Ricegrowers Limited (SunRice) CEO's address – Paul Serra, Group CEO

Thank you Laurie, and good morning to everyone who has joined us in Deniliquin and online.

It is 12 months since I was formally appointed CEO of the SunRice Group at the conclusion of last year's AGM and it has been a privilege to have been part of a year in which the Group delivered another strong performance.

Our results demonstrate the strength of the Group's brands, our growers, our talented team, as well as our operational excellence in navigating an unstable business environment to deliver growth globally.

As Laurie has shared, they also demonstrate our continued focus on delivering for both our A and B Class Shareholders.

Another year of strong growth

As you can see on screen:

- We delivered the highest Group revenue and the highest total fully franked dividend in the Company's 74-year history.
- The strong growth in earnings for the full year was underpinned by a 15% increase in topline revenue to $1.88 billion.
- The Group's EBITDA was $143.9 million and Net Profit after Tax was $68.2 million. This represents a 23% and 24% increase on the prior financial year respectively.
- We continued to maintain a disciplined approach to capital management and declared a fully franked final dividend of 40 cents per B Class Share and a fully franked special dividend of 5 cents per B Class Share. This brought the total dividend for FY24 to a record 60 cents per B Class Share, fully franked. Based on our closing price for the year of $6.51, this represents a total dividend yield of 9.2%.
- Despite external impacts that weighed on the pool, we also delivered a naturally determined paddy price of $430 per tonne for medium grain.

Our success was illustrated by our capacity to drive growth in our core business, leverage our previous portfolio acquisitions, make key strategic operational choices, as well as pursue new opportunities during the year.

Our team exhibited discipline and agility in navigating challenging conditions and turning them into advantages. This included:

- Being nimble in overcoming supply chain challenges;
- Adapting to volatile market dynamics;
- Seizing opportunities for our diversified sourcing model to meet consumer demand in global markets; and
- The strong connection between our brands and integrated supply chain, which underpins our resilient business model.

As a result, over half of our Group revenue was generated outside of Australia and New Zealand in FY24, demonstrating our successful international market expansion. I'll provide further detail on the key factors influencing our financial performance shortly.

However, before we move on, I'd like to note the Board's decision in June to suspend the Dividend Reinvestment Plan. This was based on consideration of several factors, including the Group's strong balance sheet, the repayment of all Core Debt during the year and the result delivered for FY24.

Continued focus on sustainability

Sustainability remains an important part of how we create value for our employees, growers, shareholders and stakeholders.

In FY24 we undertook a number of programs that assist with meeting our sustainability objectives domestically and internationally. These sustainability objectives include our commitment to be Net Zero by 2050 and supporting community development in the countries where we operate.

There were multiple highlights, as shared in our Annual Report and on screen. However, I'd like to highlight a few in more detail.

- In collaboration with Deakin University, we supported on-farm trials at our research facility, RRAPL, using rice variety VO71, to assess the impact of various sowing and irrigation techniques to reduce greenhouse gases and increase water efficiency;
- These pilot trials have indicated that there is significant potential for reducing methane emissions from growing rice by transitioning from aerial-sown to drill sown or drill sown with delayed permanent water methods;
- We also submitted our emissions reduction targets for validation to the Science Based Target initiative and started to draft our Net Zero Roadmap to meet the Group's Net Zero commitment;
- Our emissions reduction targets include a Scope 3 Forestry, Land and Agriculture - or FLAG - target, making SunRice one of the first companies in Australia to submit a FLAG target to the initiative; and
- We continued evolving our approach to managing modern slavery risk in our supply chain by introducing a new Supplier Assessment Questionnaire, integrating human rights into our new Procurement Policy and enhancing our approach to supplier screening and due diligence.

Revenue and profit drivers

Turning back to our financial results, if we look at our performance drivers, we achieved both volume and value growth in our revenue.

- Approximately 70% of the Group's sales related to branded product in FY24.
- Our robust brand portfolio and discipline in balancing our product mix to maximize returns and operational efficiencies allowed us to grow volume during the year.
- These factors drove the success of both the Australian Rice Pool Business and the International Rice segment.

- The strength of the Group's brands also supported revenue growth, despite the challenges of inflation, which we sought to address via appropriate sales pricing strategies.

Turning to profit drivers:

- Profitability growth was driven by revenue growth and cost-saving measures.
- We were successful in achieving operational and manufacturing efficiencies across our businesses, and our strategic actions continued to improve margins.
- Our extensive supply chain network also allowed us to source competitively and respond efficiently to changes in supply and demand dynamics, despite disruptions.
- However, the Group's overall performance in FY24 was affected by consumers cutting discretionary spending and trading down to lower price offerings in some categories. This trend was especially noticeable in Riviana Foods. Nonetheless, the impact was mitigated by product innovation and a broader, more diverse, and stronger portfolio of brands resulting from previous acquisitions.
- During FY24, the stronger U.S. Dollar also put pressure on the margins of our import businesses.

