HY2021 Financial Results

Resilience & Focus on Growth

17 December 2020

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

In a year marked by unprecedented challenges for both communities and industries around the world, SunRice remained focused on creating value for our stakeholders in the first half of Financial Year 2021 (1H FY2021) – **key highlights for the business include:**

Consolidated Group Revenue

$507 million **(7%)** **(on previous corresponding period – 1H FY2020)**

Net Profit after Tax (NPAT)

$12.1 million **On par** **(on previous corresponding period – 1H FY2020)**

As in prior years, the results for 1H FY2021 are not expected to reflect the proportional full year results of the Group as they are influenced by seasonal factors.

Results Commentary

- The Group demonstrated resilience and dynamism to deliver a strong 1H FY2021 result against the backdrop of multiple headwinds, including the escalating impacts of low Australian rice production, instability in key global markets and the ongoing impacts of COVID-19
- Despite the challenging conditions, the Group maintained a sharp focus on executing its 2022 Growth Strategy during 1H FY2021, 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 new products
- The Australian Rice Pool Business was significantly affected during 1H FY2021 by the escalating impacts of drought, restricted water allocations and high water prices on paddy supply. Rice Pool Business was unable to absorb all of the overheads in the business in 1H FY2021 which impacted the overall profitability of the Group
- The CY20* Riverina crop of only 45,000 paddy tonnes was the second consecutive small crop and the second smallest Australian crop on record. This resulted in an extremely small volume of rice being available to process during 1H FY2021
- The ongoing shortage of Australian crop increasingly impacted the CopRice and Rice Food segments in 1H FY2021 whose results in part rely on inputs and by-products from the Rice Pool Business
- To offset the low availability of Australian rice, the Group was required to further expand its international sourcing capabilities during the period to successfully meet both domestic and global demand; resulting performance of the International Rice segment more than offset the deteriorating results experienced by the Rice Pool and Corporate segments combined
- COVID-19 continued to significantly impact the economies of key global markets for SunRice during 1H FY2021, including in the Pacific Islands where tourism is a significant contributor and was brought to a sudden halt, as well as in the Middle East where a number of governments imposed restrictions

***Crop, or C20** in this presentation, 'crop year 2020' and 'CY20' refer to rice crop harvested in 2020, but processed and marketed in FY2021.

Continued progress against 2022 Growth Strategy

- Despite challenging operating conditions, the Group retained a sharp focus on executing SunRice's 2022 Growth Strategy, leveraging a strong balance sheet to invest for the future at a time when many businesses were focused solely on survival – developments of note include:
  - CopRice's acquisition of the dairy and beef business of Victorian-based producer of livestock products Riverbank Stockfeeds in August for $5 million, including a feed mill at Leongatha and dairy business across Gippsland and south west Victoria
  - Riviana Foods' acquisition of branded food importer, KJ&Co Brands, for $50 million (subject to completion adjustments) on 8 December 2020. While the acquisition fell just outside of the reporting period, it is a transforming acquisition of a new scale for the Riviana Foods segment, which is expected to deliver ongoing benefits and be earnings per share accretive in the first full year of ownership.

Other highlights for the period included:

- The continuation of a $4.5 million upgrade of Leeton microwave rice facilities to reduce operating costs and improve product innovation and quality, which is due for completion in 2H FY2021
- The continuation of the upgrade of the FeedRite site (total investment of $6 million) which was acquired by CopRice in FY2020 and will commence operations in 2H FY2021
- Increased product innovation and export opportunities following the successful establishment of Brown Rice Chip production in Australia
- Further integration of Roza's Gourmet into the Riviana Foods' business, which yielded benefits, as well as additional ranging of Riviana's products in New Zealand.
- The launch of SunRice's new infant rice-based product range in Australia and China, although entry into the daigou sales channel has been hampered by COVID-19

Sustainability highlights for the period included:

- The implementation of a new Supplier Sustainability Program with a focus on labour standards in the supply chain as a part of SunRice's commitment to United Nations Sustainable Development Goals
- Development of SunRice's inaugural Modern Slavery Statement in response to the requirements of the Australian Modern Slavery Act 2018 (Cth), which was released publicly on 10 December 2020

