

# 2012 SunRice Annual General Meeting Chief Executive Officer's Report

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24 August 2012

# Agenda

- Group highlights
- Business performance
- Debt, gearing and financial drivers
- Opportunities and outlook



# Australian rice industry recovery



- 963,000 tonnes harvested for C12
- 1,500 farms produced rice
- 11,427 truck movements in one week



# Rapid reactivation of operations footprint

- Substantial investment in the reactivation of Deniliquin Mill and global supply chain
- Coleambally Mill re-opened temporarily in 11/12
- 200 staff employed





# Returning to the world

- 8,000 tonnes sent to port weekly
- Close to 400,000 tonnes of milled rice exported
- One of the top five container exporters through Port of Melbourne



# Excellent export sales in 2011/12



- Strategic need to reclaim key markets lost during the drought in the face of fierce competition and an oncoming large crop in 2012
- Broad success achieved in the Middle East and Pacific



# Australian rice milling and marketing

- Sales revenue of \$321 million, up 235%
- Contributed NPBT of \$16 million
- Export markets re-established
- Strong domestic table rice sales
- Retail, foodservice and food ingredients supplied with Australian rice



# Specialty Rice Foods

- A strong year of innovation underpinned SunRice's leading market shares in the microwave rice, ready-to-go meals and rice cakes categories





# Global business

- Sales revenue of \$350 million, down 7%
- Contributed NPBT of \$13.3 million
- Reduction in SunFoods volumes due to increased processing in Australia
- Recovered market share in PNG to 77%
- SolRice achieved an 84% sales volume increase

# Riviana Foods

- Sales revenue of \$146 million, up 2%
- Contributed NPBT of \$9.6 million
- Record revenue and earnings in Foodservice division
- Always Fresh maintained market leadership



