

1H FY2024 Financial Results

14 December 2023

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://investors.sunrice.com.au/investors/

1H FY2024 Performance[1]

Delivering strong revenue and earnings growth

Achieved growth across the Group with headline growth in Revenue, EBITDA and NPAT vs PCP

Delivered on growth initiatives, including product innovation, further international market expansion and the award of overseas government tenders

Realised sales price increases across the Group to partially offset inflationary pressures on costs, however product mix shifted towards lower margin products

Benefited from cost savings initiatives and improvements in shipping conditions and a reduction in logistics costs.

Managed foreign exchange rate volatility which put pressure on margins of the Group's import businesses, in particular for Trukai's operations in Papua New Guinea

Navigated international market dynamics with increased competition in international markets due to the Northern Hemisphere's recovery from drought conditions, impacting both volume and price competition

Maintained balance sheet flexibility to support further strategic investments

Declared final dividend of 15 cents per B Class Share



	1H FY2024		1H FY2023
Group Revenue	**$919m**	↑ **21%**	**$758m**
Group EBITDA	**$63.3m**	↑ **48%**	**$42.6m**
Net Profit After Tax	**$30.6m**	↑ **56%**	**$19.6m**
Basic Earnings Per B Class Share	**46.9¢**	↑ **66%**	**28.3¢**
Fully franked interim dividend	**15¢ per B Class Share**	↑ **50%**	**10¢ per B Class Share**



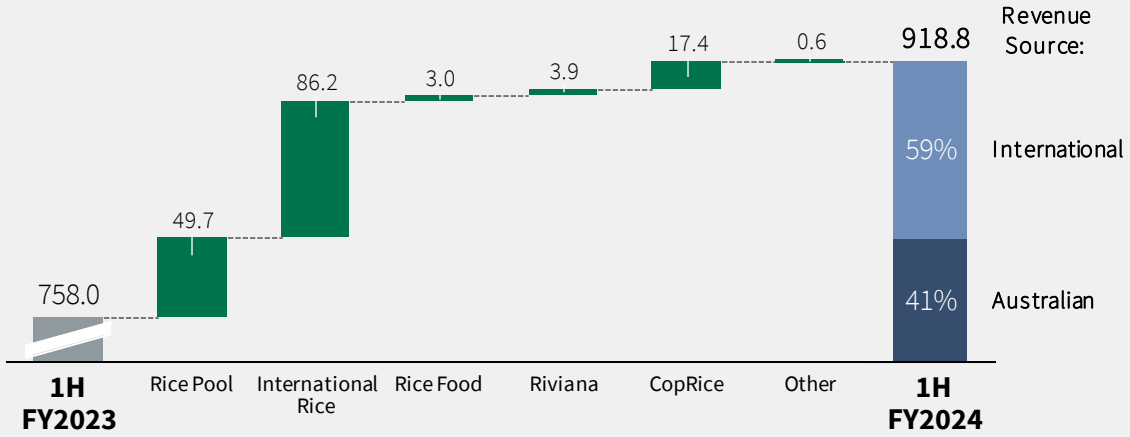
1. '1H FY2024' refers to the period ended 31 October 2023. In this presentation, 'Crop Year 2023' or 'CY23' refer to the rice crop harvested in 2023 but processed and marketed in FY2024

Revenue & EBITDA

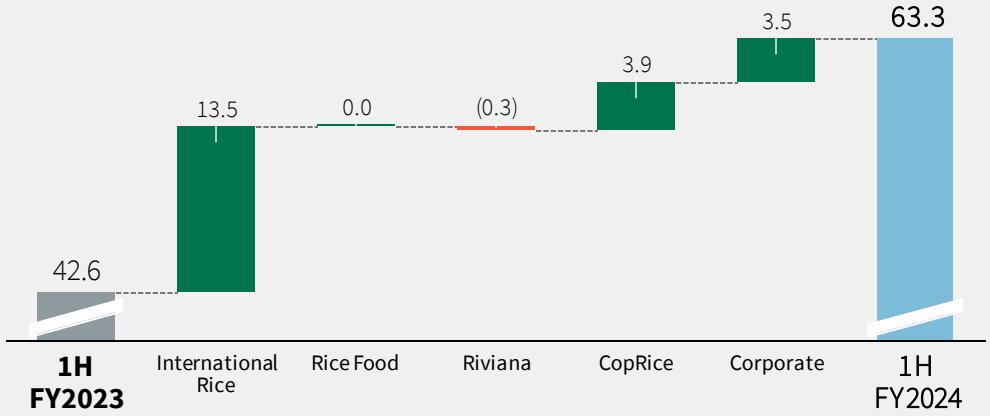
During 1H FY2024 Revenue grew $161m (or 21%) compared to the previous corresponding period. This was driven by market expansion, especially the Middle East and US, higher sales prices across the portfolio and a weakening AUD favourable to the Rice Pool's exports. During 1H FY2024, 59% of revenues were derived internationally.

