



ASX ANNOUNCEMENT

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SunRice 1H FY2021 results: Strong performance despite multiple headwinds

- SunRice Group has released its FY2021 half-year Financial Results (1H FY2021), with Net Profit After Tax (NPAT) of \$12.1 million, in line with the previous corresponding period despite multiple headwinds
- 1H FY2021 revenue of \$507 million, down 7% on 1H FY2020
- Despite the challenging headwinds, significant progress still made against the 2022 Growth Strategy in 1H FY2021
- An estimated 2021 (CY21) Riverina crop of more than 450,000 paddy tonnes has been planted, which is more than 10 times larger than the 2020 (CY20) crop and should allow the Australian Rice Pool Business to recover its overheads in FY2022
- In addition to the record fixed price contracts paid to Riverina growers for the CY20 crop, should there be no significant deterioration in market conditions in 2H FY2021, the SunRice Board currently intends to distribute a fully franked dividend at similar levels to the prior year
- The SunRice Group also continued progression of its Sustainability Strategy in 1H FY2021, including implementation of a new Supplier Sustainability Program and the release of its inaugural Modern Slavery Statement
- Investor Conference Call to be held Friday 18 December 2020 at 9.30am (details and link to register below)

SunRice today released its half-year Financial Results for the period ended 31 October 2020 (1H FY2021).

The SunRice Group generated revenue of \$507 million for 1H FY2021, down 7% on 1H FY2020, and NPAT of \$12.1 million, in line with the previous corresponding period.

The Group demonstrated resilience and dynamism to deliver these strong 1H FY2021 results in the face of multiple headwinds, including:

- Escalating impacts of low Australian rice production, with the second consecutive year of record-low crops
- Instability in key global markets, including negative impacts from foreign exchange movements, difficult economic conditions in key Pacific markets, and impact of a negative step change in commodity prices due to international trade conditions
- Ongoing effects of the global COVID-19 pandemic, including significant impacts on economies of key markets.

The 1H FY2021 results were driven by a range of factors:

- Improved performance in the International Rice segment, despite challenging global conditions, with revenue of \$271 million, up 15% on 1H FY2020, and Net Profit Before Tax (NPBT) of \$7.9 million, up \$13.6 million on the previous corresponding period
- This improved performance in the International Rice Segment reinforces the resilience of our 2022 Growth Strategy as we increased our supply capability and sources to meet global demand
- Loss of \$3.1 million in the Rice Pool business, driven by the escalating low Australian production, with consecutive record low crops. This also affected the Rice Food and CopRice segments, with lack of inputs
- Strong consumer demand for the Group's products in the retail sector and contracted demand in food service channels in a number of markets

- Revenue of \$64 million for Riviana Foods, in line with the previous corresponding period, with NPBT up 4% on 1H FY2020
- Revenue of \$53 million for CopRice, down 21% on 1H FY2020, and a loss of \$5 million, due to a number of factors, including a negative step-change in commodity prices due to international trade conditions, and the shortage of Australian rice by-products
- NPBT of \$9.2 million for Corporate, down 41% on 1H FY2020, primarily driven by reduced asset finance charges from the Rice Pool, in part as average levels of inventory are significantly down on the prior period, driven by the ongoing low production and due to the ongoing fall in market interest rates
- In light of the multiple challenges of 2020, the Group's enhanced focus on management of costs, which drove reductions in most expense categories.

Continued impacts of COVID-19

COVID-19 continued to significantly impact the economies of key global markets for SunRice during 1H FY2021. This included in the Pacific Islands where tourism is a major contributor and was brought to a sudden halt, and in the Middle East, where a number of governments imposed restrictions.

Margins were impacted, with government intervention in some markets restricting the Group's ability to pass onto customers the full impact of rising input costs in part due to falling currencies. Consumer demand for the Group's products in most other retail markets remained strong given the higher proportion of meals being consumed at home, however the corresponding contraction of the food service sector partly offset this benefit.

The increased consumer demand for the Group's products experienced in the final quarter of FY2020 contributed to an accelerated exhaustion of available inventory for the Australian Rice Pool Business.

Progress against strategy

Despite the difficult conditions, the Group retained a sharp focus on executing SunRice's 2022 Growth Strategy, capitalising on opportunities to acquire and further integrate value-accretive businesses, make ongoing capital investment in facilities and maintain a strong innovation pipeline which saw the launch of products into new categories.

