

1H FY2023 Financial Results

15 December 2022

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 growers who meet the production quotas prescribed by the SunRice Constitution. 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 generally have the right to vote at general meetings of SunRice. 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/.

1H FY2023 Performance*

Results underpinned by Australian rice, price increases and benefits of past strategic initiatives

Achieved strong rice sales in premium markets with the largest rice crop harvest in five years at ~688,000 paddy tonnes. The CY22* crop has supported international growth, particularly in the Middle East and drought affected countries in Europe, which primarily benefited the Rice Pool business

Realised price increases across the Group and in key product categories, offsetting (albeit with a time lag) escalating costs and inflationary market conditions

Delivered profitable growth despite continued headwinds from rising inflation, exchange rate volatility, global supply chain disruptions, labour shortages and other challenging global conditions (which impacted primarily the profit businesses)

Progressed our Sustainability Strategy with actions against each of our six priority areas during the period

Maintained balance sheet flexibility to support any further strategic investments

Declared interim dividend of 10 cents per B Class Share

Group Revenue
$758.0m ▲ 34%

Group EBITDA
$42.6m ▲ 16%

Net Profit After Tax
$19.6m ▲ 17%

Diluted Earnings Per B Class Share
28.1 cents ▲ 2.6%

Fully franked interim dividend
10 cents per B Class Share

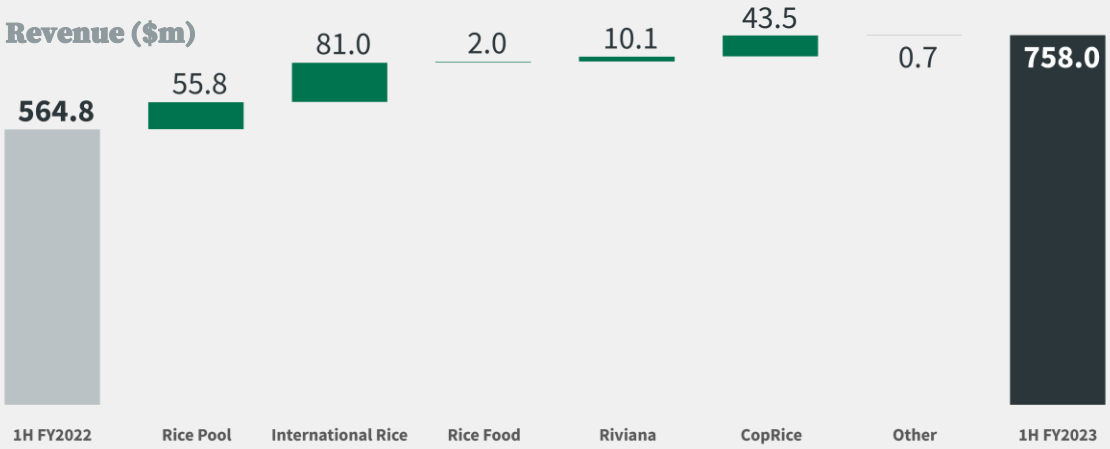


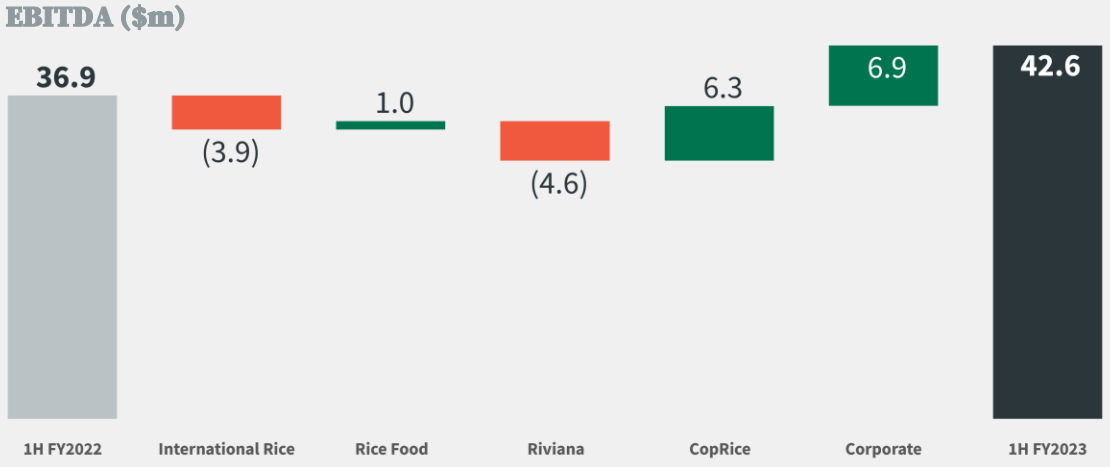
* '1H FY2023' refers to the period ended 31 October 2022. In this presentation, 'Crop Year 2022' or 'CY22' refer to the rice crop harvested in 2022 but processed and marketed in FY2023.

Revenue & EBITDA

During 1H FY2023 Revenue grew by $193m (or 34%) compared to the previous corresponding period. This growth was primarily driven by a second year of strong rice harvest and higher sales prices achieved across all segments. The continued recovery of CopRice was further supported by the acquisition of Pryde's EasiFeed in 2H FY2022

EBITDA grew by $5.7m (or 16%). Profit margins were constrained by the delay in being able to pass on price increases to offset the impact of inflationary pressures along the value chain





