



NSX ANNOUNCEMENT

11 January 2019

HY19 Financial Results: Global Trading Conditions Impact Profitability

- Consolidated revenue for the Group of \$582.9 million, up 7% on HY18
- Net Profit after Tax (NPAT) of \$13.9 million, down 42% on HY18
- FY19 profit guidance (NPAT) remains at between \$30-35 million
- The estimated paddy price range for medium grain (Reiziq) remains \$360-\$400/tonne

SunRice today released its Financial Results for the six months ended 31 October 2018 (HY19). SunRice's consolidated revenue for the Group in HY19 was \$582.9 million, a 7% increase compared to the previous corresponding period ending 31 October 2017 (HY18). Net Profit after Tax (NPAT) was \$13.9 million, a 42% decrease compared to HY18.

Commenting on the HY19 financial results, SunRice CEO, Mr Rob Gordon, said:

"As advised at the AGM in September 2018, FY19 is anticipated to be a challenging year for the SunRice Group. Prevailing global rice market trading conditions and exchange rate movements, which are both beyond SunRice's control, impacted on the Group's HY19 revenue and profitability."

"SunRice's 7% revenue increase compared to HY18 was due to a combination of factors. International rice prices firmed during the period by around 30% and exchange rate movements enhanced the value of Australian rice exports."

"Despite stronger revenue, SunRice profitability was undermined by several factors. The firmer rice prices that benefited revenue also increased the cost of some of SunRice's key internationally sourced export varieties. In addition, profitability was negatively impacted by the falling value and lack of liquidity of the PNG Kina as well as other generally unfavourable foreign exchange movements compared to HY18. Pleasingly however, the Rice Food, CopRice and Riviana businesses all experienced profitability growth during the Half. CopRice performed particularly well, having benefited from the increasing demand for stockfeed with revenue increasing by 49%."

"Despite poor milling yields during the Period, the paddy price range to be paid by the Rice Pool for base grade medium grain (Reiziq) remains \$360-\$400/tonne."

"SunRice continues to pursue strategic opportunities across the business, and during HY19 completed two acquisitions: the Roza's Gourmet business to diversify Riviana's presence into specialist chilled sauces and dips; and a rice mill in the Mekong Delta province of Dong Thap that will provide SunRice with a fully vertically integrated supply chain in Vietnam and a more stable supply of rice."

"Following the overwhelming approval of shareholders at the AGM in September 2018, SunRice looks forward to listing on the ASX in early 2019 and the opportunity this will provide to raise equity capital in the future, so that we can continue to pursue our 2022 Growth Strategy."

"Our guidance for Net Profit after Tax for FY19 remains at between \$30-35 million."

Segment Performance

	HY19 Revenue \$ million	PCP* %	HY19 NPBT \$ million	PCP* %
Rice Pool	182.5	15	-	-
International Rice	208.7	(4)	(6)	(137)
Rice Food	52.6	(5)	3.7	144
Riviana	59.1	0	3.5	5
CopRice	77.9	49	6.0	145
Corporate	0.0	(67)	15.4	18

* PCP: Previous corresponding period ending 31 October 2017 (HY18)

Rice Pool:

Rice Pool revenue increased by 15% compared to HY18. This positive result was driven by the geographical sales mix of Australian rice exports into markets such as Japan and the Middle East which were sourced from the International Rice segment in HY18 and the expansion of the Koshihikari rice varietal and Long Grain sales into food service channels. Operationally, there were challenges during the period associated with lower whole grain yield impacting milling efficiencies.

International Rice:

International Rice's revenue and net profit before tax (NPBT) declined compared to HY18. Profitability was undermined by several factors including: the return to Australian supplied rice for markets such as Japan and the Middle East; the absence of Korean tender market volume compared to HY18; the stronger than anticipated cost of some of SunRice's key internationally sourced export varieties; adverse exchange rate impacts, especially on costs; costs associated with the establishment of a vertically integrated supply chain in Vietnam; and increased provisions for doubtful debts in some markets. The outlook for international rice prices is anticipated to support improved profitability for the International Rice segment in the second half of FY19.

Trukai delivered solid top-line performance during the Half, but the devaluing PNG Kina is increasing input costs and a continuing lack of liquidity in this currency impacted profitability, increased the value of the intercompany balance payable to SunRice and increased financing costs. During the Half, Trukai also benefited from a \$1.3 million share of net profit in associate, which was primarily driven by the revaluation of investment property.

Rice Food:

While sales volumes and revenues marginally declined during HY19, NPBT increased by 144% compared to HY18. Improved profitability during the Half was driven by positive performance by the rice flour and 'mini-bites' categories, as well as reduced advertising and trade spend.

Riviana:

Riviana NPBT increased by 5% compared to HY18. This performance was driven primarily by margin and market share growth across most product categories in the retail sector, including Riviana's private label business, which continued to capture market share from other brands. Although competition in the food service sector remains high, Riviana is making gains through new product launches and increasing direct sales through manufacturers. However, negative foreign currency exchange impacts on imported products and increased overhead allocations from the Corporate segment offset this positive performance which is expected to further benefit from the recent acquisition of the Roza's Gourmet business in the second half of the year

CopRice:

CopRice continues to experience the positive turnaround that commenced in FY18, with NPBT increasing 145% compared to HY18. The launch of new products focused on sheep nutrition, as well as seasonally dry conditions, have driven an expansion of stockfeed sales volumes, which has offset the rising cost of raw materials.

Corporate:

During HY19, Corporate benefited from the following factors: increased brand charges (underpinned by the Group's revenue expansion); increased overhead allocations to other segments and a \$1.75 million gain on the revaluation of investment property. These were offset by an increase in costs associated with the pending ASX listing and other strategic projects.

FY19 Outlook

We still anticipate that NPAT for FY19 will be between \$30-35 million. Achieving guidance over the remainder of FY19 will be dependent on: macroeconomic conditions in key markets; trends in global rice markets; and exchange rate movements and issues, including the continuation of recently observed improvement of PNG Kina liquidity. Pleasingly, the outlook for international rice prices is anticipated to support improved profitability for the International Rice segment in the second half of FY19.

C18 Full Year Paddy Price

The estimated paddy price range for base grade medium grain (Reiziq) is \$360-\$400/tonne. 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.

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Note:

- *HY19 relates to six months ended 31 October 2018; FY19 relates to financial year ended 30 April 2019*
- *HY18 relates to six months ended 31 October 2017; FY18 relates to financial year ended 30 April 2018*
- *C18 relates to the crop harvested in 2018 and marketed in FY19*