EBITDA grew $21m (or 48%), further supported by reduced shipping costs, the continued recovery of CopRice and increased Brand and Asset Financing charges received from the Rice Pool business, but partially offset by inflation, increased competition (including from private label products), rising energy costs, the weakening AUD and PGK affecting import businesses and supply chain challenges.

Revenue ($m)



EBITDA ($m)



Our Sustainability Strategy in action


Water productivity


Climate resilience


Waste reduction


Resilient communities


Respecting human rights


Food security & quality

1H FY2024 Sustainability Highlights

Water productivity:

Identification by Rice Breeding Australia of several traits to improve cold tolerance in rice, which will now be tested and piloted. These cold tolerant varieties will contribute to water efficiencies.





Waste reduction:

Establishment of a cross-functional Packaging Working Group to help support the Group in meeting its commitments in relation to the Australian Packaging Covenant Organisation's packaging targets and to oversee the identification and implementation of packaging-related initiatives across the Group.

Climate resilience:

Collaborating with Deakin University to undertake gas flux monitoring trials at Rice Research Australia to measure both methane and nitrous oxide emissions under different sowing and irrigation practices. The Department of Agriculture Forestry and Fisheries has supported SunRice, through a National Traceability Grant, to progress from the feasibility study with OpenSC to the next stage of calculating and verifying emissions for the Riverina, based on the findings of the gas flux data measurements.



Climate resilience:

Continued work to prepare the submission of the Group's Science Based Target (SBT) for validation with the SBT initiative. This work includes the development of the SunRice Group roadmap to meet its commitment to net zero by 2050

Group Financials

Since 1H FY2022, revenues have increased $354m

	1H FY2024 $000's	1H FY2023 $000's	1H FY2022 $000's
Revenue from continuing operations	918.8	758.0	564.8
EBITDA	**63.3**	**42.6**	**36.9**
Depreciation, impairment & amortisation	14.0	13.9	12.8
EBIT	**49.2**	**28.7**	**24.1**
Net interest	9.6	4.9	2.9
Tax	9.1	4.3	4.5
NPAT	**30.6**	**19.6**	**16.7**
Profit attributable to Class B Shareholders	30.0	17.7	16.8
Basic EPS (Class B)	46.9¢	28.3¢	27.5¢

Note: Figures may not add due to rounding

The Group has maintained profitable growth over the last 2-years. Revenues are up $354m and NPAT has increased $13.9m. This has been driven by organic growth, acquisitions (including the acquisition of Pryde's), and the expansion into new and existing markets, as well as being supported by the launch of new innovative products.

Compared to the Previous Corresponding Period, **Revenue has increased 21%, EBITDA has increased 48% and Basic EPS has increased 66% to 46.9 cents per B Class Share.**

Segment snapshot

The Rice Pool plays a key role in supporting the profitability of SunRice's profit business divisions by supplying rice and its derivatives, as well as through the allocation of brand and asset financing charges.

Total Group EBITDA

$63.3m ↑**48%***

Internationally derived EBITDA

39%

* Versus Previous Corresponding Period

AUSTRALIAN RICE POOL BUSINESS

		1H FY2024 Revenue	vs. PCP*
Rice Pool	Deals with the receival, milling, marketing and selling of Riverina Rice	$195.5m	↑ 34%

PROFIT BUSINESSES

		Segment share of Group EBITDA	1H FY2024 EBITDA
International Rice	Purchasing (including from the Rice Pool), processing and marketing of rice to supply international branded and tender markets		$26.4m ↑ 105%
Rice Food	Manufacturing, marketing and distribution of value-added rice-based products, including rice cakes, snacks, rice flour and microwave rice		$4.6m ↑ 1%
Riviana	Specialty gourmet distributor of both imported and locally manufactured goods to retail customers and food services		$1.8m ↓ (14%)
CopRice	A leading animal nutrition business. From a network of mills and extrusion plants, CopRice produces a range of nutritious high-quality feeds for ruminant, equine and companion animals		$7.9m ↑ 95%
Corporate	Captures the income and costs of holding and financing assets that are used by both the Australian Rice Pool Business (A Class Shareholders) and Profit Businesses (B Class Shareholders). Holds rice receival and storage facilities as well as rice milling and packing facilities. Holds most of the SunRice Group brands		$22.5m ↑ 18%