Group financials

	1H FY2023 $000's	1H FY2022 $000's	% var
Revenue from continuing operations	758.0	564.8	34%
EBITDA	**42.6**	**36.9**	16%
Depreciation, impairment & amortisation	13.9	12.8	
EBIT	**28.7**	**24.1**	19%
Net interest	4.8	2.9	
Tax	4.3	4.5	
NPAT	**19.6**	**16.7**	17%
Profit attributable to:			
B Class shareholders	17.7	16.8	5.0%
Diluted EPS (cents per B Class Share)	**28.1**	**27.4**	2.6%

Profitable growth was delivered despite continued headwinds from rising inflation, global supply chain disruptions, labour shortages and other challenging global conditions with NPAT increasing by 17%

After adjusting for non-controlling interests, attributable profit increased by 5% and **Diluted EPS increased by 2.6% to 28.1 cents per B Class Share**

Segment snapshot

Total Group EBITDA

$42.6m

16%

Rice Pool Business

		Revenue	
Rice Pool	A second year of increased crop size enabled the business to leverage strong retail demand and increase volumes to premium export markets	**$145.8m**	62%

Profit Businesses

		Segment share of Group EBITDA	EBITDA	
International Rice	Benefits from strong revenue growth from increased volumes in key markets, including the Middle East and Pacific. Global supply chain disruptions and increases in international rice prices weighed on margins		**$12.9m**	23%
Rice Food	Sales price increases across a number of product categories, in particular rice flour and microwave products which are locally produced and the returning availability of broken rice in flour manufacturing, contributed to the segment's performance		**$4.5m**	29%
Riviana	Whilst revenue grew 10%, the sharp rise in the cost of imported products and logistics reduced profitability for the segment due to the time lag in passing these costs onto customers		**$2.1m**	68%
CopRice	CopRice's business continued its recovery, with EBITDA up $6.3m from the Previous Corresponding Period, supported by the contribution from the acquisition of Pryde's late in FY2022		**$4.0m**	n.m.
Corporate	Improved availability of Riverina rice in CY22 and the corresponding increase in branded sales levels in the Australian Rice Pool Business supported higher Brand and Asset Financing Charges. Also includes $3.4m from divestment of non-core assets		**$19.0m**	57%