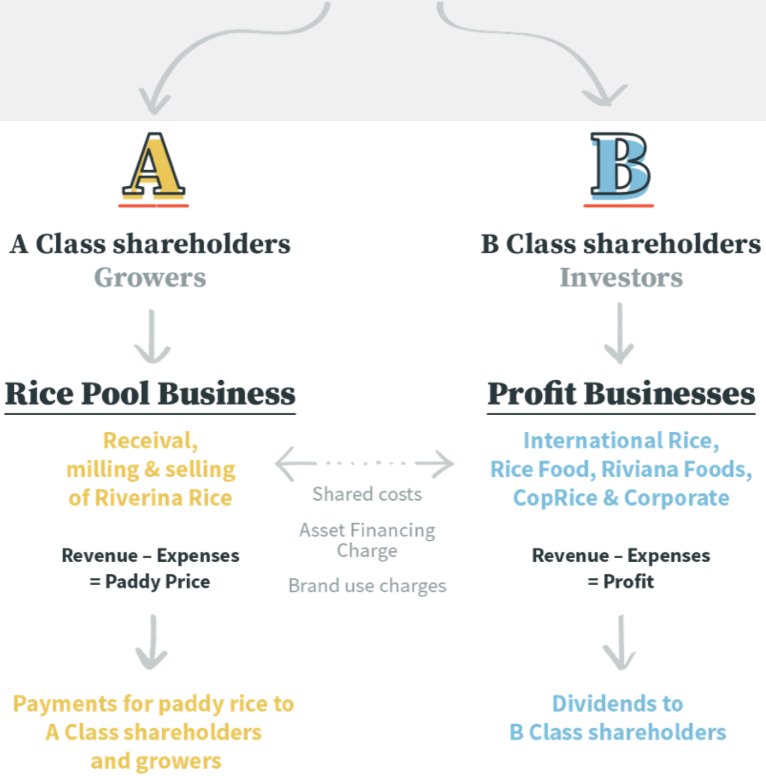
Unique and complementary corporate structure

Our objective is to optimise returns for both classes of shareholders through the complementary Rice Pool and Profit Businesses, which have mutually beneficial links and purposes

In line with our evolution as a company, SunRice's structure protects the interests of our investors, who have the right to receive Dividends; and our Active Growers, who have control of the company.

This separation is achieved through the division of SunRice into two broad business groups – the proceeds of SunRice's **Profit Businesses** benefit our B Class shareholders, and the proceeds of the **Rice Pool Business** are paid out to A Class shareholders and growers following the sale of their rice.

While separate, the two business groups complement each other, strengthening the alignment between our investors and growers.



SunRice Group Segment Performance

- Resilience of Group strategy on display with International Rice sourcing capabilities flexed in response to the small Australian crop, enabling demand for SunRice's products to be met in all key markets, including those previously supplied by Australian rice
- Lack of inputs from Rice Pool Business as result of the smaller Australian crop impacted performance of CopRice and Rice Food businesses and overall asset utilisation for the Group during the period
- Corporate segment performance impacted by significantly reduced Asset Financing Charges (AFC) due to lower inventory, plus low interest rates; reduced AFC did however provide some relief to Rice Pool Busines
- Improved underlying performance of Riviana Foods' driven by strong brand performance and greater realised efficiencies in the business; KJ&Co acquisition will further support segment growth in 2H FY2021
- Group anticipates CopRice should reach low point of drought cycle in FY2021, with return to more favourable conditions and expected larger CY21 Australian rice crop providing relief to segment in FY2022
- Combination of lower harvested volume and higher fixed price contracts meant the Rice Pool was unable to absorb all of the overheads in the business and recorded a loss, impacting overall Group profitability

	Businesses	HY21 Revenue ($M)	On HY20**%	HY21 NPBT ($M)	On HY20** %
A Class	Rice Pool	68.4	↓	(3.1)	↓
B Class	International Rice	271.4	↑	7.9	↑
	Rice Food	48.0	↓	0.2	↓
	Riviana	64.5	---	3.9	↑
	CopRice	53.1	↓	(5.0)	↓
	Corporate	---	---	9.2	↓

** 'On HY20': Half Year comparison between half year ended 31 October 2019 and half year ended 31 October 2020

Rice Pool Business

Rice Pool

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

HY2021 Revenue ($M)	On HY2020 %*
68.4	↓

HY2021 NPBT ($M)	On HY2020 %*
(3.1)	↓

* 'On HY20': Half Year comparison between half year ended 31 October 2019, and half year ended 31 October 2020

**Crop, or C20 in this presentation, 'crop year 2020' and 'CY20' refer to rice crop harvested in 2020, but processed and marketed in FY2021.

