



HY20 FINANCIAL RESULTS RESILIENCE OF BUSINESS MODEL ON DISPLAY



19 DECEMBER 2019

SunRice (ASX:SGL/SGLLV)

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About SunRice's structure

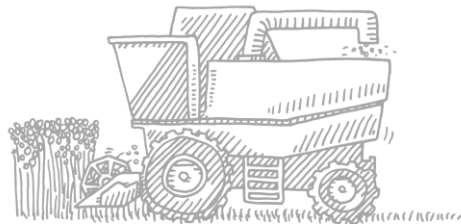
The structure of SunRice contains non-standard elements including its dual class share structure comprising A Class Shares and B Class Shares.

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



SunRice continues to deliver through the cycle, flexing its international rice sourcing capability and integrated supply chains to meet growing demand from customers around the world.

SunRice expects full-year FY2020 revenue to be materially in line with FY2019, however with the risk of further deterioration of trading conditions in PNG and after absorbing reconfiguration costs, 2H FY2020 NPAT is expected to be lower than 1H FY2020 NPAT.

Consolidated revenue	\$543 million	↓ 6.8% (on previous corresponding period - HY19)
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Net Profit after Tax (NPAT)	\$12.5 million	↓ 10.2% (on previous corresponding period - HY19)
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Earnings per share	25.3 cents (per B Class share)	↑ 8.6% (on previous corresponding period - HY19)
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Net tangible assets	\$7.50 (per B Class share)	↑ 2.9% (on previous corresponding period - HY19)
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RESULTS COMMENTARY AND HIGHLIGHTS



- ▶ Considering the ongoing drought conditions in the rice-growing region of Australia, this result has demonstrated the resilience and versatility of the Group's international business model.
- ▶ Volume carried over from the C18 crop in the Rice Pool business supported a strong milling program through 1H FY2020, enabling a contained loss in the Australian Rice Pool of \$2.8m, however, the loss in the Rice Pool is expected to increase throughout 2H FY2020 as volume of crop is exhausted and there is greater under recovery of the asset base.
- ▶ CopRice and Riviana Foods are expected to contribute more strongly to Group NPAT throughout 2H FY2020 demonstrating the value of SunRice's diversified earnings strategy.
- ▶ International Rice performance driven by our Asian trading business, run from Singapore, utilising SunRice's international supply sourcing model, however this was offset by economic conditions and aggressive competitor pricing in PNG; new supply sources activated across Asia during 1H FY2020, and another in South America to follow in 2H FY2020.
- ▶ SunRice will commence an on-market share buyback of B Class shares within the '10/12 limit'. The buyback is being undertaken as part of SunRice's commitment to efficiently manage its capital while maintaining balance sheet flexibility to pursue future growth and investment opportunities.



CONTINUED IMPLEMENTATION OF 2022 GROWTH STRATEGY



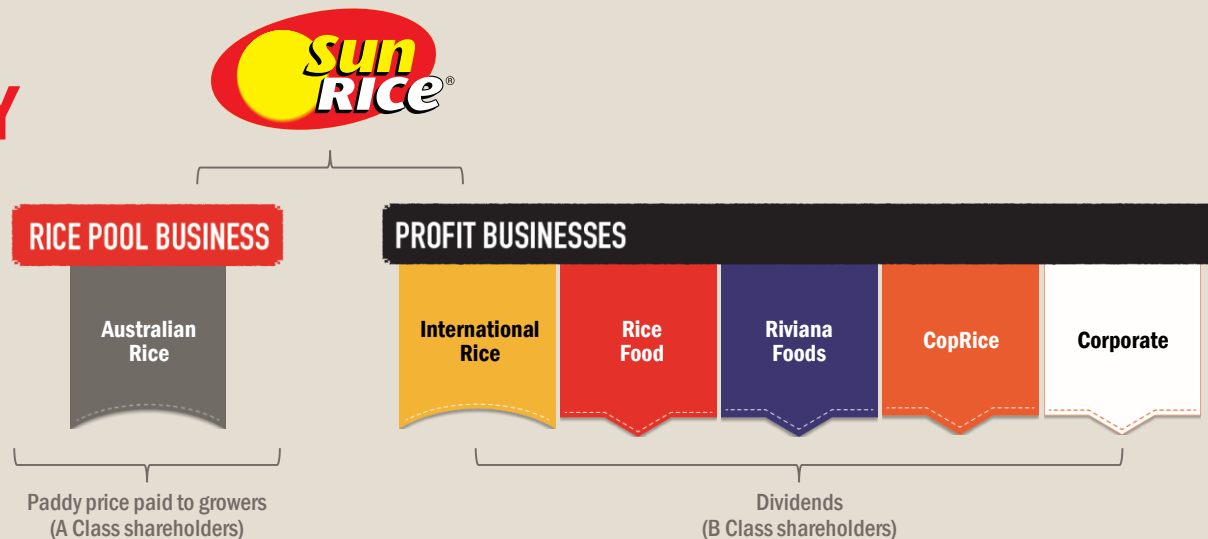
SunRice Group continued to deliver against its 2022 Growth Strategy during 1H FY2020, maintaining an active capital expenditure program and pursuing new merger and acquisition opportunities to further diversify and increase earnings.