Net Debt

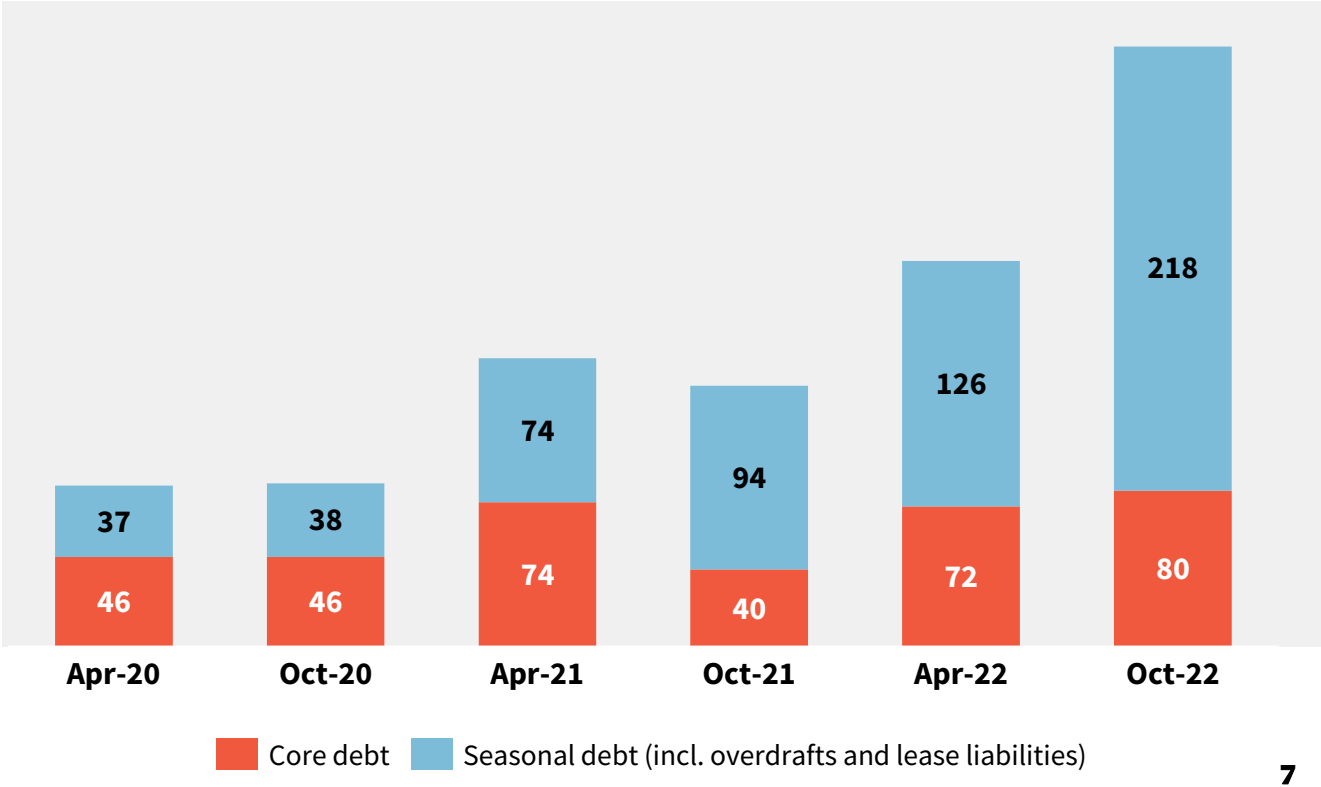
During 1H FY2023, Net Debt increased by $100m to $298m. The significant increase in net debt reflected an underlying increase in Net Working Capital, with ongoing payments to Riverina rice growers and increases in Inventories across the Group

The Group retains balance sheet flexibility to support further strategic investment

Net debt / EBITDA
3.1x

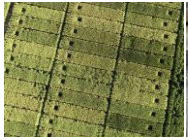
Core debt EBITDA
0.8x

Gearing ratio
36%



Our Sustainability Strategy in action


Water productivity


Climate resilience


Waste reduction


Resilient communities


Respecting human rights


Food security & quality

1H FY2023 Sustainability Highlights

Establishment of Rice Breeding Australia, with Ricegrowers Limited, AgriFutures Australia and the Ricegrowers' Association of Australia as members, to accelerate the breeding and commercialisation of new rice varieties and increase water productivity in line with the industry's aspirational target of producing 1.5 tonnes per megalitre of water within five years.



