



ASX ANNOUNCEMENT

24 June 2021

SunRice Group FY2021 Full Year Financial Results: Resilient performance despite challenges including continued drought and pandemic

- SunRice has released its FY2021 Full Year Financial Results, with Group revenue of \$1.03 billion, EBITDA of \$49.1 million and NPAT of \$18.3 million, down 9%, 25% and 19% respectively on FY2020
- Fully-franked dividend of 33 cents per B Class Share declared, with FY2021 NPAT delivered despite challenging conditions, including the COVID-19 pandemic and second consecutive year of critically low Riverina rice production
- Investment of \$66 million made in strategic value-accretive acquisitions, the highest in recent history, which are expected to realise further benefits in FY2022
- With improved Riverina production and delivery of other strategic and organic growth initiatives, company's earnings are expected to recover in FY2022
- Delivery of ESG initiatives in FY2021, including identification of six priorities where SunRice can make a difference, development of sustainability targets against those priorities and release of inaugural Modern Slavery Statement
- Investor Conference Call to be held at 9.30am AEST on Friday 25 June (details below)
- 2021 AGM to be held at 10.30am AEST on Wednesday 25 August (details below)

SunRice today released its Financial Results for the year ended 30 April 2021 (FY2021) with Group CEO, Mr Rob Gordon, commenting:

"In such a challenging year, when we responded to the COVID-19 pandemic and the second consecutive year of near-record low rice production in the Riverina, the SunRice team has delivered a resilient set of results of which we can be proud."

"With only 5% of our rice requirements available from the Riverina, we knew the year would be challenging and planned accordingly."

"We sourced rice products from 12 countries to meet demand in approximately 50 markets, and paid record rice prices at farm gate in the Riverina to maintain baseline production, retain core skills and replenish seed stocks for a larger crop in 2021."

"This coordinated effort led to a creditable Net Profit After Tax (NPAT) of \$18.3 million, which allowed us to pay a fully franked dividend in line with the prior year while maintaining the strength of our balance sheet."

"We also kept our eye firmly on the horizon, successfully progressing strategic initiatives and completing a number of important acquisitions, which are expected to realise additional benefits in FY2022."

The FY2021 Financial Results were driven by a range of factors:

- Continued impacts of COVID-19, including disruptions to the international shipping industry; and increasingly deteriorating conditions in key Pacific markets
- Critically low rice production in the Riverina, which resulted in the Rice Pool being unable to absorb all its overheads, leading to a pre-tax loss of \$22.1 million in that segment
- Further expansion of the Group's international sourcing capabilities to meet global demand given only 5% of total supply was available from the Riverina

- Resulting performance of the International Rice segment more than offsetting deteriorating results of the Rice Pool and Corporate segments
- Ongoing shortage, and significantly increased cost, of the Australian crop due to record fixed price contracts offered in CY20 of \$750-\$1,500, which reduced performance of the CopRice and Rice Food segments, whose results in part rely on inputs and by-products from the Rice Pool business
- Improved seasonal conditions in eastern Australia, which led to high pasture availability, in turn reducing demand for supplementary feed products across multiple CopRice product categories
- Unexpected negative step change in commodity prices due to international trade conditions, which further reduced CopRice performance
- Adverse foreign exchange fluctuations
- Improved performance driven by a range of factors in the Riviana Foods segment.

Return to favourable conditions in the Riverina, Growth Strategy and outlook

Following improved conditions for rice production in the Riverina, the 2021 crop is anticipated to be ~420,000 paddy tonnes, up from the 2020 crop of approximately 45,000 paddy tonnes, which was the second smallest on record. While below historical average crop size, the increased volume means the Australian Rice Pool Business should again be in a position to absorb its share of overhead costs for FY2022. The crop is currently being processed in SunRice's Riverina facilities and will allow the Australian Rice Pool Business to re-enter premium export markets, which were serviced from SunRice's international supply chain. The return to more favourable seasonal conditions will also contribute to the Profit Businesses that in part rely on Rice Pool Business products (in particular CopRice and Rice Food).

