



## NSX ANNOUNCEMENT

23 June 2017

### **FY17 NPAT within Guidance: Result Demonstrates Commercial Resilience**

- **Consolidated revenue for the Group of \$1.1 billion, down 12% year-on-year**
- **Net Profit after Tax (NPAT) of \$34.2 million, down 34% year-on-year**
- **Fully franked dividend of 33 cents per B Class share, no change year-on-year**
- **Final C16 full year paddy price of \$415 per tonne for (Reiziq), up 3% year-on-year**

SunRice today released its Financial Results for the year ended 30 April 2017 (FY17).

SunRice's consolidated revenue for the Group in FY17 was \$1.1 billion, a 12% decrease compared to the previous year (FY16) and Net profit After Tax (NPAT) was \$34.2 million, a 34% decrease compared to the previous year. Financial results were driven by a combination of several external factors that included: the lower Riverina rice crop; lower medium grain rice prices due to increased global production and stockpile levels; negative macroeconomic trends in key SunRice markets; and weaker trading conditions experienced by CopRice and Riviana.

Commenting on the FY17 financial results, SunRice CEO, Mr Rob Gordon, said:

*"After five years of improving financial performance and market expansion, this year a range of external factors combined to impact on the business. However, rather than focus on defensive tactics to counter adverse market conditions, we accelerated our business strategy and initiatives to strengthen SunRice for the future.*

*"As a business, we had to supply enough SunRice products globally to satisfy total demand, which equated to over four times the size of the much-reduced 2016 Riverina rice crop, and we intensified our international sourcing efforts. Most notably, we successfully established a sustainable supply chain from Vietnam that contributed a significant 320,000 paddy tonnes to the total 500,000 paddy tonnes we sourced around the world, which also included around 115,000 paddy tonnes from SunFoods in the US.*

*"Overarching conditions in global rice markets were characterised by medium grain rice prices halving to decade lows, driven by increased supply as global paddy production and stockpile levels reached record levels. Exacerbating the impact of these weak prices were negative macroeconomic trends, especially in SunRice's major markets across the Pacific and the Middle East. Trading conditions for our complementary domestic businesses were also tough: CopRice experienced vastly reduced stockfeed demand; and Riviana contended with a mining industry cyclical downturn that undermined foodservice volumes.*

*"However, during this market downturn, our strategy effectively insulated our financial performance through the ability of our brands to support robust pricing in key markets. Notwithstanding challenging market conditions, the business delivered profit within guidance, an 8% fully franked dividend yield to shareholders, and a guaranteed paddy price of \$415 per tonne, while at the same time almost halving our gearing to 17%. This year we proved that our strategy has created commercial resilience that will ensure a secure future for our growers, our shareholders and the Australian rice industry."*

## SunRice Group Financial Highlights

	FY17	FY16	Y-o-Y*
Sales revenue (\$bn)	1.11	1.27	(12%)
Group net profit after tax (\$m)	34.2	52.0	(34%)
C15 Paddy price Medium Grain (\$/tonne)	415	404	3%
Fully Franked Dividend (c)	33.0	33.0	-
Earnings per share (c)	61.3	88.0	(30%)
Year End Gearing (%) (debt to debt plus equity)	17	32	(47%)
Return on Capital Employed - ROCE (%)	10.3	15.1	(32%)

## Segment Performance

	FY17 Revenue \$ million	Y-o-Y* %	FY17 NPBT \$ million	Y-o-Y* %
Rice Pool	280.9	(41%)	(32.5)	-
International Rice	505.9	(2%)	27.6	(24%)
Rice Food	113.0	8%	7.9	1444%
Riviana	126.3	(9%)	8.5	(36%)
CopRice	103.9	(27%)	(1.5)	(129%)
Corporate	29.4	(32%)	25.9	88%

\* Y-o-Y: Year-on-Year comparison between financial year ending 30 April 2016 (FY16) and financial year ending 30 April 2017 (FY17)

### Rice Pool:

In line with the smaller crop, Rice Pool revenue was down by 41% and the business experienced a loss of \$32.5 million. The C16 Riverina crop was placed in key premium markets (ANZ, Middle East and Asia) where SunRice brands command strong prices that assist in insulating the broader business from difficult trading conditions. The Rice Pool paid growers a guaranteed fixed price of \$415 per tonne for medium grain (Reiziq), which was implemented to encourage rice production when water availability was low.

### International Rice:

International Rice's net profit before tax (NPBT) declined by 24%. Increased globally traded volumes and a return to profitability by SunFoods were largely offset by challenging economic and trading conditions across several key markets.

International Rice secured a total of 500,000 paddy tonnes from international sources and successfully filled the supply shortfall caused by the C16 Riverina crop, which represented less than a quarter of total the demand for SunRice products. During the year, the business accelerated the establishment of a new supply chain in Vietnam, which supplied 320,000 paddy tonnes, and the business also sourced around 115,000 paddy tonnes from the US.

SunFoods recorded a 61% uplift in total revenue and returned to profitability during the year. SunFoods has reconfigured its operations and returned to its role of supplying SunRice's global markets, through a mix of packaging to supply branded products and bulk rice handling.

Trukai was significantly impacted by PNG's weak and unstable economy, with revenue down by 26%. PNG's macroeconomic weakness was driven by falling commodity prices, high unemployment, and a series of natural disasters that caused crops to fail and lowered overall income levels across the country.

### Rice Food:

Improved volumes and revenue, combined with increased manufacturing efficiencies, resulted in a considerable profit uplift of \$7.4 million. Most notably, Rice Cakes experienced positive manufacturing performance and cost savings. Microwave Rice also experienced continued strong sales growth of 16% in the Australian market during the year. Ready-to-go-Meal's performance was relatively flat across most markets following a rationalisation of the range. Despite this, SunRice still commands 54% of market share in Australia. In FY17, Rice Food commenced internationalising its domestic portfolio, launching Mini Bites in Asia and the Pacific, and Rice Chips in the Middle East.

### CopRice:

CopRice NPBT declined by \$6.95 million. A significantly reduced demand for supplementary feed across most segments of the market severely affected the performance of Direct-to-Farm business during the year. There were two primary drivers to reduced demand: the dairy industry experienced sharply depressed market conditions; and favourable weather conditions generated exceptional pasture levels, which undermined the broader need to acquire supplementary stockfeed. The Petcare business continued to deliver year-on-year volume growth in key dog and cat segments.

### Riviana:

Riviana NPBT declined by \$4.7 million. External factors, including mining sector contraction, foodservice industry consolidation, retail pricing pressure and private label growth negatively impacted volumes during the year. The business also faced continued pressure from a fourth year of currency depreciation that impacted margins. Despite challenging market conditions, Riviana invested in a full relaunch of its Always Fresh range, including traditional and digital marketing campaigns. Riviana also acquired Fehlbergs Fine Foods, which ranges quality products in Australian supermarkets, and the integration of this business was completed ahead of schedule.

### Corporate:

NPBT increased by \$12.1 million mainly driven by a 'one-off' item following the acquisition of the minority shareholders in SunFoods, lower proposed Capital Restructure costs and employee incentive costs, partially offset by lower brand charge due to lower Riverina rice sales.

### **SunRice AGM**

SunRice's results will be presented at the Riceworkers Limited Annual General Meeting, to be held at 10.30am on Friday 25 August 2017 at Jerilderie Civic Hall, Jerilderie.

### **Investor Enquiries:**

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### *Note:*

- *FY16 relates to financial year ended 30 April 2016; FY17 relates to financial year ended 30 April 2017*
- *C16 relates to the crop harvested in 2016 and marketed in FY17*