In an industry-first, the SunRice Group partnered with the Australian Centre for International Agricultural Research to support rice growers throughout the Mekong Delta of Vietnam and connect smallholder rice-growing communities to high-value international markets.

In collaboration with OpenSC and Rabobank, the SunRice Group completed a feasibility study and proof-of-concept to measure and enhance the positive impact of Riverina rice growing practices that help reduce on-farm greenhouse gas emissions.





Implementation of the SunRice Group's refreshed Community Investment Strategy, which has elevated the Group's engagement and partnership with communities and resulted in an increase in employee volunteering.

Segment performance



Rice Pool Business

Rice Pool

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



- The Group benefited from another strong harvest year with CY22 Riverina rice production increasing by 65% to ~688,000 paddy tonnes
- The harvest provided the basis for higher sales volumes in premium markets both domestically and internationally, in particular in the Middle East, and opportunities to supply new markets which have been affected by drought
- Sales price increases across the segment contributed to revenue gains and followed current trends in world rice prices. This helped to partly offset the significant inflationary pressures incurred during the period, particularly in relation to freight and labour costs

	1H FY2023	1H FY2022	
Revenue	$145.8m	$89.9m	▲ 62%
CY22E pool price*	$435-$470 per tonne		

A naturally earned record price

* Per paddy tonne for medium grain Reiziq

Profit Business

International Rice

Growing global supply chain, delivering diversification and demonstrating strength of the business model



- International Rice achieved a 32% increase in revenue with strong sales in premium markets, particularly in key Pacific markets and the Middle East
- Profit margins were constrained by the delay in being able to pass on price increases arising from increased international rice prices, sea freight, global supply chain disruptions and general inflation
- The business is well placed to benefit from market dynamics if inflation eases and price increases are passed onto customers
- Further demand is expected due to undersupply in drought affected countries over the next 12 months

	1H FY2023	1H FY2022	
Revenue	$334.8m	$253.7m	▲ 32%
EBITDA	$12.9m	$16.8m	▼ 23%
NPBT	$7.5m	$12.2m	▼ 39%

Profit Business

Rice Food

Innovation in healthier snacking and food ingredients aligned to global food trends



- Revenue increased by 4% as increased prices were achieved on sales, in particular those of locally produced rice flour and microwave products
- The segment achieved an increase in profitability driven by a reduction in source materials associated with these products, notably due to the returning availability of lower cost broken rice used in rice flour
- The segment's performance was further supported by other suppliers experiencing supply shortages on imported products
- Profitability was partially impacted by ongoing labour challenges and delays in access to some raw materials and packaging, notably in the Cakes and Snacks categories
- The Group continues to work on innovation and new product initiatives to drive growth

	1H FY2023	1H FY2022	
Revenue	$55.8m	$53.8m	▲ 4%
EBITDA	$4.5m	$3.5m	▲ 29%
NPBT	$3.5m	$2.6m	▲ 37%

Profit Business

Riviana Foods

Expanding our strong, cash-generative diverse portfolio



- Whilst Riviana achieved a 10% growth in revenues, increased cost of products constrained profitability
- Good volume growth was achieved in a number of product categories, in particular bakery, which was supported by successful promotional and instore activities and additional ranging in major retailers
- The segment also continued to benefit from the 2021 acquisition of KJ&Co and the ongoing recovery of the Australian Food Service sector
- Profit margins were materially impacted by the sharp rise in the cost of imported products, which was primarily due to European inflation, wheat prices, labour hikes, the Ukraine conflict, freight and the weakening AUD:USD exchange rate
- During the period, the Group acquired the Australian Waffle Company and continues to explore strategic growth opportunities

