

Operational presence in countries including Australia, USA, Singapore, UAE, New Zealand, Solomon Islands, China, Japan, Jordan, Vietnam and PNG.

SOURCING CAPABILITY

Sourcing rice products from 12 countries including Australia to meet global demand for products in excess of 1 million paddy tonnes.

Our strategy

Our 2024 Growth Strategy is designed to cement the SunRice Group's position as a truly global, multi-origin, multi-market FMCG business. Importantly, we are proudly Australian-owned and our business is designed to benefit our investors, our growers, our employees and the communities in which we operate.

Improve the price we pay our growers and increase returns for our shareholders by...

Increasing profits and reducing earnings volatility

Adapting our product range to take advantage of changing food trends

Securing a sustainable and reliable global supply chain

How we're responding:

1. **Cementing a global supply chain in response to increased demand in branded products, ensuring quality and sustainability.**
2. **Repositioning Australia as the supply source of choice for premium branded rice markets.**
3. **Using our capabilities to meet evolving global food trends, especially in healthy eating and snacking, in particular through:**
   - **Diversifying into new markets to offer** high-quality and convenient packaged rice of trusted provenance.
   - **Playing a pioneering role** in addressing the obesity and diabetes epidemics with our unique Low GI rice.
   - **Leveraging our unique position** to take advantage of the global fascination with sushi.
   - **Being recognised as a leader in healthy snacking** through a range of innovative snacks.
   - **Operating a strong food ingredients business** with diversified, high-value rice derivatives servicing global food companies.
   - **Assurance of quality and sustainability** with traceability, no matter where we grow our rice.
4. **Being recognised for our high performance, delivered by a positive, inclusive and accountable culture.**
5. **Accelerating the growth and diversity of our strong, cash-generative portfolio, including through further investment in our subsidiaries.**

Our challenges

- Increasing global competition.
- Volatility of Australian rice supply.
- Alternative crops competing for limited water and land.
- Market diversification and access.
- Foreign exchange volatility.
- Economic conditions, including geopolitical instability.
- Climate change.
- Market impacts of COVID-19, including disruptions to the shipping industry.
- Competition for talent, resources and capabilities.





What success looks like

- **Strong financials**
  An aspirational revenue target of $2 billion*, which may take longer to achieve than by 2024, and to maintain double digit returns on capital employed.
- **Premium branded player**
  Leverage our reputation for quality and innovation in premium varietals, healthy eating and snacking.
- **Asian presence**
  Expand sales in high-growth Asian consumer markets.
- **Diversified earnings**
  Expand our CopRice and Riviana Foods segments through strategic growth opportunities.
- **Food ingredients expansion**
  Build our tailored food ingredients offering to service industrial customers.
- **Resilient global supply chain**
  Secure a multi-varietal and resilient global supply chain with Australian growers at its centre.

*This is an aspirational target, not a budget or forecast and assumes reasonable macro conditions.

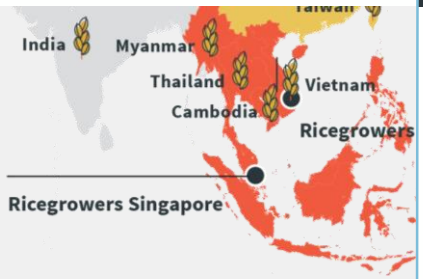
Our strategy in action

Despite challenging operating conditions, the Group retained a sharp focus on executing SunRice's 2024 Growth Strategy and pursuing strategic and organic growth opportunities.

Ensuring reliable and quality supply



SunFoods' significant and strategic agreement with the **Central Valley Rice Growers Association to guarantee supply of high-quality medium grain rice** through until at least January 2024. The rice, to be sourced from the Association's 115 rice growing members, will be processed at SunFoods' facility at Woodland California, and packed into high-value branded products for sale to customers in existing and new markets.



Further expanding our supply sources, including **Ricegrowers Singapore's negotiation of significant agreements** with strategic commercial partners in China and India to ensure the supply of milled white rice to key markets in the Pacific throughout FY2022.

