



2. GROUP CEO'S ADDRESS – ROB GORDON, GROUP CEO

Thank you Laurie and good morning to everyone who has joined us today.

When we held our AGM virtually last year for the first time ever due to the impact of the COVID-19 pandemic, I did not believe that in 12 months' time we would be here again.

And yet here we are, with even worse restrictions than we had last year.

The COVID-19 pandemic continues to impact our lives not only here in Australia, but in all of the markets where we operate, and has presented a range of challenges for your company which I will outline today.

Of course, SunRice was not only impacted by COVID-19 in Financial Year 2021, but also the second consecutive year of drought, low water availability and high water prices in the Riverina, which led to our second-smallest crop on record.

Throughout the management of these dual crises our focus has been on a number of important priorities:

1. Firstly, keeping our people safe and our operations running so that we can continue to supply our essential food products to our customers and consumers around the world;
2. Managing the increased volatility and risk associated with COVID-19;
3. Leveraging our strong balance sheet to continue pursuing our growth strategy, albeit with that pursuit slowed in some cases or having to come up with new ways of delivering our goals;
4. Continuing to build our international rice supply capability, and utilising that capability to meet growing demand for our global rice products of in excess of 1 million paddy tonnes while keeping markets open for our Australian rice products given the low production in the Riverina;
5. Closely managing costs while maintaining key skills, particularly in our Australian Rice Pool Business, while positioning that segment for a recovery in production.

I will use this address today to address the key factors underpinning performance in Financial Year 2021, including:

- Exploring in more detail some of the impacts of COVID-19 on the business;
- Providing an update on delivery of our Growth Strategy, including key developments in the execution of our sustainability strategy;

- Highlighting the recovery in Riverina rice production, and our plans for the Australian Rice Pool Business; and
- Commenting on our outlook for Financial Year 2022 and beyond.

FY2021 results

Our focus over the past year allowed us to continue creating value for both classes of shareholders, and has positioned your company for improved performance in Financial Year 2022 and strong growth into the future.

Despite the challenges of the last Financial Year, we still launched new products, maintained core skills in the Riverina and executed an ambitious acquisition agenda.

This effort led to a credible Net Profit After Tax, 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 paid record high rice prices in the Riverina of between \$750 and \$1500 per tonne.

These results demonstrate true resilience, delivered in a year when in contrast many other companies were forced to reduce their headcount, cancel dividends or fall into loss-making territory.

This slide shows some of the key numbers:

- Topline revenue was 1.03 billion, down 9 per cent on the prior corresponding period;
- Net Profit After Tax of \$18.3 million was delivered, down 19 per cent, with EBITDA of \$49.1 million, down 25 per cent;
- A fully franked dividend of 33 cents per share was declared, the sixth consecutive year at this level, equivalent to a 5 per cent dividend yield; and
- \$66 million was invested in strategic acquisitions, the highest in recent history.

Segment performance

This slide briefly shows the results of each of our segments. If Shareholders would like more detail on individual segment performance – this presentation, and our more detailed Financial Year 2021 Results Presentation, are both available on the ASX and our website.

International sourcing capability

We have spent the past 10 years executing a deliberate strategy to build out our international rice supply chain capability to prepare for the exact scenario we faced during the past two years of near-record low production in Australia.

This included:

- Establishing our successful Ricegrowers Singapore trading business;
- Stepping out into Vietnam with the acquisition of our mill in 2018;
- Increasing capability in our SunFoods facility in California; and
- Entering into significant supply arrangements from countries including China and India.

In fact, as this slide shows, we sourced rice from 12 countries in the last financial year.

This strategy was effective, allowing us to continue to meet growing global demand for our rice products despite only 5% of total supply being available from Australia.

This capability enabled us to maintain supply to key markets, so that we could return them to Australian rice when supply improved.

And, pleasingly, we have now started processing the 2021 Australian rice crop of 417,000 paddy tonnes into branded products for sale into our most premium markets.