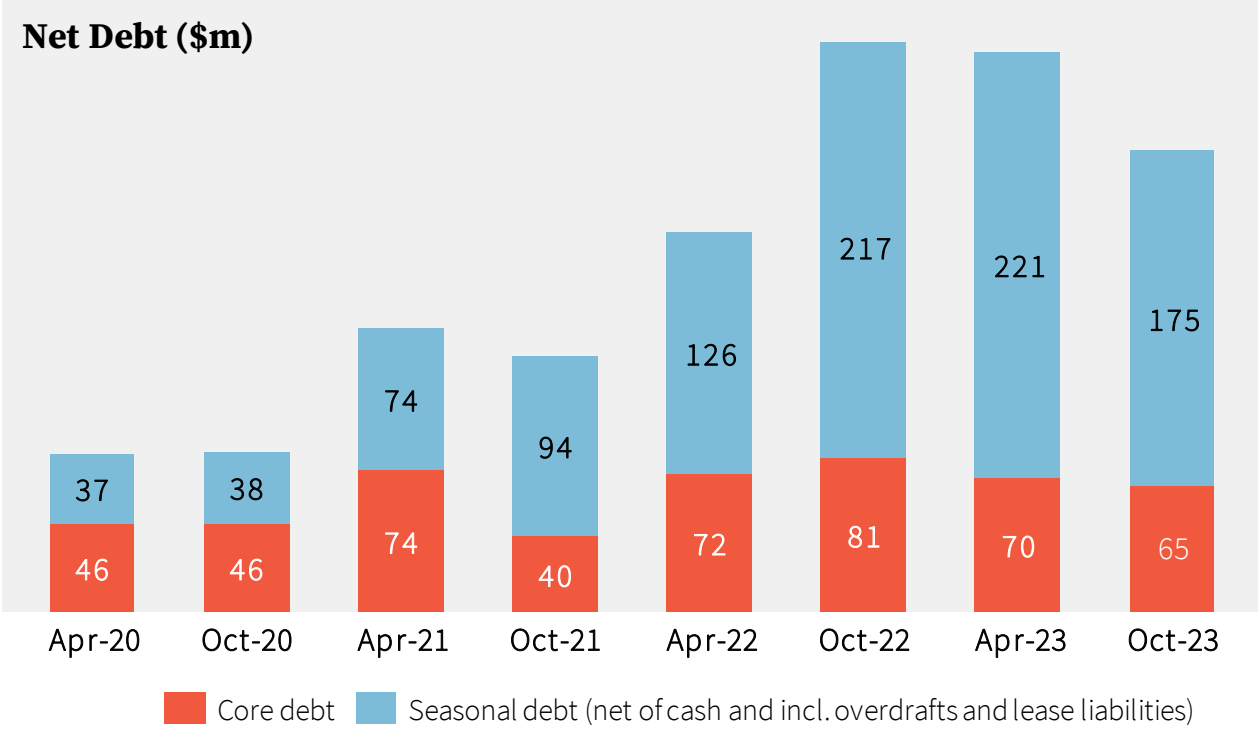
Capital management

During 1H FY2024, Net Debt reduced by $51m to $240m. This improvement reflects the strong EBITDA generated in 1H FY2024 and a decrease in net working capital from $479 million at 30 April 2023 to $447 million at 31 October 2023.

The Group's leverage ratio[1] reduced to 1.7x from 2.5x at 30 April 2023.

The Group retains balance sheet flexibility to support further strategic investments.

Net debt / R12 EBITDA[2]	Core debt / R12 EBITDA[2]	Gearing ratio	Core Gearing ratio[3]
1.7x	0.5x	30%	10%



1. Net debt / R12 EBITDA
2. Rolling 12-month EBITDA, which was $137.7m for the 12 months to October 2023
3. Core debt / Core debt + Equity

Segment performance



AUSTRALIAN RICE POOL BUSINESS

Rice Pool

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

- The Rice Pool Business saw increased sales in premium markets and government tenders and is expected to benefit from the 500,000 paddy tonnes harvested in CY23, following the 688,000 tonnes in CY22.
- The business benefited from higher sales prices, a weaker Australian dollar enhancing USD exports and reduced logistics costs.
- NSW flooding impacted the Riverina manufacturing and storage facilities, leading to a smaller harvest vs. initial expectations, alongside increased costs, higher moisture content and rising energy prices.
- SunRice's Sole and Exclusive Export Licence Agreement was renewed for a further five years and the Group expects to benefit from the Australia-UK FTA.

