

1H FY2022 Financial Results

Strong recovery

16 December 2021

SunRice (ASX:SGLLV)

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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. A person must not 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.

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

1H FY2022* results snapshot

After successfully navigating one of the most difficult periods in SunRice's history, earnings significantly improved in 1H FY2022.

$564.8 million
Group revenue
Up 11% on 1H FY2021

$36.9 million
Group EBITDA
Up 32% on 1H FY2021

$16.7 million
Group NPAT
Up 38% on 1H FY2021

10 cents	**Fully franked interim dividend per B Class Share**
2.3x	**Leverage** Compared with 3.0x at 30 April 2021
22%	**Gearing** Down from 24% at 30 April 2021
$6.70	**Net tangible assets per B Class Share** Compared with $6.62 at 30 April 2021
417,000	**Paddy tonnes harvested in CY21** Compared with 45,000 tonnes in CY20
$405 to $435	**Updated estimated range for the CY21 pool** Per tonne for medium grain Reiziq



* '1H FY2022' refers to the period ended 31 October 2021. In this presentation, 'Crop Year 2021' or 'CY21' refer to the rice crop harvested in 2021 but processed and marketed in FY2022.

Context for 1H FY2022 results and commentary

Strong recovery commenced in 1H FY2022 expected to amplify in 2H FY2022, supporting an interim dividend of 10 cents per B Class Share.

1H FY2022 Financial Results were driven by a range of factors

Key contributors to the performance uplift

- Recovery of the Australian Rice Pool Business, which is able to absorb overheads and deliver a naturally earned Paddy Price in FY2022 (contrasting with losses in the previous two years), with positive flow on effects to other segments of the Group
- Accretive contribution of KJ&Co Brands in Riviana, which when combined with Always Fresh, Fehlberg's and Roza's Gourmet, is providing the Group with a significant and growing source of consistent and reliable earnings, decoupled from domestic agricultural volatility
- The Group's international sourcing expertise, which coupled with nimble commercial initiatives to adapt to market conditions and cost containment discipline delivered improved profitability in key Pacific markets and the International Rice segment
- A positive upturn in the Rice Food segment, particularly in microwave products, including market share gains
- The Group's ability to manage unprecedented increases in freight costs and supply chain complexity

Key challenges faced

- Ongoing impacts of COVID-19 (see next slide) and inflationary pressures on manufacturing inputs
- Depressed economic conditions, political instability and competitive pressures in key Pacific markets
- Hurdles in CopRice, including favourable pasture conditions contracting the supplementary feed market, operational challenges associated with the growing complexity of CopRice's product portfolio, and transition challenges delaying the realisation of the full potential of the recent Leongatha and Hamilton acquisitions

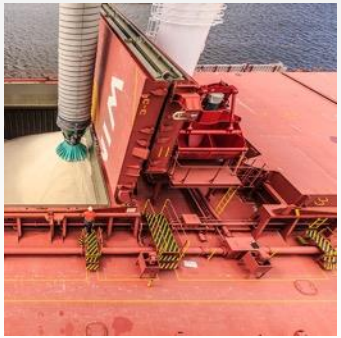
Seasonal factors

- SunRice expects Group performance in 2H FY2022 to be stronger than 1H FY2022, despite ongoing supply chain challenges

Impacts of COVID-19

COVID-19 continued to present a myriad of challenges for the business, many of which are still present as we work through Financial Year 2022.

Key COVID-19 impacts



Incredible disruption to global shipping lines, including escalating freight rates, shortages in pallets and containers, delays due to port congestion and insufficient shipping capacity to meet demand.



Unprecedented challenges for people, with differing regulatory requirements and restrictions on movement that the Group is navigating to maintain business continuity.



Continuing limits on travel required our teams to be innovative to maintain relationships and build new partnerships.



Economies and sales channels particularly the food service sector and markets reliant on tourism decimated by COVID-19 and associated restrictions.

SunRice now expects to incur at least $30 million in additional and unplanned freight costs on a full-year basis at Group level in FY2022.

Our 2024 Growth strategy in action

The Group retained a sharp focus on the integration of recently acquired businesses and ongoing pursuit of additional strategic and organic growth opportunities.

A focus on product innovation and launches



Continued growth of Roza's Gourmet, including new ranging into Woolworths, which yielded further benefits in the Riviana Foods segment in 1H FY2022 and offers growth opportunities.