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

Business Overview

- Deals with the receival, milling, marketing and selling of Riverina Rice; record fixed price contracts offered in FY2021 to incentivise a minimum level of production and maintain baseline operations ($750 per paddy tonne for Reiqiz***, and up to $1500 per paddy tonne for organic varieties)

Commentary

- Unlike 1H FY2020 when 300,000 paddy tonnes were carried over from FY2019 into FY2020 which supported sales, Riverina operations and contributed to the absorption of manufacturing overheads, in 1H FY2021 there was no comparable carry over available due to recent small crops (CY20 45,000 tonnes & CY19 54,000 tonnes); despite this, the Group managed to contain costs and drive efficiency in the segment; reduced AFC also provided some relief to Rice Pool Business
- Combination of lower harvested volume and higher fixed price contracts meant the Rice Pool was unable to absorb all of the overheads in the business and recorded a loss
- The limited rice available contributed to a significant downturn in revenue and aggravated the loss incurred in 1H FY2021; Impact to the Rice Pool was further exacerbated by increased consumer demand at the back of FY2020 linked to the global COVID-19 pandemic, which exhausted existing inventory quicker than initially anticipated; costs associated with COVID-19 were however not as high as initially expected at 30 April 2020, which helped contain the loss
- With limited levels of inventory left at 31 October 2020 and with the CY21 crop not available until April 2021, the loss in the Rice Pool business is expected to increase in the second half of the year and to exceed the loss incurred in FY2020 on a full-year basis, but not exceed the loss reported in FY2017

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

#1 rice brand in Australia & New Zealand grocery

#1 rice brand in Australian food service channels

Profit Businesses

International Rice

A growing global supply chain, delivering quality and sustainability.

HY2021 Revenue ($M) | On HY2020 %**

271.4

HY2021 NPBT ($M)

7.9

** 'On HY20': Half Year comparison between half year ended 31 October 2019, and half year ended 31 October 2020

Business Overview

- Primarily purchases, processes and markets rice to supply international branded markets, tender markets or other processors

Commentary

- In the Traded Rice business, Ricegrowers Singapore was required to further flex its international sourcing capabilities in response to the small Australian crop, enabling demand for SunRice's products to be met in key existing markets, including those previously supplied by Australian rice (~90% of product demand supplied by International)
- New opportunities to assist with food security initiatives in Singapore in the context of COVID-19, successful participation in Japanese tenders and the transfer of Riviana Foods' rice business to the International Rice segment also assisted year-on-year trading volumes and delivered improved performance
- The Group's United States' subsidiary SunFoods also contributed to the supply of markets that typically purchase Australian rice in 1H FY2021
- However, both sales and margins in key Pacific markets were impacted by difficult economic conditions, unfavourable foreign exchange rate movements (particularly PNG Kina against USD) and aggressive competition; PNG political instability and COVID-19's significant impact on global economies, including the Middle East and tourism-reliant Pacific Islands, also affected overall performance

#1 rice brand in PNG and the Solomon Islands

#1 Japonica rice brand in the Middle East

#1 rice brand across 10 Pacific Island markets

Profit Businesses

Rice Food

Innovation in healthy snacking and food ingredients aligned to global food trends.

HY2021 Revenue ($M) | **On HY2020 %****

48.0

HY2021 NPBT ($M) | **On HY2020 %****

0.2

** 'On HY20': Half Year comparison between half year ended 31 October 2019, and half year ended 31 October 2020

Business Overview

- Manufacturing, marketing and distribution of value-added rice-based products

Commentary

- The Rice Food segment expanded its offering in 1H FY2021, including the launch of SunRice's rice-based infant foods range
- Sales volumes in number of this segment's categories were down on the prior period in part due to the lack of inputs available from the Rice Pool Business as a result of the smaller Australian crop; COVID-19 and the resulting lengthy Victorian lockdown also contracted food-service demand
- Missed sales opportunities in the early part of the year were also experienced as production constraints limited the ability to meet the surge in consumer demand for food products
- Segment profitability impacted by increase in manufacturing overhead allocations resulting from the contraction of the Rice Pool Business; further impacts experienced due to rising input costs (CY20 paddy price of $750 per tonne), unfavourable foreign exchange movements on imported products, absorption of one-off launch costs with the Infant Rice Cereal range and Australian-made Brown Rice Chips, and access to China hampered by the contraction in daigou channel due to COVID-19
- Despite challenges, the Group continues to work on strategies to improve efficiencies and further support continued innovation in the segment

#1 microwave rice brand in Australia

#1 rice cakes brand in Australia and New Zealand

Profit Businesses

Riviana

Expanding our strong, cash-generative diverse portfolio.

