



FY19 FINANCIAL RESULTS DELIVERING THROUGH THE CYCLE



28 JUNE 2019

SunRice (ASX:SGL/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. 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/>.

RESULTS SNAPSHOT

FY19 has been a significant year for SunRice with NPAT delivered in line with guidance, despite FX challenges – key highlights for the business include:

Consolidated revenue **\$1.2 billion**

↑ **1.3%** (year-on-year)

Net Profit after Tax (NPAT) **\$32.8 million**

↓ **27.3%** (year-on-year)

Fully franked dividend **33 cents** (per B Class share)

No Change (year-on-year)

Final C18 full-year paddy price **\$411.19 per tonne** (Reiziq)

↑ **8.6%** (year-on-year)

Earnings per share **54.5 cents** (per B Class share)

↓ **28.2%** (year-on-year)

Year End Gearing
(net debt / (net debt + equity))

19.1%

9.9%

Return on Capital
Employed - ROCE

Reiziq is a medium grain rice variety developed by SunRice to be grown in the temperate climate of the Riverina of New South Wales

Crop or C means a Riverina Rice crop identified by the calendar year in which the crop is harvested. For example, the 2018 Crop (C18) refers to the Riverina Rice harvested during April/May 2018. This 2018 Crop will be accounted for by SunRice in its financial year from 1 May 2018 to 30 April 2019 (FY19).



RESULTS COMMENTARY



- ▶ Record paddy price* during FY19 demonstrates the strength of SunRice's ability to market Australian grown rice
- ▶ High international prices for SunRice branded products achieved, and new affordable sources of international supply utilised
- ▶ Despite increased revenue, the Group's profitability was significantly impacted by ~\$15 million in foreign exchange movements
- ▶ Vietnam operations established (supply, processing and export capabilities) setting up key pillar of the Group growth strategy
- ▶ New sales channels and product offerings have strengthened the company's position as a differentiated international FMCG company



* Excluding years when SunRice has paid a guaranteed fixed price. The Rice Pool business is presented before inter segment elimination

ADDITIONAL HIGHLIGHTS FOR SUNRICE DURING FY19 INCLUDE:



- ▶ **Corporate:** Successful listing of B Class Shares on the ASX in April 2019, and 3 successful M&A transactions completed
- ▶ **Brand:** Strengthened reputation globally for quality rice products
- ▶ **Workplace Safety:** 17.6% decrease in the number of recordable lost time injuries, and 14% decrease in the number of significant injuries across the SunRice Group
- ▶ **Environment:** 17.9 tonnes of empty SunRice branded packaging diverted from landfill through REDcycle Program, and 93% of rice hulls from C18 crop on sold for further use as bedding in various livestock animal markets
- ▶ **Governance:** Enhanced sustainability commitments through United Nations Global Compact, and roll out of anti-bribery and corruption framework in Vietnam

Continued Implementation of 2022 Growth Strategy including:

- ▶ Mekong Delta mill acquisition completed in Vietnam, cementing this important supply chain and setting new standard in the country for rice production
- ▶ Vietnam rice export licence granted, a point of difference for us in the market
- ▶ Further diversification of Group earnings, and expansion of CopRice and Riviana businesses
- ▶ Roza's Gourmet acquisition completed, opening both new product category and sales channels (Riviana)
- ▶ FeedRite acquisition announced and Coleambally Mill being repurposed (CopRice)
- ▶ Health credentials growing with Low GI product offering
- ▶ New rice markets opened in Europe and Middle East



UNIQUE AND COMPLEMENTARY CORPORATE STRUCTURE



SunRice **'A Class Shares'** remain held by Active Growers who retain control of the Company, and receive payments for their rice crops via the Group's Rice Pool Business.

A Class and B Class Shares are complementary and work together to minimise risk across the Group, producing returns for both growers and investors.

SunRice **'B Class Shares'** listed on the ASX provide investors with exposure to the Group's 'Profit Businesses' which produce more than 700 products including:

- ▶ Table Rice
- ▶ Snacks
- ▶ Ready-to-go Meals
- ▶ Rice Flours
- ▶ Livestock and Companion animal food

SUNRICE GROUP SEGMENT PERFORMANCE



- ▶ CopRice and Riviana businesses have achieved significant underlying growth in FY19
- ▶ Earnings mix continues to diversify and strengthen, offsetting cyclical downturns
- ▶ Poor Riverina crop quality (CY18) offset by increased international prices for branded products
- ▶ Global supply chain improvements building customer trust and consistency of product
- ▶ Reputation as unique 'one-stop' source for quality rice products growing

| | Businesses | FY19 Revenue (\$M) | Y-o-Y** % | FY19 NPBT (\$M) | Y-o-Y** % |
|---------|--------------------|-----------------------|-----------|--------------------|-----------|
| A Class | Rice Pool*** | 410 | (7%) | - | - |
| B Class | International Rice | 482 | 6% | 2.0 | (92%) |
| | Rice Food | 100 | (7%) | 4.6 | 111% |
| | Riviana | 127 | 6% | 8.7 | (3%) |
| | CopRice | 155 | 39% | 8.5 | 61% |
| | Corporate | - | - | 26.0 | (8%) |