A focus on product innovation and new launches



SolRice's launch of **Solrais Famili**, which underpinned the business's market leading position in the Solomon Islands in FY2021.



Increased product innovation and export opportunities, including the launch of **Brown Rice Chips and Cracker Chips** in China, Singapore, Hong Kong, United Arab Emirates, Kuwait and Qatar, as well as the launch of **health and wellbeing and microwave** rice ranges into the United Arab Emirates.

New product innovation in Australia, including the launch of the **Riviana Basmati microwave** range and **SunRice's new Flavour Your Rice** sachets.





The launch of a new more affordable Asian-sourced rice brand, **SunGold** into the Australian food service market.



The launch of SunRice's **new Australian Infant Rice Cereal**. Entry into China via the daigou sales channel was impacted by COVID-19.

Our strategy in action

The SunRice Group leveraged its strong balance sheet in FY2021 to invest $66 million in acquisitions – which were transformational and aligned to our strategy.

Growth through strategic M&A and capital investment



Riviana Foods' transformative acquisition of branded food importer, **KJ&Co Brands**, for $51 million, which is already delivering benefits and is expected to be earnings per share accretive in the first full year of ownership. The acquisition included KJ&Co's exciting brand portfolio, featuring Toscano, Hart & Soul and Bare Bakers amongst others, which are sold into the Australian retail markets, including through Coles and Woolworths, and distributed in New Zealand.



CopRice's acquisition of the dairy and beef business of Victorian-based producer of livestock products **Riverbank Stockfeeds** for $5 million, including a feed mill at Leongatha and a dairy business across Gippsland and south west Victoria. Having a manufacturing facility in Gippsland complements CopRice's existing facilities, securing coverage across all key dairy regions in Victoria.



CopRice's expansion into **New Zealand** following the acquisition of **Inghams' dairy nutrition business**, which produces and sells dairy and calf feed products. The $11 million acquisition represents CopRice's first operational expansion into the important New Zealand dairy market, and included Inghams' feed mill at Hamilton, and direct-to-farm and packaged dairy business in New Zealand under the 'Top Cow', 'Top Calf' and 'Longacre' brands.

Our strategy in action

Sustainability truly is at the heart of everything we do at SunRice, and we progressed key Environmental, Social and Governance initiatives in FY2021.

An ongoing focus on sustainability

Continued to work to implement all of the recommendations of the **Taskforce on Climate-related Financial Disclosures** to provide continued transparency on these issues to our stakeholders.

The release of SunRice's inaugural **Modern Slavery Statement** in response to the requirements of the Australian *Modern Slavery Act 2018 (Cth)*. The statement reflects the work undertaken across SunRice to better understand and manage the risks of modern slavery and human rights abuses in our operations and supply chain.

SunRice's adoption of the Board of Taxation's **Tax Transparency Code** to complement the Group's existing tax disclosures and enhance our stakeholders' understanding of the Group's compliance with Australia's tax laws. Our first Tax Transparency report will be issued in late 2021.

In FY2021 SunRice identified six priorities and commenced development of targets:



Towards the most water-efficient rice products in the world



Net zero emissions from our controlled operations

Partner with growers to create a step change in reducing emissions



Toward zero waste from our products and packaging



Our communities consider SunRice a vital part of their ecosystem



Equity and equality across our operations and supply chain



Food security and quality products for our communities

SunRice Group Segment Performance

	Businesses	FY21 Revenue ($M)	FY20 Revenue ($M)	FY21 NPBT* ($M)	FY20 NPBT ($M)
A Class	Rice Pool	114.8	223.2	(22.1)	(4.1)
B Class	International Rice	548.5	531.4	22.6	(1.4)
	Rice Food	96.1	99.6	(1.9)	4.6
	Riviana Foods	148.4	136.6	9.2	8.1
	CopRice	114.5	139.9	(4.5)	3.6
	Corporate	-	-	14.6	18.3

* 'NPBT' refers to Net Profit Before Tax in this presentation.

Rice Pool Business

Australian Rice Pool Business

Supplying premium branded Australian rice, built on provenance and our heritage.