HY2021 Revenue ($M)	On HY2020 %**
64.5	----

HY2021 NPBT ($M)	On HY2020 %**
3.9	↑

** 'On HY20': Half Year comparison between half year ended 31 October 2019, and half year ended 31 October 2020

Business Overview

- Specialty gourmet food distributor of both imported and locally manufactured goods to retail customers and food service channels

Commentary

- Adjusting for the transfer of Riviana Foods' rice business to the International Rice segment in 1H FY2021, Riviana Foods' revenue from external customers increased by $3.9 million, and Net Profit Before Tax by $1.4 million compared to the prior period
- Transformative acquisition of KJ&Co Brands in December 2020 will continue to support the growth of Riviana Foods going forward and is expected to be earnings per share accretive in the first full year of ownership
- Improved underlying performance reflects strong brand performance across both retail and in Roza's Gourmet, in part as COVID-19 restrictions continued to drive higher demand for in-home entertainment products; recently achieved operational efficiencies and synergies in this segment also contributed to strong performance, along with additional ranging of products in New Zealand
- Retail performance more than offset challenges of a significantly contracted Food Service sector due to COVID-19 restrictions and negative foreign exchange impacts in the early part of the year

#1 olives brand in Australia

#1 pickled vegetables brand in Australia

KJ&Co Brands

Extends Riviana's reach into 'Special Occasions'

Increases scale and momentum in retail

Leverages Riviana's model to release synergies

Toscano

- Launched in 2008, Toscano has built a strong market position based on it's "Heart of Europe" with consumers rating the brands highly against attributes of: Taste, Quality, Special, Authentic and Premium*
- Core segments are Specialty Bakery, Pizza Bases and Chilled Desserts:

Hart & Soul

- Launched in 2012 as a "disrupter" tackling mutli-national offerings in the Soup category using authentic Asian recipes and a positioning of "Convenient Wellfood" , the brand has built strong consumer credentials with #1 ranking in 5 of the key category attributes, most importantly Good Quality and Great Taste*

Bare Bakers

- Launched in 2018 Bare Bakers is leaning into the "Free From" and Home Baking trends with a focus on taste and clean ingredients

* Ruby Cha Cha Brand Equity Check, Jan 2020

Profit Businesses

CopRice

Expanding our strong, cash-generative diverse portfolio.

HY2021 Revenue ($M)	On HY2020 %**
53.1	↓

HY2021 NPBT ($M)	
(5.0)	↓

** 'On HY20': Half Year comparison between half year ended 31 October 2019, and half year ended 31 October 2020

Business Overview

- Manufacture, distribution and sales of stockfeed and companion animal products

Commentary

- CopRice faced multiple headwinds during the period including falling commodity prices exacerbated by an unexpected step change in international trade conditions, and shortage of Australian rice by-products which are used in CopRice's manufacturing process
- In addition, on top of drought-related reduction in herd sizes, recent improvement in weather conditions provided farmers with an abundance of natural pasture to feed remaining stock, further reducing demand for feed products in 1H FY2021
- Return to more favourable conditions and the expected larger CY21 Australian rice crop should provide relief to CopRice in FY2022 and beyond, with CopRice hitting low point of drought cycle in FY2021
- Despite challenges, CopRice continued to pursue growth initiatives in 1H FY2021, acquiring, upgrading and expanding well priced assets during the low point in the drought cycle, which are expected to yield benefits as key markets recover
- Strategic investments continue to be made in mergers and acquisitions, notably Riverbank Stockfeeds during period, as well as in capital expenditure and new product development that will be accretive in coming periods; Riverbank expected to provide incremental benefits to CopRice in the second half of FY2021

2019 Australian Independent Rural Retailers National Supplier of the Year

A leading supplier of third party pet food products to grocery and pet specialty stores

Profit Businesses

Corporate

strong portfolio of physical and intangible assets

HY2021 NPBT ($M)	On HY2020 %**
9.2	↓

** 'On HY20': Half Year comparison between half year ended 31 October 2019, and half year ended 31 October 2020

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

- Reduced profitability of Corporate segment driven by significantly lower levels of Asset Financing Charges received from the Rice Pool Business with the reduction of inventory in the current period and a drop in the cost of capital driven by the low interest rate environment; reduced AFC provided some relief to Rice Pool Business
- Lower levels of Brand Charges received from the other segments of the Group following the drop in the underlying revenue of branded products across the period also reduced profitability
- Final factors impacting profitability were increased consulting costs to support and improve IT systems and security across the Group
- These factors were partly offset by costs associated with the COVID-19 pandemic not being as high as initially expected at 30 April 2020, as market confidence progressively returned during the period

Continued progress with Sustainability Initiatives

Sustainability has always been a priority for SunRice. It's at the core of everything we do.