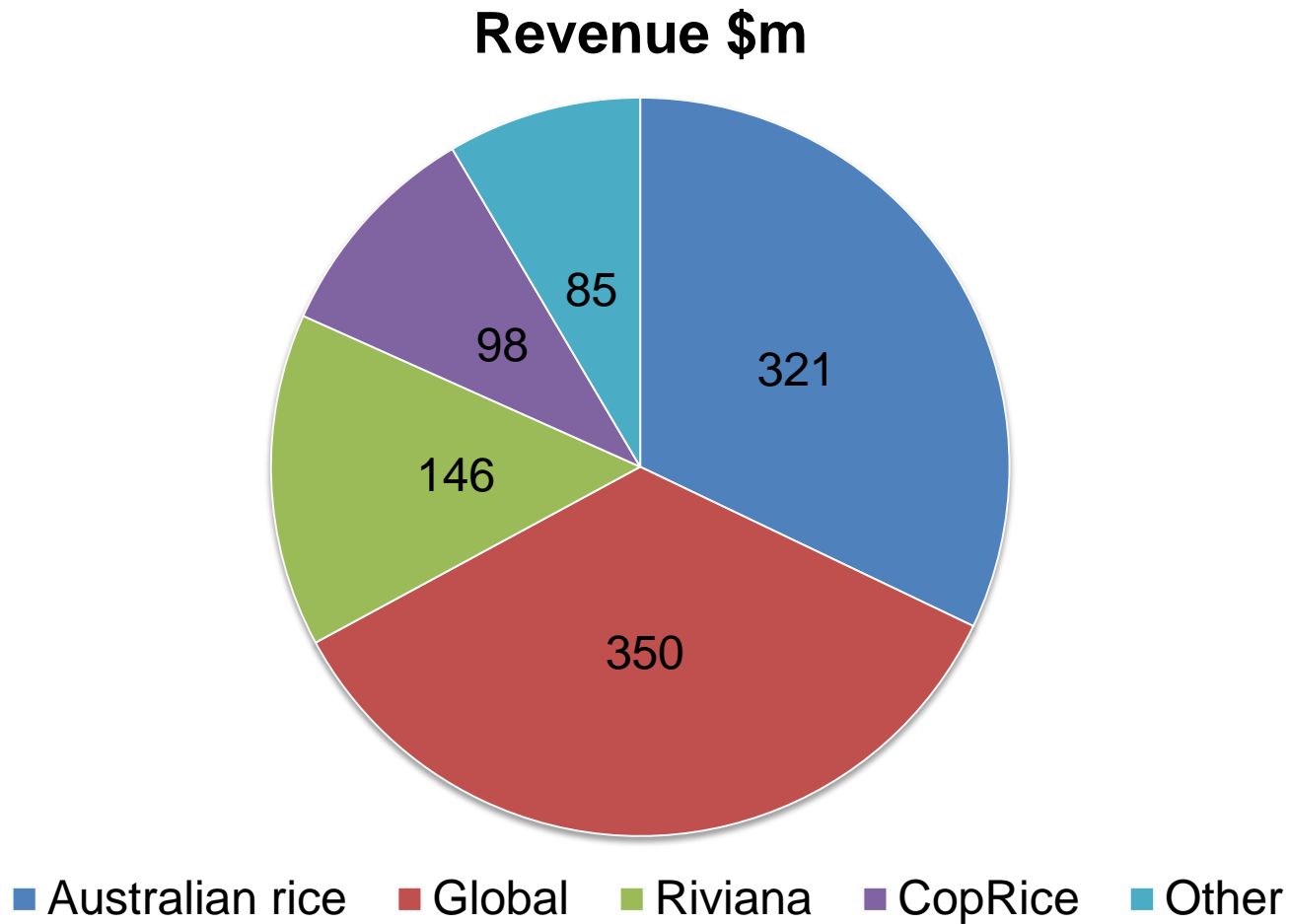


# CopRice



- Sales revenue of \$98 million, up 28%
- Contributed NPBT of \$8.6 million
- Significant growth with improved dairy and livestock conditions
- New trading partners secured

