

Ricegrowers Ltd (SunRice)

Information paper

Quality Income from Branded Products

FMCG/Agriculture

26th November 2019

Ricegrowers (ASX: SGLLV) trades as SunRice – the company's main brand, which is ubiquitous in supermarkets. SunRice is a global fast-moving consumer goods (FMCG) business and one of Australia's largest branded food exporters with more than 30 brands across 50 countries. Built by Australian rice growers, SunRice today generates almost \$1.2bn in sales and owns operations and assets spanning Australia, the Middle East, the US, Papua New Guinea, the Pacific and Asia. SunRice is a diversified business, responsible for the sale of more than 90% of Australia's crop; sourcing rice from its international supply chains to service a growing portfolio of brands, products and customers; and adding value through rice-based branded products including rice cakes, pre-packed rice meals, premium rice brands, microwave meals and flour. SunRice also has business segments focused on gourmet Mediterranean foods and food service supply and stockfeed production and companion animal feed nutrition. SunRice has a track record of delivering on its strategic plan with intended expansion into adjacent food businesses being a key reason for its April 2019 ASX listing. A compco-derived sum of the parts valuation generates a through the cycle valuation of \$11.44/share, notwithstanding the subdued outlook outlined at the August AGM. Note that this is not a target price but a valuation.

Scope

This report has been commissioned by Ricegrowers Ltd (SunRice) to present an explanation of the business model and to explore the value created by the company for its stakeholders. The views expressed in this report are RaaS's and should not be construed as an endorsement by the company.

Business model

SunRice is a market leader in both core rice and value-added rice products such as microwave rice meals, rice cakes, rice flour and a growing presence in the healthy snacking category which we believe holds significant opportunity for further growth. SunRice has had a consistent focus on increasing organisational quality and sustainability - both economically and in ESG terms. The company is currently executing a second five-year strategic plan aimed at expanding its presence in the fast-growing healthy snacking category, capitalising on growing global demand for sushi rice, expanding the footprint for its branded low GI rice products and developing new markets for new rice-based value-added ingredients. This plan implies further acquisitions of complementary food brands and products, particularly in the "entertaining and snacking" and animal feed categories.

Sum of the Parts Valuation

We have undertaken a sum of the parts valuation of the business based on the company's past performance, using a considered group of domestic and international peers. It should be noted that past performance is not a guarantee or indication of future performance and that the share price will not necessarily trade to our valuation. Our comparable company valuation range of between \$8.94 and \$13.94 per share (mid-point \$11.44) is derived from an analysis of domestic and international companies with comparable dependence on agricultural and food products and based on SunRice's historical earnings through the cycle. This valuation does not give any guarantee regarding SunRice's future financial performance, its outlook or its share price performance. SunRice is trading at a PER discount of ~60% to a broad list of agricultural and food companies (median 12-mth trailing PER of 22.1x), a discount, which in our view is unjustified given its superior NTA and yield.

Historical earnings and ratios

Year end	Revenue (A\$m)	EBITDA Adj.* (A\$m)	NPAT Adj.* (A\$m)	NPAT Rep.	EPS Rep. (c)	P/E (x)	DPS (c)	Yield (%)	NTA (\$)
04/15a	1,238.1	111.1	52.5	43.4	77.9	4.9	31.0	8.2%	6.37
04/16a	1,265.9	110.4	52.0	49.1	87.9	4.3	33.0	8.7%	6.84
04/17a	1,109.3	75.3	37.5	34.2	61.3	6.2	33.0	8.7%	7.10
04/18a	1,174.0	94.3	43.6	42.7	75.9	5.0	33.0	8.7%	7.49
04/19a	1,189.5	85.8	40.1	31.5	54.5	7.0	33.0	8.7%	7.64

Source: Company data *EBITDA and NPAT adjusted for one-time, non-cash items inc forex costs

Share details

ASX Code	SGLLV
Share price	\$3.80
Market Capitalisation	\$219.25M
Shares on issue	59.7M
Net debt at 30/4/19	\$109.55M
Free float	98%

Share price performance (12 mths)



Upside Case

- Significant opportunity in Asian rice markets
- Proven ability to develop and expand brands, deliver new product initiatives through cycles
- Significant growth opportunities in healthy snacks, low GI and sushi rice

Downside Case

- Complicated corporate structure
- Poor harvests limit Rice Pool's ability to absorb fixed costs & overheads
- Competing with other crops for water allocation

Board of Directors

Laurie Arthur	Chairman
Rob Gordon	CEO
John Bradford	Grower director
Luisa Catanzaro	Non-Executive Director
Andrew Crane	Non-Executive Director
Ian Glasson	Non-Executive Director
Gillian Kirkup	Grower director
Ian Mason	Grower director
Jeremy Morton	Grower director
Leigh Vial	Grower director
Julian Zanatta	Grower director

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Table of contents

Scope	1
Business model.....	1
Sum of the Parts Valuation	1
Ricegrowers Limited	3
Investment case.....	3
Sum of the Parts CompCo Valuation	4
Capital Structure.....	6
Industry Dynamics	7
SunRice Strategy	13
Historical Performance Discussion	15
Rice Pool	17
International Rice.....	19
Rice Food	20
Riviana	21
CopRice	22
Expenses.....	23
Balance Sheet.....	24
SWOT analysis	25
Sensitivities	25
Share Register	26
Board and management	26
Directors	26
Executive Team.....	27
Peer Comparison.....	29
Sum Of The Parts Valuation	31
Appendix	35

Ricegrowers Limited

Ricegrowers Ltd, trading as SunRice, listed on the ASX in April 2019 following twelve years as an NSX-listed entity. The company is executing a strategic plan centred on maintaining excellence in NSW rice production and flexing a global supply chain, while diversifying revenue through growth in related food businesses, organically and through acquisition. To support this plan, the business is focussed on maintaining strong brands, optimising domestic rice production and using sophisticated sourcing for its core rice brands internationally, and, if and when required, enabling substitution of international rice for domestic rice. We believe the company has the capacity to execute this plan based on a clear record of achieving strategic targets in the current and previous plans despite significant volatility in underlying domestic commodity supply. SunRice offers a strong management team and board with an appealing yield and a currently undervalued share price.

Investment case

In our view, SunRice can achieve a market re-rating for the following reasons:

- Quality management and board track record;
- Clearly defined and demonstrated execution of past and current five-year strategic plans;
- Opportunity to expand into new product categories and additional international markets;
- Opportunity to leverage Australia's position as a clean and green source of food supply by expanding SunRice's range of branded rice products into countries seeking food assurances;
- Opportunity to further capitalise on consumer demand for healthy snacks, low GI rice and sushi rice;
- Opportunity to leverage its Vietnamese operations into new export markets and to use its experience in this market as a blueprint for future expansion in the fast-growing Asian rice markets;
- Strong commitment to a sustainable dividend with evidence of management's ability to find cushions against volatility;
- Strong ESG policy and practice;
- Attractive long-term yield and return to valuation through the cycle;
- Share price un-correlated with the ASX benchmarks;
- Cheap relative to comparable fast-moving consumer goods (FMCG) and agricultural companies.

SunRice benefits from a quality management team and board who have steered the company toward businesses which will offset the potential variability of earnings imposed by Australian rice harvests. The company has established a premium position in the global rice market, and a leading position in Australia, the Middle East and the Pacific, with strong, well established brands and products, supported by the development of a strong and efficient industry in NSW and expanded presence in International markets. The consumer food operations provide more stable revenue streams and capitalise on competencies and adjacencies within the business. SunRice has shown capacity to outpace large changes in the rice harvest while maintaining profitability and continuing to pay dividends. We see the recent milling expansion in Vietnam as a significant step-change for the business in building new markets in the Asia Pacific region and opening new export markets that would not necessarily be available to the Australian rice industry.

SunRice has a dual class structure with A class and B class shares. A class shares are held by active growers whereas B class shares are listed on the ASX and are the subject of this report. B class shareholders have no right to vote other than for variations to the rights of B class shares. There is a maximum shareholding limit of 10% of B class shares (together "Non-Standard Elements").

In summary we feel confident that SunRice will continue to pay a dividend, underpinned by the earnings from its FMCG business and its ability to flex its international supply chain, despite potential changes in the volume of rice sourced from the Riverina. We have not provided forecasts in this information paper, considering instead through the cycle historical earnings. The company has indicated, at its FY19 annual general meeting, that it would provide earnings guidance for FY20 at its interim result in December. At that point, we believe

there will be sufficient indicators for RaaS to develop more meaningful forecasts for FY20 and FY21 with the CY20 Australian crop now in its planting cycle.

Sum of the Parts CompCo Valuation

Our CompCo based valuation is conducted on historical earnings, averaged over five years, moderating the impact of weather on financial outcomes. The company's animal feed and nutrients division, CopRice, has expanded recently so FY19 earnings are used. We compare the divisions to FMCG, Feed, Services and International trading companies to arrive at a range of EV/EBITDA multiples. The resulting capitalisation of 5-year average EBITDA gives a range of asset values from which we deduct Net Debt and minority interests to give a valuation range of \$8.94 to \$13.94 per share. The average value derived from this through the cycle valuation method is \$11.44 per share, notwithstanding the subdued outlook outlined at the AGM in August. We feel alternative valuation methods will deliver a more volatile and less useful result. One indicator of this is the wide range of share price Betas observed for the sector relative to the S&P/ASX200. (Exhibit 38). We do not consider it relevant to consider the Non-Standard Elements for the purposes of our CompCo based valuation.

It is important to note the following in relation to this report:

- This report uses a “sum of the parts” valuation methodology based on past performance to generate a “through the cycle” valuation (notwithstanding the subdued outlook outlined at the AGM in August 2019), and using valuation multiples for a group of domestic and international peers considered to be comparable by RaaS. This method is one of many possible valuation methodologies for a company, and accordingly the use of different valuation methodologies, and different inputs and/or assumptions to those we have chosen for the purpose of preparing its report would produce different valuation results;
- The report is based on RaaS’s assessment of SunRice’s historical earnings through the cycle and other publicly available information and does not give any guarantee regarding SunRice’s future financial position or performance, or its outlook. SunRice’s actual results and performance may vary – possibly to a material extent - from the events, results or outcomes expressed in, or implied by, the report. Past performance is not a guarantee of future performance and the share price and trading performance of SunRice’s B class shares on ASX will not necessarily trade to RaaS Advisory’s opinion on the “through the cycle” valuation or outlook;
- Whilst SunRice commissioned and paid a fee for this report, the report is based on RaaS’s assessment of SunRice’s historical earnings through the cycle and other publicly available information and does not give any guarantee regarding SunRice’s future financial position or performance, or its outlook. The report is provided for information purposes only, and no representation, warranty or other assurance is given as to the fairness, accuracy, completeness, or likelihood of achievement of any matter, or related estimate or assumption, contained in it; and
- The report has been prepared and issued by RaaS Advisory, and the opinions contained in the report represent the opinions of the principals of RaaS Advisory as at the date of issue. This report should be read in conjunction with the disclaimer and Financial Services Guide on pages 39-41.

Capital Structure

History

Ricegrowers was established as a co-operative in 1950 to manage and market rice supplied by its members. The members approved conversion to a company in 2005 and a name change to Ricegrowers Limited. Trading as SunRice the company was listed on the National Stock Exchange (NSX) in 2007. SunRice listed on the ASX in April 2019. No additional capital was raised.

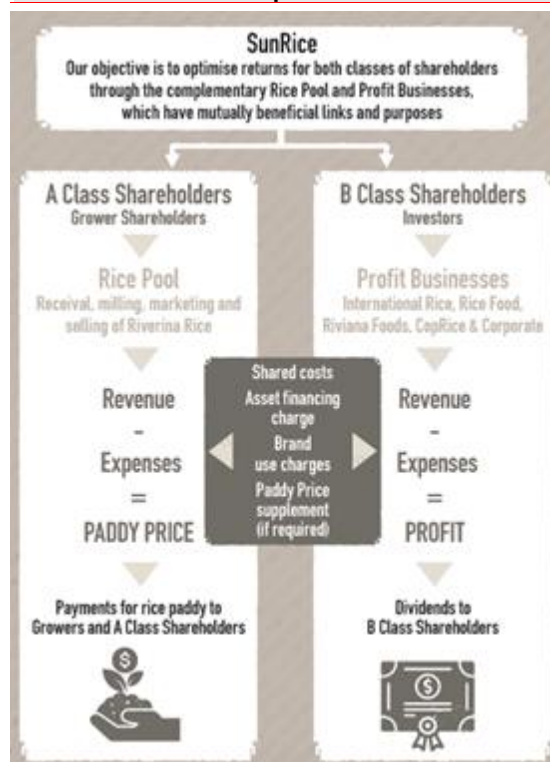
Share Class Structure

SunRice's constitution reflects the twin objectives of achieving profitability of the company's businesses and long-term improvement in grower returns. As such, the structure of A and B class shares separates and protects the interests of the B class shareholders who have the right to receive dividends from SunRice (as determined by the board) and A class shareholders who must be active rice growers and who have control of the company. Owners of the A class shares receive the calculated price per tonne of rice harvested and sold through the pool system - the "paddy price" which is paid on unprocessed rice volumes. Profits generated by the business units including Riviana Foods, CopRice, Rice Food, International Rice and Corporate are available to pay dividends to B-Class shareholders.

The Profit Businesses

SunRice's profit businesses are aligned to the company's B class shareholders, with after-tax profits from these businesses available to be retained within the business or distributed in the form of a dividend. SunRice's current dividend policy is to pay out up to 50% of after-tax profits although the Board has the ability to pay out above these levels as was evident in FY19.

Exhibit 1: SunRice corporate structure



Source: SunRice 2019 annual report, p.6

Rice Pool Operation

The Rice Pool is aligned to the growers, the majority of whom are A class shareholders, and deals with the receival, milling, marketing and selling of Riverina rice including the sale of Riverina rice and rice by-products to SunRice's profit businesses on commercial terms and pricing. The Paddy Pool is a financial model through which the Paddy Price is calculated by aggregating all revenue from the sale of Riverina rice, deducting relevant costs including payments to the Corporate segment of the profit businesses for the use of the storage and milling assets and the company's brands. The balance is paid out in the form of the paddy price per tonne. The Rice Pool business does not record a profit since all positive returns are received by growers via the paddy price. More detail on the Australian Rice Industry and the dynamics for growers is set out in the Appendix (page 35).