	1H FY2024		1H FY2023
Australian Rice Pool Business Revenue	**$195.5m**	↑ **34%**	**$145.8m**
CY23 pool price* Paddy Price	**$410-450/t**		

1H FY2024 revenue was generated in

AUSTRALIA & NZ	MIDDLE EAST	ASIA	EUROPE	OTHER
38%	**30%**	**27%**	**4%**	**1%**

* Per paddy tonne for medium grain Reiziq / VO71



PROFIT BUSINESSES

International Rice

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

- International Rice's revenue increased 26% vs. PCP supported by increased volumes and inflation-focused pricing strategies.
- Good volume growth in the Middle East and the U.S. was tempered by competition and a shift towards higher volume and lower-value trades.
- The business successfully navigated operational challenges including supply chain issues in Pacific markets offset by reduced shipping costs.
- The higher USD placed pressure on imports as well as the Group's Trukai operations in Papua New Guinea.



	1H FY2024		1H FY2023
Revenue	**$421m**	↑ 26%	$334.8m
EBITDA	**$26.4m**	↑ 105%	$12.9m
Net Profit Before Tax	**$19.6m**	↑ 163%	$7.5m

1H FY2024 revenue was generated in

PACIFIC ISLANDS & PNG	US & CANADA	MIDDLE EAST	AUSTRALIA & NZ	OTHER
49%	28%	12%	9%	2%

PROFIT BUSINESSES

Rice Food

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

- Rice Food saw benefits from higher sales prices and improved shipping conditions, but faced headwinds from cost inflation, increased energy expenses and the weakening Australian dollar affecting the cost of imports.
- In flour, local manufacturing capability together with enhanced manufacturing performance and the resolution of prior supply shortages led to increased sales and profitability.
- The cakes and snacks categories are on a path to improved profitability with better manufacturing performance, the implementation of asset utilisation and profit improvement programs, alongside the introduction of new innovative products contributing to market growth.
- The microwave rice category faced challenges with the returning availability of competitors' lower priced private label products. The Group is actively developing initiatives to improve market position and investing in marketing.

	1H FY2024		1H FY2023
Revenue	$58.8m	↑5%	$55.8m
EBITDA	$4.6m	↑1%	$4.5m
Net Profit Before Tax	$3.4m	↓(4%)	$3.5m

1H FY2024 revenue was generated in

AUSTRALIA	NEW ZEALAND	OTHER
91%	7%	2%



PROFIT BUSINESSES

Riviana Foods

Expanding our strong and diverse portfolio



- Riviana saw revenue growth in 1H FY2024, driven by higher sales prices and supported by strong performance across Toscano brand and Food Service.
- However, profitability suffered due to heavy reliance on imported products. Product sourcing difficulties due to Northern Hemisphere droughts, coupled with the AUD weakening against the USD and EUR, kept product costs high and pressured margins, despite efforts to offset these with sales price increases.
- Normalisation of shipping conditions brought some cost relief, but increased prices in Riviana Foods' portfolio led to a wider price gap with private label, resulting in market share loss, particularly in the pickled vegetables category.
- Riviana is focusing on promotional and marketing initiatives to regain market positions, though this additional marketing investment and some non-recurring operational challenges in local manufacturing facilities contributed to a reduction in NPBT during 1H FY2024.

	1H FY2024		1H FY2023
Revenue	$111.2m	↑4%	$107.3m
EBITDA	$1.8m	↓(14%)	$2.1m
Net Profit Before Tax	$0.8m	↓(43%)	$1.4m

1H FY2024 revenue was generated in

AUSTRALIA & NEW ZEALAND

100%

PROFIT BUSINESSES

CopRice

Providing quality nutrition for ruminant, equine and companion animals



- CopRice achieved continued growth through volume increases and market-share gains, especially in companion animal food, driven by enhanced distribution and demand for both branded and private label products.
- Margin improvements were realised in companion animal food and ruminant stockfeed and attributed to plant efficiency, better freight cost recoveries, price adjustments aligned with rising business costs, and optimised business terms in New Zealand.
- Despite these successes, CopRice faced challenges including wheat quality issues affecting horse feed volumes, a contraction in the New Zealand dairy stockfeed market due to lower milk prices and higher farm costs, and subdued meat and livestock prices impacting ruminant stockfeed volumes and efficiencies in Australia.