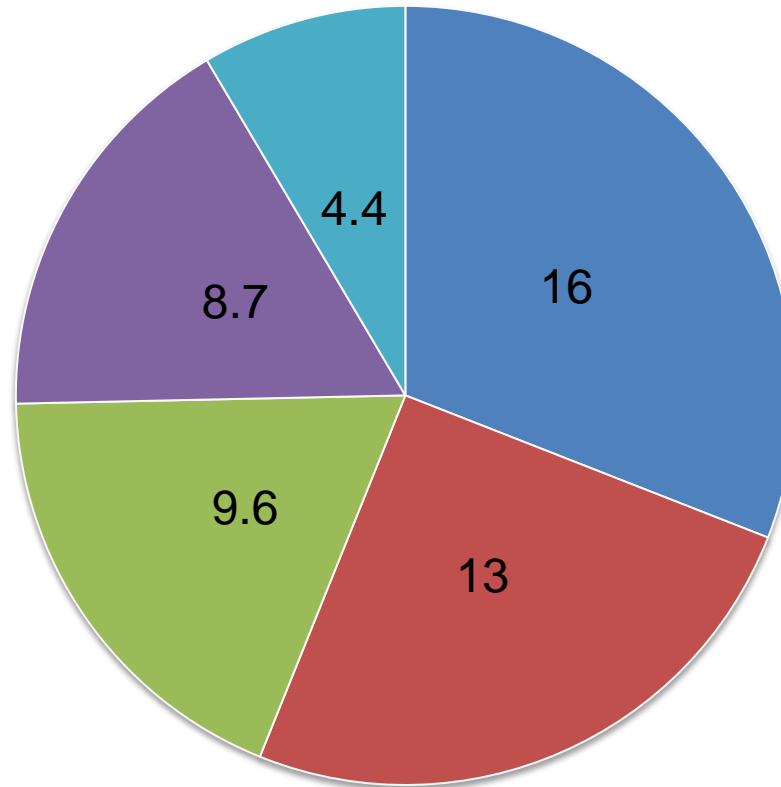
# Group revenue





# Contributed net profit before tax

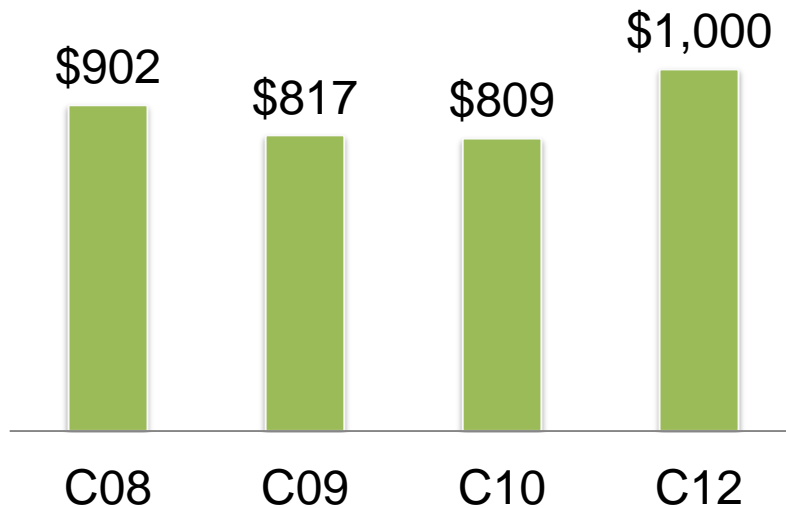
Contributed NPBT \$m



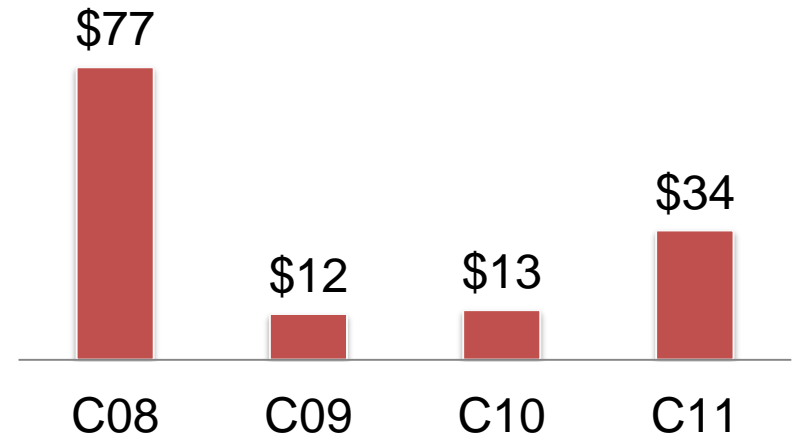
■ Australian rice ■ Global ■ Riviana ■ CopRice ■ Other

