



# CEO's Presentation

**Rob Gordon**

28 August 2020



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<https://investors.sunrice.com.au/investors/>.

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/>.



# Agenda

70 years of innovation

Context for FY2020 results

COVID-19 in focus

FY2020 results

Our strategy in action

Riverina rice production

Outlook for FY2021





# 70 Years of Innovation

1950 - 2020

From the entrepreneurial spirit of a group of Riverina rice growers pooling their money to fund a single rice mill in 1950, to the truly global food group we are today, SunRice's journey spans 70 years of innovation.

## 1880s

Introduction of rice seed into Australian gold fields by Chinese prospectors

## 1920s

The Murrumbidgee Irrigation Area Ricegrowers' Co-operative Society and rice industry infrastructure are established. The Rice Marketing Board for the State of New South Wales (RMB) is later formed in 1928.

## 1950



**The Ricegrowers' Association (RGA) Central Executive forms the Ricegrowers' Co-operative Mills Limited (hereafter, RCM), which would later become RCL and then SunRice.**

## 1950s

Mills are built at Leeton and Coleambally, and the Co-operative launched its own branded retail pack of Sunwhite rice.

## 1970s

Deniliquin Mill is built and remains the largest rice mill in the Southern Hemisphere today.



## 1970

**Trukai Industries Limited is established in Papua New Guinea (PNG) to extend markets for Riverina rice.**



## 1977

**CopRice is acquired to process and sell rice milling by-products.**



## 1980s

Some RMB and RCM functions are amalgamated and RCM is now known as Ricegrowers' Co-operative Limited (RCL). RCL begins a program of diversification towards value added products, including rice cakes, rice bran and horticultural products.

Rice Research Australia Pty Ltd (RRAPL) is established for the purposes of carrying out rice research and development and a Rice Cakes Plant is built at Leeton to manufacture value added rice products.



## 1990s

Solomons Rice Company Limited (SolRice) is acquired to further expand markets for Riverina rice. A second mill opens in Deniliquin for brown rice only, which is later upgraded to a brown and white rice mill.

A new specialty rice variety, Koshihikari, is successfully developed and launched for the Japanese rice market.



## 1993

**Riviana Foods is acquired to diversify RCL's investment portfolio, including non-rice products.**

## 2000s

SunRice becomes the new trading name for RCL and commissions a new Rice Flour Mill at Leeton. The construction of SunRice's Specialty Rice Foods plant for microwave ready products in Leeton begins.



## 2005

**Growers vote to change the co-operative's structure. RCL registers as a company in 2005 and changes its name to Ricegrowers Limited. It later lists on the NSX in 2007.**

## 2010s

Brandon Mill in North Queensland is acquired to supplement supply of Riverina rice. Ricegrowers Singapore Pte Ltd is incorporated to extend markets and global capabilities across Asia. sourcing



## 2012

SunRice hits \$1 billion in turnover in FY2012.

## 2016

Riviana Foods acquires Fehlbergs Fine Foods, with pickled onions representing its core business.



## 2018

**A and B Class shareholders vote to list SunRice on the ASX in 2018, with the company being admitted to the Official List of ASX Limited in 2019.**



Riviana Foods acquires Roza's Gourmet. SunRice acquires a rice processing mill in Dong Thap Province in Vietnam's Mekong Delta.

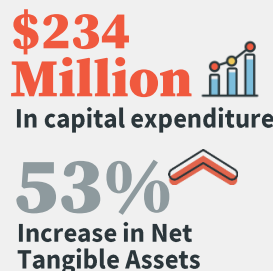
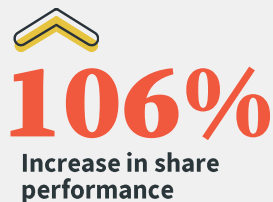
## 2019

CopRice acquires the assets of Australian rice bran manufacturer Feed Rite to expand its pet food capabilities.

## 2020s

**SunRice celebrates 70 years. CopRice converts Coleambally Mill into a ruminant feed mill, the largest of its kind in Australia.**

# Key performance statistics since the Millennium Drought\*



Our share performance has increased by 106%, outperforming the S&P/ASX 200 Consumer Staples Index which had growth of 56%.

We've paid out more than \$2 billion in Riverina paddy payments, and more than \$148 million in fully franked dividends to B Class Shareholders.

The Group's Net Tangible Assets grew 53% between 2012 and 2020, while more than \$234 million in capital expenditure was invested in the same period.