The risk for B class shareholders arises in poor harvest years. If expected rice volumes are insufficient to cover the fixed costs of the rice pool structure, there is the dual prospect that the board will depart from the Paddy Pool model and set a higher paddy price to incentivise growers to plant rice, and that the costs associated with the storage and milling assets and brand charges for the Rice Pool will be covered by SunRice's profit businesses, thereby potentially reducing group profitability overall. The difference between the pool net revenue and the paddy price set is referred to as a Paddy Price Supplement and was paid in 2010-11 and again in 2016-17. At the same time, in years of a low Australian crop, SunRice has the ability to

flex its international supply chain to assist in meeting its global demand. SunRice has signalled that there could be a supplement paid in the 2020 fiscal year. The company has indicated that it is confident of paying a dividend to B class shareholders in FY20. (FY19 Result Presentation, p15)

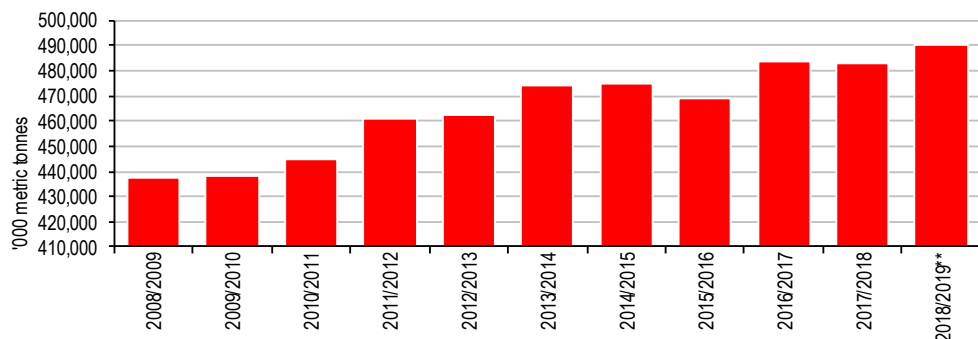
Industry Dynamics

SunRice is a consumer-focused global food group operating 30 brands across 50 countries. It holds a leading market share in select categories in Australia, the Middle East, Papua New Guinea and the Solomon Islands and has a growing presence in Asia. Industry dynamics in the international rice industry are relevant for the International Rice, Rice Pool and Corporate segments of the business while trends in both global consumer and the Australian grocery retail and food service industries are relevant for the Rice Pool, Riviana, and Rice Food businesses. Stockfeed and companion animal feed trends are relevant for CopRice. We examine aspects of these dynamics in this section. For more detailed analysis of the Australian rice industry structure please refer to Appendix A (page 34).

Global Rice Trends

Rice is the staple food for more than half the world's population with more than 470m tonnes of rice consumed in FY19. Consumption has grown at 1.2% for the past 10 years and industry estimates¹ are for consumption to grow at 1.1% until FY25 with much of this growth generated in developing countries. Exhibit 2 sets out historical annual rice consumption.

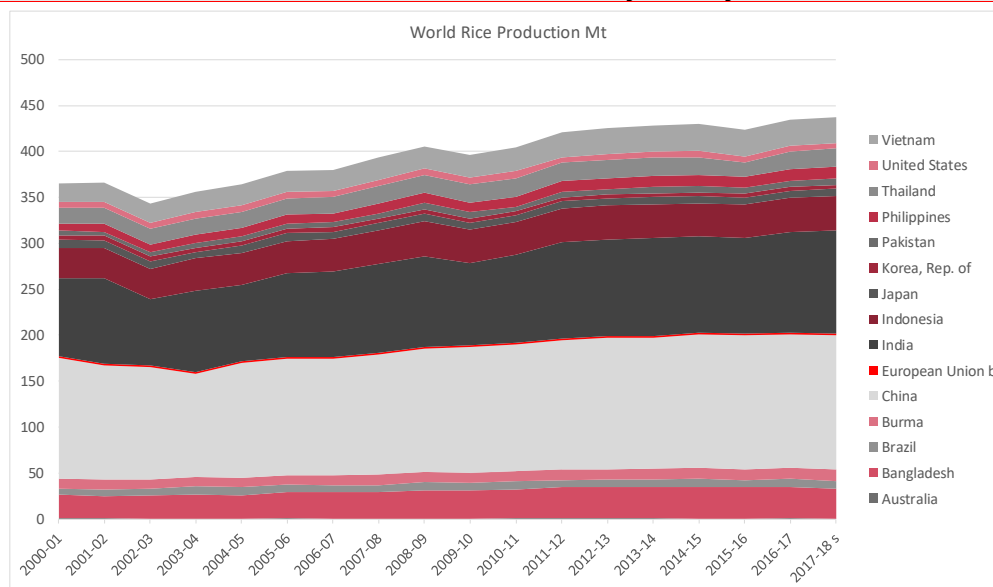
Exhibit 2: Global Rice Consumption 2009 to 2019 (CAGR 1.2%)



Source: Statista ** Estimated

¹ Global rice consumption continues to grow, <https://www.graincentral.com/cropping/global-rice-consumption-continues-to-grow/>
OECD-FAO Agricultural Outlook 2018-2027 http://www.fao.org/3/i9166e/i9166e_Chapter3_Cereals.pdf

Exhibit 3: World Rice Production in Millions of Tonnes by Country 2000-2018

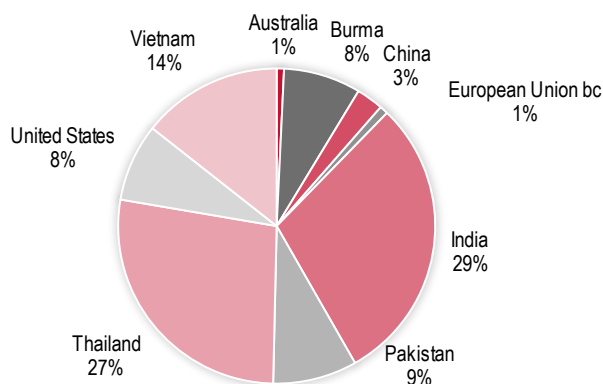


Source: ABARES

China and India are the largest producers respectively delivering 30% and 23% of global production. Australia contributes less than 0.3% of global tonnes for all rice varieties. Exhibit 3 above highlights rice production by country.

India is also the largest rice exporter, followed by Thailand. For most producing countries exports are a residual outcome not an aim - however Thailand, Pakistan, Vietnam and the United States have a clear export strategy. Australia is a small player in total rice exports as Exhibit 4 shows, however, this includes rice varieties such as Indica, (long grain rice which accounts for 80% of production) and is not suitable for growing in the Riverina region. The rice grown in Australia is predominantly Japonica, a medium grain variety, which accounts for 20% of total rice produced globally. SunRice estimates that through its New South Wales single desk support arrangements and the group's global trading activities, it accounts for around 10% of the global trade in Japonica rice².

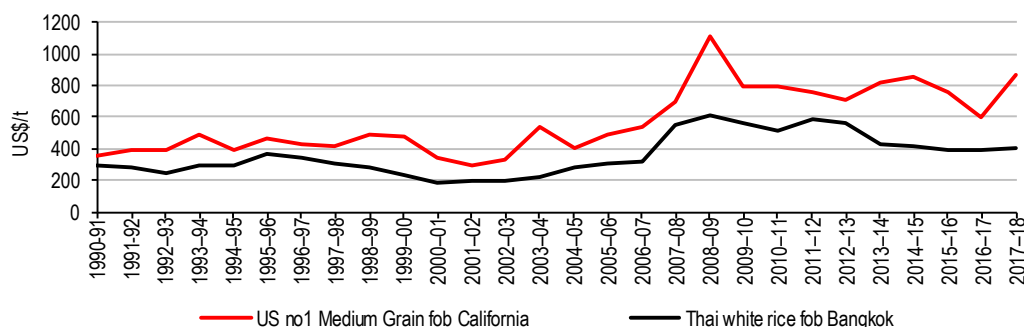
Exhibit 4: Export share by country, 2017



Source: ABARES

It is worth noting that Japonica rice commands a significant premium to Indica rice (as indicated by the Thai white rice fob Bangkok). We set out in the following Exhibit 5, prices commanded for Japonica (as indicated by the US no 1 medium grain fob California) versus those commanded for Indica over the past two decades.

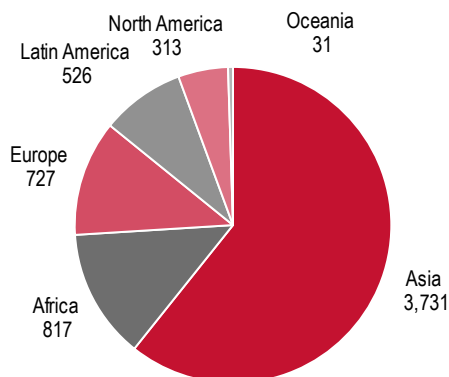
Exhibit 5: US Medium Grain (Japanica) Rice Export Price vs Thai White Rice (Indica)



Source: ABARES

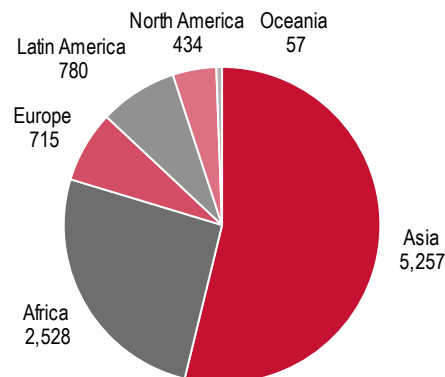
Growth in rice consumption is being driven largely by increasing populations in rice-eating nations in Asia, Africa and the Middle East. The United Nations is forecasting the world population to grow 59% from the year 2000 to just under 10 billion people by 2050 with much of this growth coming from Asia and Africa (including the Middle East).

Exhibit 6: World Population by region, 2000 (in millions)



Source: United Nations 2017

Exhibit 7: Forecasted World Population by region, 2050 (in millions)



Source: United Nations 2017

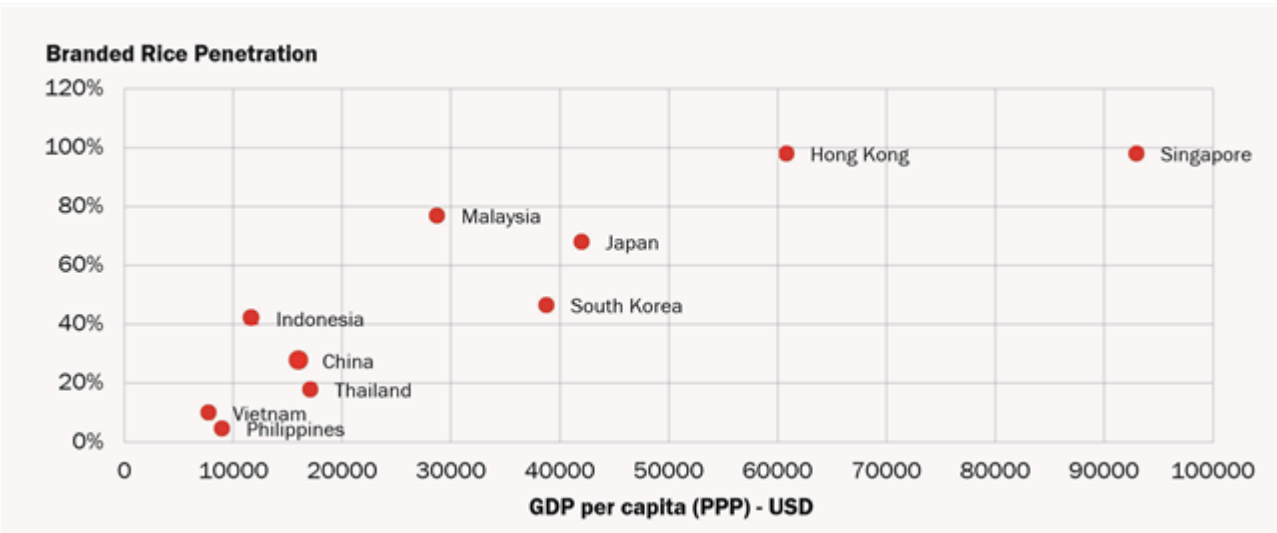
Some of the consumer trends that are emerging include:

- Increasing affluence in emerging nations with a growing preference for branded and premium packaged products;
- Changing cuisine trends in developed countries driving demand for premium varieties such as short-grain sushi-style rice;
- Increasing demand for healthy snacking alternatives in developed nations.

Branded rice penetration

As SunRice highlighted in its March 2019 Information Memorandum, the branded rice category is expected to grow in line with increasing affluence. Currently branded rice penetration is low in many developing Asian countries but as GDP per capita increases, the demand for branded rice over bulk rice is expected to rise. Exhibit 8 on the following page highlights that the more affluent Asian nations of Singapore, Hong Kong, Malaysia and Japan have a high penetration of branded rice products.

Exhibit 8: GDP/Capita (per person) vs branded rice penetration of selected Asian nations, in US\$



Source: SunRice analysis using CIA and Mintel Retail Market and Total Market Volume data, 2017 (page 25 Information Memorandum)

Sushi demand

The growing affluence in the region is also extending to increasing demand for premium rice varieties, such as short grain sushi-style rice. Japanese cuisine restaurants outside Japan now number more than 117,000 with more than half those restaurants located in Asia, which as a region experienced 50% growth in new Japanese cuisine restaurants from 2015-2017. SunRice is well placed to capitalise on and increase production in the sushi rice varieties currently grown in the Riverina region. A recent article published on Nikkei.com³, highlighted that Australian rice was being adopted by Japanese food services and consumers alike as a less expensive, alternative source to the Japanese grown Koshihikari varietal.

Exhibit 9: The rise in Japanese cuisine restaurants by region from 2015-2017



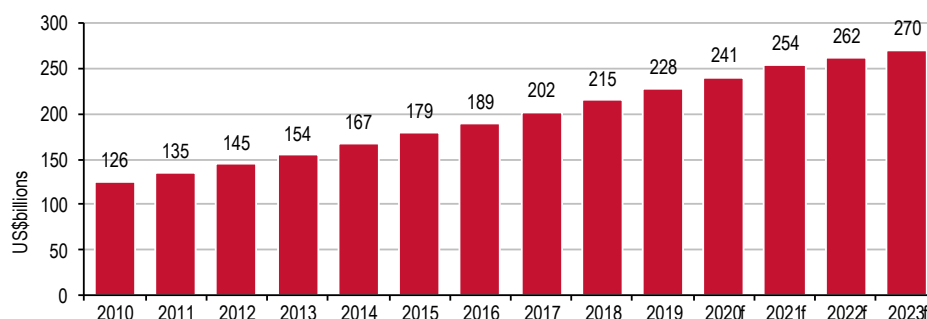
Source: Nippon.com Ministry of Foreign Affairs, Ministry of Agriculture, Forestry and Fisheries Japan

³ Australian Rice finds favour in Japan as cheaper option, January 12, 2019; <https://asia.nikkei.com/business/markets/commodities/australia>

Convenience foods

Another global consumer trend worth highlighting is the growth in the ready-foods markets. Statista estimates that revenue in the Ready Meals segment amounted to US\$228b in 2019 and the market is expected to grow annually by 4.3% (CAGR 2019-2023). Exhibit 10 below sets out Statista's estimates.

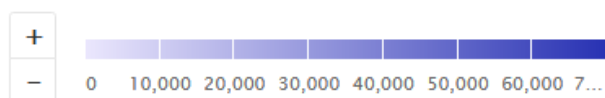
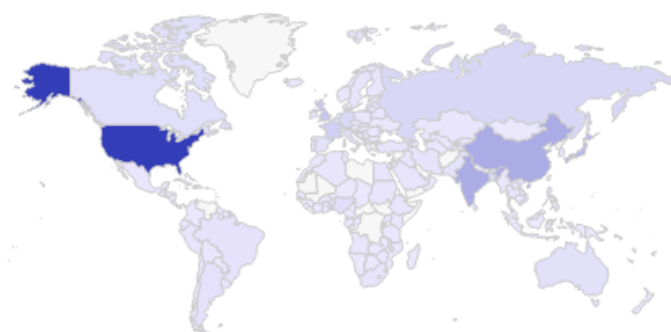
Exhibit 10: Global Ready Meals Market (in US\$billions) 2010-2023f



Source: Statista

The US is the largest market in ready-foods, commanding US\$66bn in 2019 but China, India and Japan represent the next top three regions as the following exhibit demonstrates.