# Group revenue and profit

**Revenue (millions)**

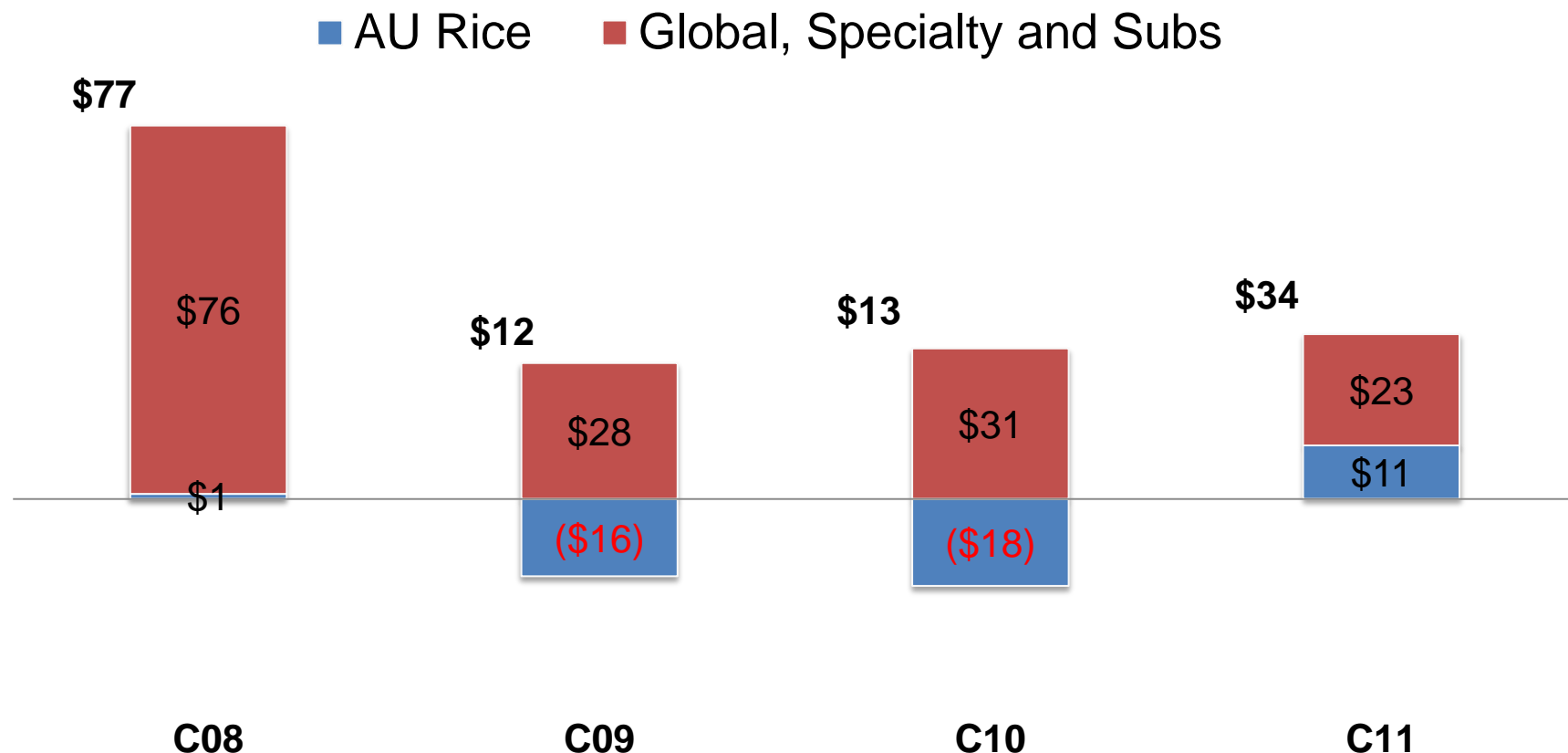


**Net Profit After Tax (millions)**





# Group profit after tax (\$m)




***AU Rice** = Rice Milling and Marketing Australian Rice  
**Global, Speciality and Subs** = Rice Milling and Marketing Global, Riviana, CopRice and other segments*

# Paddy price



- Medium grain paddy return of \$255 per tonne
- \$210 million paid out to growers