Total shareholder return increased by 210% between 2012 and 2020, which outperformed the ASX 200 Consumer Staples Index which had an increase of 112% in that same period.

And we've improved the strength of our balance sheet, with gearing reduced from 40% to 15%.

\* In its 2019 Information Memorandum, SunRice defines the Millennium Drought period as years of low Australian rice production between Financial Years 2004-06, and Financial Years 2008-11.

\*\* Total shareholder return is calculated based upon share price performance and dividends paid to B Class Shareholders between 2012 and 2020.

# Context for FY2020 results

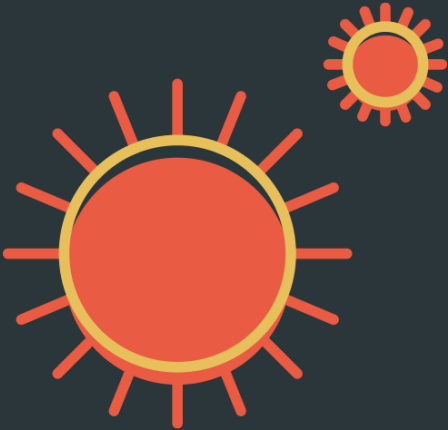
It was clear at the start of Financial Year 2020 that overhead recovery in the Australian Rice segment would be challenged.

SunRice planned accordingly.

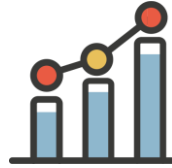
As FY2020 progressed, a number of additional significant challenges were posed.

- Only 5% of global demand sourced from the Riverina due to the small 2019 crop of 54,000 tonnes, at the time the second-smallest on record
- Carried in approximately 300,000 tonnes of crop from 2018 which was lower yielding
- Given the continued poor outlook in the Riverina, decided to process the 2018 volume in FY2020, and set aside the 2019 crop to be milled in FY2021 with the 2020 crop
- Activated our international sourcing capability to bridge the gap between the small Riverina crop and global demand of more than 1 million paddy tonnes
- As FY2020 progressed, it became a truly extraordinary year:
  - PNG, our biggest market, and the rest of the Pacific continued to experience deteriorating economic conditions
  - Bushfires in Australia in 2019-20 summer had a negative impact on our at home entertaining business and the Riviana Foods segment
  - Continued devaluation of foreign exchange
  - Towards the end of FY2020, the global COVID-19 pandemic

# Our approach to COVID-19



Implementing new working arrangements to protect the health and wellbeing of our staff



Maintaining business continuity and production to the highest levels possible



Keeping in close contact with our key stakeholders, including our customers and suppliers.

# Impact of COVID-19

COVID-19 has had a dramatic impact on many Australian businesses, including in our sector.

SunRice has responded with a coordinated effort to manage the impacts.

- Operational staff in Australia and around the world have continued to work to ensure that our products – a critical food staple in high demand in many of our markets – could continue to be produced and delivered to customers
- Office-based employees have continued to launch new products, source rice, manage complex disrupted supply chains and maintain business as usual, despite working from home
- We put in place additional safety measures in our facilities, which meant that each time an employee suspected they may have COVID-19, facilities were shut down and deep cleansed
- Offices were also redesigned for social distancing, with Australian premises registered as being 'COVID-Safe'
- Employees across the global Group have found new ways to stay connected with each other and their customers, suppliers and key stakeholders despite the inability to travel, and the extra burden of restrictions