While we are now returning Australian rice to our key markets, we won't just switch off our international supply capability. In fact, we are continuing to build it out further.

The variety of high-quality origins of rice across our international supply network now provides an opportunity to not only maintain positions in premium markets for Australian rice, but to meet demand in the future for bulk and branded products targeted at different price points for different markets.

We will continue to maintain our capability in multi-origin, multi-price international rice sourcing as this improved capability makes our business model stronger.

COVID-19 disruption

COVID-19 continued to present a myriad of challenges for the business, many of which are still present as we work through Financial Year 2022.

These included:

- Incredible disruption to global shipping lines, in a year when as discussed we were leveraging our significant international sourcing capability to move rice products from 12 different source countries and complex supply chains to meet demand in approximately 50 markets;
- Unprecedented challenges for our people, with differing regulatory requirements, restrictions on movement, and other complexities across the countries where we have operations around the world;
- Continuing limits on travel, which made it difficult for our teams to maintain relationships and build new partnerships face to face, although they have done an admirable job of this through virtual means;
- Economies and sales channels in key markets, particularly those reliant on tourism, being decimated by the impacts of COVID-19;
- And of course the personal challenges faced by our employees; many of whom have spent months in lockdowns; or have continued working in our facilities to manufacture essential products; or have found new ways of working and communicating from afar while juggling home schooling and countless other challenges.

I appreciate that the ongoing impacts of the pandemic have been immensely challenging for our people, and I appreciate all of their ongoing efforts.

Pacific tourism

I have presented this data on a number of occasions but I think it is still an incredibly powerful illustration of the impact on our Pacific markets of a lack of tourism.

I am using Hawaii as the reference point given it has good data, and indeed as this shows there has been a stunning drop-off in international arrivals to that market, which is the largest for our SunFoods business in California.

While pleasingly in recent months visitation numbers have started to recover in Hawaii, very recently the trend has slumped again, and the rest of the Pacific has yet to recover. The economies of some of our key Pacific markets which rely on tourism therefore remain severely impacted.

Shipping slide

I mentioned the impact on shipping lines earlier, but I wanted to delve a little deeper as this is a significant impact on our business.

We are in the midst of what I believe are unprecedented sector-wide impacts to global shipping lines, with COVID-related demand increases and supply constraints. These impacts include:

- Significant upward pressure on prices, with spot freight rates increasing by circa 500% year-on-year;
- Productivity of key ports impacted by COVID and associated labour issues, and congestion at ports resulting in major delays and slow recoveries; and
- Global shortage of shipping containers – especially for the specific 20-foot food-grade containers we require to move rice products.

This slide is particularly telling – showing the incredible surge in spot freight rates. While this is for 40-foot containers, it is indicative of the similar upward pressure on rates for all containers worldwide. The 20-foot food-grade containers used by SunRice are in even more scarce supply.

As you can see, since August 2019 rates have increased from around \$1500 US Dollars per 40-foot container to over \$9000 US Dollars last month. If we were to ship rice at these rates, it would mean a more than \$200 US Dollars per tonne cost just for the shipping.

These are not past-tense impacts. Just six days ago the *Sydney Morning Herald* reported a terminal at one of China's main container ports, and the world's third-largest cargo port, was shut down after a worker tested positive and remains closed, causing congestion across China's other ports and impacting flow of goods across the Pacific.

We have been harnessing our strong relationships with global shipping lines, and developing a number of mitigation strategies to minimise these impacts on the business, and on our financial performance.

Growth Strategy

Despite managing the dual challenges of COVID-19 and drought in the last year, we did not take our eye off executing our Growth Strategy, leveraging the strength of our balance sheet to deliver a number of strategic projects, investments and acquisitions.

While delivery of the strategy has been slowed due to the low Australian production and more recently COVID-19, the Board confirmed that the core fundamentals remain appropriate, and has extended the timeframe for delivery from 2022 to 2024.

Corporate Management Team

Given that we once again have a decent Australian crop to be marketed this year, and the outlook for next year is extremely positive, there is a need to make up lost ground implementing our rice strategy.