# Dividend

- 
- A person wearing a white lab coat is holding a small white bowl with a gold rim, filled with white rice. The person's hands are visible, and they are holding the bowl with both hands. The background is blurred, showing more of the lab coat and the person's arms.
- Fully franked dividend of 18 cents per B Class Share
  - 7.2% dividend yield to investors
  - Earnings per share of 57.3 cents
  - \$10 million paid out to shareholders



## Debt and gearing

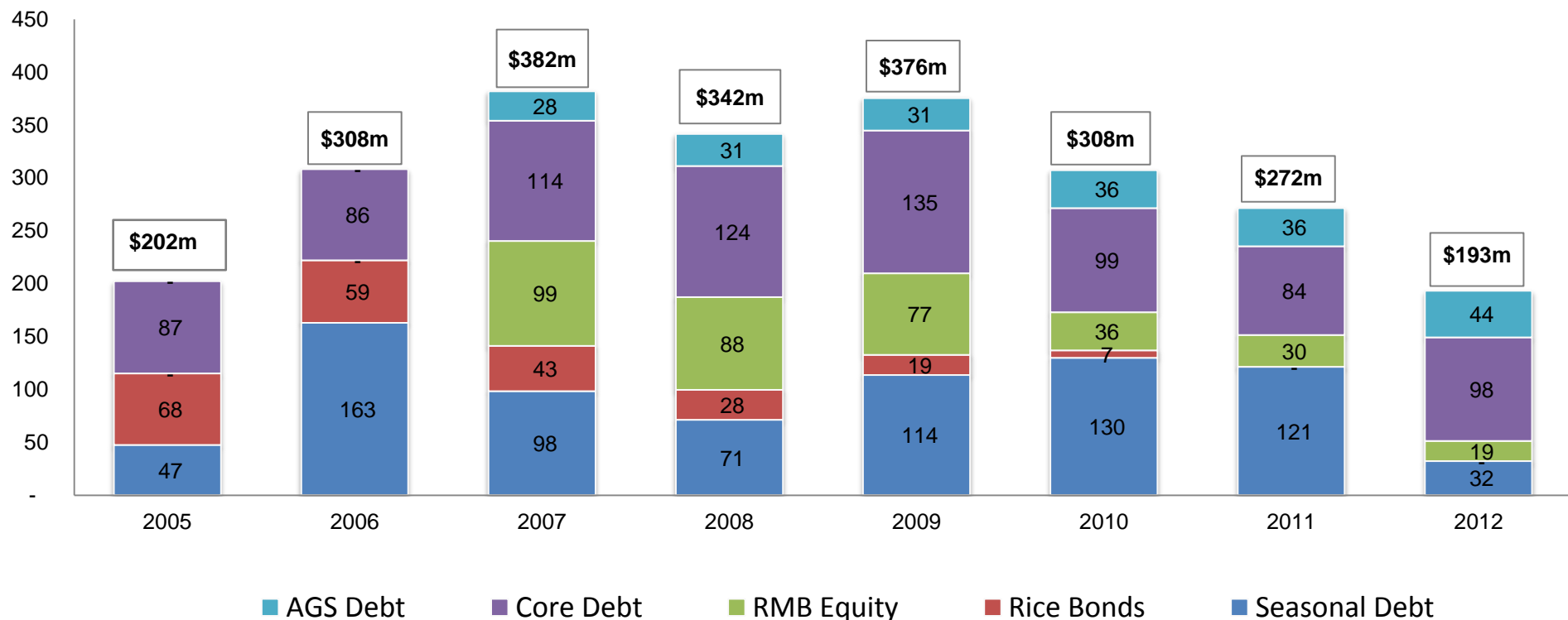
- Final gearing position for 2011/12 was 66%
- Total debt at year end was \$193 million
- Improvements in equity value of \$27 million
- Reductions in debt of \$79 million

# The importance of gearing

- Gearing is the ratio of debt to equity (or funded debt vs. shareholder investment)
- It's the amount of “headroom” a company has to make investments, weather financial shocks and adapt to new market conditions
- Higher gearing suggests less capacity in a business to handle risk
- Companies adopt different gearing policies based on their industry, economic climate and investment cycle
- In volatile industries like agriculture, lower gearing is an effective way to manage risk and provide the necessary “headroom” to both protect and grow a business
- For SunRice, this means ensuring we have:
  - A portfolio of strong income-generating assets
  - The capacity to leverage our balance sheet