# Impact of COVID-19

## Continued

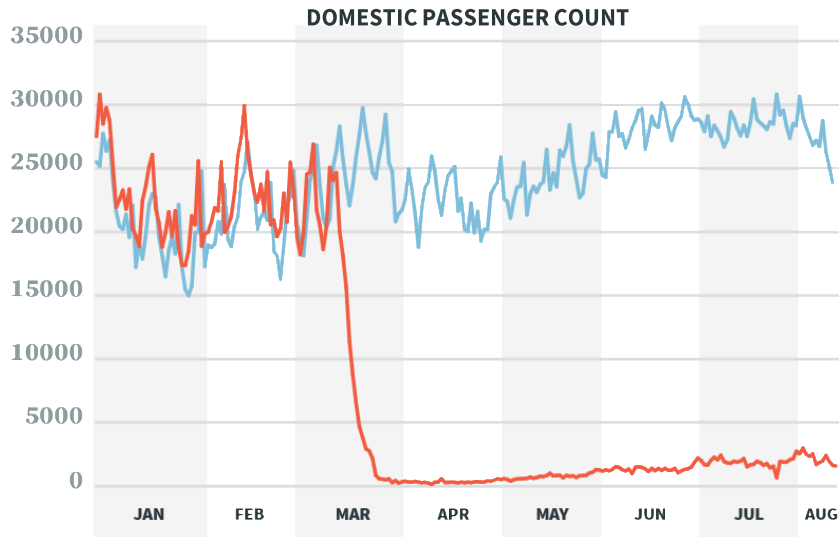
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- We had increased demand for many of our retail products, in some cases more than 200% of forecasts due to changes in consumer shopping patterns. Sudden spike in demand exceeded existing levels of supply
- We ramped up production to respond to this event, however, there was a real change in the channel mix of our business, with customer relationships being challenged at times
- Restrictions in Australia and other markets saw a collapse in demand for food service products, with sales in this channel down by as much as 60%
- States of emergency were declared in the Solomon Islands and PNG, and marshal law imposed in Jordan
- Price freezes imposed by some Governments due to food security and affordability concerns, preventing us from recovering the negative impact of foreign exchange fluctuations
- Complex supply chain disruptions, including access to some ports being interrupted and shipments being put on 'go slow' between particular destinations
- Export restrictions on rice imposed in Cambodia and Vietnam, highlighting our key role in providing food security for Pacific Island nations

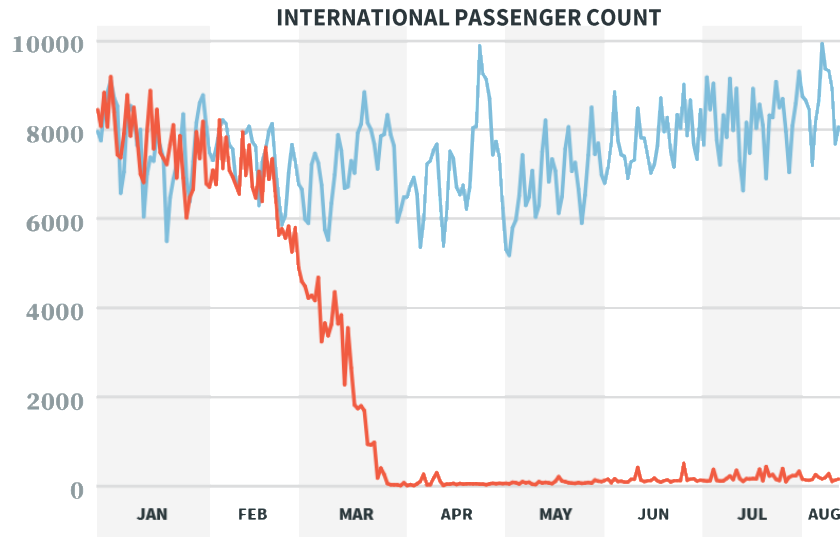
# COVID-19 & Hawaii's Economy

**Domestic Passenger Count Comparison**  
- 2019 vs. 2020 As of August 13



Source: State of Hawaii Department of Business, Economic Development & Tourism

**International Passenger Count Comparison**  
- 2019 vs. 2020 As of August 13



Excludes flights from Canada

# Results Snapshot



SunRice's FY2020 Financial Results demonstrate the Group's continued focus on earnings diversification and resilience, as well as the agility developed in our people, supply chains and operations – **key highlights for the business include:**

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

**Crop, C or C19** in this report, 'the year', 'this year', 'crop year 2019' and 'CY19' all refer to FY2020. The '2020 harvest', 'crop year 2020' and 'CY20' all refer to the rice crop harvested in 2020, which will be processed and marketed in the Financial Year ending 30 April 2021 (FY2021).

Combined Group Revenue

**\$1.13bn**

**(5%)** year-on-year

Net Profit after Tax (NPAT)