Segment performance

As you can see on screen, all our business segments across the Group improved their metrics at the Revenue and EBITDA level.

In our Australian Rice Pool Business…

- Volume growth in key international retail and tender markets, together with favourable foreign exchange on exports, drove an uplift in revenue.
- Revenue grew by 15% to $385 million on the prior year.
- Performance was boosted by increased sales in consumer and tender markets, favourable exchange rates that supported exports, cost saving initiatives, and slightly improved shipping conditions for a large part of last year.
- Disruption in the Red Sea and industrial action at some Australian ports partially offset the favourable conditions.
- The return of supply in the northern hemisphere also resulted in downward pressure on pricing into our global tender markets as the year progressed, which further weighed on the valuation of the healthy amount of residual crop carried over into FY25.
- Accordingly, the Australian Rice Pool Business delivered a naturally determined CY23 paddy price of $430 per tonne for medium grain.

In our International Rice segment…

- Revenue increased by 22% on the prior year to $893.8 million.
- This was driven by growth in the Middle East market, which saw us diversify our portfolio with a lower priced product offering and broadening our relevance to different consumers.
- Following the return of Californian supply after the breaking of the drought, our SunFoods business in the U.S. offset a downturn in the domestic market due to increased competition by expanding its Government tender exports to Japan and Korea.
- These strong results were delivered while navigating some challenges during FY24.

- This included long grain rice prices increasing considerably, due in part to a ban on Indian exports of non-Basmati rice, as well as a demand increase in Vietnam and Thailand as suppliers pivoted to alternative sources.
- Overall, the International Rice segment achieved great results, with EBITDA increasing by 42% against the prior year to $56.7 million and Net Profit Before Tax increasing by 53% to $42.5 million.
- We also welcomed Weatherman Capital as the interim trustee of the Pacific Balance Fund, minority shareholder in Trukai. We will provide an update on the status of Weatherman's appointment when available.

In our Rice Food segment…

- Revenue was $121 million, up 7% from $113 million in FY23.
- EBITDA increased from $11.1 million to $14 million, and Net Profit Before Tax was up 31% from $9 million to $11.8 million.
- The uplift in revenue was driven by a focus on new product development opportunities and sales pricing strategies to help absorb inflationary impacts across several product categories, and cost optimisation.
- The segment also benefited from a more optimum sourcing of raw materials and the slightly improved shipping conditions and costs.
- Rice Food's results were partially impacted by ongoing inflationary issues affecting consumer behaviour.
- We will continue our focus on innovation and new product initiatives to help build consumer interest in our brands and products.

Now to our Riviana Foods business…

- While Riviana achieved record revenue in FY24, there were a number of factors that impacted profit margins.
- Top line revenue grew 3% on the prior year to $221.8 million. This growth was driven by product innovation including momentum in the Toscano brand and sales pricing strategies to help absorb inflationary pressures.
- However, the segment encountered several challenges, which prevented the revenue growth converting into further profit.
- These included the Red Sea disruption and industrial action at the ports, operational challenges, inflationary issues impacting consumer behaviour, and a weak Australian Dollar affecting imports.
- These challenges were countered in part by procurement savings initiatives.
- As a result, EBITDA increased 13% from $6.3 million in FY23 to $7.1 million in FY24 and Net Profit Before Tax increased 11% to $5.2 million from $4.7 million last year.

Turning to CopRice…

- The business continued its growth and recovery to deliver a record revenue of $252.7 million in FY24, up from $236.1 million in the prior year, representing a 7% increase.
- CopRice's EBITDA and Net Profit Before Tax also improved from FY23 as a result of the ongoing execution of turnaround activities.
- EBITDA was $17.2 million, up 39% on the prior year, and Net Profit Before Tax was $11.0 million, up 98% on the prior year.

- CopRice's strong profitability was driven by the continued momentum in the Australia and New Zealand companion animal portfolio, which benefited from growth in CopRice branded dog food sales.
- This offset an increase in commodity and distribution costs; and a contraction in the New Zealand stockfeed market.
- CopRice's positive gains in revenue and profitability were also delivered despite climatic conditions impacting ruminant stockfeed demand in Australia.