	1H FY2024		1H FY2023
Revenue	$129.5m	↑16%	$112.1m
EBITDA	$7.9m	↑95%	$4.0m
Net Profit Before Tax	$4.7m	↑764%	$0.5m

1H FY2024 revenue was generated in

AUSTRALIA & NEW ZEALAND

100%

PROFIT BUSINESSES

Corporate

Strong portfolio of physical and intangible assets



Overview

- The Corporate segment captures the cost of holding and financing assets that are utilised by both the Australian Rice Pool Business and the Profit Businesses. It also includes cross segment charges for the use of SunRice brands, and access to milling and storage assets.

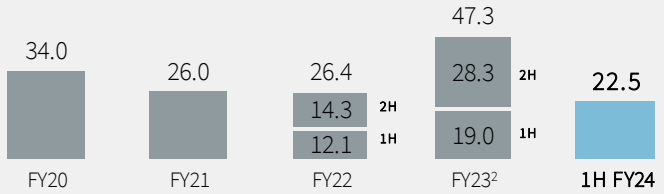
Performance Update

- Increased revenue from the Rice Pool business together with higher interest rates drove an increase in Brand and Asset Financing Charges during 1H FY2024. This increase was largely offset by increased financing costs, reduced proceeds from property sales and increased loss allowances on trade receivables.

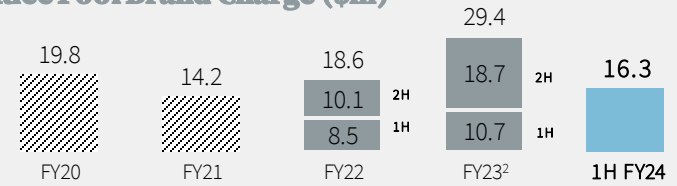
1. Due to the lower level of rice production in FY2020 and FY2021, the charges were only partly absorbed by the Rice Pool business during this period and therefore impacted the contribution to the profit of the group in those years.
2. In 2H FY2023 the Group recognised an adjustment of the Asset Financing Charge to reflect escalation in interest rates during the period.

	1H FY2024		1H FY2023
EBITDA	$22.5m	↑18%	$19.0m
Net Profit Before Tax	$11.2m	↑2%	$10.9m

EBITDA ($m)



Asset Financing Charge & Rice Pool Brand Charge ($m)[1]



Outlook for Profit Businesses

Outlook remains positive as the Group expects to continue to grow both Revenue and Profit in 2H FY2024



Building upon the revenue momentum achieved in the first half of FY2024

- The SunRice Group is expecting continued growth in both revenue and profitability in the second half of the year. The contribution of 2H FY2024 to the full year result is however expected to be proportionately lower than that of 2H FY2023 to the prior full year's result. Businesses

Potential headwinds:

- The delivery of the 2H FY2024 result will be dependent on the Group's ability to navigate a number of headwinds that affected 1H FY2024 and are anticipated to continue into 2H FY2024, the most significant of which include:
  - High interest rates and inflation impacting consumer spending;
  - A weak Australian dollar and a rapidly devaluating PNG Kina; and
  - The recovery from drought conditions in the Northern Hemisphere.
- The recent conflict in the Middle East is also creating uncertainty in a region in which the Group has some of its largest markets. At this stage, the Group has not been directly impacted by conditions in these markets.

A disciplined approach to capital management

- The Group continues to explore a well-developed pipeline of potential strategic opportunities, including acquisitions as well as divestment of non-core assets.

Outlook for Rice Pool Business



The outlook for the Australian Rice Pool

- The lower end of the Paddy Price range for the CY23 crop was increased in November, with an updated range of $410 - $450 per tonne.
- The SunRice Group expects a fourth consecutive year of abundant Australian rice production, with the CY24 crop currently anticipated to be larger than the CY23 crop.
- The expected drier conditions in Australia and ongoing water reform initiatives in the Murray Darling Basin have the propensity to affect the volume of Australian rice produced beyond CY25. However, the Group is expecting a sufficient volume of the CY23 crop to be carried over at the end of the financial year, complemented by a strong CY24 crop. The positive benefits of carryover volumes will be managed with a mid-term lens and the Group expects to have ample volumes of Australian rice to sell into premium markets over this time.



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

SunRice Group