**\$23m**

**(30%)** year-on-year

Fully franked dividend

**33c** per B Class share

**No Change**

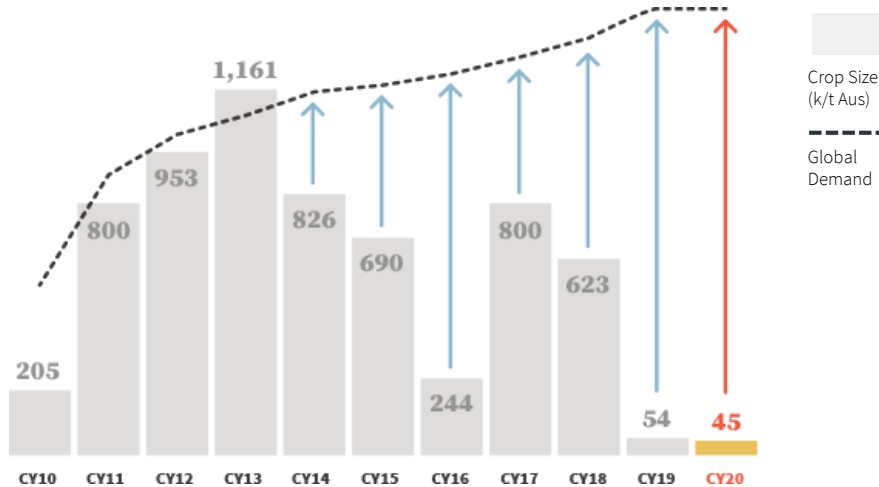
C19 paddy price

**\$500** per tonne – fixed contract (Reiziq)

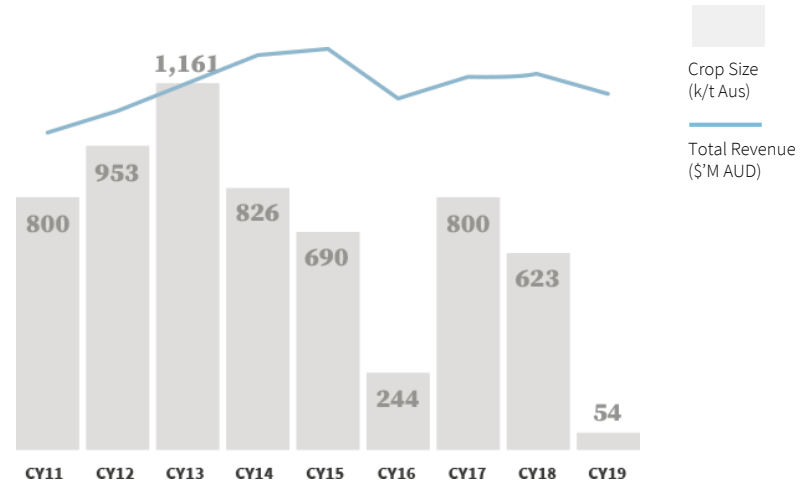
**\$1,350** per tonne – prices up to (Organic varieties)

# Australian rice production versus global demand, and SunRice revenue

Riverina supply vs. global demand for SunRice products (paddy tonne equivalent)



Australian rice production versus SunRice revenue





# SunRice Group Segment Performance

**A**

**A Class**

**B**

**B Class**

- **International Rice** had an increase in revenue year-on-year of 10%, but Net Profit Before Tax (NPBT) of -\$1.4 million due in large part to the challenging conditions in Pacific markets and foreign exchange pressures. The International Rice segment absorbed the bulk of group overheads as its proportion of revenue increased, with the Rice Pool revenue declining 32% due to low Australian production.
- **Rice Food** revenue and NPBT were static year-on-year, despite also absorbing increased Rice Pool overheads, and negative foreign exchange impacts.
- **Riviana Foods** increased revenue 8% year-on-year, but NPBT declined 8%, with revenue still increasing despite foreign exchange and impacts from the Australian bushfires and COVID-19, which weighed on profitability.
- **CopRice** revenue and NPBT declined, with ongoing drought conditions weighing on profitability due to higher input costs for raw materials and reduction of herds in northern Victoria.
- **Rice Pool** revenue declined 32% year-on-year, with NPBT of -\$4.1 million, due in large part to the absorption of \$4.5 million in redundancy costs associated with the small CY19 Riverina crop.
- **Corporate** NPBT was \$18.3 million, down 28% year-on-year, primarily driven by non-recurring costs of \$4.5 million associated with the increased level of risk due to COVID-19.

Businesses	FY2020 Revenue (\$M)	Y-o-Y* %	FY2020 NPBT (\$M)	Y-o-Y* %
Rice Pool	223.2	(32%)	(4.1)	-
International Rice	531.4	10%	(1.4)	-
Rice Food	99.6	Same	4.6	Same
Riviana	136.6	8%	8.1	(8%)
CopRice	139.9	(10%)	3.6	(58%)
Corporate	-	-	18.3	(28%)

\*Y-o-Y: Year-on-Year comparison between financial year ending 30 April 2019 (FY2019) and financial year ending 30 April 2020 (FY2020)

# Supply source countries of origin

For Financial Year 2021 we are sourcing rice from 12 countries and are forecast to supply more than 1 million paddy tonnes of rice to our customers around the world.