Strategic acquisitions made in the CopRice and Riviana Foods segments in FY2021 are anticipated to realise additional benefits in FY2022, and other investments are anticipated to yield higher returns with better asset utilisation and increased throughput as a result of the increased Riverina production. As a consequence of the above and other strategic and organic growth initiatives progressed in FY2021, the Group is anticipating improvement in earnings in FY2022, but note that these results will be dependent on a number of factors, including COVID-19 recoveries in key markets. Any such anticipated return in performance is however likely to occur gradually across the year, with the first quarter expected to be relatively slow. This is primarily due to significant levels of inventory being in place (including stock held by distributors) in some of SunRice's key markets as FY2021 closed, driven largely by COVID-19 related disruptions to international shipping. This inventory will need to be utilised before rice from the larger CY21 Australian crop (and other origins) can support additional sales.

A range of extraneous factors in the form of drought and COVID-19 have slowed progress in the execution of the Group's Growth Strategy, due to end in 2022. The Board confirmed the fundamentals of the company's plan and the opportunities identified remain as relevant today to consumer trends and opportunities. Accordingly, the Board agreed to extend the timeframe for delivery of the Growth Strategy from 2022 to 2024.

Commenting further on the FY2021 Financial Results, Mr Gordon said:

"There is no escaping the significant impact the two years of extremely low production in the Riverina has had on our business.

"We have executed a deliberate strategy to build our international sourcing capability which, in combination with increased contribution from our US subsidiary, SunFoods, allowed the company to offset the substantial loss in the Rice Pool as we ran out of rice to process towards the end of the financial year.

"In what was an extraordinary year, we kept a clear focus on financial performance and maintaining the strength of our balance sheet in the face of multiple challenges, while investing for the future with \$66 million in acquisitions – the highest in recent history.

“This strategy enabled SunRice to continue servicing our key international markets that generally purchase Australian rice, notwithstanding that only 5% of our total sales of more than 1 million paddy tonnes was available from Australia.

“We will continue to maintain and build our capability in multi-origin, multi-price international rice sourcing, with this improved capability making our business stronger for future growth with the recovery of Australian rice production.

“We made strategic acquisitions, including KJ&Co Brands, a transformative acquisition for Riviana Foods, and two important purchases for CopRice – a dairy nutrition business in New Zealand, marking operational expansion into its first overseas market; and the dairy and beef business of Riverbank Stockfeeds in Gippsland in Victoria.

“These initiatives, along with the investment in a \$10 million bran stabilisation plant in Leeton and other recent capital investment in the CopRice segment, are expected to progressively realise benefits in FY2022.

“Given the strength of the Group’s balance sheet, we are continuing to explore further acquisition opportunities that have the potential to meet our strategic and financial investment criteria.

“With the return of Australian rice to key markets, and the benefits of strategic initiatives and acquisitions within the period, I am confident we will see an improvement in operating performance and earnings in FY2022.

“The scale of recovery will be of course dictated by the ongoing impacts of COVID-19 – in particular, the economies of key markets reliant on tourism remain decimated, disruptions to and increased costs associated with global shipping continue, and our inability to travel is hampering international expansion and the development of new customer relationships.”

SunRice Group Financial Highlights

	FY2021	FY2020	Y-o-Y**
Sales revenue (\$bn)	1.03	1.13	(9%)
Earnings Before Interest, Taxes, Depreciation and Amortisation (\$m)	49.1	65.7	(25%)
Group Net Profit After Tax (\$m)	18.3	22.7	(19%)
Paddy price Medium Grain (\$/tonne)	750	500	50%
Fully Franked Dividend per B Class Share (c)	33.0	33.0	-

** Y-o-Y: Year-on-Year comparison between financial year ended 30 April 2021 (FY2021) and financial year ended 30 April 2020 (FY2020).

2021 Annual Report

SunRice also today released its 2021 Annual Report. The Annual Report is available on the SunRice website: www.sunrice.com.au/annual-reports and will be mailed to those shareholders who elect to receive a hard copy. The 2021 Annual Report includes a detailed overview of segment performance across the Group.

SunRice Annual General Meeting (AGM)

SunRice’s results will be presented at the Ricegrowers Limited AGM, to be held at 10.30am (registration opens at 9.30am) on Wednesday 25 August 2021 at (and webcast from) the Jerilderie Civic Hall, Jerilderie. Further details on the arrangements for the AGM will be sent to shareholders.

Investor conference call

The Company will hold a conference call at **9.30am AEST on Friday 25 June 2021** to discuss the FY2021 results. Please note that investors are now required to register for the call here: <https://s1.c-conf.com/diamondpass/10014433-ncobzr.html>.

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.

An Investor Presentation has been made available on the ASX ahead of the call, and also goes into further detail regarding segment performance.

Authorised by Rob Gordon, CEO, SunRice Group

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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 the 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 the 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/>.