



## NSX ANNOUNCEMENT

27 August 2018

### Market Update: Impact of Drought, FY19 Profit Guidance and CY18 Paddy Price

- **Impact of drought on CY19 crop outlook and operational footprint**
- **FY19 Net Profit after Tax (NPAT) anticipated to be between \$30-\$35 million**
- **CY18 paddy price estimated to be \$360-400/tonne (medium grain Reiziq)**

#### Impact of Drought on CY19 Crop Outlook and Operational Footprint

Due to the drought in New South Wales causing current low water allocations and high water prices, SunRice is expecting a significantly lower crop in CY19 (compared to the long run average crop size). However, it remains too early to provide an accurate forecast about CY19, as the planting window for rice does not close for another three months and there is still time for water availability to improve.

SunRice is already preparing for the anticipated lower CY19 crop by implementing several mitigation initiatives and strategies:

- As previously announced, SunRice has offered fixed price contracts to provide Riverina growers with greater certainty regarding upcoming summer crop planting decisions and to encourage local rice production;
- The Company remains focused on further expanding secure and sustainable permanent rice sources beyond Australia, especially in Vietnam, to ensure our key markets remain supplied; and
- Carryover paddy stocks are being preserved to maintain our Riverina milling programme in CY19 and to ensure Australian rice can continue to be supplied into premium markets. Preservation of carryover for CY19 will impact on FY19 NPAT performance, due to the reduced brand charges associated with lower in-year sales volumes.

The Company currently considers that the lower CY19 crop is also likely to have an impact on FY20 financial performance, by materially reducing revenues for the Rice Pool business and necessitating a contraction of SunRice's operational footprint in the Riverina.

SunRice regularly evaluates its Riverina operations based on a range of factors, including: the size of the annual Riverina crop; carryover volumes from the previous year's crop; and broader market conditions. The extent of the contraction of SunRice's operational footprint will be clarified once the size of the CY19 crop can be quantified. The Company remains firmly committed to the Riverina region and will provide a fuller assessment of future operational changes over the coming months.

#### FY19 Profit Guidance

SunRice currently anticipates that NPAT for FY19 will be between \$30-\$35 million, primarily as a result of: prevailing conditions in Asian tender markets; depreciation of the PNG Kina and foreign currency liquidity conditions in PNG; and carry over adjustments to counter the lower CY19 crop reducing brand charges associated with lower in-year sales volumes.

## **CY18 Paddy Price Outlook**

Following a review of the CY18 Paddy Pool outlook, the Board has increased the estimated range for base grade medium grain Reiziq to \$360-\$400/tonne from the previous guidance of \$355-\$400/tonne.

The \$5/tonne increase to the lower end of the range will be paid to growers in the scheduled CY18 September pool payment on 28 September. While SunRice is confident of achieving the lower-end of this range, market factors and trends will need to continue in SunRice's favour in order for the upper-end to be realised.

### **Investor Enquiries:**

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*FY19 is the present Financial Year ending 30 April 2019, in which the rice crop harvested in 2018 (CY18) is currently being marketed. FY20 is the Financial Year ending 30 April 2020, in which the rice crop harvested in 2019 (CY19) will be marketed.*