As a consequence we have increased resourcing and I am delighted to welcome Bel Tumbers, who has joined the Corporate Management Team as Chief Executive Officer of a new business unit, Global Rice.

All facets of our rice business globally will be reporting into Bel, with the exception of our Trukai business in Papua New Guinea.

Bel joins the business from her former role as Managing Director Asia, Middle East and Africa

Snacks with Kellogg's. Prior to this, she was Managing Director of Kellogg's in Australia and New Zealand, and has lived and worked in Australia, the United States, New Zealand and Singapore.

And as we move from strategy to execution in CopRice, we are also delighted to have attracted the services of Ganesh Kashyap who will make the most of our recent acquisitions and prepare the business for the next phase of growth.

Ganesh started his career in strategy consulting and spent close to 10 years working for Mondelez, leading the roll-out of its e-commerce strategy across the Asia Pacific region and more recently heading up its Japan business as Managing Director.

These important steps ensure the company has the correct organisational structure and leadership to take us into the future and as we seek to deliver on our 2024 Growth Strategy.

Growth Strategy (continued)

While COVID-19 and drought have slowed our pursuit of some strategic initiatives in the rice business, I am proud of the significant progress we have made in other parts of our business.

As this slide shows, in recent years we have been leveraging our strong balance sheet to acquire value-accretive businesses and make strategic capital investments aligned to our Growth Strategy. This included:

- Acquiring the Fehlbergs pickled vegetable and Roza's Gourmet businesses in our Riviana Foods segment;
- Purchasing and upgrading our Lap Vo rice processing mill in southern Vietnam, and building a bran stabilisation facility in Leeton; and
- Acquiring Feedrite's facility in Wangaratta for our CopRice segment.

And in the last year we invested \$66 million in acquiring three businesses focused on building scale, diversification and consistency of earnings, particularly in our Riviana Foods and CopRice segments.

Our largest single investment was in acquiring the branded food importer KJ&Co Brands for \$51 million in December 2020, which is a transformative and scale-building addition to our Riviana Foods segment.

This acquisition is already delivering benefits in the current financial year and is expected to be earnings per share accretive in the first full year of ownership.

We have also extended CopRice's footprint into strategically important dairy regions of Victoria and New Zealand.

In September 2020 we purchased the beef and dairy business of Riverbank Stockfeeds in Gippsland for \$5 million, while in March this year we acquired a dairy nutrition business in New Zealand for \$11 million.

This marked the operational expansion of CopRice into its first overseas market.

While CopRice is currently at the low point of its cycle due to good pasture conditions, we have deliberately used our strong balance sheet to make these acquisitions in preparation for an upturn in this sector.

During the year we continued to progress a range of other strategic and organic growth initiatives, including continued investment in our facilities, like the \$4.5 million upgrade of our microwave rice facility in Leeton, and the signing of a significant agreement to guarantee a three-year supply of high-quality medium grain rice for our SunFoods business in California, representing a three-fold increase in the pool size for that business.

We also launched:

- The Riviana Basmati microwave rice range;
- Brown Rice Chips and Rice Cracker Chips in multiple international markets; and
- A new more affordable Asian-sourced rice brand, SunGold, into the Australian food service market.

Sustainability

Another key focus during the year was on sustainability initiatives, including defining the six priority issues and ambitions that support our sustainability framework and contribute to the United Nations Sustainable Development Goals.

This work was about defining those areas where we have strong capabilities and can make a difference, like water efficiency of rice, climate resilience and food safety, security and quality.

Our team are now working in this Financial Year to develop the milestones and goals for these priority areas. We also undertook further work in Financial Year 2021 to respond to the Taskforce on Climate-related Financial Disclosures recommendations and release our inaugural Modern Slavery Statement.

Riverina rice production

In 2019 and 2020 rice production in the Riverina was severely impacted by drought, low water availability and incredibly high water prices – exacerbated by water reform – resulting in crops of just 54,000 tonnes and 45,000 tonnes respectively.