FY21 Revenue ($M)

114.8

Year on Year %

(49%)

FY21 NPBT ($M)

(22.1)

FY20 NPBT ($M)

(4.1)

- Severe and persistent drought conditions, low water availability and high water prices resulted in CY20 crop being second-smallest on record at 45,000 paddy tonnes
- In order to incentivise minimum level of production to maintain baseline operations and build seed inventory levels, offered record fixed price contracts of $750-$1500 per tonne
- While ~300,000 paddy tonnes carried over into FY2020, no comparable carryover for FY2021
- Limited rice availability contributed to significant reduction in revenue and increased loss incurred in FY2021
- Costs significantly under-recovered due to low utilisation of assets
- Lack of rice also negatively impacted CopRice, Rice Food and Corporate segments due to reduced volumes of by-products and other inputs
- Rice Pool Business remained focused on minimising existing and future costs while prioritising supply of Australian rice to premium markets
- Remains a key element of SunRice business model, and is well positioned to resume role as supplier of premium rice to key markets during FY2022





#1
Rice brand in Australian & New Zealand grocery







#1
Rice brand in Australian food service channels







Profit Businesses

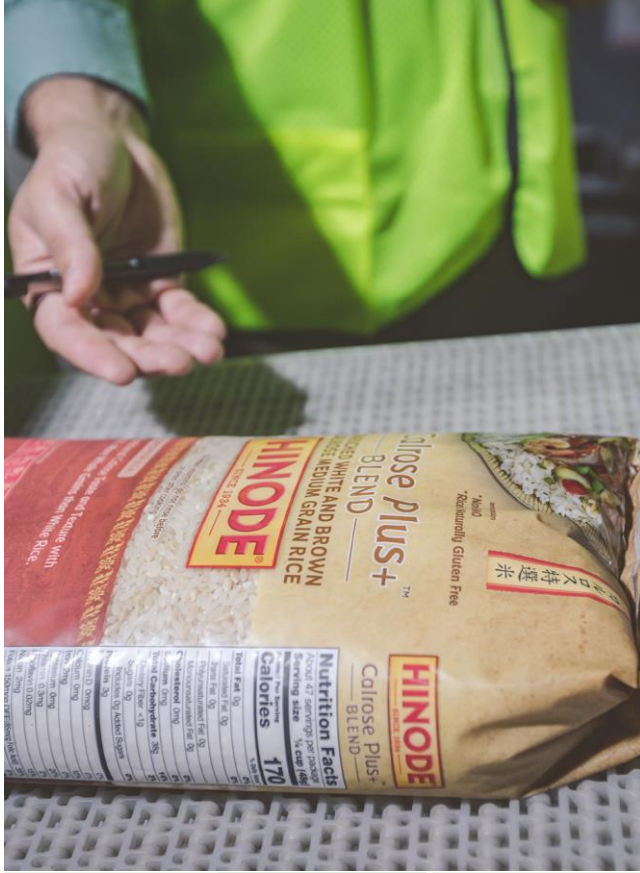
International Rice

A growing global supply chain, delivering quality and sustainability.

FY21 Revenue ($M)	Year on Year %
548.5	3%

FY21 NPBT ($M)	FY20 NPBT ($M)
22.6	(1.4)

- Increased profit from International Rice segment more than offset combined downturn in results in the Australian Rice Pool and Corporate segments in FY2021
- In the traded rice business, Ricegrowers Singapore successfully increased its international sourcing capabilities in response to the small Australian crop
- Sourced from 11 other countries to meet demand for SunRice's products in key markets, which maintained positions for when Australian rice is available again in FY2022
- United States' subsidiary SunFoods also positively contributed to the supply of markets that typically purchase Australian rice in FY2021
- Better asset utilisation, additional stabilised bran processing capabilities and COVID-19 grant supported significant uplift in performance compared to FY2020 for SunFoods, and more than offset downturn in Hawaii due to COVID-19
- New territories for rice sales also established, and SunGold released in Australia to service Asian grocery and food service markets
- Group negotiated significant agreements with strategic commercial partners in China and India to ensure supply of rice to key Pacific markets in FY2022
- However, sales and margins in key Pacific markets suffered from difficult and deteriorating economic conditions, unfavourable foreign exchange rate movements and aggressive competition







#1 Rice brand in PNG & the Solomon Islands





#1 Medium grain rice brand in the Middle East



#1 Rice brand across 10 other Pacific Island markets



Profit Businesses

Rice Food

Innovation in healthy snacking and food ingredients aligned to global food trends.

