



ASX ANNOUNCEMENT

16 December 2021

SunRice Group FY2022 Half Year Financial Results: Strong earnings recovery despite global supply chain challenges

- Strong improvement in earnings, with EBITDA of \$36.9 million and NPAT of \$16.7 million, up 32% and 38% respectively on the prior corresponding period, underpinned by 11% growth in revenue
- The return of rice in the Riverina, a progressive turnaround in the performance of key Pacific markets and the accretive contribution of recent acquisition KJ&Co Brands were the key contributors to this rebound in financial performance
- Group anticipates that in 2H FY2022 there should be an acceleration in the recovery commenced in 1H FY2022, however there are ongoing global supply chain challenges
- With improved Group performance coupled with a favourable outlook, SunRice today declared an interim dividend of 10 cents per B Class Share
- Estimated range for 2021 (CY21) pool currently being processed and marketed has been updated to \$405 to \$435 per tonne for medium grain Reiziq
- Based on plantings, next Riverina rice crop (to be harvested from March 2022) is expected to be in excess of 600,000 paddy tonnes
- SunRice made further progress on executing its Sustainability Strategy in 1H FY2022, including climate scenario planning as part of commitment to adoption of Taskforce on Climate-related Financial Disclosures recommendations
- Investor Conference Call to be held at 9.30am AEDT on Friday 17 December (details below)

SunRice today released its Financial Results for the period ended 31 October 2021 (1H FY2022) with Group CEO, Mr Rob Gordon, commenting:

“After successfully navigating one of the most difficult periods in our history, with the dual challenges of COVID-19 and two consecutive years of extremely low Riverina production, I am pleased that we are now seeing a strong recovery in financial performance.”

“Despite the challenges of the past two years, we have continued to make investments in strategic and organic growth initiatives, and a number of these are now realising benefits.”

“We expect our recovery to accelerate throughout the remainder of FY2022, but we continue to face a number of challenges – including unprecedented escalation in freight rates and shipping disruption due to COVID-19, and operational challenges in CopRice which could impact the scale of this recovery.”

The 1H FY2022 Financial Results were driven by a range of factors:

- Recovery of the Australian Rice Pool Business, which is once again able to absorb its share of overhead costs as a consequence of the increased crop of 417,000 paddy tonnes harvested earlier in 2021. The larger rice crop underpinned the return of larger volumes of Australian rice to premium export markets across the Middle East and Asia in 1H FY2022, in contrast with the past two years.
- Continued positive performance of the International Rice segment, reflecting the SunRice Group’s multi-origin strategy and deep understanding of consumer preferences, enabling the Group to offer high-quality products for each of its brands at multiple price points. This

sourcing expertise, coupled with nimble commercial initiatives to adapt to market conditions and cost containment discipline, delivered improved profitability in the Pacific markets.

- Accretive contribution of the recently acquired KJ&Co Brands in the Riviana Foods segment, and organic growth in its Always Fresh, Fehlberg's and Roza's Gourmet brands across most categories via innovation and increased ranging with retailers.
- Upturn in performance in the Rice Food segment, particularly in microwave products where SunRice gained market share, supported by initiatives such as the re-launch of "Our Best Yet" microwave pouch range.
- While improved seasonal conditions in Australia benefited the Group as a whole, these conditions and a range of other factors, including operational challenges, contributed to a slow recovery of the CopRice segment in 1H FY2022.
- Ongoing effects of COVID-19 on the economies of countries dependent on tourism, the decimating effect of prolonged lockdowns on the food service sector in NSW and Victoria, the pervasive disruption to the global shipping industry, inflationary pressure on manufacturing inputs, and labour shortages in certain regions also affected the Group.

Interim dividend

Through the ongoing execution of the 2024 Growth strategy, which has seen the Group deliver through the drought cycle, and the ongoing diversification of its earnings portfolio, SunRice is progressively building a more robust earnings base, less dependent on fluctuations in Australian rice production. This is illustrated by the growth in its complementary Profit Businesses such as Riviana Foods.

In this context and considering the positive turnaround in performance achieved in 1H FY2022 and a favourable outlook for the rest of the year, the Group today declared a fully franked interim dividend of 10 cents per B Class Share.

Our outlook

The Group anticipates that in 2H FY2022 there should be an acceleration in the recovery that commenced in 1H FY2022, in particular as global shipping issues contributed to an overhang of FY2021 inventory in market which slowed that recovery down in 1H FY2022. The Group will continue to look for synergies with its recently acquired businesses, so they can deliver additional benefits and contribute positively to consolidated earnings.

The significant and rapidly escalating disruptions to the global shipping industry caused by the COVID-19 pandemic and other factors in 1H FY2022 are expected to continue in 2H FY2022. Unprecedented escalation in freight rates – more than 1000% in some cases – also put significant pressure on margins for both the Australian Rice Pool business and some of the Group's profit businesses in 1H FY2022. As a result, SunRice now expects to incur at least \$30 million in additional and unplanned freight costs on a full-year basis at Group level in FY2022.

The Group continues to monitor a range of other factors that have the potential to impact the scale of the recovery in full-year revenue and profitability, including strong pasture conditions in eastern Australia and a range of operational challenges which are hampering the pace of CopRice's recovery in the short-term.

Despite global challenges, the Group is pleased that the recovery in the Rice Pool Business is supporting an update to the estimated range for the CY21 pool to \$405 to \$435 per tonne for medium grain Reiziq. This is despite the Australian Rice Pool being expected to absorb at least \$40 per tonne of unplanned freight costs on a full-year basis. With planting now concluded, the next Riverina rice crop (to be harvested from March 2022) is expected to be in excess of the 623,000 paddy tonne crop harvested in 2018. This larger volume of Australian rice will underpin the Australian Rice Pool's exports to premium markets in FY2023, which is expected to support positive returns to our A Class Shareholders and growers.

Based on the return to more favourable conditions, the Group intends to continue to execute its 2024 Growth Strategy, with a focus on new merger and acquisition opportunities, new product initiatives and various capital projects to support greater diversification and resilience.

Investor conference call

The Company will hold a conference call at **9.30am AEST on Friday 17 December 2021** to discuss the 1H FY2022 results. Please note that investors are now required to register for the call by following this link: <https://s1.c-conf.com/diamondpass/10018356-au2j31f.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. A person must not 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/>.