



ASX ANNOUNCEMENT

23 June 2022

SunRice Group FY2022 Financial Results: Creating value in uncertain times

- Progress against the Growth Strategy and the return of Australian rice underpinned strong financial performance in FY2022, with revenue, naturally determined paddy price and dividends all at the highest levels in the Group's history
- Group revenue for FY2022 was \$1.3 billion, up 30% on FY2021, while EBITDA of \$91.3 million and NPAT of \$48.7 million were up 86% and 167% respectively on the prior year
- Record fully franked dividend distribution of 40 cents per B Class Share for FY2022¹
- Record naturally determined CY21 pool paddy price of \$428 per tonne for medium grain Reiziq, while fixed price contracts were also offered at \$475 per tonne for limited volumes of Reiziq and up to \$625 per tonne for specialty varieties
- Result delivered despite challenging trading conditions and continued headwinds, including unprecedented escalation in freight rates, and systemic supply chain disruption
- CopRice also faced headwinds, including strong pasture conditions contracting key markets
- The Group is expecting the growth of top-line revenue to continue in FY2023
- While FY2022 finished strongly, FY2023 has started with worsening inflationary pressures on key business inputs and costs, and continuing volatility and disruption to global shipping, placing pressure on earnings
- However, the Group will seek to recover the additional costs incurred previously throughout the year
- The 2022 (CY22) crop has now been harvested, and at ~675,000 paddy tonnes is the largest in five years, with the estimated range for the CY22 pool currently remaining \$390 to \$450 per tonne for medium grain Reiziq
- Ahead of planting of the next Australian Riverina crop, to be marketed in FY2024, seasonal conditions, water availability and water pricing remain highly favourable, with water storage levels highest at this point in the season in more than 20 years
- Further execution of Sustainability Strategy in FY2022, including finalising priority areas and targets, and releasing climate report as part of commitment to implement the recommendations of the Task Force on Climate-related Financial Disclosures
- Investor Conference Call to be held at 9.30am AEST on Friday 24 June (details below)

SunRice today released its Financial Results for the period ended 30 April 2022 (FY2022) with Group CEO, Mr Rob Gordon, commenting:

"The business has delivered an outstanding result after two years of near record-low Australian rice production – a period in which the company diverted resources to maintain supply of key markets with rice from other origins, while still investing in new acquisitions and progressing other organic growth initiatives."

"This improved FY2022 result was the consequence of the return of Australian rice to key markets, the accretive contribution of recent acquisitions, and the Group's multi-origin, multi-price point international rice supply capability."

¹ This fully franked dividend distribution of 40 cents per B Class Share is inclusive of the interim dividend of 10 cents per B Class Share declared on 16 December 2021, a final dividend of 25 cents per B Class Share and a special dividend of 5 cents per B Class Share, both of which were declared on 23 June 2022.

"It was also the result of the incredible dynamism and efforts of our people, who continued to demonstrate extraordinary resilience two years into the COVID-19 pandemic.

"The Group is well positioned for Financial Year 2023 and beyond. This is particularly the case given the resurgence in Australian supply, our capabilities in international rice sourcing and emerging drought conditions in key rice production areas around the globe.

"However, there are substantial challenges – most notably the ongoing disruption to global shipping and escalation in freight costs, and worsening inflationary pressures on key business inputs.

"We remain focused on utilising our strong balance sheet to explore further value-accretive acquisitions which align with our Growth Strategy and continuing to invest in consumer and market-focused organic growth initiatives."

The FY2022 Financial Results were driven by a range of factors:

- The increase in Riverina rice production, which allowed the Australian Rice Pool Business to absorb its share of overhead costs after two years of losses hampering Group profitability and which in turn improved the cost base of the Rice Food segment.
- Accretive full-year contribution of the KJ&Co Brands business, acquired in Financial Year 2021, by the Riviana Foods segment. This transformative acquisition drove a material uplift in revenue and profitability for Riviana Foods which, when combined with other existing brands, is now providing SunRice with a significant source of consistent earnings which is decoupled from the Australian agricultural cycle.
- The Group's international sourcing expertise, which allowed demand of more than 1.1 million paddy tonnes to continue to be met at different price points through our multi-origin supply capability that covered 11 countries in FY2022.
- Continued cost containment discipline and volume growth, which supported improved profitability in key Pacific markets.
- Market share gains in microwave products, supported by organic initiatives such as the re-launch of the "Our Best Yet" microwave rice pouch range, underpinned by investment in manufacturing capability and in-house innovation.
- Management of challenges including the impacts of COVID-19; uneven recovery across markets and the food service sector; and unprecedented escalation in freight and other manufacturing input costs, as well as supply chain complexity, absenteeism and labour shortages.
- Hampered performance of the CopRice segment, due to challenging operational conditions and market contraction driven by favourable pasture conditions in eastern Australia.