Launch of the "Our Best Yet" microwave rice pouch range, which was facilitated by a $4.5 million investment completed in the Leeton Speciality Rice Foods facility in April 2021, which supported product innovation and quality and reduced operating costs in the Rice Food segment in 1H FY2022.

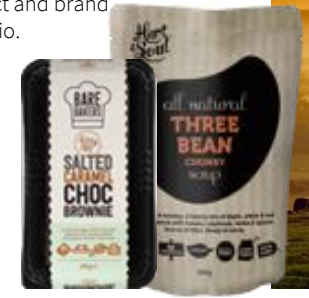




Capitalising on the Group's recent infrastructure investments to support performance across segments.

Continued integration of acquired businesses

Accretive contribution of recently acquired KJ&Co brands which is transformative for the Riviana Foods segment and strengthens the business' product and brand portfolio.



Ongoing integration of recent acquisitions in the CopRice segment, including mills in Leongatha and Hamilton, to support the future expansion of this business and the diversification of its earnings.



Our sustainability strategy in action

SunRice's Sustainability Strategy delivers on key drivers of the 2024 Growth Strategy. Key progress on execution was made during 1H FY2022.

Our Sustainability Strategy aims to meaningfully contribute to the SunRice 2024 Growth Strategy and the Sustainable Development Goals (SDGs)



An ongoing focus on sustainability in 1H FY2022

Significant progress was made towards climate scenario planning as part of SunRice's commitment to adopt the recommendations of the **Taskforce on Climate-related Financial Disclosures.**

Ongoing work continued across the Group towards its **net zero target,** including the continued use of renewable energy in SunRice's United States and Vietnam operations.

SunRice's second **Modern Slavery Statement was released,** in response to the requirements of the Australian *Modern Slavery Act 2018 (Cth)*.

The remit of the **Health, Safety and Environmental Board Committee** was expanded in 1H FY2022 to include sustainability. The **new Safety, Health and Sustainability Committee** reflects the Group's commitments and progress towards its sustainability priorities and ambitions.

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	1H FY22 Revenue ($M)	1H FY21 Revenue ($M)	1H FY22 EBITDA ($M)	1H FY21 EBITDA ($M)	1H FY22 NPBT ($M)	1H FY21 NPBT ($M)
A Class	Rice Pool	89.9	68.4	-	(3.1)	-	(3.1)
B Class	International Rice	253.7	271.4	16.8	13.5	12.2	7.9
	Rice Food	53.8	48.0	3.5	1.5	2.6	0.2
	Riviana Foods	97.3	64.5	6.7	4.2	5.8	3.9
	CopRice	68.5	53.1	(2.2)	(3.3)	(4.5)	(5.0)
	Corporate	-	-	12.1	14.8	5.1	9.2

Rice Pool Business

Australian Rice Pool Business

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

1H FY22 Revenue ($M)	1HFY21 Revenue ($M)
89.9	**68.4**
1H FY22 NPBT & EBITDA ($M)	**1H FY21 NPBT & EBITDA ($M)**
-	**(3.1)**

- Improved water availability at lower prices resulted in a 417,000-tonne crop in CY21, almost 10 times the size of the CY20 crop of only 45,000 tonnes
- Riverina rice mills ramped up operation in 1H FY2022, providing a positive employment outcome and wider economic effects across the Riverina
- CY21 harvest boosted revenue and underpinned the return of Australian rice to premium export markets across the Middle East and Asia in 1H FY2022, while these markets were primarily supplied from the International Rice segment in FY2021 and FY2020 during drought
- The return of Riverina rice also delivered benefits to the CopRice and Rice Food segments as they rely in part on inputs and by-products from the Rice Pool
- The Rice Pool is once again able to absorb its overheads and will deliver a naturally determined paddy price in FY2022. This contrasts with losses incurred in FY2021 and FY2020, with this upside to become more apparent in the full-year results, as $19 million of the $22.1 million loss in that segment in FY2021 had been incurred in 2H FY2021
- Despite continuing pressures and other volatile factors, the estimated paddy price range for the CY21 crop has been upgraded to $405 to $435 per tonne for medium grain Reiziq
- This is despite the Rice Pool Business expecting to absorb at least $40 per tonne of unplanned freight costs on a full-year basis





#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.