Exhibit 11: Ready Meals market by region, top five markets highlight in the highlighted box



Top 5

United States	US\$65,567m
China	US\$22,897m
India	US\$22,583m
Japan	US\$18,291m
United Kingdom	US\$12,626m

Source: Statista

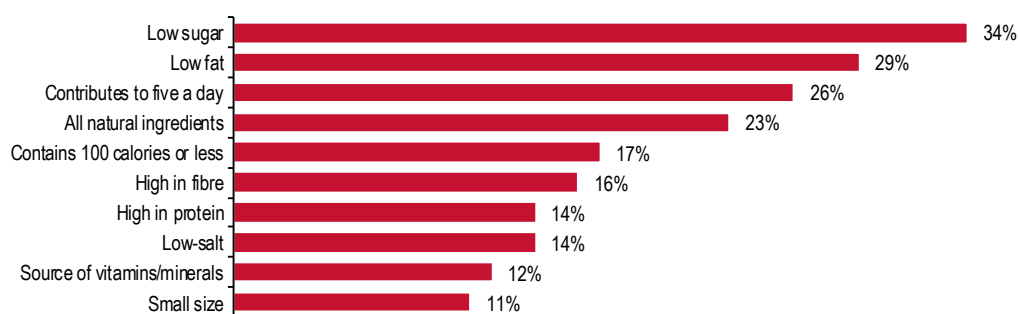
Healthy Snack Food Trends

Healthy snacking is a growing trend in developed and developing countries across the world with a projected market size of almost US\$33b by 2025 (CAGR of 5.2%) according to a recent report by Grand View Research, Inc,⁴ with increasing awareness of the health and wellness benefits offered by products among consumers being the key trend driving the market.

A recent study by Lightspeed/Mintel of 1,808 internet users aged 16+ in the UK found that 34% of snackers looked for low sugar in their healthy snacks, while 29% looked for a healthy snack to be low in fat. Exhibit 12 sets out the responses.

⁴ <https://www.grandviewresearch.com/press-release/global-healthy-snack-market>

Exhibit 12: UK: Most sought-after qualities in a healthy snack, 2018 (% of snackers)



Source: Lightspeed/Mintel Base = 1,808 internet users aged 16+ who look for healthy snacks

Other global trends include:

- Generation Z is pushing the demand for high-protein healthy snacks. In the US, the 'homeland' of high-protein, 44% of 25-34 yo consider protein content important in healthy snacks, compared to 36% across all age groups;
- Consumers are motivated to increase fibre intake as digestive health impacts overall health. In Spain, among healthy snackers, 26% see appeal in high-fibre products;
- Over half of the consumers in India, Indonesia and Thailand rank 'naturalness' as the most important factor when choosing a snack.

SunRice, through its Rice Foods division, has over many years developed a range of healthy, rice-based snack foods, tapping into a shift amongst consumers for more health-conscious, and more recently gluten-free, foods. Ipsos notes in its 2015 survey of Australians, that 40% planned to eat more fruit and vegetables while 23% of respondents said they were planning to eat healthier snacks.

Another research outfit, Mintel found that 31% of Australian consumers say that they sometimes eat snacks instead of having a meal and millennials are more likely than any other generation to snack four times or more during the day.

According to IBISWorld, Australian healthy snack food production grew at a CAGR of 5.7% in the five years to FY19 to \$2bn and was expected to grow at 4.3% in the current financial year, which is almost twice the pace at which the broader snack food market is forecast to grow⁵.

In our view, SunRice is well placed to benefit from these trends which we discuss in the following section on strategy.

Animal Feed Trends

SunRice's CopRice animal feeds division manufactures and sells both bulk feeds and packaged premium feeds for a range of animals including beef and dairy cattle, sheep, horses, pigs, poultry, dogs and cats. In the bulk feed space, the largest players are Ridley Corporation (ASX:RIC) and Mitsubishi Corporation-owned Riverina Australia. Farm animal feed production grew at a CAGR of 5.7% from 2014-19, according to IBISWorld, but is expected to decline 3.4% in FY20 to \$2.8b as a result of the impact of the drought on wheat production and competitive pricing pressures.

Domestic animal food production is, however, expected to grow at a CAGR of 2.66% from 2019-2024, from US\$1.98b in 2018, according to a report by Mordor Intelligence. Mordor also notes that Australian consumers increasingly look to premium and super-premium food for their dogs and cats. CopRice is well placed to take advantage of this trend.

⁵ Statista, September 2019, Australian Snack Food Industry

SunRice Strategy

The company renewed the strategic plan in 2016. SunRice's current five-year plan envisages increasing profits and reducing earnings volatility through;

- adapting the product offer to take advantage of changing food trends;
- securing a sustainable and reliable global supply chain; and
- converting this stability into an expanding range of businesses in FMCG⁶ food products focused on healthy eating and snacking.

Underlying these aims is the ability, in partnership with NSW rice growers, to produce high quality rice varieties which attract premium prices for export and are delivered at relatively low cost through adoption of farming best practice. The industry has invested extensively in R&D and in the implementation of its results. The industry research levy was recently doubled.

The CEO, Rob Gordon, highlighted in his April 16, 2019 ASX Connect Presentation⁷ that global food trends underpin the company's 2022 growth strategy, including:

- Healthy snacking is on the rise, including gluten-free snacks;
- Movement away from sugars, gluten and animal protein has led to growth in rice flour, rice syrups, rice bran and rice proteins;
- The world has an ongoing fascination with Sushi (SunRice has its high end Koshihikari rice grown in the Riverina);
- Many rice eating nations are searching for food safety assurances;
- Developing countries that eat rice are ramping up the wealth curve, looking for premium and convenience.

In implementing this strategy, the company has;

- focused on establishing operations in new markets (ie Vietnam) which have export opportunities not available to the Australian industry;
- improved the resilience of traditional markets (PNG) through process improvement and sourcing flexibility,
- focused on brand-building in all areas of consumer sales,
- acquisitions and repurposed businesses in new adjacencies to the core rice business e.g. recent expansion in the animal feed business and conversion of the Coleambally mill to produce feed,
- expanded the consumer food offer for the Rivana business through Riviana's purchase of "Roza's" a premium, cold-store condiments business.

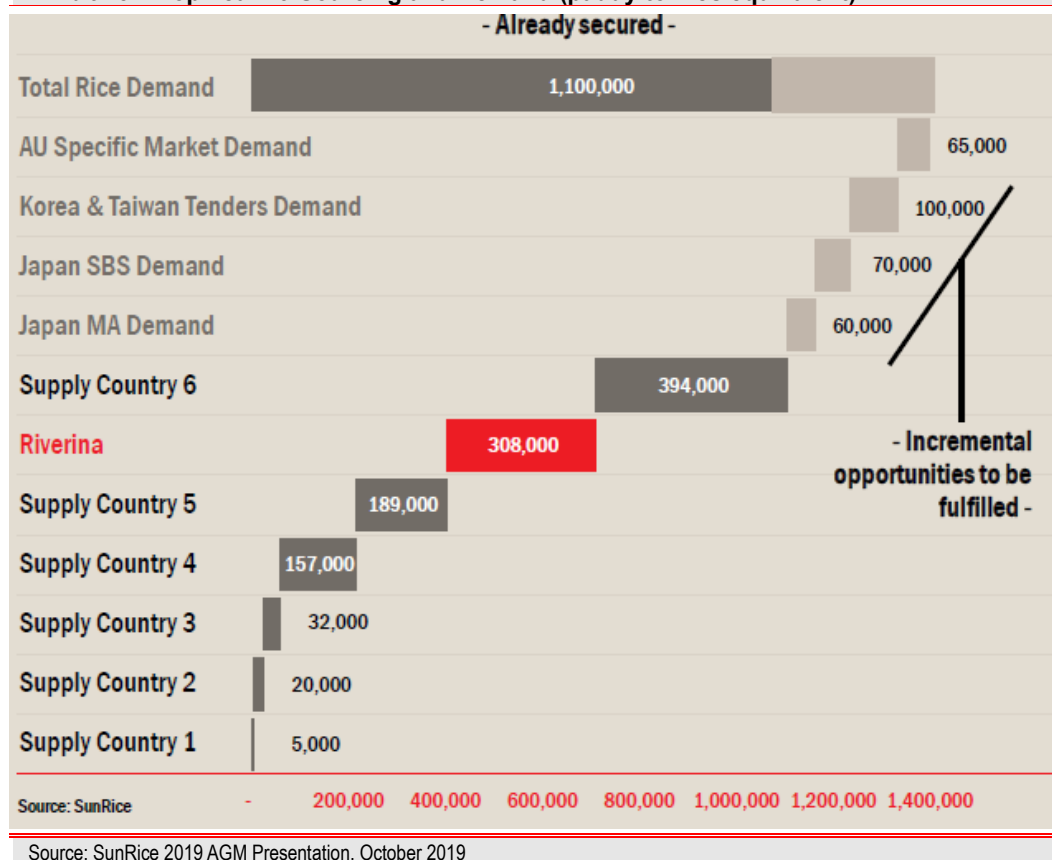
We expect these changes to assist in continuing to reduce revenue volatility. Compensating for fluctuations in Australian harvest size we expect International Rice revenues to become more important, which we also discuss below.

Having recognised the risks around volatility in the size of Riverina harvests, SunRice has for many years had in place alternative rice supply arrangements. In Exhibit 13, the company details sourcing and demand in the 2019 Crop Year (FY20). Rice sourced from the Riverina reflects the CY19 crop of 54kt and rice inventory retained from the larger CY18 harvest. The chart highlights the relatively small dependence on domestically sourced rice to fulfil demand for SunRice branded rice and rice products.

⁶ FMCG – Fast-Moving Consumer Goods

⁷ ASX: CEO Connects Event, 16 April 2019

Exhibit 13: Crop Year 19 Sourcing and Demand (paddy tonnes equivalent)



History of resourcefulness

It is worth touching on how this management team historically has approached the challenge of smaller Australian harvests. SunRice experienced its worst crop year in 2009 with just 19,000 tonnes harvested from the Riverina, yet the company posted a record net profit of \$75.8m. The key reason? SunRice's global trading team performed strongly in strategically sourcing, processing and shipping high quality rice from multiple sources. We don't expect this opportunity to repeat itself but it does serve to show that SunRice does not rely solely on the Australian harvest and that its management team has a history of demonstrating resourcefulness with opportunities that present. Importantly also for B Class shareholders, NPAT the following financial year was \$12m as this one-off trading opportunity did not re-present and the rice harvest in Australia was still recovering, but SunRice maintained its \$0.225/share dividend in the face of the lower profit.

New Example of Resourcefulness

We see the company's expansion into Vietnam as another example of management's resourcefulness. In the past two years, SunRice has established itself as a major player in Vietnam's Mekong Delta rice industry, contributing around 4% of Vietnam's total rice exports and more than 35% of its Japonica rice exports. SunRice has also recently acquired its first mill in the Mekong and signed memorandums of understanding with two Mekong Delta provincial governments to build in those provinces a sustainable, traceable supply chain for rice of a quality and specification tailored to SunRice's customers. While its yields are currently lower than Australian crops, SunRice's Vietnam operations has the ability to deliver two crops a year from the 20,000 hectares under cultivation in the two provinces. Importantly, Vietnam opens doors for SunRice amongst ASEAN nations that it couldn't access as an Australian exporter. SunRice is using its Vietnam expansion as a blueprint for other regions with water security and rice growing heritage.

Historical Performance Discussion

Exhibit 14: Divisional breakdown of revenues and EBITDA from FY14-FY19 (in \$'000s unless otherwise stated)

Year to 30 April	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Rice Pool						
Revenue from external sources	356,761	391,283	377,729	265,170	379,076	325,926
Segment EBITDA	4,781	5,389	4,235	-28,201	0	0
Revenue change		9.7%	-3.5%	-29.8%	43.0%	-14.0%
EBITDA margin on external revenue	1.3%	1.4%	1.1%	-10.6%	0.0%	0.0%
International Rice						
Revenue from external sources	420,141	476,402	513,575	505,899	456,662	482,417
Segment EBITDA	33,192	44,684	46,539	39,971	29,617	9,225
Revenue change		13.4%	7.8%	-1.5%	-9.7%	5.6%
EBITDA margin on external revenue	7.9%	9.4%	9.1%	7.9%	6.5%	1.9%
Rice Food						
Revenue from external sources	80,019	89,263	104,510	112,591	106,942	99,781
Segment EBITDA	6,122	4,723	3,841	11,985	4,603	6,868
Revenue change		11.6%	17.1%	7.7%	-5.0%	-6.7%
EBITDA margin on external revenue	7.7%	5.3%	3.7%	10.6%	4.3%	6.9%
Riviana						
Revenue from external sources	155,042	149,373	139,107	126,321	120,022	126,628
Segment EBITDA	3,307	10,508	15,072	8,413	9,561	9,687
Revenue change		-3.7%	-6.9%	-9.2%	-5.0%	5.5%
EBITDA margin on external revenue	2.1%	7.0%	10.8%	6.7%	8.0%	7.6%
CopRice						
Revenue from external sources	124,619	131,178	130,887	99,015	111,103	154,622
Segment EBITDA	10,139	8,148	7,610	588	6,935	10,458
Revenue change		5.3%	-0.2%	-24.4%	12.2%	39.2%
EBITDA margin on external revenue	8.1%	6.2%	5.8%	0.6%	6.2%	6.8%
Corporate / Asset Finance						
Revenue from external sources	1,682	631	100	270	181	171
Segment EBITDA	26,128	30,652	30,306	42,546	43,347	42,527
Revenue change		-62.5%	-84.2%	170.0%	-33.0%	-5.5%
EBITDA margin on external revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total						
External Sales Revenue	1,138,264	1,238,130	1,265,908	1,109,266	1,173,986	1,189,545
Total Segment EBITDA	83,670	104,104	107,604	75,303	94,063	78,764
Revenue change		8.8%	2.2%	-12.4%	5.8%	1.3%
EBITDA margin on external revenue	7.4%	8.4%	8.5%	6.8%	8.0%	6.6%
Segment totals are reconciled to reported PTP below						
Reported Consolidated EBITDA	83,377	102,002	107,521	72,041	93,309	77,208
Other unallocated (expenses) / income, associates	-293	-2,102	-83	-3,262	-754	-1,556
Estimated EBITDA used in segments (above)	83,670	104,104*	107,604	75,303	94,063	78,764*
Finance costs	-10,301	-11,174	-12,324	-10,340	-9,325	-8,384
Depreciation and amortisation	-19,330	-20,286	-22,086	-21,451	-20,922	-21,681
Impairments	0	-1,994	-22	-3,223	-954	-288
Consolidated Pre-tax Profit (PTP)	54,039	70,650	73,172	40,289	62,862	48,411

Source: Company reports.