And finally, our Corporate segment…

- This segment captures the cost of holding and financing assets that are utilised by both the Australian Rice Pool Business and the Profit Businesses.
- It also includes cross segment charges for the use of SunRice brands, and access to milling and storage assets.
- EBITDA for the period was $48.9 million, up from $47.3 million in the prior year, while Net Profit Before Tax was down from $22.7 million to $16.3 million.
- The increase in EBITDA reflected the higher levels of Brand and Asset Financing Charges that were received from the Australian Rice Pool Business during FY24.
- Combined, Asset Financing and Brand charges of $32.2 million were up from $29.4 million in the prior year.
- These were driven by the abundance of Riverina Rice and its impact on the net working capital position of the Rice Pool Business throughout FY24, together with higher branded sales of Riverina rice in the period.
- The receipt of proceeds associated with the disposal of a number of non-core assets across the Group was largely offset by non-recurring costs associated with the refresh of our Growth Strategy and other costs associated with the increased risk of doing business in some markets.
- The ongoing review of the Group's non-core assets led to the sale of properties which generated $12.2 million of income as well as the impairment of a number of non-strategic and/or under-utilised assets for a combined $10 million, both of which are reflected in the Corporate results.

Track record of performance

Looking back through the cycles demonstrates our solid track record of performance.

In particular, the first two graphs on the screen show the Australian crop and Group revenue from FY17 to FY24 and our robust business model, which demonstrate how the Group has been able to maintain and build overall performance, even in years of low Riverina rice production.

We've also delivered consistently strong dividends through this period.

And since 2017 we have invested $309 million into the business, including $115 million in strategic acquisitions and $194 million in capital expenditure.

We continue to actively pursue value accretive growth opportunities.

EBITDA & cash flow

Looking at where we experienced shifts in EBITDA, you will see all segments are up on the prior year, with significant improvement in the International Rice segment and the continued momentum in the CopRice business.

There has also been an increase in the return on capital employed. In FY24 we achieved a ROCE of 12.7%, which is an increase from 9.8% in FY23. This reflected the company's ability to generate returns on our investments.

Capital management

We continue to exercise discipline in our capital management.

Net Debt and gearing reduced to $224m and 27% respectively. We have continued to maintain our balance sheet flexibility.

Our core debt was fully repaid at 30 April 2024….and seasonal debt, including bank overdrafts and lease liabilities, increased slightly to $224 million.

All remaining debt drawn down on our Seasonal facility relates to Net Working Capital funding, with this Net Working Capital being primarily made up of near-term marketable inventory for our captured markets.

This healthy balance sheet places us in a position to look at further opportunities in FY25. Opportunities such as our recent successful acquisition of the SavourLife business, which I'll talk to further in a moment. It also allows us to consolidate our strong market positions, pursue further innovation and diversify our earnings.

Strategy update

Now, looking ahead…the strong performance of the Group in FY24 demonstrates the resilience and effectiveness of our business model and our Growth Strategy.

We have successfully delivered for our growers and A Class Shareholders this year, while again increasing dividends for our B Class Shareholders.

As we mentioned at the half year, work is being undertaken to refresh our Growth Strategy to identify new opportunities as we look to continue the momentum achieved to date.

As a part of this work, aspirational targets and strategies are being finalised for our future growth.

This work is well progressed and will be finalised later this year.

With rice at our heart

However, I can share that the 2030 Growth Strategy is founded on our established global presence and vertically integrated business model that will evolve to further diversify our business.

It centres on a new purpose and a new vision that builds on our heritage but also positions us for the future.

Our 2030 Growth Strategy is designed around six commercial principles:

- Placing consumers at the core of everything we do;
- Building on our innovation capabilities;
- Implementing operational excellence in sourcing and manufacturing;
- Demonstrating leadership in branding and marketing;
- Enhancing sales and distribution excellence; and
- Importantly, investing in our talent and our culture.

Our priorities are to:

- Work to secure a long term viable Australian rice industry;
- Seek to double our sales in ANZ and the Middle East, and grow our position in the U.S.;
- Build our snacking business; and
- Enhance the growth of our Riviana and CopRice businesses.

As always, our Growth Strategy will focus on delivering for both A and B Class Shareholders, with aspirational targets for each, as well as on our employees, communities and other stakeholders. Specifically, these aspirational targets include:

- To grow revenue to $3 billion; and
- To achieve both improved profitability margins for investors, and improved paddy prices for our growers.

As a business, we are both excited and energised by the task ahead and we look forward to sharing more detail on our 2030 Growth Strategy once this work is more advanced.

SavourLife acquisition

An example of our priority to enhance the growth of our CopRice and Riviana businesses is the recent acquisition of SavourLife.

This acquisition will increase the scale of the CopRice business, support diversification into high-value branded companion animal segments and also provides an opportunity to utilise existing assets.