With rainfall and conditions improving in late 2020, our growers responded – planting a crop that ended up being 417,000 tonnes despite increased water allocations coming late in the planting window, and yield impacts from one of the coldest summers in many years.

And as we look forward to the October 2021 planting window for the 2022 Riverina rice crop, rice growing conditions are continuing to improve with promising water availability, lower water prices and a positive weather outlook for further inflows in coming months.

We recently offered fixed price contracts and have been delighted with the overwhelming demand, with a substantial volume taken up by growers. What this shows is that with improved water availability and lower water prices, growers were keen to take contract volume early to underpin their summer program.

Based on the strong uptake we are confident that production for the next crop should be higher again than the last harvested earlier in the year, and we look forward to welcoming growers to the 2022 pool when seed orders open in coming weeks.

Given ongoing volatility in the factors that influence the pool, we are unable at this stage to provide an estimated price range for the 2022 pool that will be planted in October, harvested in April next year and then processed from that point until early 2023.

Those factors are:

- Foreign exchange rates;

- World rice prices;
- Conditions in end markets;
- Ongoing disruption and volatility in global shipping supply chains;
- Overhead recovery in the Riverina;
- Milling yields; and
- On-farm production yields and crop size.

However, we will provide an update to growers on the estimated range for the 2021 pool currently being marketed at the time of the planting window opening in October 2021.

Riverina operations

We've taken the opportunity during the last two years to examine our cost base and identify the most cost efficient milling footprint for our Riverina operations as they're ramped up to process larger crops.

This will see us invest further in our Deniliquin site to reduce conversion costs, as well as our value-added rice processing assets in Leeton.

It is imperative that every aspect of our supply chain is optimised so that we can return the highest possible returns to our Riverina growers.

This slide shows the importance of that work, as there are now a number of good-quality and affordable medium grains from other origins now competing with Australian rice. There is also a limit on the amount of Australian rice that can be sold at a premium, and those markets are changing.

A number of the countries that used to be able to afford the premiums required for Australian rice are now no longer able to given the significant deterioration in their economies.

The resulting reduction in conversion costs and improved overhead recovery due to the extra volume will help us offset the lower market return as we extend into less premium markets.

Outlook

With the increased Riverina production, and realisation of benefits from other strategic and organic growth initiatives, we are expecting earnings to improve across most segments in FY2022.

The Australian Rice Pool Business will therefore not record a loss, and will recover its fair share of overheads while supporting earnings improvement across other segments that use Riverina rice as an input in their production cycle.

Notwithstanding the improved production in Australia, our Ricegrowers Singapore trading business is expected to remain a strong contributor to Group financial results, continuing to leverage its capability in multi-origin, multi-price international rice sourcing.

The variety of high-quality rice from a range of origins across SunRice's international supply network should allow demand to be met for bulk and branded products targeted at different price points for different markets.

Our recent acquisitions continue to be integrated and are contributing positively to earnings.

SunRice will focus on accelerating delivery of its 2024 Growth Strategy throughout FY2022, and is looking to continue leveraging its strong balance sheet to explore value-accretive acquisition opportunities.

However, there are a number of factors weighing on this improved earnings performance, including:

- COVID-19 related lockdowns and restrictions, overhang of inventory in markets (due to delay in delivery of FY2021 sales) and increasing sea freight costs; and
- Strong pasture conditions in eastern Australia, placing downward pressure on demand for particular livestock products.

As I look ahead to the next year, I'm reminded of the extraordinary efforts of our staff around the world in weathering the dual storms of the past couple of years of drought in Australia and the COVID-19 pandemic.

The flexibility, innovation and sheer resilience of our people has been remarkable, and it is in large part why our company has been so successful in managing these challenges.

While we are still battling the headwinds of COVID, it is incredibly pleasing to be out of drought in Australia and to be focusing on accelerating growth as we look forward to improved conditions ahead.

I look forward to working with all of our important stakeholders to continue delivering value in the year ahead.

Thank you all for your time today, and back to you Laurie.