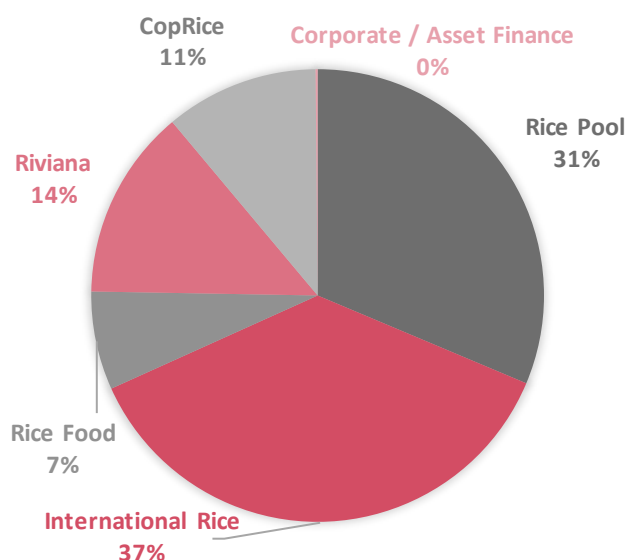
(Note: Exhibit aims to show operational revenue and earnings. Revenue from external sources as reported, EBITDA calculated as segment PTP plus allocated Depreciation & Amortisation and impairments. Total also excludes eliminations on consolidation) For FY14-17 depreciation and amortisation of the rice pool assets was partly allocated to the rice pool segment whereas for FY18-19 these items were entirely allocated to the corporate segment. *Includes forex costs in FY15 and FY19

SunRice's underlying businesses are a mixture of branded packaged food sales (Riviana, Rice Foods, International Rice), livestock and domestic animal feed (both bulk and premium packaged foods) (CopRice) and services to the rice-growing sector (Rice Pool and Corporate asset charges). We set out the six-year performance of the company by division in the exhibit above.

SunRice manages an integrated group of businesses – businesses directly involved in the receipt, milling, marketing and selling of Riverina Rice as both bulk and branded rice products; procuring rice internationally from many sources and varieties for its branded rice products across around 50 countries; and those concerned with transforming raw materials into branded food products for humans and animals.

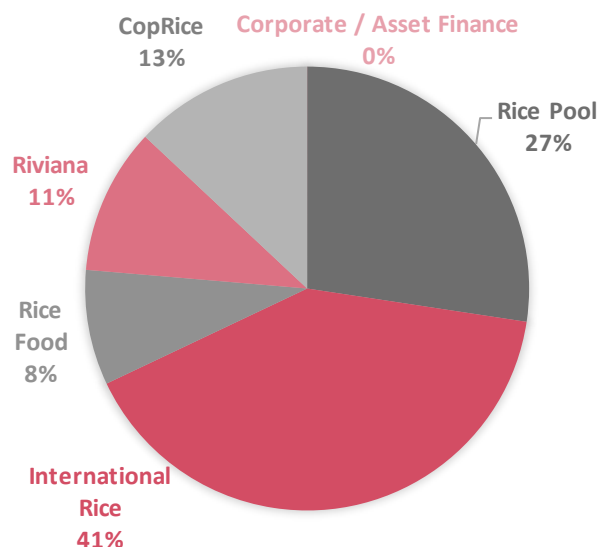
We set out the revenue and EBITDA splits in percentage terms by divisions in the following four exhibits, comparing FY19 with FY14. The smaller harvest in FY19 relative to the exceptional 1.1mt harvest in FY14 is apparent in the smaller revenue share contributed by the Rice Pool. International Rice has increased in share and CopRice has also become a more important contributor. Riviana and Rice Food have suffered from higher cost of raw materials and foreign exchange in recent years despite adding new products.

Exhibit 15: Revenue % split FY14



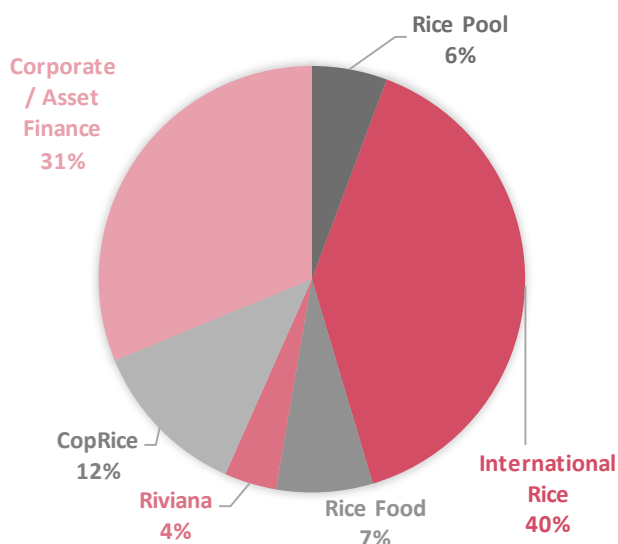
Source: Company data, RaaS analysis

Exhibit 16: Revenue % split FY19



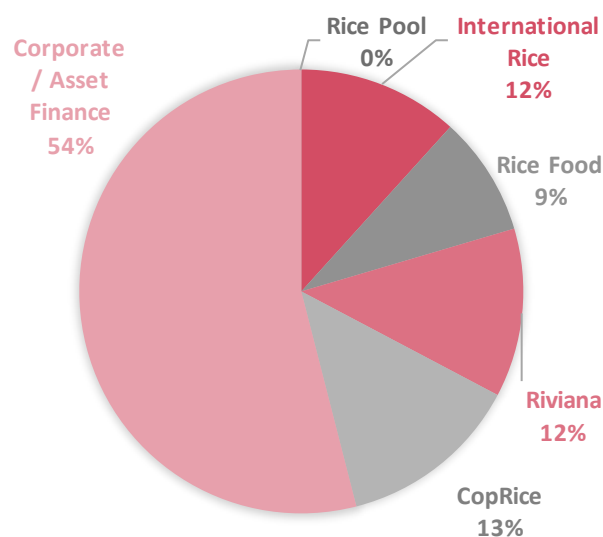
Source: Company data, RaaS analysis

Exhibit 17: EBITDA % split FY14



Source: Company data, RaaS analysis

Exhibit 18: EBITDA % split FY19



Source: Company data, RaaS analysis

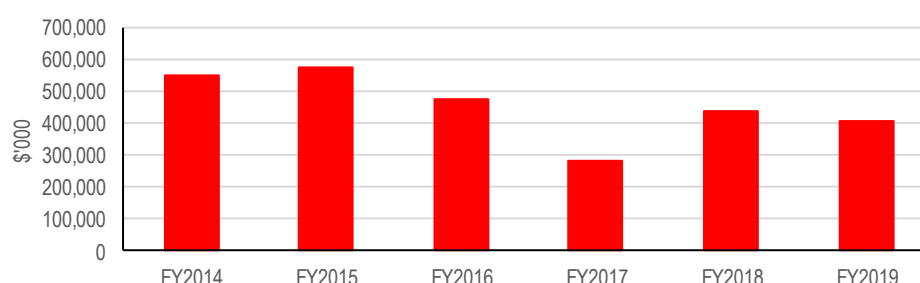
The change in EBITDA contributions in favour of Corporate is in part due to items of property, plant and equipment used by the Rice Pool segment now being allocated to the Corporate segment (the segment that owns the asset rather than the segment which uses the assets).

Rice Pool

SunRice owes its existence to the creation of a co-operative by rice growers in 1950 with the objective of “receiving, processing and marketing rice supplied by its members”. The Ricegrowers Co-operative corporatized in 2005. SunRice continues to manage the processing and marketing of rice harvested in NSW for the benefit of the holders of the A-Class shares - mandated as NSW rice growers. SunRice provides corporate services, licences brands and charges the pool for use of the storage and milling assets.

Consequently, the Rice Pool does not deliver a profit to SunRice – this segment of the business exists purely to market rice and pay growers the net result. SunRice provides the handling, processing and storage infrastructure and the net of SunRice costs and Pool revenue represents payments to rice growers for their unprocessed crop. The risk in this structure is when the harvest is too small to cover SunRice costs. In that case SunRice records an under-recovery of costs leading to the Rice Pool returning a loss, which represents the difference between revenues and logistics costs incurred for that crop year. This is an expense to the B class shareholders and reduces SunRice profits. SunRice used this approach in 2011 and 2017 and expects to in 2020. See Exhibit 54 Appendix A for a view of the range of historic harvested volumes.

Exhibit 19: Rice Pool Historical Revenue*



Source: Company data, RaaS Estimates. *before intersegment eliminations

The size of the harvest and relative prices will influence where the harvested rice is sold. In general, SunRice’s most significant markets are in Australia the Middle East and the Asia Pacific markets. Currency fluctuations will also determine which markets can afford Australian rice given the higher cost base but higher quality of the product.

Exhibit 20: Where the FY19 Rice Pool revenue was generated



Source: FY19 SunRice Annual Report, page 14

Australian Rice is highly regarded in the Asia-Pacific and Middle East regions. SunRice has nurtured consumer loyalty for brands which have delivered consistent quality in these markets. These are displayed in the following exhibit.

Exhibit 21: Rice Pool brands



Source: Company data

International Rice

Exhibit 22: International Rice brands



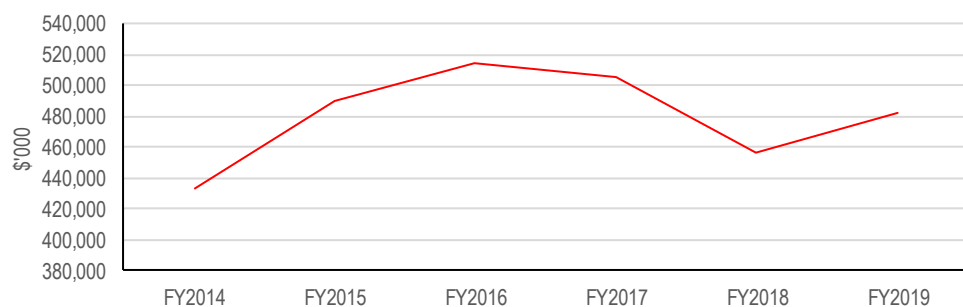
Source: Company data

SunRice holds a significant presence in the Middle East and Pacific Regions through the branded rice products it sources, delivers and markets. In all, International Rice delivers more than 30 major brands across around 50 countries. The International Rice business includes Trukai Ltd, which is the PNG business and SunRice's largest source of international revenue. The business has 64% volume share of the PNG (Trukai) and Solomon Islands (Solrais) markets and significant share in selected Middle Eastern markets through the Sunwhite brand. Trukai has faced currency challenges in the past two years due to the fall of the PNG Kina against the US Dollar and illiquidity of the PNG Kina. SunRice has managed this by sourcing supply strategically in international markets.

Hinode Rice, owned by SunRice's subsidiary SunFoods, benefits from a strong branded position in the Hawaiian market and is ranged in more than 3,800 retail outlets with over 20,000 points of distribution in U.S. West Coast retailers, including Walmart, Target, Kroger, Safeway, Foodland and Albertsons.

SunRice sources higher quality rice via its US subsidiary SunFoods which acts as a swing supplier in periods when the Australian harvest is inadequate to fill demand – particularly in Middle Eastern markets. This resulted in a decline in volume in FY18 (as per Exhibit 23) as the larger Riverina Crop harvested in the prior season was sold into export markets.

Exhibit 23: International Rice Historical Revenue*



Source: Company data, RaaS Estimates *before intersegment eliminations

Exhibit 24: Where FY19 International Rice Revenue was Generated



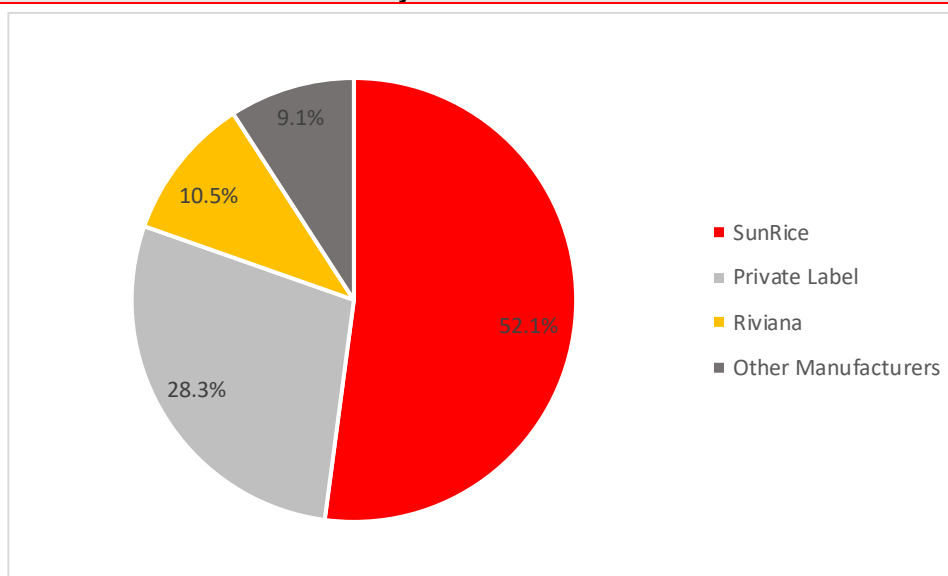
Source: FY19 SunRice Annual Report, page 8

Rice Food

Rice food is a supplier of branded rice foods including microwaveable rice, ready to go rice meals, rice cakes and flour. The business sources raw materials from Australia and internationally. In FY19 Microwaveable Rice Products contributed 42% of revenue, Ready-to-go meals 6%, Rice Cakes and Chips 30% and Rice flour 22% of segment revenue (see Exhibit 28 on the following page for a selection of these products). Further capital investment in this category was approved in FY18.

SunRice holds a leading market position in Australian supermarkets for branded rice and rice products. In core rice products, a market estimated by Nielsen to be worth \$173m in sales, SunRice is the largest player with more than 62% of sales (SunRice and Riviana combined), as the following exhibit demonstrates.

Exhibit 25: Core Rice revenue share by manufacturer

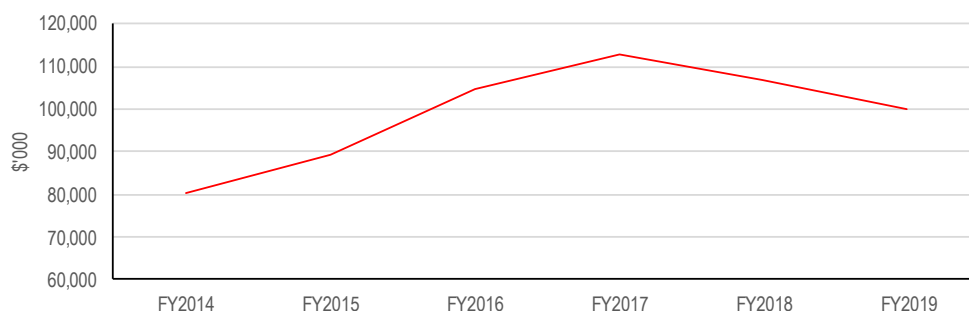


Source: Nielsen Scantrack MAT Value Data 4/11/18 (from SunRice Information Memorandum p.29)

The consumer trend for convenience foods and snacking has underpinned the growth in the Australian microwave rice market which, according to Nielsen Scantrack, is now generating around \$119m in sales. SunRice is the largest player in this market with a 48.5% share, followed by Mars (Uncle Ben's) at 24.5% and private label brands at 18.6%. SunRice also has a leading position in the rice cakes market with a 42% market

share of this \$44m market and a growing market presence in the \$117m healthy snacks market with a 12% share. As we have already highlighted, growing consumer demand for healthy, convenient, and low GI snacks represents a further opportunity for SunRice to expand its range and products.