The SavourLife business has strong branded sales, with revenue of $33.4 million to 30 April 2024. Just over a half of this will be incremental to the Group, after netting off co-manufacturing revenue, which the SunRice Group already receives for producing the SavourLife dry dogfood in Leeton.

The business is driven by a social mission to save and re-home abandoned dogs, by donating 50% of its profits to help save rescue dogs. Since its inception, SavourLife has donated more than $8 million to Australian dog rescue organisations and supported the re-homing of more than 63,000 dogs.

This is an arrangement CopRice is proud to support. Not only is it a great cause, but we believe it gives the brand a point of difference on an otherwise crowded premium petfood shelf.

The strategic acquisition of SavourLife has provided CopRice with:

- High quality branded earnings and increased share in the high value premium pet food and treat categories, with a brand that has established loyal customer relationships and a platform to grow in Australia and, in time, internationally;
- A further shift in mix from ruminant stockfeed to higher growth, higher margin companion animals;
- The potential to further utilise existing CopRice assets via manufacturing; and
- Finally, the SavourLife acquisition is expected to be earnings per share accretive for SunRice in the first full financial year of ownership.

Paddy price and outlook

Turning to paddy pricing and our crop outlook…

The CY24 Riverina harvest was another large crop of around 618,000 paddy tonnes.

However, several factors, including the disruption to the global shipping industry - particularly in the Red Sea - and the prevalence of lower quality scores from the CY24 crop to date, have the potential to impact anticipated returns. As a result, the CY24 paddy price range remains unchanged at this time, at $370 to $430 per tonne for medium grain.

With respect to the CY25 crop, the Australian rice industry finds itself in a unique situation that is unparalleled in the last decade.

Due to favourable growing conditions, over the last three years our Riverina growers have grown on average a crop size at or above our optimal milling and storage systems, resulting in a healthy but full effective carry over position. In addition, a number of factors continue to weigh on anticipated paddy returns, including increased medium grain rice supply from Northern Hemisphere markets returning from drought conditions and the disruption to the global shipping industry.

We are seeking to balance this combination of factors, including managing our AGS storage network and optimising our milling program to align with demand in our premium markets to help maximise grower returns.

As a result, we have put in place a two-pool system for CY25. We are targeting a total of 500,000 paddy tonnes - comprising 450,000 paddy tonnes of medium grain and 50,000 tonnes of specialty varieties in Pool 1, with any remaining volume in Pool 2.

I have met with a large number of our Riverina growers in recent weeks as we have worked through the detail of the two-pool system and I thank you all for your support as we navigate these circumstances together to look to maximise paddy returns for our growers.

As Laurie mentioned in his address, rice vesting in NSW will end by the 1st of July 2025.

Without the constraints of vesting, we will now be able to work more directly with growers to help the industry achieve long-term viability. This is especially important as the industry navigates new challenges, such as the impacts of the Federal Government's water reforms.

We are actively considering new contracting and pricing options for growers with the aim of better aligning supply with demand from our premium markets. Our intent is to ensure these new structures enable both large and small rice growers to participate in the industry in a way that best suits their individual circumstances, while ensuring a more consistent supply, which is in the best interests of the business and both classes of shareholders.

We will target new contracting and paddy pricing options that align with our growers needs and aspirations and our Growth Strategy takes this into account. Riverina rice has always been at our heart and will continue to play an important role in our future.

Outlook remains positive

Following a strong year of growth in FY24, the SunRice Group will seek to repeat the exceptional performance at both the top and bottom line in FY25.

Against this backdrop, we are prepared to navigate through challenges including:

- Softening sales prices;
- Increasing competition;
- Unfavourable foreign exchange conditions; and
- Cost pressures.

Through this we will continue to focus on branded product sales. However, implementing effective pricing strategies and pressure from lower priced offerings across our business portfolio in FY25 will be challenging. Particularly in markets where consumers are facing increasing cost of living pressures, impacting discretionary spending and driving more trading down to lower priced products.

We also remain focused on integrating sustainability into our business, driving cost and procurement savings, as well as other operational and manufacturing improvement initiatives across the Group in FY25.

Closing remarks

In closing and as I mentioned at the outset, it has been a privilege to lead the SunRice Group over the past year.

In particular, I would like to thank the Board for their support and the SunRice team for their expertise, passion and commitment.

I am proud of everything our talented team has accomplished for our shareholders, growers, employees, customers, and the rice industry more broadly.

The business is well positioned, with a capable Board and management team in place. This is reflected in the quality of the results we announced in June and in the foundations we have laid for the Group's future.

Thank you, and I will now hand back to Laurie.