1H FY22 Revenue ($M)	1H FY21 Revenue ($M)
253.7	271.4
1H FY22 NPBT ($M)	**1H FY21 NPBT ($M)**
12.2	7.9
1H FY22 EBITDA ($M)	**1H FY21 EBITDA ($M)**
16.8	13.5

- The return of key premium markets to Australian rice in the current year and the non repeat of government food security initiatives at the onset of the COVID-19 pandemic in the prior year drove a decrease in the International Rice segment's volumes and revenue in 1H FY2022
- Strong brand performance and a range of successful initiatives to grow sales, increase prices and contain costs in key Pacific markets, as well as the segment continuing to successfully build on its multi-origin (9 sourcing countries) multi-market (34 destination markets) focus and capability led to improved profitability in 1H FY2022
- Difficult economic conditions in part due to COVID-19, unfavourable foreign exchange movements and aggressive competition however continue to hamper revenue and profitability in key Pacific markets and the rapid disruptions to global shipping fueling a significant escalation in freight rates put further pressure on margins across the segment
- The segment continued to deploy strategic initiatives in 1H FY2022 and with global supply chains including Australia's fully operational, International Rice is primed to focus on further expansion as part of the Group's overall multi-origin, multi-price rice sourcing strategy







#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.

1H FY22 Revenue ($M)	1H FY21 Revenue ($M)
53.8	48.0
1H FY22 NPBT ($M)	**1H FY21 NPBT ($M)**
2.6	0.2
1H FY22 EBITDA ($M)	**1H FY21 EBITDA ($M)**
3.5	1.5

- Greater availability and lower cost of Australian rice used as an input in a number of the segment's products contributed to the performance uplift in 1H FY2022
- Innovation and quality improvements resulting from the recent investment in new cooking technology in Leeton further underpinned volume and sales uplifts in the microwave rice category in 1H FY2022
- SunRice's local manufacturing capability also meant that several categories were able to take advantage of a number of out-of-stocks from competing private label products sourced offshore for part of 1H FY2022
- The segment also benefited from new product launches from the prior year, while the prior corresponding period was hampered by their launch costs
- To ensure these benefits can be cemented in the longer term, the segment remains focused on identifying and executing strategies that will improve efficiencies, take costs out of the business and further support innovation





#1 Microwave rice brand in Australia







#1 Rice cakes brand in Australia and New Zealand







Profit Businesses

Riviana Foods

Expanding our strong, cash-generative diverse portfolio.

1H FY22 Revenue ($M)	1H FY21 Revenue ($M)
97.3	64.5
1H FY22 NPBT ($M)	**1H FY21 NPBT ($M)**
5.8	3.9
1H FY22 EBITDA ($M)	**1H FY21 EBITDA ($M)**
6.7	4.2

- Significant uplift in performance in 1H FY2022 demonstrates both the scale and impact of the KJ&Co Brands acquisition
- Strong brand performance across most retail categories, including Roza's Gourmet, Always Fresh and Fehlbergs was fueled by higher demand for in-home entertaining products during COVID-19
- Roza's Gourmet's products accessed mainstream retail for the first time via Woolworths in 1H FY2022, which is expected to provide future growth opportunities
- The business however continues to face challenge, including the ongoing contraction of the food service sector and disruption to local and global supply chains (which periodically impacted the availability of some products and put pressure on margins due to rapidly escalating freight costs)
- Internal one-off restructuring costs were also incurred as part of streamlining some local manufacturing operations
- The strong results achieved in the short time since the acquisition of KJ&Co Brands and Roza's Gourmet demonstrates Riviana Foods' ability to successfully integrate and scale acquired businesses, while leveraging its brands, marketing expertise and supply chain partnerships







#1 Pickled vegetables brand in Australia



#1 Olives brand in Australia









Our strategy in action

M&A in focus Riviana

KJ&Co Brands



The Riviana Foods' transformative acquisition of branded food importer, KJ&Co Brands, for $51 million in 2H FY2021 is delivering benefits, and contributed to a significant uplift in the performance of Riviana in 1H FY2022.

In addition to diversifying Riviana's presence across new categories within the Australian retail market, **KJ&Co Brands generated additional revenue of $34.4 million and NPBT of $3.0 million for the segment in 1H FY2022,** driven largely by the strong performance of the Toscano brand.