Exhibit 26: Rice Food Historical Revenue*



Source: Company data, RaaS Estimates *before intersegment eliminations

Historical revenue change has been driven by product mix, rice prices reflecting harvest size and changes in the currency and export prices.

Exhibit 27: Rice Food's Branded Consumer products



Source: Company data

Riviana

Riviana has been at the core of SunRice's diversification strategy, acquiring and building brands that hold share of supermarket shelves, both including and beyond the rice category. It also has several brands in the food service sector.

Riviana is a market leader in Australian grocery retail in pickled vegetables and premium entertaining biscuits. Nielsen Scantrack MAT Value Data from September 2, 2018, showed Riviana had a 43% share of the \$128m pickled vegetable category and 19% share of the \$68m premium entertaining biscuit category.

In FY19, the company acquired Roza's Gourmet for \$5.855m, an implied FY19 revenue multiple of 0.6x. Roza's delivered a new distribution network as its products are found on the chilled section shelves of specialty chains such as Harris Farms and convenience stores such as IGA. This extends Riviana's reach and also presents an opportunity to bring Roza's into the larger supermarket chains. The acquisition also complements existing 'entertaining' focused brands, Always Fresh and Fehlbergs.

We set out the Riviana brands in the following exhibit.

Exhibit 28: Riviana brands

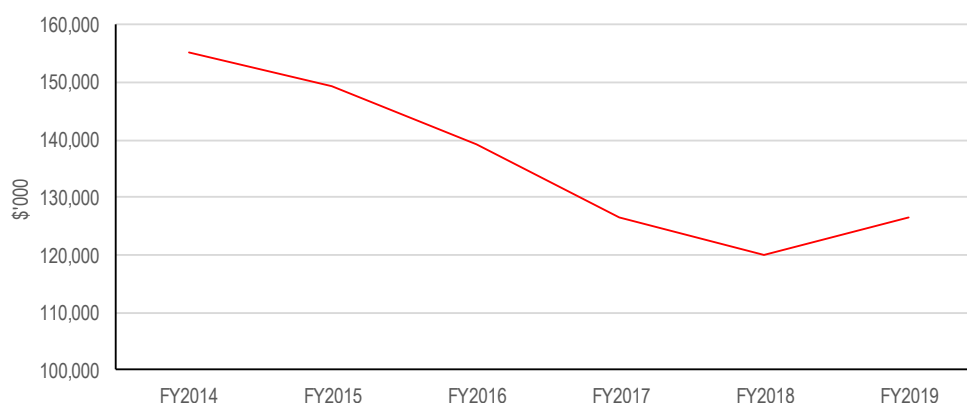


Source: Company data

This business is an importer of food products as well as a domestic manufacturer of condiments. We expect that exchange rates could have an impact on revenue however exposures are conservatively managed.

Business performance has been affected by currency depreciation, domestic competition and retail pricing pressure. Results improved in FY19 following an increased focus on efficiency and the performance of Fehlbearg's which was acquired in FY17. Food service products delivered 38% of revenue in FY19, products branded Always Fresh 35%, Riviana Retail brands 15% private label 3% and Fehlbearg's Retail 4%. Recently acquired Roza's Gourmet is 5% of the total.

Exhibit 29: Riviana Historical Revenue*

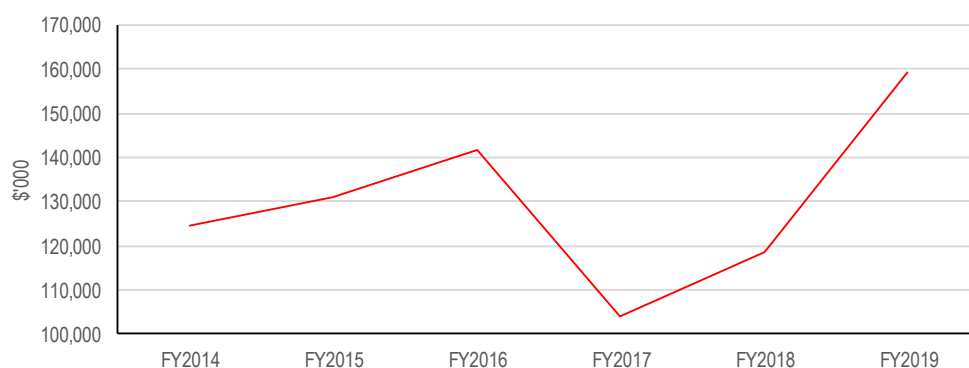


Source: Company data, RaaS Estimates *before intersegment eliminations

CopRice

The animal feed sector is segmented by bulk feed, with Ridley Corporation (ASX:RIC) and Riviana Australia (owned by Mitsubishi) the major players, and packaged food for both domestic and working animals, with Mars Corporation the major player in this segment. CopRice is still growing in this area and will be enhanced by increased supply following the conversion of the Coleambally mill to animal products and the acquisition of the extrusion assets of Feedrite. We have reviewed the performance of CopRice's competitors in the feed space and expect higher growth from this business than the consumer foods businesses above. Demand in this business is (initially) positively impacted by drought as farmers attempt to maintain herd or flock health through supplements or lack of feed. This positive impact quickly dissipates as the period of drought lengthens and herd sizes decrease, while raw material supply is also impacted. We set out CopRice's historical revenues in the following exhibit and highlight its brands on the following page.

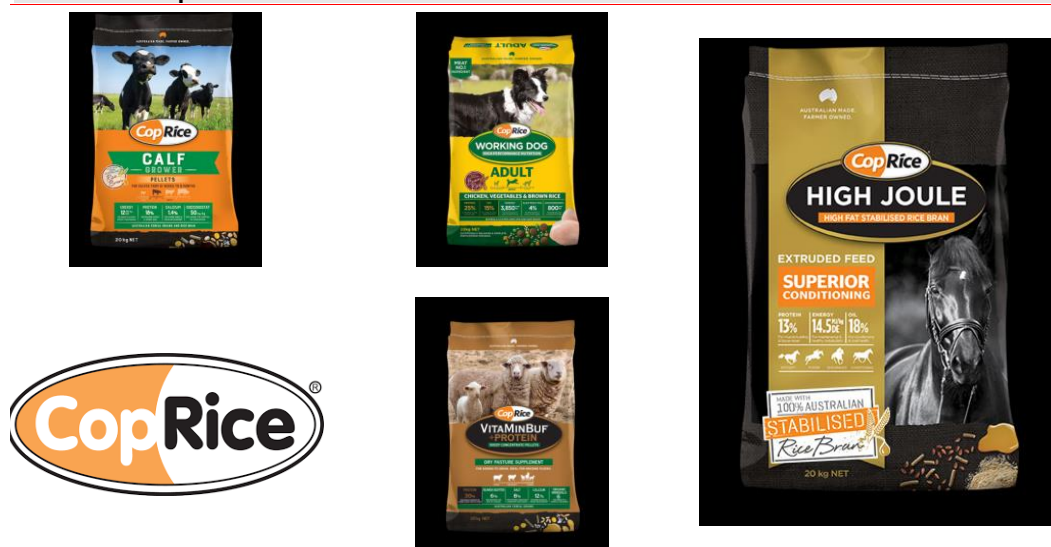
Exhibit 30: CopRice Historical Revenue*



Source: Company data, RaaS Estimates *before intersegment eliminations

The business sells via Grocery, pet stores, agri-stores and wholesalers, targeting Dairy, horse, sheep and poultry feed. CopRice also sells dog and cat food and cat litter. Weakness in the Dairy sector in FY17 due to lower milk prices impacted the business severely but both milk prices and demand for CopRice product have bounced back. We expect further expansion of the product offer following the Colleambally and Feedrite expansions noted above.

Exhibit 31: CopRice brands

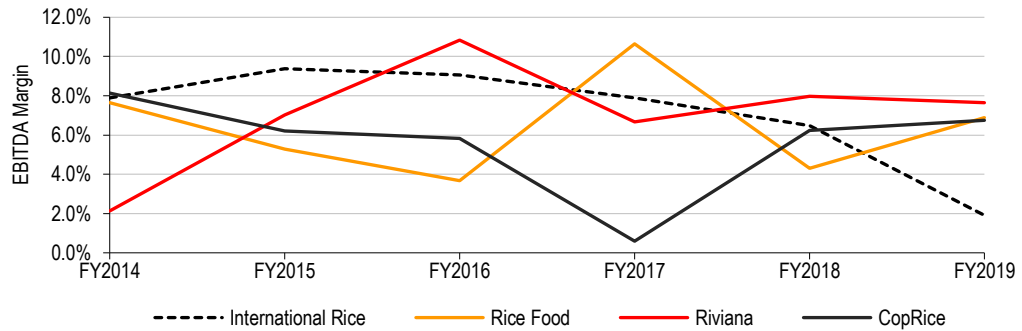


Source: Company data

Expenses

SunRice has managed costs carefully in view of the volatility of revenues from the pool and their broader impact on the business. Costs have a high proportion of variable logistics and freight related expenses which are related to rice tonnage shipped and traded. Raw materials, freight and distribution costs are variable with tonnages and prices while employee and other operating expenses modelled are slowly responsive to changes in revenue. This suggests that positive margins are maintainable in the face of a significant decline in the harvest - an outcome delivered by SunRice many times. Working capital is a key lever in this process with inventory control having a major impact on cashflows. Inventory rises with a large harvest and stocks may be carried over into future year sales plans. Rises and falls in inventory can be substantial and are dependent on harvest size and total demand. A large harvest will likely see a significant proportion retained in inventory and likely a consequent negative impact on profitability in the period.

Exhibit 32: Historical divisional EBITDA margin



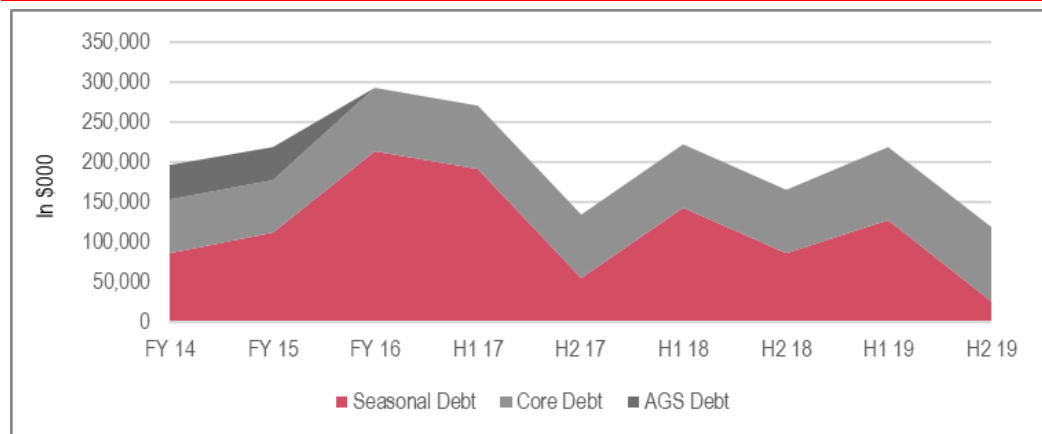
Source: Company data, RaaS Estimates

Balance Sheet

SunRice manages debt conservatively within the parameters of a seasonal harvest. The company reports Core and Seasonal debt levels in each half year. Debt rises in H1 and declines in H2 as crop sales commence. The level of seasonal debt incurred is determined amongst other things by the scale of the harvest in NSW.

Core debt is viewed as a source of long-term funding for corporate activity and is managed separately in the context of corporate activity and other strategic issues. SunRice is ambitious to grow the business in core and related food products but remains conservative in the context of a potentially volatile harvest. At the September 2019 AGM the CEO noted that plans for a capital raising to fund the strategic plan (a major reason for moving to the ASX) have been deferred as the 2019 and 2020 harvests will be at the lower end of expectations. We expect the company will revisit this thinking as the outlook for rain and international sourcing improves. In the meantime, we expect the company may make complementary acquisitions as has been the practice to date.

Exhibit 33: SunRice historical debt profile



Source: Company data

SWOT analysis

In our view the strengths and opportunities for the Company outweigh the weaknesses and threats.

Exhibit 34: Strengths, Weaknesses, Opportunities, Threats

Strengths	Opportunities
Approved and regulated one-desk trader of NSW Rice Crop	Growth in low-GI consumer food categories
Experienced management team	Steady demand growth driven by population growth in Asia
Continuing focus on diversifying strategy	Ability to add additional categories to consumer food offer
Consistent dividends paid to shareholders through the cycle historically	Shift to food safety assurances internationally will potentially create new markets, products and demand
Track record of small, sensible, value-adding acquisitions	Developing countries with growing wealth class have grown up with SunRice brands
Movement away from sugars, gluten and animal protein has increased demand for rice-based products	Opportunity to expand into new Asian markets that have trade agreements with Vietnam
Australia is considered clean and green by international nations	
NTA per share has grown at a CAGR of 5% for the past six years to \$7.64/share at April 2019 (on current share count of 59.7m shares the NTA is \$7.51/share)	Opportunity to develop a footprint in other Asian rice-growing countries in a similar way to SunRice's Vietnamese expansion
Board with a consistent view of the best outcomes for growers and shareholders	
Weaknesses	Threats
Price taker relative to global rice markets	Climate change
Dependence on Australia's weakening water resources	Concentrated supermarket structure in Australian food retail
Inherent volatility in revenue sources due to changes in Australian harvest size	Alternative crop choices made by farmers
Source: RaaS Estimates	

Sensitivities

We see the key risks to SunRice's business as being the following:

- Relationships with grocers/supermarkets will continue to be an important constraint or benefit to sales – especially of consumer food products;
- Management of rice inventory is a crucial focus for the company and may determine the level of profitability in any year;
- Rainfall in the Murray-Darling basin and water allocations in the irrigation area;
- The possibility that growers will plant less rice in future reflecting a move to less water intensive cropping;
- Conversion of PNG kina to A\$ can be illiquid (as per 2018);
- Movements in international rice prices and harvest sizes are not within the companies' control;
- This may impact profitability in supplied markets (e.g. PNG).

Share Register

The top 20 hold 21.5% of the register with most shareholders participants in the rice growing industry. Directors directly and indirectly hold 0.986m shares of 59.7m on issue.