	1H FY2023	1H FY2022	
Revenue	$107.3m	$97.3m	▲ 10%
EBITDA	$2.1m	$6.7m	▼ 68%
NPBT	$1.4m	$5.8m	▼ 77%

Profit Business

CopRice

Challenging period but well positioned



- CopRice continued its recovery during 1H FY2023, with revenues up 64%, in part supported by the acquisition of Pryde's late in FY2022
- Despite wetter than normal conditions in eastern Australia limiting the demand for supplementary feed products, CopRice volumes grew in the majority of product categories with gains in market share and growth in new regions, supported in part by the availability of rice by-products from the larger CY22 crop
- The segment also achieved increased sales prices, particularly on packaged products, which helped offset the rising cost of inputs
- Pryde's increased CopRice's geographic diversification and presence in the high value branded equine market, delivering revenues of $17.7m during the period

	1H FY2023	1H FY2022	
Revenue	$112.1m	$68.5m	▲ 64%
EBITDA	$4.0m	($2.2m)	n.m.
NPBT	$0.5m	($4.5m)	n.m.

Profit Business

Corporate*

Strong portfolio of physical and intangible assets



- Higher levels of Brand and Asset Financing Charges were received from the Australian Rice Pool Business during 1H FY2023 (for a combined $10.7m up 26% on the Previous Corresponding Period) driven by the CY22 Riverina rice harvest and the corresponding increase in branded sales in the Australian Rice Pool Business
- During the period, the Corporate segment also benefited from a $3.4m post-tax contribution from the divestment of surplus non-core properties in the Group

	1H FY2023	1H FY2022	
EBITDA	$19.0m	$12.1m	^ 57%
NPBT	$10.9m	$5.1m	^ 114%
Asset financing and brand charges^	$10.7m	$8.5m	^ 26%

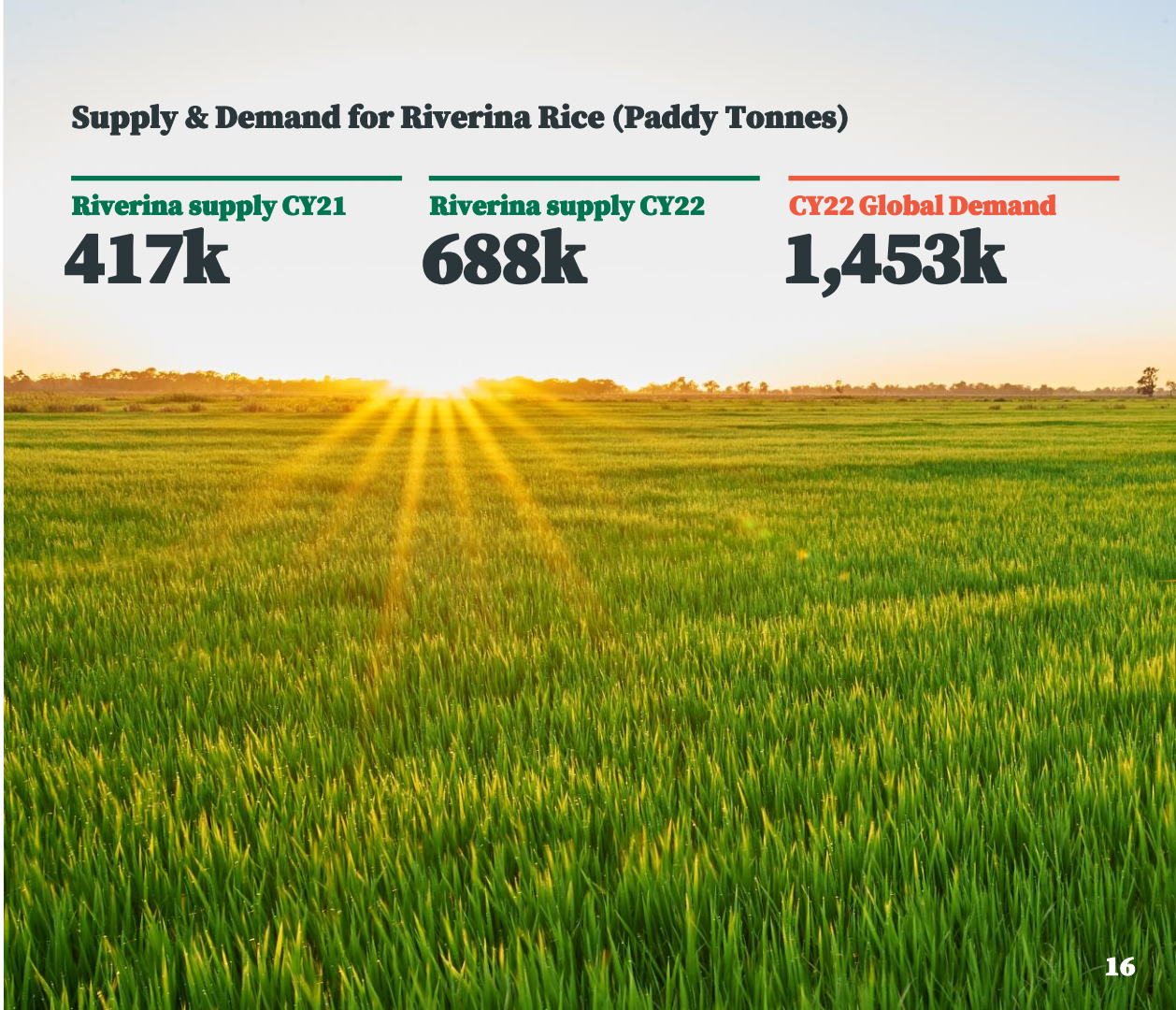
* Net Profit Before Tax in this segment is primarily driven by a range of inter-segment charges, such as brand and asset financing charges, and items not allocated to other segments