Activity during the period included:

- ▶ Range of capital investments including approval of upgrades to SunRice's Rice Food facility in Leeton plus other initiatives underway to improve performance in the future.
- ▶ Completion of new \$11 million stabilised bran plant in Leeton.
- ▶ Repurposing of former Coleambally rice mill to a CopRice feed mill.
- ▶ Commissioning of Lap Vo Mill in southern Vietnam to fulfil growing global demand; installation of world class milling technology and leveraging of Australian expertise ensures product meets high quality specifications, with throughput expected to continue growing during 2H FY2020.
- ▶ Completion of FeedRite acquisition under CopRice and commencement of capital investment process to upgrade the feed facility ahead of commissioning during 1H FY2021.



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 feed

SUNRICE GROUP SEGMENT PERFORMANCE



- ▶ Resilience of SunRice Group's model on display in face of challenging conditions
- ▶ International Rice's Singapore business delivered significant contribution to the Group, but was offset by economic conditions and aggressive competitor pricing in PNG
- ▶ CopRice impacted by continuing drought conditions with lower volumes and higher input costs
- ▶ In Rice Food a range of initiatives and capital investments are being implemented to improve performance into the future

	Businesses	HY20 Revenue (\$M)	On HY19** %	HY20 NPBT (\$M)	On HY19** %
A Class	Rice Pool*	146	(32%)	(2.8)	---
B Class	International Rice	235	13%	(5.7)	(6%)
	Rice Food	50	(5%)	2.0	(46%)
	Riviana	65	9%	3.7	5%
	CopRice	68	(13%)	0.9	(85%)
	Corporate	---	---	15.6	2%

** 'On HY19': Half Year comparison between half year ended
31 October 2018 and half year ended 31 October 2019

* Before intersegment eliminations



PROFIT BUSINESSES OVERVIEW

INTERNATIONAL RICE STRONG SUPPLY CAPABILITIES

HY20 Revenue (\$M)

235

On HY19 %**

13%

HY20 NPBT (\$M)

(5.7)

On HY19 %**

(6%)

** 'On HY19': Half Year comparison between half year ended 31 October 2018, and half year ended 31 October 2019



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 domestically
- ▶ Segment includes locally branded businesses: Trukai (PNG), SolRice (Solomon Islands) and SunFoods (US)
- ▶ Sourcing capabilities in Asia and the US, expanding to South America in 2H FY2020

Commentary

- ▶ Successful commissioning of Lap Vo Mill in southern Vietnam with throughput expected to continue growing during 2H FY2020.
- ▶ Singapore business increased procurement activities for the coming year, which will deliver significant contribution to the Group.
- ▶ Trukai Industries Limited, defending its market position from deteriorating economic conditions and aggressive pricing strategies from competitors, recorded a 1H FY2020 loss.



PROFIT BUSINESSES OVERVIEW

RICE FOOD DIVERSIFIED FMCG OFFERING

HY20 Revenue (\$M)

On HY19 %**

50 **(5%)**

HY20 NPBT (\$M)

On HY19 %**

2.0 **(46%)**

** 'On HY19': Half Year comparison between half year ended 31 October 2018, and half year ended 31 October 2019

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

- ▶ A range of initiatives and capital investments are being implemented to improve performance.
- ▶ Declining Australian dollar negatively impacted the cost of globally imported products, and in other categories, SunRice continues to experience aggressive pricing of competitor products.
- ▶ Cost saving initiatives, along with capital investments, are expected to realise benefits across the healthy snacking and convenience portfolios into the future.



PROFIT BUSINESSES OVERVIEW

RIVIANA

GROWTH THROUGH NEW CATEGORIES AND CHANNELS

HY20 Revenue (\$M)

On HY19 %**

65

9%

HY20 NPBT (\$M)

On HY19 %**

3.7

5%

** 'On HY19': Half Year comparison between half year ended 31 October 2018, and half year ended 31 October 2019

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

- ▶ FY2019 acquisition of Roza's Gourmet has been fully integrated, with further benefits to be delivered; Fehlbergs Fine Foods has continued to provide strong growth since acquisition in 2016.
- ▶ Performance of both these businesses, as well as organic growth within the Always Fresh brand, has offset adverse impacts driven by the low Australian dollar on globally imported products.
- ▶ Further merger and acquisition opportunities, aligned with SunRice's 2022 Growth Strategy, continue to be explored to expand the portfolio and diversify Group earnings.