Exhibit 35: Share register						
Holder Name	Position	Latest Chg	Filing Date	Source	% Out	Insider Status
Menegazzo Enterprises Pty	2,975,833	0	25/06/2019	Annual Re	4.98	n.a.
Australian Food & Agr Co L	2,365,086	0	25/06/2019	Annual Re	3.96	n.a.
Germanico Super Pty Ltd	820,217	0	25/06/2019	Annual Re	1.37	n.a.
Indara Holdings P L	559,883	0	25/06/2019	Annual Re	0.94	n.a.
Alan Walsh	492,285	0	25/06/2019	Annual Re	0.82	n.a.
Ambo Farms P L	434,279	0	25/06/2019	Annual Re	0.73	n.a.
Taurian Pty Ltd	402,529	0	25/06/2019	Annual Re	0.67	n.a.
Industry Designs Pty Ltd	381,790	0	25/06/2019	Annual Re	0.64	n.a.
Lamond Ng	377,201	0	25/06/2019	Annual Re	0.63	n.a.
Rose Beverley Edna	328,413	0	25/06/2019	Annual Re	0.55	n.a.
GF & SB Lawson Pty Ltd	327,139	0	25/06/2019	Annual Re	0.55	n.a.
O J Minato Pty Ltd	302,688	0	25/06/2019	Annual Re	0.51	n.a.
Aquarian Super Pty Ltd	301,140	0	25/06/2019	Annual Re	0.50	n.a.
FS Flanker & Sons Pty Ltd	300,170	0	25/06/2019	Annual Re	0.50	n.a.
Yarranvale Estates Pty Ltd	295,294	0	25/06/2019	Annual Re	0.49	n.a.
Brian Roy Milton	283,447	0	25/06/2019	Annual Re	0.47	n.a.
Peter Salvestro Landforming	280,818	0	25/06/2019	Annual Re	0.47	n.a.
Frank Dal Bon	265,434	0	25/06/2019	Annual Re	0.44	n.a.
Laurie Arthur	266,831	706	8/10/2019	EXCH	0.45	Chairman
Mark Robertson	227,725	0	22/08/2019	EXCH	0.38	Fmr Dir
Ian Mason	151,489	8,416	30/07/2019	EXCH	0.25	Dir
Jeremy Morton	144,348	0	22/08/2019	EXCH	0.24	Dir
Dr Leigh Vial	122,796	3,768	30/07/2019	EXCH	0.21	Dir
Rob Gordon	116,428	7,622	4/10/2019	EXCH	0.19	CEO
Glen Andreazza	84,525	0	22/08/2019	EXCH	0.14	Fmr Dir
Gillian Kirkup	77,778	4,321	30/07/2019	EXCH	0.13	Dir
John Bradford	35,191	1,955	30/07/2019	EXCH	0.06	Dir
Grant Latta	31,562	1,724	30/04/2019	Annual Re	0.05	Fmr Dir
Julian Zanatta	25,511	0	22/08/2019	EXCH	0.04	Dir
Ian Glasson	22,400	1,245	8/10/2019	EXCH	0.04	Dir
David Keldie	19,845	0	30/04/2019	Annual Re	0.03	GM, GCM
Dimitri Courtelis	3,026	0	30/04/2019	Annual Re	0.01	CFO
Source: Bloomberg, SunRice annual report						

Board and management

The board comprises seven Non-executive directors who are growers, one of whom is the Chairman, three Non-executive Independent Directors and the Chief Executive Officer/Executive Director.

Directors

Laurie Arthur, Non-Executive Chairman, has been chairman since 2014 and a grower director since 2007.

Laurie is a representative on the Rice Industry Co-Ordination Committee, the former president of the Ricegrowers Association and a Commissioner of the National Water Commission.

Rob Gordon, Executive Director and Group Chief Executive Officer, has been a director since 2012. He is also a non-executive director of Inghams Group Ltd (ASX: ING), a member of the Agribusiness Advisory Board for Rabobank, a representative on the Rice Industry Co-Ordination Committee. Rob is a former director of the Bread Research Institute of Australia, and former advisory board member of Gresham Private Equity. He brings more than 35 years' experience in the FMCG sector and 20 years' experience in CEO and Managing Director Roles with stints at Viterra Inc, Dairy Farmers, and Goodman Fielder.

Luisa Catanzaro, Non-executive Independent Director, has been a director since 2018 and is also currently a director of The BeCause Foundation. Luisa is a former CFO of Lynas Corporation (ASX: LYC), former CFO and company secretary of Dairy Farmers and the Australian Agricultural Company (ASX:AAC). She has held senior

finance roles at Pioneer international, having commenced her career as an accountant with Arthur Andersen.

Ian Glasson, Non-executive Independent Director, has been a director since 2016 and is a non-executive director of Clover Corporation (ASX: CLV). He previously has held CEO positions with PGG Wrightson, Gold Coin Group/Zuellig Agriculture, Sucrogen and was managing director of Gresham Rabo Food and Agribusiness and Goodman Fielder's international ingredients division.

Dr Andrew Crane, Non-executive Independent Director, has been a director since 2018. He is also the Chancellor of Curtin University, and a director of RAC WA and Viridis Ag Pty Ltd. Andrew is the former CEO of CBH and a director of its JV Interflour. He was also a member of the Prime Minister's B20 Leadership Group in 2014.

Gillian Kirkup, Non-executive Director, has been a grower director since 2005 and is also a member of the Rice marketing Board for NSW and a representative on the Irrigation Research Extension Committee. She is a former member of the NSW Agricultural Consultative Committee to the Bureau of Meteorology, chairman of Murrumbidgee Irrigation, delegate of the National Irrigators Council and director of the NSW Irrigators Council.

John Bradford, Non-executive Director, was elected as a grower director in 2015 and is also a member for the NSW Rice Marketing Board. He is the former chairman of Southern Riverina Irrigators and former delegate and member of the NSW Irrigators Council.

Ian Mason, Non-executive Director has been a grower director since 2018 and a member of the NSW Rice Marketing Board. He is the former chairman of AgriFutures Australia Rice Advisory Panel.

Jeremy Morton, Non-executive Director, and grower was appointed to the board in 2019. Jeremy is a grower from the Moulamein district.

Dr Leigh Vial, Non-executive Director, and grower has been a director since 2015. He is also a representative of the AgriFutures Rice Research Committee, a director of Agripak Pty Ltd and an Adjunct Fellow, University of Queensland. Leigh was also the former Head of International Rice Research Institute's Experimental Station (Philippines).

Julian Zanatta, Non-executive Director, and grower was appointed to the board in 2019. Julian is a Benerembah Rice Grower.

Executive Team

Rob Gordon leads a strong team of experienced group executives:

Dimitri Courtelis, Group Chief Financial Officer, was appointed in March 2018 and brings extensive international experience in audit, finance (Ernst & Young and Deloitte) and corporate roles including several years in CFO roles at Etihad Airways' subsidiaries, Air Serbia and Air Berlin.

Mandy Del Gigante, Company Secretary, joined SunRice as a financial accountant in 1990 and has held a range of positions including financial controller and company secretary. Prior to joining SunRice, she worked in the commercial and chartered accounting fields for international firms.

Stephen Forde, Chief Executive Officer, Riviana Foods, took on his role in 2013 having spent 20 years in strategic sales, marketing and general management roles at FMCG companies including Reckitt Benckiser, where he was Global Customer Director for the UK and General Manager NZ, and Campbell Arnotts where he was General Manager NZ.

Peter McKinney, General Manager CopRice, joined SunRice in 2017 bringing extensive senior marketing and general management experience with YUM Brands and George Weston Foods in both the FMCG and Quick

Serve Restaurant Areas. He also previously held a senior management position with Pacific Smiles Group (ASX: PSQ).

Matt Alonso, Chief Executive Officer, SunFoods LLC, joined SunFoods in 2010 and is responsible for all aspects of the US group from raw material procurement and plant operations to domestic sales and marketing. He brings more than 20 years' experience in US agriculture and rice industries, having previously worked for Pacific International Rice Mills. He is a board member of the California Rice Commission and the USA Rice Federation.

Greg Worthington-Eyre, Chief Executive Officer, Trukai Industries, has since 2013 been responsible for all aspects of the PNG business, including managing sovereign risk, agricultural and food security and for the development of PNG's first commercial rice industry. He previously was managing director of Pink Hygiene Solutions and Ambius Australia and held several senior positions over a 30-year career with Unilever in both Australia and Asia.

David Keldie, General Manager Global Consumer Markets, joined SunRice in 2001 and is responsible for the Middle East, North and South East Asia, the Pacific including the Solomon Islands, and the Australian and New Zealand Markets. He brings more than 30 years' experience in the FMCG sector.

Tom Howard, General Manager Global Operations and Agribusiness, has been responsible for developing and expanding SunRice's rice sourcing, agronomic research and development and grower facing capabilities across the Riverina, Queensland and international operations since 2015 and for manufacturing, logistics and customer service since 2019. He previously has held senior roles with Emerald Grain, part of the Sumitomo Corporation, UniPhar, a top 50 Irish company and a leading Australian grains co-operative.

Paul T. Parker, General Manager of People and Culture, was appointed to his position in June 2019. Prior to joining SunRice, Paul was the Chief Human Resource Officer for Royal Caribbean. Paul led the design and implementation of a People Strategy focused on organization-wide career enhancement, critical talent management, building strength from diversity and creating an environment of flexibility and choice. Paul earned his Masters' in Business from New York University, and a Bachelor of Science from Ithaca College. Paul also studied at the United States Naval Academy in Annapolis Maryland.

Peer Comparison

In reviewing the market's valuation of SunRice we have surveyed comparable companies listed on the ASX. This includes businesses from a range of primary production and FMCG sectors, selling bulk, packaged, branded and unbranded food products.

Exhibit 36: Agricultural sector analysis ex takeovers, corporate action and loss-making companies

Ticker	Name	Consumer Product Type	Primary Agricultural Exposure	Market Capitalisation A\$	Sector Weight
TWE	Treasury Wines	Branded FMCG	Beverages	13,074.2	22%
CCL	Coca-Cola Amatil	Branded FMCG	Beverages	7,536.8	13%
FOD	Food Revolution	Other	Beverages	47.8	0%
GNC	Graincorp	Unbranded FMCG	Broadacre	1,808.0	3%
WBA	Webster	Unbranded FMCG	Broadacre	706.4	1%
RIC	Ridley	Other	Feed	322.2	1%
TGR	Tassal	Branded FMCG	Fish	852.3	1%
HUO	Huon Aquaculture	Unbranded FMCG	Fish	384.3	1%
NZK.NZ	New Zealand King Salmon Co	Unbranded FMCG	Fish	312.9	1%
SFG	Seafarms	Other	Fish	182.5	0%
CSS	Clean Seas Seafood	Other	Fish	75.8	0%
MCA	Murray Cod Australia	Other	Fish	73.0	0%
CVT.NZ	Comvita NZ	Branded FMCG	Honey	142.4	0%
CGC	Costa Group	Branded FMCG	Horticulture	1,106.2	2%
SCL.NZ	Scales	Unbranded FMCG	Horticulture	668.5	1%
FFI	FFI Holdings	Unbranded FMCG	Horticulture	45.3	0%
ABT	Abundant Produce	Other	Horticulture	5.0	0%
AAC	Australian Agricultural	Branded FMCG	Livestock	608.8	1%
A2M	A2 Milk	Branded FMCG	Milk products	8,942.1	15%
FCG.NZ	Fonterra Co-operative	Branded FMCG	Milk products	6,115.0	10%
FSF	Fonterra Shareholders' Fund	Other	Milk products	6,115.0	10%
SM1	Synlait Milk	Unbranded FMCG	Milk products	1,524.1	3%
BAL	Bellamy's Australia	Branded FMCG	Milk products	1,473.8	3%
FNP	Freedom Foods	Branded FMCG	Milk products	1,397.3	2%
BGA	Bega Cheese	Branded FMCG	Milk products	962.0	2%
BUB	Bubs Australia	Other	Milk products	642.3	1%
MGC	MG Unit Trust	Other	Milk products	223.5	0%
BFC	Beston Global Food	Other	Milk products	51.0	0%
AHF	Australian Dairy Nutritionals	Other	Milk products	45.9	0%
TFL	Tasfoods	Other	Milk products	36.9	0%
NAM	Namoi Cotton	Unbranded FMCG	Milling	49.1	0%
CLV	Clover Corp	Unbranded FMCG	Natural Oils	522.2	1%
SHV	Select Harvests	Unbranded FMCG	Orcharding	749.6	1%
MRG	Murray River Organics	Unbranded FMCG	Orcharding	36.4	0%
BUG	Buderim	Other	Orcharding	15.9	0%
ING	Inghams	Branded FMCG	Poultry	1,133.6	2%
FRM	Farm Pride Foods	Unbranded FMCG	Poultry	19.6	0%
ELD	Elders	Other	Services	875.4	1%

Source: RaaS Analysis (Prices as at 23 October 2019)

We have reduced this group by excluding companies which have reported recent losses, are under takeover processes or other corporate restructuring and removed Coca-Cola Amatil as it is a pure manufacturer. This leaves twenty entities we consider to be relevant for sectoral valuation comparison purposes and which are set out in Exhibit 37. The resulting sector ratios (Exhibit 38) show the importance of Wine (TWE, 29% of sector capitalisation) and Milk (6 entities, 55% of capitalisation). Horticulture and Oils have reported recent EBITDA growth however the impact of weather is apparent on results from the Fish and Orcharding sectors.

Exhibit 37: Agricultural sector analysis ex takeovers, corporate action and loss-making companies

Ticker	Name	Consumer Product Type	Primary Agricultural Exposure	Market Capitalisation A\$	Sector Weight
TWE	Treasury Wines	Branded FMCG	Beverages	13,074.2	22%
FFI	FFI Holdings	Unbranded FMCG	Horticulture	45.3	0%
RIC	Ridley	Other	Feed	322.2	1%
TGR	Tassal	Branded FMCG	Fish	852.3	1%
HUO	Huon Aquaculture	Unbranded FMCG	Fish	384.3	1%
NZK.NZ	New Zealand King Salmon Co	Unbranded FMCG	Fish	312.9	1%
CGC	Costa Group	Branded FMCG	Horticulture	1,106.2	2%
SCL.NZ	Scales	Unbranded FMCG	Horticulture	668.5	1%
A2M	A2 Milk	Branded FMCG	Milk products	8,942.1	15%
BGA	Bega Cheese	Branded FMCG	Milk products	962.0	2%
FCG.NZ	Fonterra Co-operative	Branded FMCG	Milk products	6,115.0	10%
FNP	Freedom Foods	Branded FMCG	Milk products	1,397.3	2%
FSF	Fonterra Shareholders' Fund	Other	Milk products	6,115.0	10%
SM1	Synlait Milk	Unbranded FMCG	Milk products	1,524.1	3%
CLV	Clover Corp	Unbranded FMCG	Natural Oils	522.2	1%
BUG	Buderim	Other	Orcharding	15.9	0%
MRG	Murray River Organics	Unbranded FMCG	Orcharding	36.4	0%
SHV	Select Harvests	Unbranded FMCG	Orcharding	749.6	1%
ING	Inghams	Branded FMCG	Poultry	1,133.6	2%
ELD	Elders	Other	Services	875.4	1%

Source: Bloomberg, RaaS Analysis (Prices as at 23 October 2019)

Exhibit 38: Average Sector Ratios based on product category, capitalisation and agricultural exposure

Sub-sector	No of Companies	Market Cap (A\$m)	Sector Weight	Beta 1 Year	EV/EBITDA LTM	EBITDA Growth 1 Year	EBITDA Growth 5 year	EBITDA Margin LTM	Total Debt / Equity %	EBITDA / Int. Exp. (x)
Product Category averages	20	45,154.5	100%	0.73	14.4	(15%)	72%	13%	11%	3.3
Branded FMCG	8	33,582.7	74%	0.99	15.2	22%	81%	16%	16%	2.6
Unbranded FMCG	8	4,243.3	9%	0.45	16.7	(5%)	179%	17%	12%	3.1
Other	4	7,328.5	16%	0.74	11.4	(60%)	(46%)	5%	5%	4.1
Sector Weighted by Capitalisation	20	45,154.5		0.81	16.5	15%	115%	19%	18%	2.6
Ag Sector Averages	20	45,154.5	100%	0.78	15.9	1%	71%	14%	13%	2.7
Beverages	1	13,074.2	29%	1.20	18.5	24%	25%	26%	30%	1.5
Feed	1	322.2	1%	0.36	8.8	23%	8%	5%	6%	2.5
Fish	3	1,549.5	3%	0.47	11.9	(13%)	22%	17%	20%	1.9
Horticulture	3	1,820.0	4%	0.67	9.4	40%	27%	16%	9%	1.6
Milk products	6	25,055.5	55%	0.72	17.3	6%	99%	12%	13%	3.5
Natural Oils	1	522.2	1%	0.99	38.6	28%	123%	18%	21%	1.0
Orcharding	3	802.0	2%	0.80	14.0	(102%)	335%	16%	3%	6.9
Poultry	1	1,133.6	3%	0.83	7.3	0%	12%	8%	8%	2.1
Services	1	875.4	2%	1.01	17.7	4%	(12%)	4%	5%	3.4

Source: Bloomberg, RaaS Analysis

Sum-Of-The-Parts Valuation

There are no clear direct comparisons for the SunRice business. At a divisional level the two consumer-oriented businesses – Rice Foods and Riviana are focused on branded, fast-moving consumer goods. While International Rice also delivers branded rice into the market, we believe it is more relevant to consider international compcos rather than Australian operators. Raw material sourcing for these foods is both from Australia and imported. Rice Foods and Riviana can be viewed as primarily FMCG businesses. We use the sector ratios for the Branded FMCG sub-sector as the best domestic comparison for these businesses. SunRice divisional contribution to profit are reported post finance charges which are not disclosed by segment. We have estimated allocations and attributed finance by division to derive EBITDA using segment asset weights. Rice Pool assets are treated as assets of the Corporate division.