Financial Year 2021

# 1 million+ paddy tonnes

## Source countries



Australia



Cambodia



China



Vietnam



Myanmar



India



Pakistan



Taiwan



Thailand



Uruguay



USA



Italy

# Supply chain changes

With the small Riverina crops, we have had to totally reinvent our supply chains.

- In response to the small Riverina crops of the past two seasons, we have totally reinvented our supply chains
- This has meant teams mobilising more than 60 changes of source for products sold into markets across the Australasian, Pacific, Middle East and Asian regions during FY2020
- In practical terms, this involved:
  - Finding a grain that was suitable for the end market, including testing to ensure it matched our stringent quality and sensory specifications
  - Identifying partners in each of our markets with packing capability in the right format
  - Adjustments to our marketing programs
  - Securing enough margin from these markets to recover two sets of overheads – the under-recovery of our underutilised assets in the Riverina, and then the additional overhead in the particular market from the new supply chain.
- Our teams not only managed this successfully, but they maintained an active pipeline of new product development and other initiatives to drive growth in coming years

# Our 2022 Growth Strategy

## Our objectives are to

Improve the price we pay our growers  
Increase returns for our shareholders by...



### Increasing

profits and  
reducing  
earnings  
volatility



### Adapting

our product range  
to take advantage  
of changing food  
trends



### Securing

a sustainable  
and reliable  
global supply  
chain



## How we're doing this

- 1 Cementing a global supply chain in response to increased demand in branded products, ensuring quality and sustainability.**
- 2 Repositioning Australia as the supply source of choice for premium branded rice markets.**
- 3 Using our capabilities to meet evolving global food trends, especially in healthy eating and snacking, in particular through:**
  - **Diversifying into new markets to offer** high-quality and convenient packaged rice of trusted provenance.
  - **Playing a pioneering role** in addressing the obesity and diabetes epidemics with our unique Low GI rice.
  - **Leveraging our unique position** to take advantage of the global fascination with sushi.
  - **Being recognised as a leader in healthy snacking** through a range of innovative snacks.
  - **Operating a strong food ingredients business** with diversified, high-value rice derivatives servicing global food companies.
  - **Assurance of quality and sustainability** with traceability, no matter where we grow our rice.
- 4 Being recognised for our high performance, delivered by a positive, inclusive and accountable culture.**
- 5 Maintaining and growing a strong, cash-generative and diverse portfolio, including CopRice and Riviana.**



## Our Challenges

- **Medium grain rice profitability affected** by increased foreign competition.
- **Volatility of Australian supply.**
- **Alternative crops are competing** for limited water and land.
- **Market diversification and access.**
- **Foreign exchange volatility.**
- **Economic conditions.**
- **Increasing global competition.**



## What success looks like

- **Strong financials**  
Double our revenue by 2022\* and maintain double digit returns on capital employed.
- **Premium branded player**  
Leverage our reputation for quality and innovation in premium varieties, healthy eating and snacking.
- **Asian presence**  
Expand sales in high-growth Asian consumer markets.
- **Diversified earnings**  
Expand our CopRice and Riviana Foods segments through strategic growth opportunities.
- **Food ingredients expansion**  
Build our tailored food ingredients offering to service industrial customers.
- **Resilient global supply chain**  
Secure a multi-varietal and resilient global supply chain with Australian growers at its centre.

\* As previously advised, we anticipate this revenue target will take longer to achieve (see Outlook section of 2020 Annual Report).



# Our 2022 Growth Strategy in action



Continued improvement and scaling of our Lap Vo Mill in Vietnam



Completion of construction of the new \$10 million bran stabilisation plant in Leeton



Launch of Low GI Instant Rice cups in China



Extension of our healthier rice-based snacks range to Rice Puffs and Rice Cracker Chips, as well as expanding our geographic footprint in snacks to the Middle East and Asia



Commencement of a \$4.5 million upgrade to Leeton's microwave rice facilities



Activation of new supply sources, including across South America



Establishing production of Brown Rice Chips in Australia



Repurposing the Coleambally Mill into Australia's largest ruminant nutrition plant for less than \$3 million

# Organic growth

Our innovation pipeline remains strong across the Group, with the launch of several initiatives in Financial Year 2021 aligned with our 2022 Growth Strategy.