Final and special dividends

A combined fully franked dividend of 40 cents per B Class Share was declared for FY2022, comprising:

- Interim dividend of 10 cents per B Class Share declared on 16 December 2021
- Final dividend of 25 cents per B Class Share declared on 23 June 2022
- Special dividend of 5 cents per B Class Share declared on 23 June 2022

This combined FY2022 dividend is the highest in the Group's history, and with a payout ratio of 52% and yield of almost 6% for B Class Shareholders (based on the B Class Share price at 30 April 2022).

These dividend distributions recognise the significant improvement in earnings performance in FY2022 and the ongoing execution of the Growth Strategy, which has seen the Group deliver through the drought cycle, continue to diversify its earnings portfolio and progressively build a more robust earnings base which is less exposed to fluctuations in Australian rice production.

Our outlook

Looking ahead to FY2023, the Group expects top-line revenue to continue to build. While FY2022 finished strongly, FY2023 has started with worsening inflationary pressures on key business inputs and costs, and continuing volatility and disruption to global shipping, placing pressure on earnings. However, the Group will seek to recover the additional costs incurred progressively throughout the year.

Against that backdrop, the continued resurgence of Australian rice coupled with SunRice's multi-origin, multi-market rice capability has the Group well placed to benefit this year from an environment where key markets are under-supplied due to factors including broader disruption from the Ukraine conflict and a number of rice growing regions either in, or entering, drought around the world. The CY22 Riverina crop just harvested of ~675,000 paddy tonnes should underpin positive contribution to both A and B Class shareholders through strong returns in the Australian Rice Pool Business and favourable inputs in a number of Profit Businesses, further demonstrating the complementary nature of the Group's business model. Looking ahead to planting for the next Australian Riverina crop, which will be processed and marketed in Financial Year 2024, seasonal conditions, water availability and water pricing remain highly favourable, with water storage levels in the southern Murray-Darling Basin connected system the highest at this point in the season in more than 20 years.

The foundations laid since FY2017 under the Group's Growth Strategy have so far delivered positive outcomes through the cycle and should see the business well positioned for FY2023 and the future. In addition, the Group's diversified portfolio and strong balance sheet mean it is currently well placed to take advantage of further expansion opportunities, either organically or through acquisitions. Continued execution of the SunRice Group's Sustainability Strategy remains a key priority for FY2023. Having completed significant work across the Group to articulate the six priority environmental, social and governance (ESG) areas and related ambitions and targets, all business units have now developed individual sustainability plans and actions aligned to business plans and the broader Growth Strategy for FY2023.

Investor conference call

The Company will hold a conference call at 9.30am AEST on Friday 24 June 2022 to discuss the FY2022 results. Please note that investors are now required to register for the call by following this link: <https://s1.c-conf.com/diamondpass/10021483-atw6sg.html>. Once registered, you will be provided with the dial in number, the **Passcode**, and your unique access **PIN**. This information will also be emailed to you as a calendar invite. To join the conference, simply dial the number in the calendar invite and enter the passcode followed by your PIN, and you will join the conference instantly. An Investor Presentation has been made available on the ASX ahead of the call, and also goes into further detail regarding segment performance.

Authorised by Rob Gordon, CEO, SunRice Group

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About SunRice's structure

The structure of SunRice contains non-standard elements including its dual class share structure comprising A Class Shares and B Class Shares.

A Class Shares confer on their holders the right to vote at general meetings but no right to dividends. A Class Shares are not quoted on ASX and may only be held by rice growers who meet the production quotas prescribed by the SunRice constitution. No person may hold more than 5 A Class Shares. In practical terms the voting rights held by A Class Shareholders give those shareholders the right to control the election of directors and any changes to SunRice's constitution.

B Class Shares are quoted on ASX and confer on their holders the right to receive dividends, as determined by the directors from time to time. Holders of B Class Shares do not generally have the right to vote at general meetings of SunRice. This means B Class Shareholders have no right to vote on the election of directors of SunRice. No person may hold more than 10% of the total number of B Class Shares on issue.

For more details of the non-standard elements of SunRice's structure see: <https://corporate.sunrice.com.au/investors/>