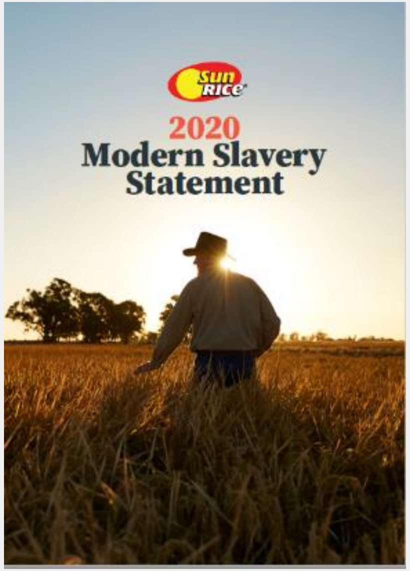
We sustain places. We sustain lives. We make a difference everyday.

- In addition to implementing a new Supplier Sustainability Program with a focus on labour standards in the supply chain, another achievement during the period was development of our inaugural **Modern Slavery Statement** which reflects the work undertaken across SunRice to date to better understand the risks of modern slavery and human rights abuses in our operations and supply chains
- As signatory to the UN Global Compact Australia since 2017, SunRice is committed to implementing the United Nations Guiding Principles on Business and Human Rights (UNGPs)

WE SUPPORT UN GLOBAL COMPACT

8 DECENT WORK AND ECONOMIC GROWTH

- Our approach is designed to be embedded within our operations and is backed by a commitment to track and report on our progress in line with global standards
- Reliable, sustainable operations and supply chains are essential to the success of SunRice and our communities, and directly support our 2022 Growth Strategy



Committed to delivering results in our key focus areas

With a continued focus on tracking and reporting our non-financial results against global reporting standards, our focus this year is delivering results in:

- ***Wasting Nothing*** through our commitment to progress toward the TCFD and continued focus on sustainable packaging

- ***Thriving Communities*** through ongoing support during the hard times and our commitment to respect Human Rights

Making a Difference to Our Environment

Making a Difference to Our Communities

Making a Difference with Nourishing Products

Agricultural Research | **Wasting Nothing** | **Sourcing Globally** | **Thriving Communities** | **Respecting People** | **Employee Experiences** | **Nourishing Products**

- Combined reporting with sustainability performance data available at year end in accordance with GRI Standards
- During the period SunRice continued its work toward implementing the recommendations of the TCFD and plans to further outline risks and opportunities associated with our business and a changing climate over the coming months

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

GRI

- With a commitment to continually improve the sustainability of our packaging we are proud that 99% of our SunRice and Coprice packaging is recyclable in Australia (kerbside and via RedCycle). We continue to invest and explore alternative packaging options and partner with industry to address systemic challenges
- During the challenges faced by our communities this year, we have continued to partner with Foodbank Australia to ensure our relief and support has maximum impact. During 1H FY2021 SunRice and Riviana Foods donated over 71k total equivalent individual meals via Foodbank equalling a social return on investment (SROI) of over $900k
- In our other markets our commitment to supporting thriving communities has continued. In the Solomon Islands we leveraged our distribution network to share key COVID-19 related health information via our rice packaging

Outlook for FY2021 and beyond

The CY21 crop, which has now been planted and is due for harvest in April 2021, is anticipated to mark the end of a difficult cycle for the Group and set the path for a progressive recovery.

- The CY21 crop is expected to exceed 450,000 paddy tonnes – more than 10 times the volume of the CY20 crop of 45,000 paddy tonnes
- Increased volume means the Australian Rice Pool Business should again be in a position to absorb its respective share of the overhead costs for FY2022
- Return to more favourable seasonal conditions will also further boost the segments of the Profit Businesses that rely in part on Rice Pool Business products (in particular, CopRice and Rice Food)
- 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
- However, these impacts will largely not be felt until FY2022, and 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
- Incremental gains from the recent FeedRite, Riverbank, and KJ&Co Brands acquisitions are also expected to be made in 2H FY2021 as these assets and businesses are integrated into the Group
- Improving conditions should not however overshadow the Group continuing to face a number of challenges including COVID-19 affected economies, the small volumes of remaining Riverina rice, and difficult conditions in key global markets
- While some relief is anticipated due to new initiatives in market, the local economic outlook for these markets, including political instability, may impact profitability in 2H FY2021
- SunRice continues to monitor these and other factors that have the potential to impact revenue and Net Profit Before Tax, including foreign exchange movements
- 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


Thank you
Sun
RICE