FY21 Revenue ($M)

96.1

Year on Year %

(4%)

FY21 NPBT ($M)

(1.9)

FY20 NPBT ($M)

4.6

- Segment significantly expanded its offering in FY2021
- Initiatives included launch of Brown Rice Chips and Cracker Chips in a number of markets
- FY2021 also saw the launch of SunRice's Infant Rice Cereal
- Despite strong innovation pipeline, sales volumes in a number of categories, in particular rice flour and microwave products, were down on FY2020
- This was in part due to lack of inputs available from the Rice Pool business due to smaller Australian crop
- COVID-19 and resulting lengthy Victorian restrictions also contracted food service demand
- Compounded with missed sales opportunities in the early part of the year as production constraints limited the ability to meet surge in consumer demand for food products
- Profitability also hampered across several product categories by rising input costs (most notably the high CY20 paddy price of $750 per tonne)
- Also other one-off launch costs of new products and increase in manufacturing overhead allocations resulting from the contraction of the Rice Pool Business
- Group continued to work on strategies to improve efficiencies, take costs out of the business and further support innovation in this segment in FY2021
- This included the completion of a $4.5 million upgrade of the Leeton Specialty Rice Foods Facility, which is expected to bring benefits to the Group with improved product quality and manufacturing efficiency





#1
Microwave rice brand in Australia







#1
Rice cakes brand in Australia and New Zealand







Profit Businesses

Riviana

Expanding our strong, cash-generative diverse portfolio.

FY21 Revenue ($M)

148.4

Year on Year %

9%

FY21 NPBT ($M)

9.2

Year on Year %

14%

- Riviana Foods made a significant contribution to Group Net Profit After Tax in FY2021
- Acquisition of KJ&Co Brands for $51 million in December 2020 was transformative for Riviana Foods and further diversified its presence across new categories within Australian retail
- KJ&Co has already generated revenue and profits for the Riviana Foods segment in FY2021 and is expected to be earnings per share accretive in the first full year of ownership
- Riviana's rice business was transferred to the International Rice segment in FY2021
- Adjusting for this, Riviana Foods NPBT still increased by 14% year on year, despite headwinds including adverse foreign exchange movements
- Improved underlying performance reflects strong brand performance across retail (with a 20% uplift in sales volumes due in part to COVID-19 restrictions driving demand for in-home entertaining products)
- Performance also improved by Roza's Gourmet having a 30% uplift in sales volumes, with Riviana doubling revenues attributable to Roza's brands relative to FY2018
- This demonstrates Riviana's ability to successfully integrate and scale acquired businesses; leveraging its brands, marketing expertise and supply chain partnerships
- FY2021 also saw the launch of Always Fresh Sweet Biscuits, the additional ranging of 12 products in New Zealand, and positive effect on costs of recently achieved operational efficiencies and synergies
- These factors more than offset the challenges of a significantly contracted food services sector due to COVID-19 restrictions, and local and global supply chain disruptions (notably on freight costs)



#1 Pickled vegetables brand in Australia

#1 Olives brand in Australia

Profit Businesses

CopRice

Manufacturing and supplying high-quality animal nutrition products.

FY21 Revenue ($M)	Year on Year %
114.5	(18%)