** Y-o-Y: Year-on-Year comparison between financial year ending 30 April 2018 (FY18) and financial year ending 30 April 2019 (FY19)

*** Revenue for the Rice Pool business is presented before inter segment elimination

PROFIT BUSINESSES OVERVIEW

INTERNATIONAL RICE

TOP LINE GROWTH, ENHANCED SUPPLY CAPABILITIES

FY19 Revenue (\$M)

Year on Year %**

482

6%

FY19 NPBT (\$M)

Year on Year %**

2.0

(92%)

** Y-o-Y: Year-on-Year comparison between financial year ending
30 April 2018 (FY18) and financial year ending 30 April 2019 (FY19)



Business Overview

- ▶ Primarily purchases, processes and markets rice to supply international branded markets, tender markets or other processors
- ▶ International rice is also sold in Australia when varieties cannot be grown
- ▶ Segment includes locally branded businesses: Trukai (PNG), SolRice (Solomon Islands) and SunFoods (US)
- ▶ Sourcing capabilities in Asia and the US

Commentary

- ▶ International trading achieved solid top line performance, however negative foreign exchange impacts were felt due to lack of access to USD currency and a devaluing PNG Kina in first half -> access to USD secured in second half, along with more affordable rice supply for PNG market, providing some relief
- ▶ NPBT below last year due to increased costs with some sourced rice, non-repeat of one-off FX gain in FY18, and increased investment in Vietnam supply chain



PROFIT BUSINESSES OVERVIEW

RICE FOOD DIVERSIFIED FMCG OFFERING

FY19 Revenue (\$M)

Year on Year %**

100

(7%)

FY19 NPBT (\$M)

Year on Year %**

4.6

111%

** Y-o-Y: Year-on-Year comparison between financial year ending
30 April 2018 (FY18) and financial year ending 30 April 2019 (FY19)

Business Overview

- ▶ Manufacturing, marketing and distribution of value-added rice-based products
- ▶ Rice cakes, snacks, rice flour, microwave rice and ready-to-go meals
- ▶ Active product innovation and development programme

Commentary

- ▶ Changes in product mix delivered an improved NPBT, despite reduced sales volumes
- ▶ Rice flour and 'mini-bites' categories performing well
- ▶ Other performance factors include greater manufacturing efficiencies through investment
- ▶ Some adverse foreign exchange impacts on imported products



PROFIT BUSINESSES OVERVIEW

RIVIANA

GROWTH THROUGH NEW CATEGORIES AND CHANNELS

FY19 Revenue (\$M)

127

Year on Year %**

6%

FY19 NPBT (\$M)

8.7

Year on Year %**

(3%)

** Y-o-Y: Year-on-Year comparison between financial year ending
30 April 2018 (FY18) and financial year ending 30 April 2019 (FY19)

Business Overview

- ▶ Specialty gourmet food distributor of both imported and locally manufactured goods to retail customers and food service channels
- ▶ High provenance products aligned with food trends
- ▶ Flagship brands Riviana and Always Fresh
- ▶ Recent acquisition of Roza's Gourmet

Commentary

- ▶ Entry into chilled food category and premium independent retail channel with acquisition of specialty sauces and dips manufacturer Roza's Gourmet
- ▶ Pickled food business Fehlbergs, acquired in 2016, continued to deliver strong performance in FY19
- ▶ Absorbed integration costs and adverse foreign exchange impacts experienced (+/- \$2M)
- ▶ Continued focus on product mix improvements



PROFIT BUSINESSES OVERVIEW

COPRICE POSITIVE TURNAROUND CONTINUES

FY19 Revenue (\$M)

Year on Year %**

155

39%

FY19 NPBT (\$M)

Year on Year %**

8.5

61%

** Y-o-Y: Year-on-Year comparison between financial year ending
30 April 2018 (FY18) and financial year ending 30 April 2019 (FY19)

Business Overview

- ▶ Manufacture, distribution and sales of stockfeed and companion animal products
- ▶ Value-add usage of by-products from rice processing
- ▶ Draws on nutritional expertise

Commentary

- ▶ Increased stockfeed sales volumes driven by extensive marketing support and seasonally dry conditions (beef and sheep categories)
- ▶ Sales volumes have offset rising cost of raw materials
- ▶ Strategic expansion underway with Coleambally Mill being repurposed into Australia's largest ruminant plant, and FeedRite asset acquisition announced, both coming online in mid to late FY20



PROFIT BUSINESSES OVERVIEW

CORPORATE

STRONG PORTFOLIO OF PHYSICAL AND INTANGIBLE ASSETS

FY19 NPBT (\$M)

Year on Year %**

26.0 **(8%)**

Profit generated primarily from

Asset Finance Charge \$14.8 million

Brand Charge \$8.6 million

** Y-o-Y: Year-on-Year comparison between financial year ending
30 April 2018 (FY18) and financial year ending 30 April 2019 (FY19)