KJ&CO BRANDS

KEY NUMBERS

1H FY22 Revenue contribution to Riviana Foods

$34.4 million

1H FY22 NPBT contribution to Riviana Foods

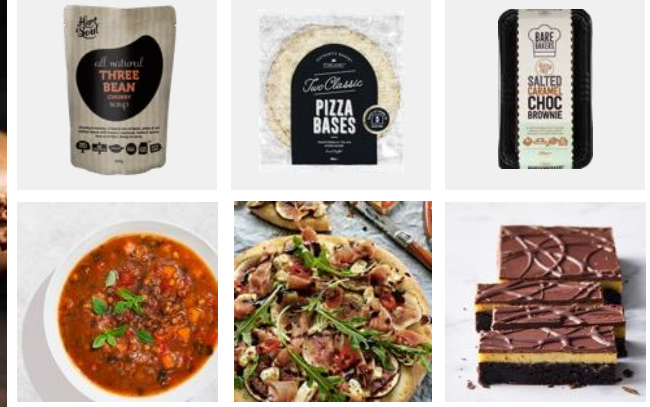
$3.0 million

Number of products

110+

KEY BRANDS & PRODUCTS

Hart & Soul™ · TOSCANO™ · BARE BAKERS





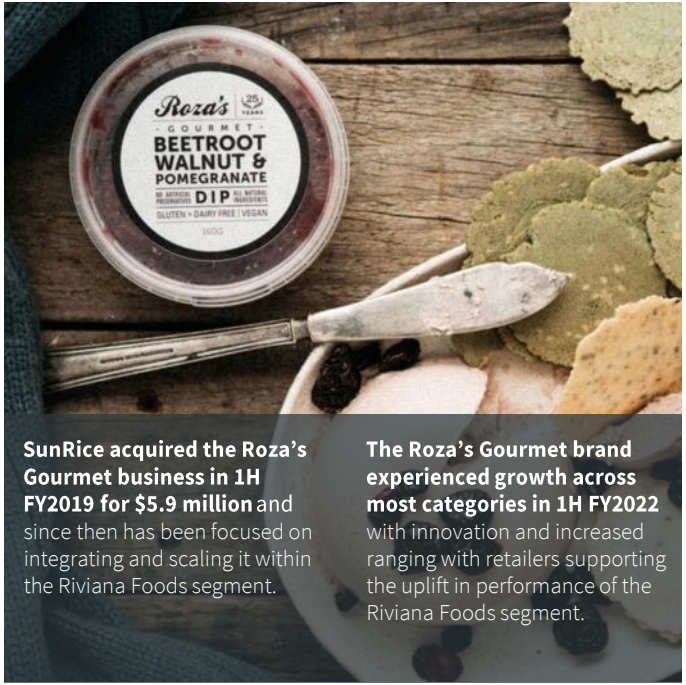
KEY MARKETS

Australian retail market, including through **Coles and Woolworths**, and distributed in New Zealand.

Our strategy in action

M&A in focus Riviana

Roza's Gourmet



SunRice acquired the Roza's Gourmet business in 1H FY2019 for $5.9 million and since then has been focused on integrating and scaling it within the Riviana Foods segment.

The Roza's Gourmet brand experienced growth across most categories in 1H FY2022 with innovation and increased ranging with retailers supporting the uplift in performance of the Riviana Foods segment.

KEY PRODUCTS



















KEY MARKETS

This included expanded ranging into Woolworths, which yielded further benefits in 1H FY2022, and is expected to provide growth opportunities for the brand in the future.

Profit Businesses

CopRice

Manufacturing and supplying high-quality animal nutrition products.

1H FY22 Revenue ($M)	1H FY21 Revenue ($M)
68.5	53.1
1H FY22 NPBT ($M)	**1H FY21 NPBT ($M)**
(4.5)	(5.0)
1H FY22 EBITDA ($M)	**1H FY21 EBITDA ($M)**
(2.2)	(3.3)

- Despite gains in companion animal sales and a favourable product mix, a range of factors continued to hamper profitability in CopRice in 1H FY2022
- Favourable pasture conditions continued to contract the supplementary feed market in 1H FY2022, resulting in aggressive price competition and under recoveries in CopRice's feed mills due to low volume throughput
- COVID-19 disrupted the supply chain of ingredients and containers for CopRice's New Zealand mill
- Australian state border restrictions delayed the commissioning of the Leongatha feed mill
- CopRice faced some commercial challenges during the transition phase to integrate the Hamilton feed mill in New Zealand, which is delaying the realisation of the full potential of this investment
- Other operational challenges included production capacity constraints due to the growing complexity and diversity of CopRice's product portfolio
- Positive signs however included the expansion of the profitable companion animal division, the reopening of the FeedRite facility in Wangaratta, which is supporting the fast-growing pet food business, and the greater availability of cheaper Australian rice by-products

- Despite the multiple challenges experienced, CopRice continues to pursue growth initiatives, led by a new leadership team under which CopRice intends to build its multi-region presence, with a focus on mill proximity and operational excellence to accelerate turnaround and reduce costs





Our strategy in action

SunRice has made a number of strategic investments in the CopRice segment in recent years.