FY21 NPBT ($M)	FY20 NPBT ($M)
(4.5)	3.6

- Despite gains in companion animal sales and a favourable product mix, CopRice faced multiple headwinds during FY2021
- Falling commodity prices, exacerbated by an unexpected step change in international trade conditions, impacted the business negatively, as did the shortage of Australian rice by-products used as one of the main components in CopRice's manufacturing process
- The lack of rice by-products also affected the performance of the newly commissioned Leeton Bran Stabilisation Plant, which temporarily operated at sub-optimal levels in FY2021, while incurring all depreciation and other associated costs
- While the business already faced depleted herd sizes on the back of two consecutive drought years, recent upturn in weather conditions provided farmers with abundance of natural pasture to feed remaining stock
- This significantly reduced demand for supplementary feed products in FY2021 and placed additional pressure on margins due to increasing pricing competition in this significantly contracted market
- Despite the challenging conditions, CopRice continued to pursue growth initiatives in FY2021, acquiring, upgrading and expanding well-priced assets during the low point of the drought cycle
- This investment has set solid foundations for the future, and is expected to yield benefits as key markets recover
- In particular, CopRice expanded its operational footprint and expertise into the New Zealand dairy feed market for the first time, through completion of the acquisition of Inghams' dairy nutrition business in March 2021
- CopRice also invested for growth via its FeedRite operation, acquired in FY2020. The reopening of this facility was delayed due to COVID-19, however it is now operational as a second extrusion facility to support the fast-growing pet food business
- CopRice also completed the acquisition of Riverbank Stockfeeds' beef and dairy assets for $5 million in September 2020, including a feed mill at Leongatha, and dairy and beef business across Gippsland and south-west Victoria
- CopRice has historically been a strong contributor to Group profitability, and is expected to be well positioned to rebuild, particularly given strategic investment in acquisitions, capital expenditure and new product development



















Profit Businesses

Corporate

Strong portfolio of physical and intangible assets.

FY20 NPBT ($M)

14.6

Year on Year %

(20%)

- Net Profit Before Tax for this segment remains primarily driven by a range of inter-segment charges such as brand and asset financing charges, as well as items not allocated to other segments, such as costs or income associated with various corporate activities
- Factors that reduced profitability of the Corporate segment in FY2021 included:
  - Significantly lower levels of Asset Financing Charges received from the Rice Pool Business with reduction of inventory in current period and a drop in the cost of capital driven by the low interest rate environment. The offsetting effect of these lower charges however helped contain the Rice Pool's loss
  - Lower levels of Brand Charges received from the other segments of the Group following the drop in revenue across the period
  - Increased consulting costs to support and improve information technology systems and security across the Group and transaction costs for the KJ&Co Brands, Hamilton New Zealand and Riverbank Stockfeeds acquisitions
- These factors were partly offset by costs associated with the COVID-19 pandemic not being as high as initially expected at 30 April 2020



Outlook for FY2022 and beyond

With improved Riverina production and delivery of other strategic and organic growth initiatives, the company's earnings are expected to improve in FY2022.

- Following improved conditions for rice production, 2021 Riverina crop is anticipated to be ~420,000 paddy tonnes
- Increased volume means Australian Rice Pool Business should again be in a position to absorb its share of overhead costs for FY2022
- Crop is currently being processed in SunRice's Riverina facilities, and will allow the Australian Rice Pool Business to re-enter premium export markets, which have been serviced from SunRice's international supply chain
- The return to more favourable seasonal conditions will contribute to an upturn in the Profit Businesses that in part rely on Rice Pool inputs (in particular CopRice and Rice Food)
- Strategic acquisitions made in the CopRice and Riviana segments in FY2021 are expected to realise additional benefits in FY2022
- Other investments are expected to yield higher returns with better asset utilisation and increased throughput as a result of the increased Riverina rice production
- As a consequence of the above, and other strategic and organic growth initiatives progressed in FY2021, anticipating improvement of earnings in FY2022
- Results will be dependent on a number of factors, including COVID-19 recoveries in key markets
- Any such anticipated upturn in performance is however likely to occur gradually across the year, with the first quarter expected to be relatively slow
- This is primarily due to significant levels of inventory being in place (including stock held by distributors) in some of SunRice's key markets as FY2021 closed, driven by COVID-19 related disruptions to international shipping
- This inventory will need to be utilised before rice from the larger CY21 Australian crop (and other origins) can support additional sales
- Given the strength of the Group's balance sheet, continuing to explore further acquisition opportunities that have the potential to meet strategic and financial investment criteria
- Board recently confirmed the core fundamentals of Growth Strategy remain appropriate, and extended timeframe for delivery from 2022 to 2024


Thank you