# SunRice debt evolution

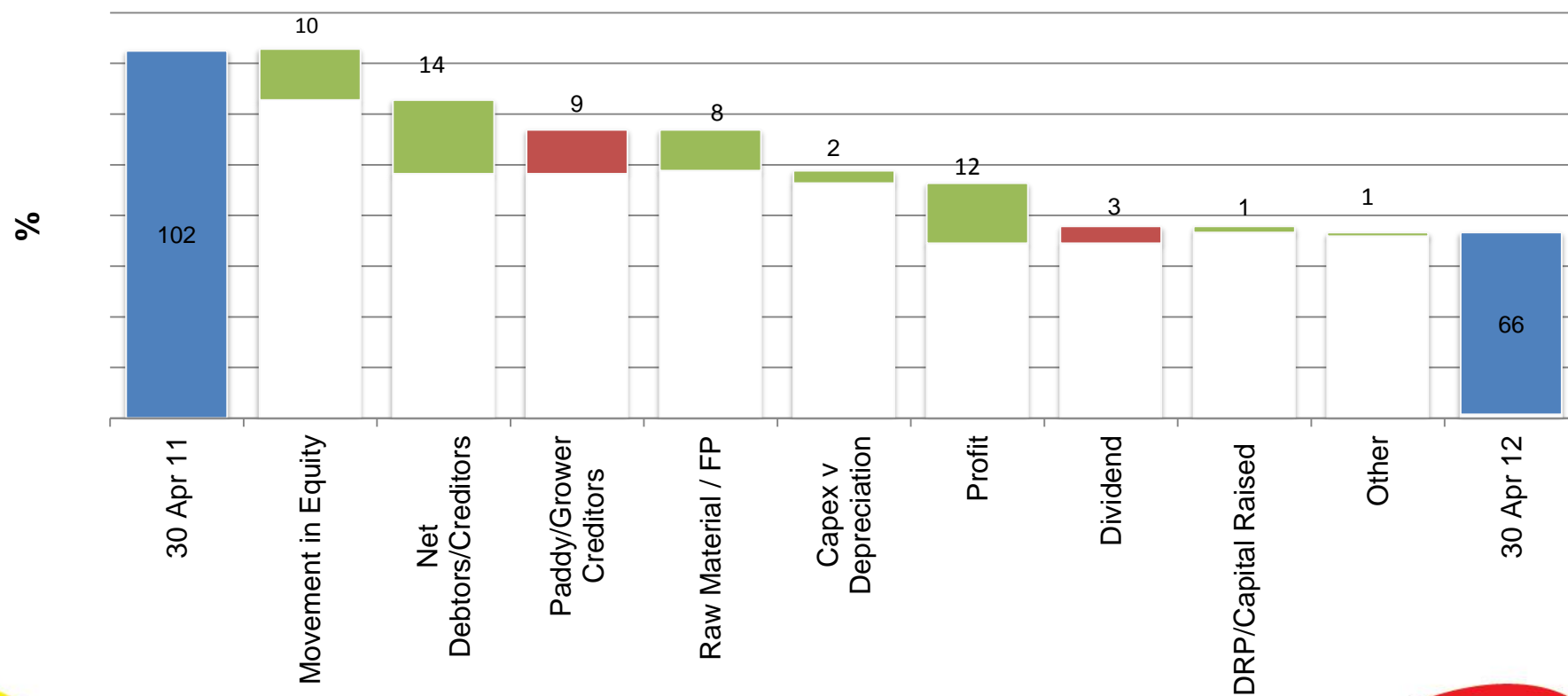
## Consolidated Group Debt Evolution: 2005-2012





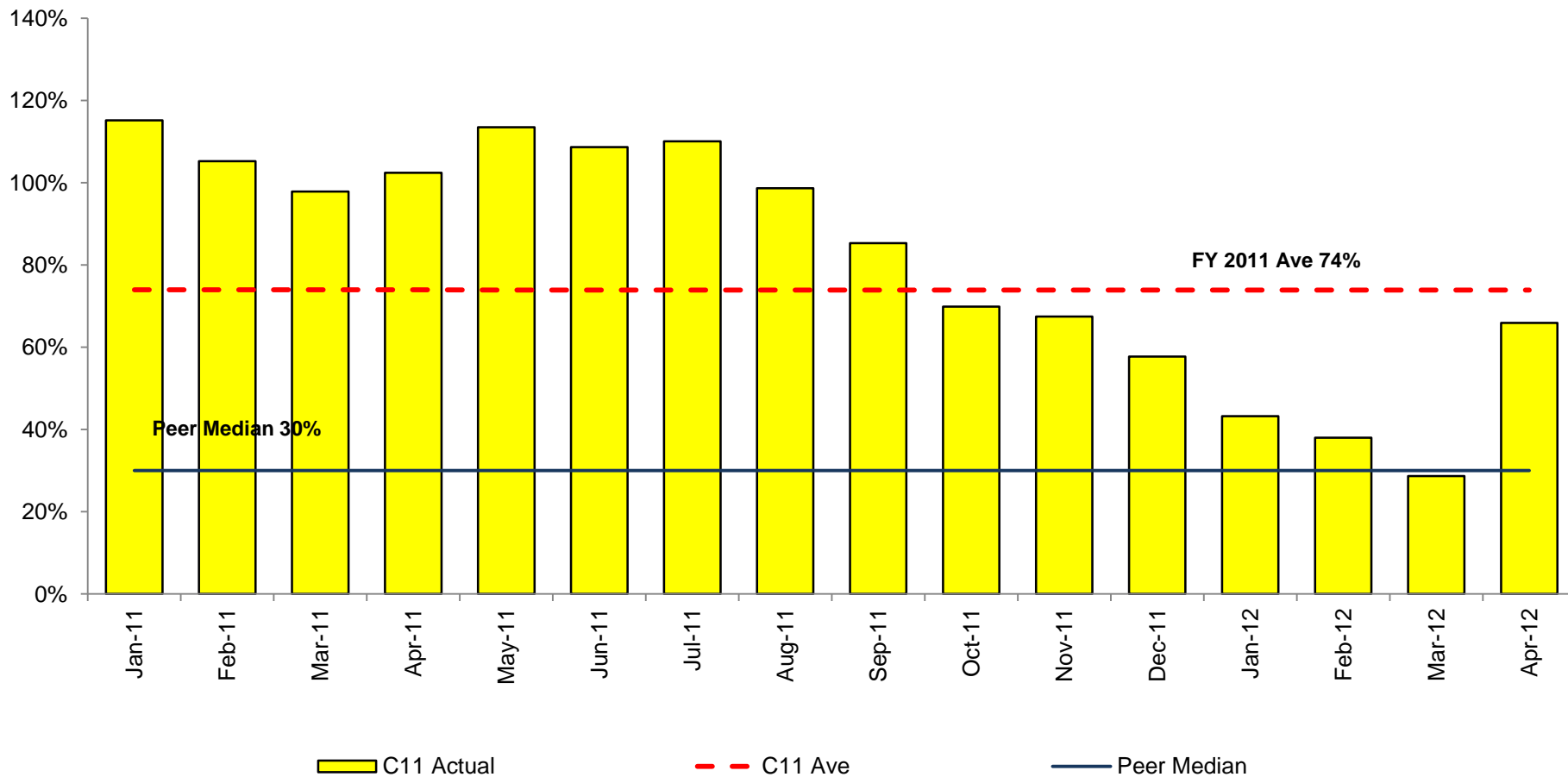
# Gearing improvement (%)