PROFIT BUSINESSES OVERVIEW

COPRICE QUALITY ANIMAL FEED SOLUTIONS

HY20 Revenue (\$M)

On HY19 %**

68 **(13%)**

HY20 NPBT (\$M)

On HY19 %**

0.9 **(85%)**

** 'On HY19': Half Year comparison between half year ended
31 October 2018, and half year ended 31 October 2019



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

- ▶ Falling grain prices, combined with lower availability of rice hulls and other rice by-products due to low C19 crop, have driven margin pressure in 1H FY2020.
- ▶ Ongoing drought conditions impacted the business during the period, particularly in dairy, where reduced livestock numbers have limited the demand for supplementary feed.
- ▶ Sheep and beef categories continue to perform above historical trading, and both packaged dog and equine feed businesses have experienced margin growth during the period.
- ▶ Ongoing capital investment activity is expected to deliver incremental profit during 2H FY2020.
- ▶ Further M&A opportunities being pursued as key part of 2022 Growth Strategy.



PROFIT BUSINESSES OVERVIEW

CORPORATE STRONG PORTFOLIO OF PHYSICAL AND INTANGIBLE ASSETS

HY20 NPBT (\$M)

15.6

On HY19 %**

2%

** 'On HY19': Half Year comparison between half year ended 31 October 2018, and half year ended 31 October 2019

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)
- ▶ Earns brand charge income from global business, providing consistent annuity style income year on year
- ▶ Holds rice receival and storage facilities across the Riverina as well as rice milling and packing facilities across Australia
- ▶ Holds ~30 SunRice brands

Commentary

- ▶ Positive earnings driven by continued strength of Brand Charge in line with global sales, lower interest charges as a result of lower average borrowings within the Group, and non-repeat of costs incurred as part of the ASX listing in the prior year.
- ▶ This was offset by non-repeat of an investment property revaluation taken in the previous corresponding period.



(A CLASS SHAREHOLDERS)

RICE POOL CONTINUED STRENGTH IN MARKETING AUSTRALIAN RICE

HY20 Revenue (\$M)

On HY19 % **

146* (32%)

HY20 NPBT (\$M)

(2.8)

** 'On HY19': Half Year comparison between half year ended
31 October 2018, and half year ended 31 October 2019



Business Overview

- ▶ Deals with the receival, 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

- ▶ Rice Pool's focus on prioritizing the supply of Australian rice into premium markets has been highlighted during the period, underlining the value of the SunRice Group's strong brands and product portfolio.
- ▶ The milling program through 1H FY2020 enabled a contained loss in the Australian Rice Pool of \$2.8m, however, the loss in the Rice Pool is expected to increase throughout 2H FY2020 as volume of crop is exhausted and there is under recovery of the asset base.



OUTLOOK FOR 2H FY2020 AND BEYOND



- ▶ The SunRice Group continues to deliver its 2022 Growth Strategy and is focused on further expansion and diversification of its earnings.
- ▶ Australian drought conditions are expected to continue impacting the SunRice Group through FY2021, as the C20 crop is anticipated to be smaller than the C19 crop. However, this volume of rice is expected to maintain a milling program at the Deniliquin and Leeton mills through until at least early 2021, enabling key skills to be retained and the Rice Pool business to flex back up when seasonal conditions improve.
- ▶ The Group will continue to actively manage risks posed by the reduced Australian crop with a strategic focus on global sourcing from existing and new supply chains to ensure the SunRice Group has profitable options to service growing demand internationally.
- ▶ In Rice Food and other businesses, SunRice's innovation pipeline remains strong and 2H FY2020 will see the launch of several initiatives, the benefits of which will likely be seen in FY2021.
- ▶ Capital investments are being made strategically to ensure there are high-quality and efficiently produced products to compete effectively in key markets and increase earnings.
- ▶ New market entry and expansion across multiple geographies will continue to be a key area of opportunity and focus for the SunRice Group in 2H FY2020.
- ▶ SunRice expects full-year FY2020 revenue to be materially in line with FY2019, however with the risk of further deterioration of trading conditions in PNG and after absorbing reconfiguration costs, 2H FY2020 NPAT is expected to be lower than 1H FY2020 NPAT
- ▶ Given this outlook, the SunRice Group currently intends to maintain a fully franked dividend at similar levels to prior years.
- ▶ SunRice will commence an on-market share buyback of B Class shares within the '10/12 limit'.





THANK YOU