Highlights included:

- CopRice's acquisition of the dairy and beef business of Victorian-based producer of livestock products, Riverbank Stockfeeds, for \$5 million. This has enabled the expansion of CopRice's footprint, and is expected to support ongoing diversification of earnings in the future
- Riviana Foods' acquisition of branded food importer, KJ&Co Brands, for \$50 million¹ after the close of 1H FY2021 on 8 December 2020, which is a transformative acquisition for Riviana that is expected to deliver ongoing benefits and be earnings per share accretive
- Continuation of a \$4.5 million capital upgrade of Leeton microwave rice facilities to reduce operating costs and improve product innovation and quality, due for completion in 2H FY2021
- Increased product innovation and export opportunities including the launch of Brown Rice Chips in China and New Zealand following the successful establishment of chip production in Australia, and the launch of SunRice's new infant-based product range in Australia and China
- Further integration of the Roza's Gourmet business into Riviana Foods', which yielded benefits.

Return to favourable conditions in the Riverina and outlook

These achievements positively position the company for the future, as does the recent return to more favourable conditions for rice production in the Riverina, which will see an estimated CY21 crop of more than 450,000 paddy tonnes harvested in April 2021, more than 10 times larger than the CY20 crop of approximately 45,000 paddy tonnes. The estimated paddy price range of \$390-\$450 per tonne for Medium Grain Reiziq announced in September 2020 remains in place at this stage.

¹ Subject to completion adjustments

This increased Australian rice production should boost the segments that rely on Rice Pool products (in particular CopRice and Rice Food), and make investments such as the \$10 million Bran Stabilisation Plant start yielding a return through increased throughput and improved asset utilisation. Cross charges between the Corporate segment and the Rice Pool Business, in particular asset financing charges, should also rebalance, delivering incremental benefits to B Class Shareholders.

These impacts will largely not be felt until FY2022. In this context, 2H FY2021 will be focused on preserving returns to shareholders and balance sheet strength to position the Group favourably for the future. 2H FY2021 continues to be impacted by COVID-19, the small volumes of remaining Australian rice and difficult conditions in key global markets. SunRice continues to monitor factors in key markets, including economic and political instability, and foreign exchange movements, which have the potential to impact consolidated revenue and NPAT. In addition to the record fixed price contracts paid to Riverina growers for the CY20 crop, should there be no significant deterioration in market conditions in 2H FY2021, the SunRice Board currently intends to distribute a fully franked dividend at similar levels to the prior year.

Commenting on the 1H FY2021 financial results, SunRice CEO, Mr Rob Gordon, said:

“Despite multiple challenges – including the second consecutive year of record low Australian production, global headwinds and other impacts of COVID-19 – we have delivered a strong set of financial results in 1H FY2021,” Mr Gordon said.

“Our strong balance sheet has allowed the Group to not only manage these challenges with great success, but also continue implementing our 2022 Growth Strategy – which as we start recovering from the bottom of the Australian agricultural cycle positions the company favourably for the future.

“While 2H FY2021 remains challenging, we are expecting FY2022 results to improve, in part as the larger CY21 Riverina crop is harvested and the Australian Rice Pool business recovers, and we realise the benefits of the investment in strategic and organic growth initiatives.

“We also maintained a keen focus in the first half of FY2021 on the execution of our Sustainability Strategy, with key highlights being the finalisation of our inaugural Modern Slavery Statement and implementation of a new Supplier Sustainability Program.

“In the face of the unprecedented challenges of 2020 for businesses, communities and industries in our markets around the world, SunRice has been firmly focused on managing these circumstances and creating long-term value for our shareholders and stakeholders.

“I’m incredibly proud of the resilience and dynamism our people have demonstrated in 2020 to achieve these results, in the face of so many challenges across our business.”

Investor Conference Call

The Company will hold a conference call at **9.30am AEDT Sydney time (8.30am AEST) on Friday 18 December 2020** to discuss the 1H FY2021 results. Please note that investors are now required to register for the call ([by clicking here](#)). Once registered, you will be provided with the dial in number, the **Passcode**, and your unique access **PIN**. This information will also be emailed to you as a calendar invite. To join the conference, simply dial the number in the calendar invite and enter the passcode followed by your PIN, and you will join the conference instantly.

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About SunRice's structure

The structure of Ricegrowers Limited (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/>.