## Major Contributors Gearing Improvement %

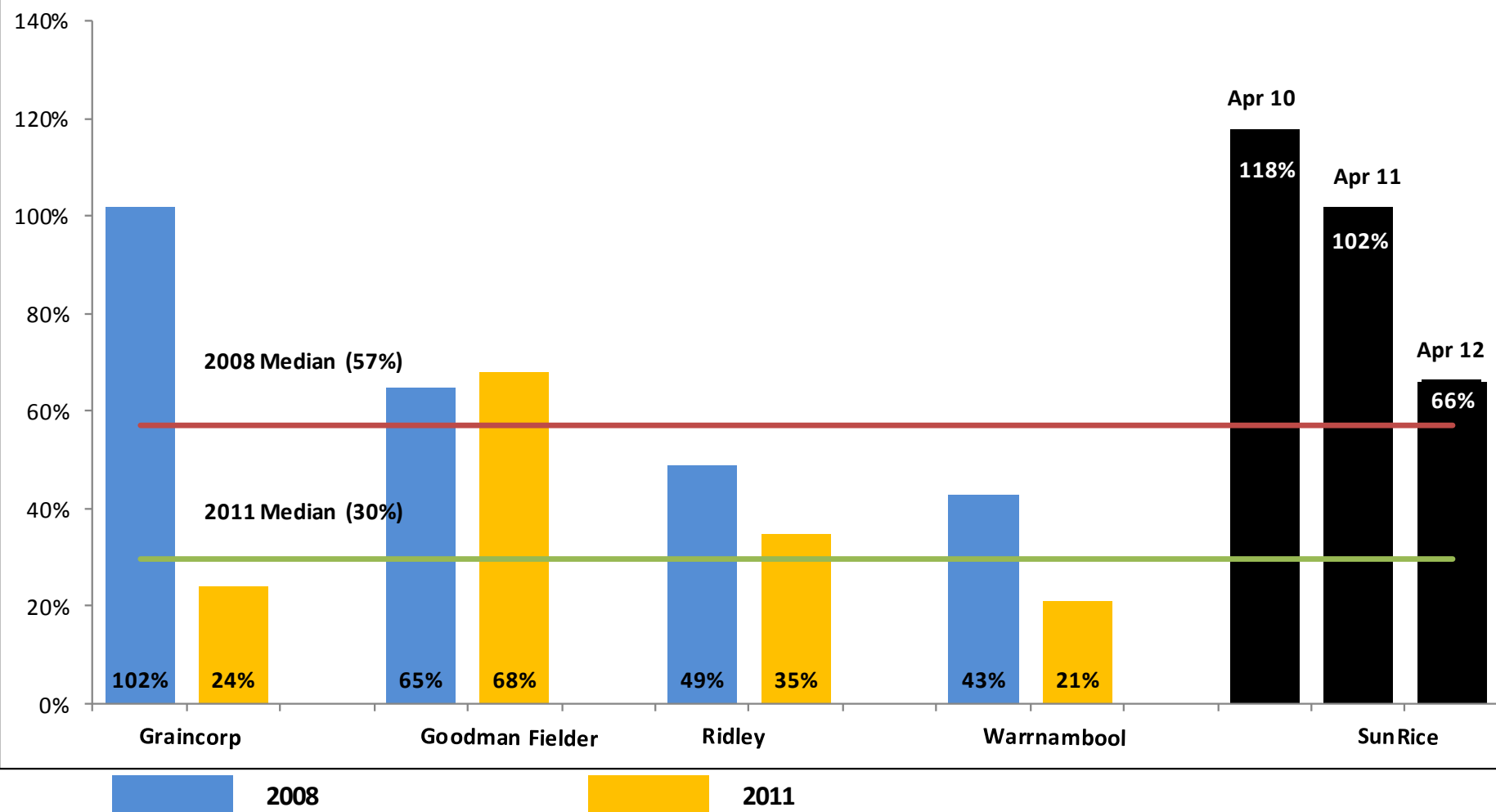


# Gearing fluctuation

Jan 2011 to April 2012 fluctuations in gearing



# Comparable companies





# Brand reinvestment



- Brand reinvestment will grow the category and drive consumption
- Next generation of SunRice advertising is currently being developed



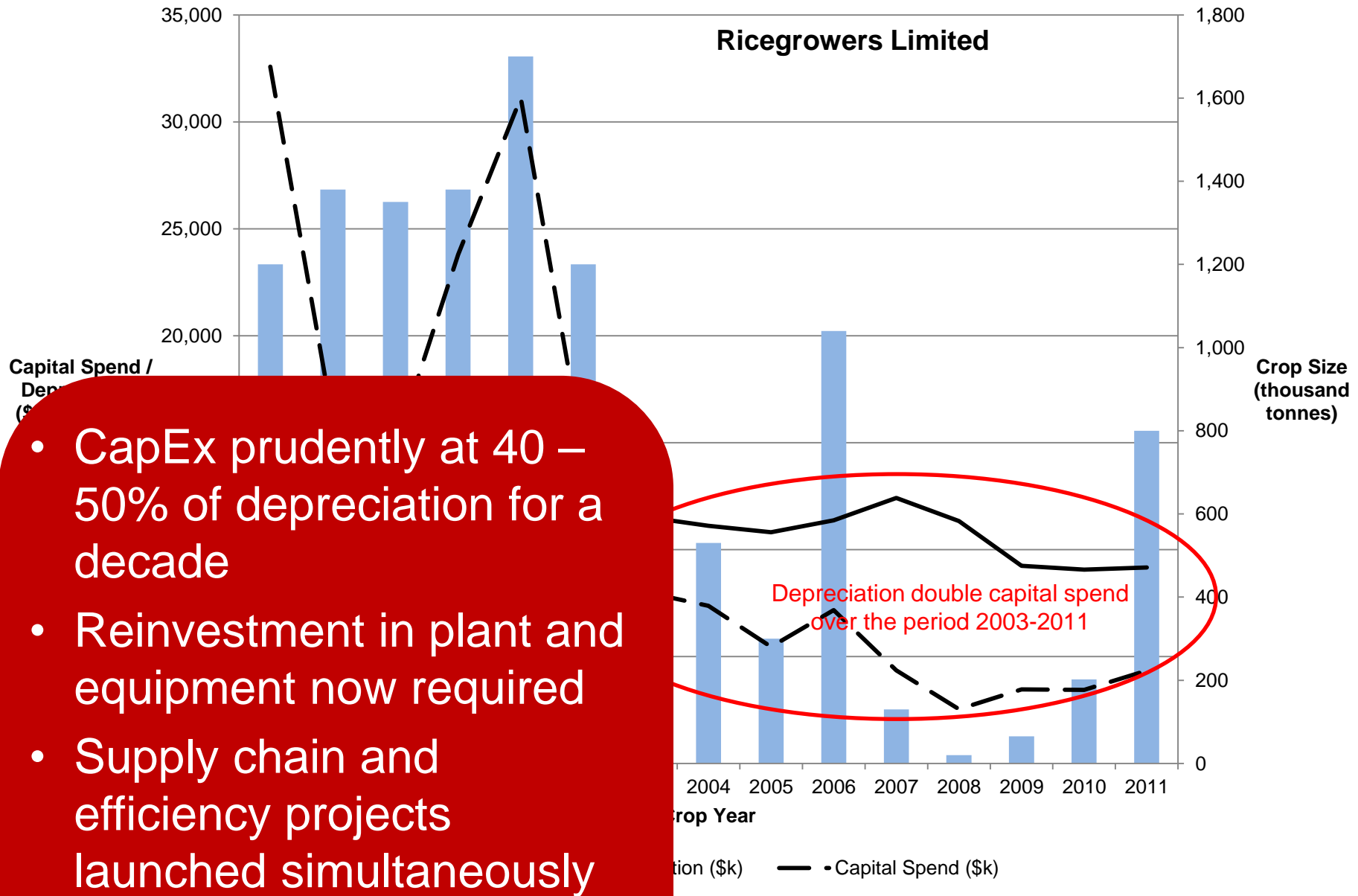
- Three early consumer trends have been identified – health and wellbeing; exotic and adventurous; and convenience
- SunRice is well placed to build on these trends via innovation