Exhibit 39: FMCG Agricultural Companies

Ticker	Name	Primary Agricultural Exposure	Market Cap (A\$m)	Sector Weight	Beta 1 Year	EV/EBITDA LTM	EBITDA Growth 1 Year	EBITDA Growth 5 year	EBITDA Margin LTM
ING	Inghams	Poultry	1,133.6	2%	0.83	7.3	0%	12%	8%
CGC	Costa Group	Horticulture	1,106.2	2%	1.51	7.6	95%	50%	21%
BGA	Bega Cheese	Milk products	962.0	2%	1.29	11.4	(8%)	22%	8%
TGR	Tassal	Fish	852.3	1%	0.83	8.3	10%	9%	22%

Source: Bloomberg, RaaS Analysis

Within this group we exclude the wine and milk export companies – all are priced as growth stocks as they benefit from growing Asian demand. This is a less important driver for the remaining companies. We use an EV/EBITDA range of 7x – 11x to derive a comparable valuation based on 5-year average EBITDA for the divisions below. We average EBITDA in this case to acknowledge the impact that changes in rice harvest size and foreign exchange rates can have on raw material costs for these divisions.

Exhibit 40: Food/FMCG division valuations based on Peers

\$'000	5 Year Average EBITDA	FY19 EBITDA	EV/EBITDA range		Value range - Avg EBITDA FY15-FY19	
Rice Foods	6,404	6,868	7.0x	11.0x	44,829	70,445
Riviana	10,648	9,687	7.0x	11.0x	74,536	117,129

Source: RaaS analysis

The CopRice business is at the higher value-added end of the livestock feed supply market, providing nutritional supplements to a broad range of animals in addition to bulk feed for dairy, beef and sheep. The best comparison domestically is clearly Ridley Corp despite a business mix which includes meat, pet food, livestock and fish feeds. Internationally companies with significant feed businesses are trading in a similar range.

Exhibit 41: Feed Comparable Company

Ticker	Name	Primary Agricultural Exposure	Market Capitalisation A\$	Sector Weight	Beta 1 Year	EV/EBITDA LTM	EBITDA Growth 1 Year	EBITDA Growth 5 year	EBITDA Margin LTM
RIC	Ridley	Feed	322.2	1%	0.36	8.8	23%	8%	5%

Source: Bloomberg, RaaS Analysis

We have used a smaller valuation range given the clear comparability of the businesses. CopRice has grown capacity in the last two years and we expect further revenue growth in stock feed demand in the next two years. Consequently, we have used the most recent reported EBITDA.

Exhibit 42: CopRice valuation based on peer comparison

\$'000	5 Year Average EBITDA	FY19 EBITDA	EV/EBITDA range		Value range	
CopRice	6,748	10,458	7.0x	9.5x	73,204	99,348

Source: RaaS Analysis

International Rice is primarily a trader and distributor of branded consumer product in the Pacific and the Middle East. The closest comparable companies found are Asian, South American and European entities – some of which are also more diversified. Focusing on the closest comparables gives us the selection shown below.

Exhibit 43: International Comparable Companies

Ticker	Name	Domicile	Primary Agricultural Exposure	Detail	Market Cap in A\$m
EBRO SM	Ebro Foods	Spain	Rice production, processing and trading	Rice 51% and Pasta products - inc Riviana	4,605.9
BG US	Bunge	US	Feed and Oils	Global Agribusiness and Food	11,676.8
KRB IN	KRBL	India	Rice production, processing and trading	Agricultural products, chiefly rice	1,077.2

Source: RaaS Analysis, Bloomberg

Exhibit 44: International Comparable Companies, performance

Ticker	Name	Beta 1 Year	EV/EBITDA LTM	EBITDA Growth 1 Year	EBITDA Growth 5 year	EBITDA Margin LTM
EBRO SM	Ebro Foods	0.27	12.07	(13.6%)	2.3%	11.4%
BG US	Bunge	0.68	9.53	47.3%	(4.2%)	4.0%
KRB IN	KRBL	0.84	8.16	9.1%	14.2%	20.6%

Source: Bloomberg, RaaS Analysis

These companies are more diversified than SunRice's International Rice division and are clearly of larger scale. The observed EV/EBITDA range from 8x – 12x has been discounted to reflect this difference. We use the five-year average of divisional EBITDA to account for the unusual impact of currency on the FY19 result.

Exhibit 45: International Rice valuation based on peer comparison

\$'000	5 Year Average EBITDA	FY19 EBITDA	EV/EBITDA range		Value range - Avg EBITDA	
International Rice	34,007	9,225	7.0x	11.0x	238,051	374,080

Source: RaaS Analysis

SunRice's corporate division is structured as a profit-making entity - unlike most corporate head-offices. However, SunRice covers costs associated with maintaining Rice Pool operations and marketing the crop by booking asset charges and associated costs as a profit in the Corporate segment. We have estimated brand charges and asset charges received by Corporate based on disclosures in the FY19 AGM presentation. The Rice Pool has no direct net impact on valuation as it is essentially a "not-for-profit" service to rice growers. However, fees earned from the pool by Corporate are a source of profit. The closest comparison we find in the sector is Elders which provides a range of services to the rural sector in Australia.

Exhibit 46: Ag Services Comparable Company

Ticker	Name	Market Cap A\$m	Sector Weight	Beta 1 Year	EV/EBITDA LTM	EBITDA Growth 1 Year	EBITDA Growth 5 year	EBITDA Margin LTM
ELD	Elders	875.4	1%	1.01	17.7	4%	(12%)	4%

Source: RaaS Analysis

Elders is more diversified - geographically by service and by commodity, than SunRice Corporate and it can be argued is priced on depressed earnings – inflating the multiple. This division is also more dependent on the rice harvest – in a low harvest year there may be an under-recovery of costs giving a higher possibility of a recorded loss across the combined corporate and rice pool divisions. Accordingly, we discount the EV/EBITDA multiples used to further to reflect this relative volatility.

Exhibit 47: Corporate division valuation based on peer analysis

\$'000	5 Year Average EBITDA	FY 19 EBITDA	EV/EBITDA range		Value range - Avg EBITDA	
Corp Brand Charges	12,526	14,064	7.0x	9.0x	87,680	112,731
Corp Asset Charges	21,556	24,203	7.0x	9.0x	150,891	194,002

Source: RaaS Analysis

Summarising, based on this analysis of comparable company trading multiples and using an average, through-cycle style, historical earnings assessment we arrive at a valuation range of \$8.94 to \$13.94 per share from historical earnings with a mid-point of \$11.44 per share.

Exhibit 48: Comparable Company Sum of the Parts Valuation

Division	Method	5 Year Average EBITDA	FY19 EBITDA	Multiple range		Value range \$'000	
Rice Foods	Avg EBITDA	6,404		7.0x	11.0x	44,829	70,445
Riviana	Avg EBITDA	10,648		7.0x	11.0x	74,536	117,129
CopRice	FY19 EBITDA		10,458	7.0x	9.5x	73,204	99,348
International Rice	Avg EBITDA	34,007		7.5x	11.5x	238,051	374,080
Corp Brand Charges	Avg EBITDA	12,526		7.0x	9.0x	87,680	112,731
Corp Asset Charges	Avg EBITDA	21,556		7.0x	9.0x	150,891	194,002
Sub-total \$'000						669,190	967,735
Less							
Net Debt FY19		\$M	109.6				
Minority share of Net Assets		\$M	26.1				
Equity Value		\$M				533.5	832.0
Shares on Issue Oct 2019		m	59.7				
						per share	
Comparable Value Range						\$8.94	\$13.94
Average Valuation						\$11.44	
NTA at 30/04/19			462.9			\$7.64	
Share price at 26/11/19						\$3.80	

Source: RaaS Analysis

Exhibit 49: Financial Summary FY15-FY19

Ricegrowers t/a SunRice						Share price (November 25 2019)						A\$ 3.80
Profit and Loss (A\$m)						Interim (A\$m)						
Y/E 30 April	FY2015	FY2016	FY2017	FY2018	FY2019	1H17	2H17	1H18	2H18	1H19	2H19	
Total Revenue	1,238.1	1,265.9	1,109.3	1,174.0	1,189.5	567.9	544.3	544.7	632.3	582.6	610.0	
Sales Revenue	1,238.1	1,265.9	1,109.3	1,174.0	1,189.5	43.2	28.8	51.2	42.1	35.4	41.8	
Total Revenue	1,245.1	1,269.6	1,112.2	1,176.9	1,192.6	32.4	18.2	40.3	32.1	25.9	30.9	
EBITDA reported	102.0	107.5	72.0	93.3	77.2	20.6	13.5	24.1	21.1	13.9	18.9	
EBITDA Adjusted*	111.1	110.4	75.3	94.3	85.8	0.3	(0.4)	(0.9)	(1.6)	(0.5)	(0.7)	
Depn	(18.0)	(19.5)	(18.8)	(18.9)	(19.5)	21.0	13.2	23.2	19.5	13.4	18.1	
Amort	(2.3)	(2.6)	(2.6)	(2.0)	(2.2)	37.6	23.6	41.4	34.5	23.3	31.6	
EBIT Adjusted*	90.8	88.4	53.9	73.3	64.1	0.0	33.0	0.0	33.0	0.0	33.0	
Interest	(11.2)	(12.3)	(10.3)	(9.3)	(8.4)	30.0	30.0	30.0	30.0	30.0	30.0	
Tax	(21.5)	(21.2)	(6.1)	(17.7)	(15.6)	32.7	244.7	(37.7)	177.1	(56.3)	47.2	
Minorities	(5.7)	(2.9)	(0.0)	(2.4)	(1.3)	41.3	258.0	(25.4)	186.5	(35.7)	67.4	
Equity accounted assoc	0.1	0.1	0.0	(0.2)	1.3	Divisions						
NPAT Adjusted*	52.5	52.0	37.5	43.6	40.1	1H17	2H17	1H18	2H18	1H19	2H19	
Adjustment for one time items	(9.1)	(2.9)	(3.3)	(1.0)	(8.6)	132.1	133.1	159.1	219.9	182.5	143.4	
NPAT (reported)	43.4	49.1	34.2	42.7	31.5	263.2	242.7	217.4	239.3	208.7	273.7	
Cash flow (A\$m)						Rev - Rice Food	56.8	55.8	55.3	51.7	52.6	
Y/E 30 April	FY2015	FY2016	FY2017	FY2018	FY2019	Rev - Riviana	61.1	65.2	59.0	61.1	59.1	
EBITDA	102.0	107.5	72.0	93.3	77.2	Rev - CopRice	53.0	46.0	52.4	58.7	77.9	
Interest	(10.8)	(12.3)	(10.4)	(8.9)	(8.2)							
Tax	(10.7)	(28.9)	(30.6)	(13.2)	(5.4)	Costs - Raw materials	(374.4)	(302.3)	(339.4)	(371.3)	(358.4)	
Working capital changes	(44.9)	(37.6)	110.8	9.2	(72.7)	Costs - Freight and distribution	(53.7)	(43.6)	(57.3)	(59.8)	(56.3)	
Operating cash flow	35.7	28.7	141.8	80.5	(9.1)	Costs - Employee benefits	(61.8)	(60.2)	(68.9)	(71.4)	(74.1)	
Mtce capex	(34.4)	(24.3)	(21.9)	(21.7)	(20.8)	Other Operating Costs	(35.0)	(106.1)	(34.0)	(87.2)	(60.2)	
Free cash flow	1.2	4.4	119.9	58.7	(29.9)							
Growth capex	0.0	0.0	0.0	0.0	(20.0)	EBITDA reported	43.2	28.8	51.2	42.1	35.4	
Acquisitions/Disposals	(4.1)	0.3	(2.4)	0.3	(5.7)	Margins, Leverage, Returns						
Other	0.0	0.0	0.0	0.0	0.0	FY2015	FY2016	FY2017	FY2018	FY2019		
Cash flow pre financing	(2.9)	4.7	117.5	59.0	(55.6)	EBITDA	8.2%	8.5%	6.5%	7.9%	6.5%	
Equity	(2.8)	(1.3)	(4.4)	0.0	0.0	EBIT	7.3%	7.0%	4.9%	6.2%	5.4%	
Debt	21.0	72.8	(157.8)	29.5	(46.0)	NPAT pre significant items	4.2%	4.1%	3.4%	3.7%	3.4%	
Dividends paid	(18.7)	(14.5)	(23.0)	(16.6)	(13.7)	Net Debt (Cash)		154.1	177.4	84.9	42.5	
Net cash flow for year	(3.4)	61.7	(67.8)	71.9	(115.3)	Net debt/EBITDA (x)	(x)	1.5	1.7	1.2	0.5	
Balance sheet (A\$m)						ND/ND+Equity (%)	(%)	29.8%	31.3%	17.3%	8.9%	
Y/E 30 April	FY2015	FY2016	FY2017	FY2018	FY2019	EBIT interest cover (x)	(x)	0.1	0.1	0.2	0.1	
Cash	68.4	120.1	60.0	122.9	22.4	ROA		10.1%	9.2%	6.1%	8.0%	
Accounts receivable	142.6	144.1	123.1	151.2	168.3	ROE		13%	13%	9%	10%	
Inventory	495.1	453.5	371.6	506.8	361.4	ROIC		13%	11%	7%	11%	
Other current assets	0.4	0.0	8.6	4.0	3.4	ROCE		12%	18%	11%	14%	
Total current assets	706.6	717.7	563.3	784.9	555.4	NTA (per share)						
PPE	217.6	218.0	218.0	217.7	239.7	\$	6.37	\$	6.84	\$	7.10	
Intangibles/Goodwill	8.5	8.8	9.1	9.0	14.1	NTA per share growth	12%	7%	4%	5%	2%	
Investments	3.0	2.8	2.9	2.6	5.7	NTA premium (discount) to price	68%	80%	87%	97%	101%	
Deferred tax asset	14.5	23.2	17.3	19.9	14.9	Working capital						
Other non-current assets	0.0	0.0	0.0	0.0	0.0			534.7	478.3	393.2	528.9	
Total non current assets	243.6	252.8	247.2	249.3	274.5	WC/Sales (%)						
Total Assets	950.2	970.6	810.5	1,034.2	829.9			43%	38%	35%	45%	
Accounts payable	103.0	119.3	101.5	129.1	134.1	Revenue growth						
Short term debt	117.6	218.0	65.8	86.2	39.5			8.8%	2.2%	(12.4%)	5.8%	
Tax payable	22.8	22.2	0.8	1.1	5.7	EBIT growth pa		41.8%	8.1%	(36.9%)	45.0%	
Other current liabilities	197.5	123.6	132.5	272.9	89.6	Pricing						
Total current liabilities	440.9	483.1	300.6	489.4	268.9	FY2015	FY2016	FY2017	FY2018	FY2019		
Long term debt	104.9	79.6	79.1	79.2	92.5	No of shares (y/e)	(m)	55.8	55.8	55.8	56.2	
Other non current liab	40.5	17.7	25.9	31.5	5.6	Weighted Av Dil Shares	(m)	55.8	55.8	55.8	56.2	
Total long term liabilities	145.4	97.2	105.0	110.7	98.1	EPS Reported	cps	77.9	87.9	61.3	75.9	
Total Liabilities	586.3	580.4	405.6	600.0	367.0	EPS Normalised/Diluted	cps	94.2	93.2	67.3	77.6	
Net Assets	363.9	390.2	404.9	434.1	462.9	EPS growth (norm/dil)		76.8%	19.7%	(23.5%)	26.7%	
Share capital	107.8	107.8	107.8	111.9	122.9	DPS	cps	31.0	33.0	33.0	33.0	
Accumulated profits/losses	219.3	253.8	269.6	293.9	306.6	DPS Growth		35%	6%	0%	0%	
Reserves	17.4	9.4	4.6	4.0	7.4	Dividend yield		8.2%	8.7%	8.7%	8.7%	
Minorities	19.4	19.2	22.8	24.4	26.1	Dividend imputation		30.0	30.0	30.0	30.0	
Total Shareholder funds	363.9	390.2	404.9	434.1	462.9	Dividend pay out ratio		32.9%	35.4%	49.1%	42.5%	
						PE (x) based on EPS reported						
								4.9	4.3	6.2	5.0	
						PE market		16.6	16.6	16.6	16.6	
						Premium/(discount)		(70.6%)	(74.0%)	(62.6%)	(69.8%)	
						EV/EBITDA		3.6	3.6	4.1	2.7	
						FCF/Share	cps	2.2	7.8	214.9	104.4	
						Price/FCF share		175.3	48.4	1.8	3.6	
						Free Cash flow Yield		0.6%	2.1%	56.6%	27.5%	