Business Overview

- ▶ Captures the income and costs of holding and financing assets that are used by both the Rice Pool Business (A Class shareholders) and Profit Businesses (B Class shareholders)
- ▶ Holds rice receival and storage facilities across the Riverina as well as rice milling and packing facilities across Australia
- ▶ Holds ~30 SunRice brands

Commentary

- ▶ Decreased NPBT due to non-repeat of dividend income from the dissolution of a crop insurance entity in FY18, increased corporate costs associated with the ASX listing and progressing our strategic agenda
- ▶ Positive offsets included a benefit from the revaluation of an investment property and reduced interest costs as a result of lower borrowings across the Group



RICE POOL

CONTINUED STRENGTH MARKETING AUSTRALIAN RICE

FY19 Revenue (\$M)

Year on Year %**

410* **(7%)**

Paddy price/medium
grain FY19 (\$/tonne)

Year on Year %**

411.19 **8.6%**

* Before intersegment eliminations

** Y-o-Y: Year-on-Year comparison between financial year ending
30 April 2018 (FY18) and financial year ending 30 April 2019 (FY19)



Business Overview

- ▶ Deals with the receipt, milling, marketing and selling of Riverina Rice
- ▶ Paddy Price is calculated by aggregating all revenue from sale of Riverina rice and deducting relevant costs

Connection with profit businesses (B Class shareholders) include:

- ▶ Contributes to Group NPBT through payments to Corporate for use of brands and assets
- ▶ Shares overheads with SunRice business

Commentary

- ▶ High prices commanded across key markets, and record paddy price achieved despite lower C18 crop (623,000 tonnes vs 802,000 tonnes)
- ▶ Poor paddy quality resulted in smaller volumes being produced as milling was slowed in an attempt to meet high quality customer requirements



MAXIMISING SUNRICE'S COMPETITIVE ADVANTAGES INTO THE FUTURE



SunRice's 2022 Growth Strategy is a five-year roadmap to capitalise on global food trends, with the aim of increasing paddy prices for rice growers and driving shareholder value through the Group's profit businesses.



Opportunities for Rice businesses (International Rice and Rice Food):

- ▶ Further strengthening and diversifying of international supply chains and infrastructure
- ▶ New rice bran facility coming online improving operational efficiency
- ▶ Reengineered snack portfolio to meet evolving customer tastes and preference for healthier options
- ▶ Supporting health conscious consumers with Low GI diet offering in nations suffering from obesity and diabetes
- ▶ Maintaining SunRice as the leading supplier of rice flour to food manufacturers focused on meeting demand for 'free-from' foods

Opportunities for animal nutrition business (CopRice)

- ▶ Further scaling to build industry-leading animal nutrition business with initiatives spanning dairy, sheep, beef, equine and companion animals
- ▶ Bringing 'FMCG thinking' to ag retail with products that cater to whole life cycle of companion animals
- ▶ Investment in manufacturing process

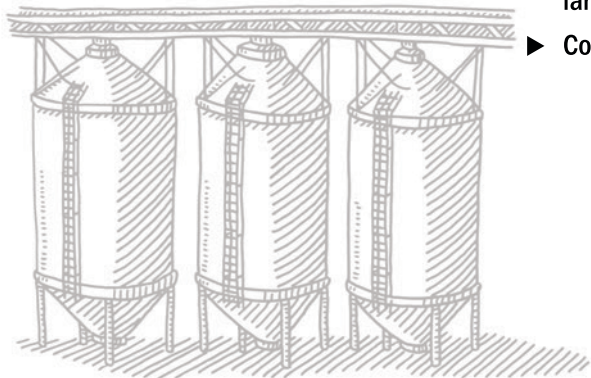
Opportunities for specialty food business (Riviana)

- ▶ Further scaling to increase share of 'entertaining platter' and premium food category
- ▶ Growth for Always Fresh and Fehlbergs through continual new offerings in Woolworths and Coles
- ▶ Continued successful integration of complementary acquisitions including Roza's Gourmet

OUTLOOK FOR FY20



- ▶ Momentum of profit businesses in 2H FY19, combined with new international supply will work to help offset the negative effects of the CY19 Australian crop (54kt) assisting to mitigate challenges in continuity of supply, in order to meet our growing demand
- ▶ FY20 demand expected to be covered by ~300kt of FY19 Australian rice carried over, with the remainder sourced from international markets
- ▶ Continued investment in Riverina (Leeton bran processing plant - \$11M) will support product innovation for Rice Food and CopRice in FY20
- ▶ Integrated Vietnam model to be explored in other countries, and is expected to allow SunRice to build enhanced market positions in FY20
- ▶ Due to the drought conditions, the low crop in C19 will result in under recoveries across the Riverina milling system. This will impact the ability for overheads and the Asset Finance Charge to be absorbed resulting in a loss to the AU Rice Pool segment. Amount anticipated to be at least as large as in FY17 -> despite this, SunRice still expects to declare a dividend for FY20
- ▶ Continue to deliver against our FY22 strategy, providing greater resilience for the Group





THANK YOU