# Innovation



# Capital reinvestment



- CapEx prudently at 40 – 50% of depreciation for a decade
- Reinvestment in plant and equipment now required
- Supply chain and efficiency projects launched simultaneously



# Opportunities

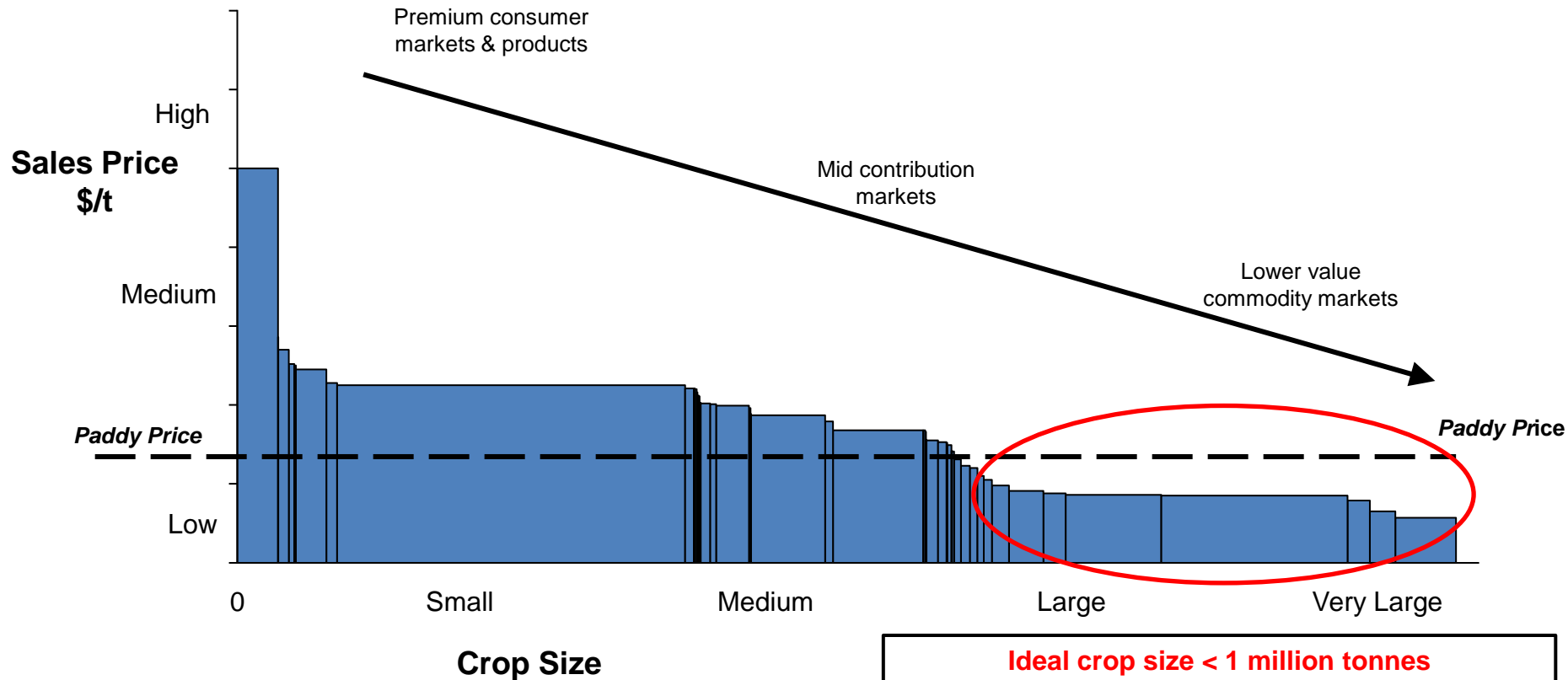
- Operations
- Brands
- Innovation



# Global outlook for rice

- Medium grain prices have generally been firming over the long term in USD, but the strong AUD has washed away most of the benefit
- In the short term there will always be periods of price volatility
- Emergence of new Japonica exporters, however they are still niche
- Large long grain stocks are being built up globally and are expected to come to market soon
- Long grain stocks, coupled with better medium grain availability, is likely to affect our markets, particularly in countries where substitution between grains occurs

# Effect of crop size on paddy price



**Ideal crop size < 1 million tonnes**  
**Incremental volumes sold into lower contribution**  
**markets which dilutes the average paddy price**



A woman with dark hair is looking at shelves of rice products in a grocery store. The shelves are stocked with various brands and types of rice, including Sun Rice, Cakes, and Medium Grain. The woman is in the foreground, looking down at the products. The background shows more shelves with rice products.

## Business outlook

- Good start to the current crop year
- Strong trading experienced in Q1
- Prices are holding currently
- Second half expected to be more challenging



# Conclusion