^ Reflects Australian Rice Pool Business charges only. These charges are included in the EBITDA calculation.

Outlook for Rice

SunRice has developed a sophisticated international rice sourcing and supply model that has continued to deliver strong growth through the cycle

The planting window for the CY23 crop is now closed, and whilst it has been disrupted by heavy rain falls and floods across the Riverina, the Group is expecting ample Riverina rice supply in CY23. The current water outlook is also pointing towards positive growing conditions into CY24



Outlook for FY2023

The foundations laid since FY2017 under the Group's Growth Strategy have so far delivered positive outcomes through the cycle and should see the business well positioned for FY2023

- The strong revenue growth achieved in 1H FY2023 is expected to continue into the second half of the year, supporting strong Paddy returns in the Rice Pool Business and profitability in the Profit Businesses, in particular as the sales price increases implemented during the first half are expected to be fully realised (subject to sales volumes not being adversely affected).
- The combination of the increased availability of Australian rice stemming from the large CY22 crop and secured global supply sources favourably positions the SunRice Group to take advantage of any under supply in key markets currently impacted by drought, including the United States. New opportunities to supply rice in markets not currently supplied by the Group, particularly in Europe, have started to emerge. The Group should also be able to extend its participation in global tenders in the second half of the year, which will support returns for both the Rice Pool business and International Rice segment.
- Nevertheless, continued headwinds are expected to be experienced (primarily in the Profit Businesses) from rising inflation, global supply chain disruptions, labour shortages and other challenging global economic conditions. The Group will seek to recover the additional costs incurred progressively throughout the year and there could also be some relief in shipping rates heading into the back end of the financial year.
- Continued execution of the SunRice Group's Sustainability Strategy remains a priority for the remainder of FY2023. All business units have now developed individual sustainability plans and actions aligned to business plans and the broader Growth Strategy for FY2023.
- The Group's diversified portfolio and strong balance sheet mean it is currently well placed to take advantage of further expansion opportunities, both organically and through acquisitions.



Making a difference to places and lives everywhere through nourishing and delicious products.

SunRice Group