M&A in focus CopRice

KEY ACQUISITIONS

feedrite

Riverbank Stockfeeds

TOPCALF FORMULA 20

CopRice



In FY2020 **CopRice** acquired the **FeedRite** facility in **Wangaratta** and upgraded it via capital expenditure projects for $6 million. The site reopened late in FY2021 as a second extrusion facility to support CopRice's fast-growing pet food business.



In September 2020, **CopRice** acquired the dairy and beef business of **Victorian-based** producer of livestock products **Riverbank Stockfeeds in the key dairy region of Gippsland** for $5 million to complement existing manufacturing facilities.

In March 2021, **CopRice** acquired **Inghams'** dairy nutrition business for $11 million to increase its geographical footprint into the New Zealand dairy feed market.

Profit Businesses

Corporate

Strong portfolio of physical and intangible assets.

1H FY22 NPBT ($M)	1H FY21 NPBT ($M)
5.1	9.2

1H FY22 EBITDA	1H FY21 EBITDA
12.1	14.8

	1H FY22 ($M)	1H FY21 ($M)
Asset Financing charges*	6.5	6.2
Brand charges*	2.0	1.3

* Representing charges to the Rice Pool Business only

- NPBT for this segment is primarily driven by 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
- The return of Riverina rice in 1H FY2022 delivered higher levels of Brand and Asset Financing charges from the Australian Rice Pool Business, which in contrast with the previous two financial years, were fully absorbed by the Rice Pool Business, therefore providing a significant uplift in B Class Shareholder returns in 1H FY2022
- The overall profitability of the segment was however impacted by a general increase in overheads in 1H FY2022 to support the execution of the Group's 2024 Growth Strategy and a review of central cost allocations to ensure the various businesses of the Group remain competitive when pricing in market



Outlook for FY2022 and beyond

The recovery commenced in 1H FY2022 is expected to amplify in 2H FY2022.

FY2022 outlook

- SunRice expects Group performance in 2H FY2022 to be stronger than 1H FY2022, despite ongoing supply chain challenges
- The Group will continue to look for synergies with its recently acquired businesses, so they can deliver additional benefits
- Despite the return of Riverina rice, the International Rice segment is expected to contribute strongly to Group earnings, continuing to benefit from its capability in multi-origin, multi-price international rice sourcing
- A range of factors could however impact the scale of this recovery, including the ongoing disruption to global supply chains, further escalation in freight rates, foreign exchange movements and difficult conditions in key global markets, including uncertainty caused by COVID-19
- Favourable pasture conditions and a range of ongoing operational challenges are also expected to continue to hamper the pace of CopRice's recovery in the short term
- The Group intends to continue to execute its 2024 Growth Strategy, with a focus on new M&A opportunities, new product initiatives and various capital projects to support greater diversification and resilience
- The Group will also continue to focus on individual sustainability initiatives and delivering on the Group's newly established sustainability priorities and ambitions

Preliminary FY2023 outlook

- Favourable rice growing conditions in the Riverina have led to a robust volume of CY22 crop being planted in recent months. As a result, SunRice expects the CY22 crop will be in excess of 600,000 paddy tonnes
- This larger volume of Australian rice will underpin the Australian Rice Pool's exports to premium markets in FY2023, which is expected to support strong returns to A Class Shareholders and growers
- Recent volatility in several factors such as the ongoing disruption to global supply chains and escalating freight costs are expected to continue into the next crop year
- As a result, and despite our proven ability to manage the impact of freight increases on the CY21 Paddy Price, it is premature to provide a reliable estimated price range for the CY22 Rice Pool at this time
- The increased availability of Australian rice should also continue to build momentum for the rest of the Group, underpin a sustainable recovery in earnings in FY2023, and deliver incremental benefits to B Class Shareholders



Thank you

SunRice