- Planned launch of new infant rice-based product range in Australia and China (pictured below left)
- Continued growth of our expanding rice snack portfolio through broader distribution channels internationally
- Development of a new market entry strategy for the Philippines and launching our brands in Europe
- Maintaining SunRice as a leading supplier of rice flour to food manufacturers focused on meeting demand for ‘free-from’ foods
- Increased product innovation and export opportunities following the establishment of Brown Rice Chip production in Australia
- The upgrade of our Leeton microwave rice facilities to reduce operating costs and improve product innovation and quality, which is due for completion in FY 2021
- Building CopRice’s industry-leading animal nutrition business, with initiatives spanning dairy, sheep, beef, equine and companion animals
- In Riviana Foods, we are pursuing growth of the Always Fresh, Fehlbergs and Roza’s Gourmet brands through continual new retail offerings

# Strategic growth

We are continuing to leverage our strong balance sheet to pursue and integrate value-accretive merger and acquisition opportunities across the Group.



- We are continuing to invest in upgrades to the FeedRite plant that CopRice acquired in Wangaratta – while this has been a cost to date, the plant is expected to come online later this year and deliver benefits
- And we just this month announced the signing of a purchase agreement to acquire the beef and dairy business of Riverbank Stockfeeds, which will further expand CopRice's footprint into Victoria, and particularly the key Gippsland dairy market
- Looking ahead – there are a number of other acquisitions that we are currently exploring across the Group which if executed are expected to diversify and increase earnings and are aligned to our 2022 Growth Strategy



# Riverina rice

Demonstrated resilience through the last two years of drought, but if the season continues to improve we should see the performance of the Australian Riverina rice come back.

The Group is at its strongest when there is increased production in the Riverina.

- 91% reduction in production in the Riverina between 2018 and 2019, from 623,000 paddy tonnes to 54,000 paddy tonnes
- The 2020 crop dropped further – at 45,000 paddy tonnes is the new second-smallest on record
- SunRice offered record prices of \$750 to \$1500 per tonne dependent on varieties ahead of planting for the 2020 crop – the small volume reflected the lack of water availability and very high water prices which made rice growing difficult for most growers
- Drought impacts exacerbated by water reform – and the Group has intensified its advocacy efforts with State and Federal Governments
- Conditions and the outlook are improving ahead of the planting window in October 2020
- Looking ahead to the 2021 season, the Group was pleased recently to be able to offer fixed price contracting that was taken up very quickly, and then to earlier this week open a pool
- Increased production in the Riverina enables us to efficiently operate our milling, storage and other assets, and have supply of high-quality Australian rice, which we can sell as value-added branded products in our most premium markets



# Outlook for FY2021

With such a small volume available to be milled in FY2021, Riverina overheads will be severely under recovered.

Continuing to monitor a range of factors that have the potential to impact Group revenue and margins in the short-term.

- The small Riverina crops harvested in 2019 and 2020, which are currently being processed, are expected to lead to a significant under-recovery of the Australian Rice Pool segment in FY2021
- It is anticipated that this will lead to a Paddy Price Supplement being required in FY2021 which would be similar in size to that applied in FY2017
- We will be reliant on our international sourcing and our subsidiaries on meeting global demand, overhead recovery and profit delivery for the business
- The combined paddy from the last two seasons, which we are currently processing, is expected to maintain a base milling program at the Deniliquin and Leeton mills until early next calendar year
- As water availability and markets develop between now and the October 2020 planting window, we're hopeful that the size of the 2021 Riverina rice crop will mean that we more than recover the overheads of the pool in FY2022

# Outlook for FY2021

## Continued

With such a small volume available to be milled in FY2021, Riverina overheads will be severely under recovered.

Continuing to monitor a range of factors that have the potential to impact Group revenue and margins in the short-term.

- Away from the Riverina, monitoring factors that have the potential to impact revenue and margins in the short-term, including:
  - International rice prices
  - Fluctuating Australian dollar affecting input costs in a number of segments
  - Deteriorating economic conditions in key Pacific markets
  - Aggressive pricing strategies from competitors
  - Global uncertainty due to the COVID-19 pandemic
  - ‘Out of home’ dining channels remaining subdued, impacting Riviana’s food service business
- With the ongoing volatility due to COVID-19, we will consider if we are able to provide reliable guidance to the market at the Half Year in December 2020
- Strategic growth opportunities and international sourcing efforts have largely been able to compensate for the loss of the Australian crop the last two years
- If the Australian crop returns, we are well placed to accelerate growth, and the recovery of the Riverina would be an important part of our long-term success



—*years*—  
1950 - 2020