Source: Company annual reports *Adjusted for one-time, non-cash items including forex costs in FY15 and FY19

Appendix

Australian Rice Growing

The Australian industry is centred in the NSW Riverina (See Exhibit 50) and is governed by grower representatives and NSW Dept of Primary industries. NSW grows more than 90% of Australia's rice output in this irrigation region. The governance structure and SunRice's role in it are shown in the attached chart from the NSW DPI. SunRice retains a government mandate to operate as a single desk buyer/seller of the NSW crop and can also accept rice from Victorian growers who may opt into the scheme.

Exhibit 50: Australia's Riverina district location

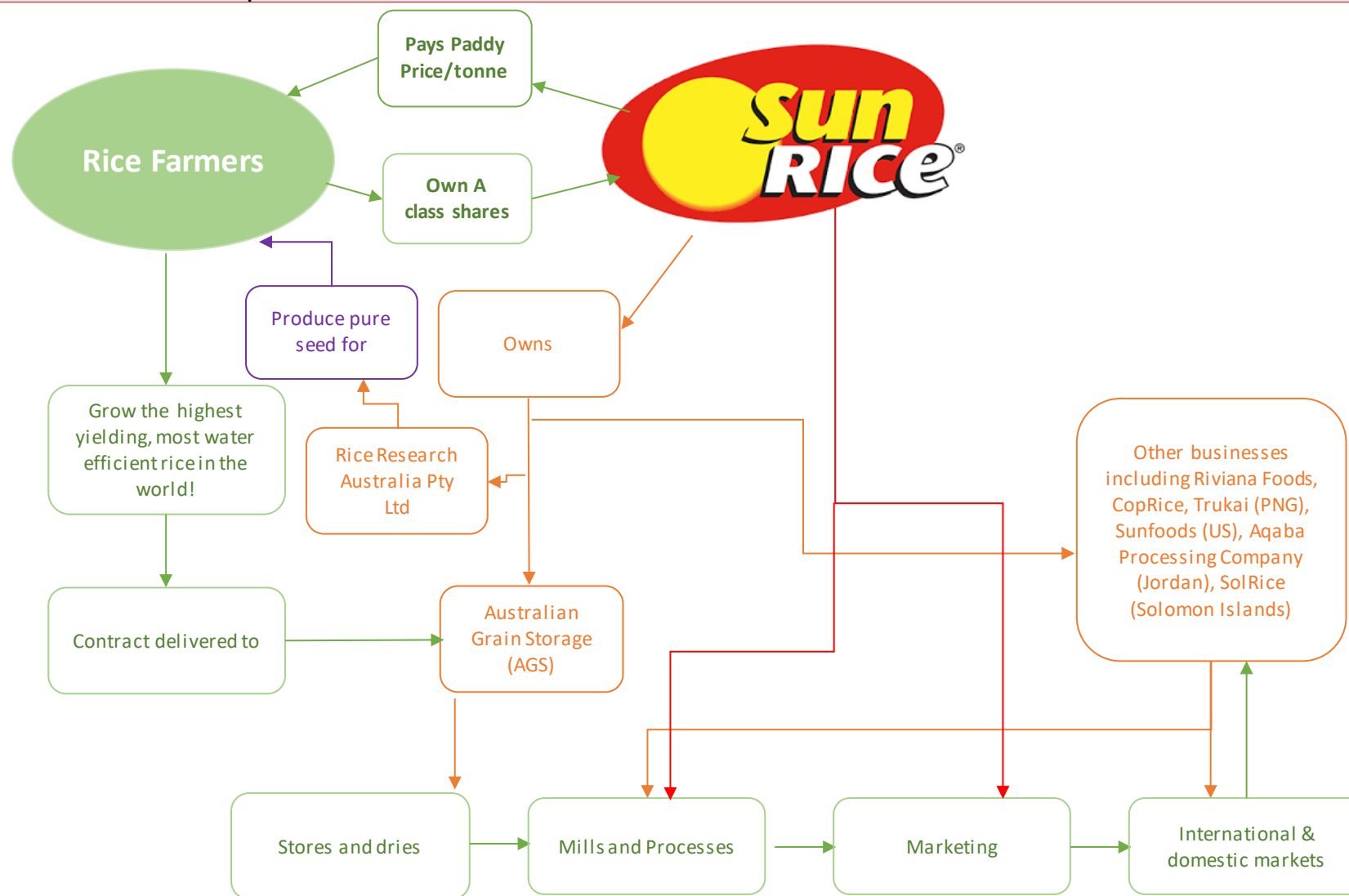


Source: SunRice

The key issue in determining likely harvest size is water for irrigation. Exhibit 53 depicts the relative usage rate of the dominant crops. Despite Australian growers' relative efficiency versus their international competition (Average yield/hectare is 3x the global average yield) rice remains a water intensive crop.

Rice growing is typically only a portion of any farm's income and the area is often reused, post-harvest, for crops which benefit from the subsequent higher soil moisture. The NSW Department of Primary Industry closely regulates rice growing with approval needed for land-use.

Exhibit 51: SunRice's relationship with Rice Farmers



Source: Extracted from Rice Extension chart of the Australian Rice Industry

Exhibit 51 depicts the relationships between SunRice and the Rice farmers, which are the core commercial relationships within the sector. More broadly, the industry is made up of six bodies, with SunRice, the Rice growers, the Ricegrowers Association and the NSW Government agricultural regulators and research groups co-dependent in the ongoing management of the industry from an efficiency and regulatory perspective. We set out the bodies that make up the sector below with a brief summary of their roles.

Exhibit 52: The bodies that make up the Australian Rice Industry



Source: Rice Extension

Ricegrowers' Association of Australia (RGA)

RGA represents more than 1,200 voluntary members and advocates on behalf of rice growers to the peak industry bodies on the four main policy areas affecting their businesses and communities: Water, Environmental Sustainability, Farm Business and Productivity and Industry Affairs.

Rice Marketing Board for the State of NSW (RMB)

RMB through SunRice obtains the best possible monetary return to rice growers, issues domestic marketing licences and grants the sole and exclusive export license. Operates in accordance with, the Rice Marketing Act 1983.

AgriFutures Australia

AgriFutures manages the Research and Development program for the rice industry (amongst others). Works in partnership with the Rice Advisory Panel to decide on research priorities with a key focus on water use efficiency and rice varieties that deliver increased yield and improved eating quality.

Rice Extension

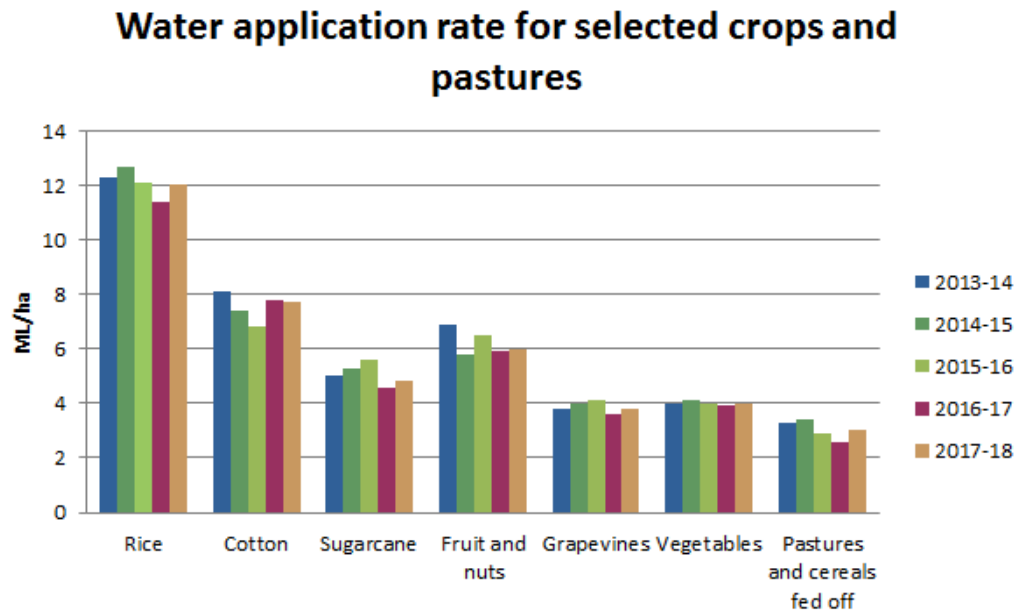
Rice Extension supports the adoption of innovation and research and development outcomes in the rice industry.

NSW Department of Primary Industries

The New South Wales Department of Primary Industries, a division of the New South Wales Government, is responsible for the administration and development for agriculture, fisheries, aquaculture, forestry, and biosecurity in New South Wales.

The final crucial issue which must be managed by government and industry is the use of irrigation in producing the rice crop. While cotton is a larger absolute user of water, rice still needs the highest application rate per hectare.

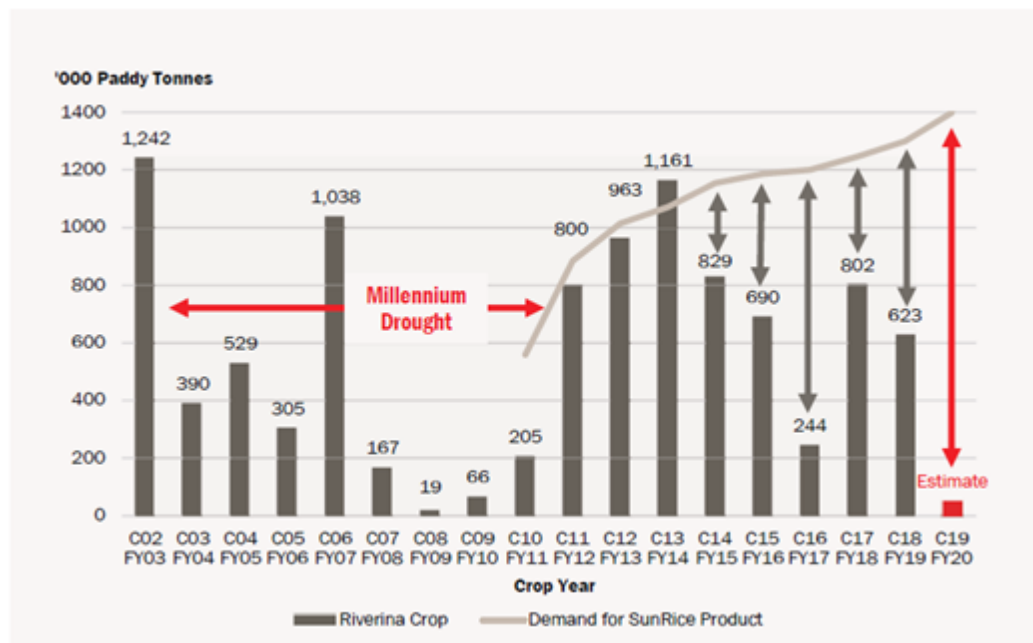
Exhibit 53: Water application rate for selected crops and pastures 2013-2018



Source: <https://www.abs.gov.au/ausstats/abs@.nsf/mf/4618.0>

Australia's climate ensures that harvest sizes vary considerably - see Exhibits 54 and 55. Recent rainfall patterns have resulted in a small crop in FY20 and SunRice has used fixed price contracts to incentivise some production, highlighted in Exhibit 54. (The harvest for Crop Year 2019 has since been confirmed at 54kt). Note that as we discussed in the boxed section on page 13, the FY09 year carried the worst harvest but, due to other opportunities sought out by management, delivered a record NPAT to B class shareholders.

Exhibit 54: SunRice's annual paddy tonnages and demand for SunRice Produce



Source: SunRice March 2019 ASX Listing Information Memorandum

Exhibit 55: New South Wales Rice Production

Financial Year	Crop year	Supplement \$M	Retention \$M	Crop Size (paddy tonnes)	Paddy Price \$/t
FY11	C10	22.7	0	205,000	417
FY12	C11	0	16	800,000	255
FY13	C12	0	0	963,000	317
FY14	C13	0	0	1,161,000	294
FY15	C14	0	0	829,000	395
FY16	C15	0	0	690,000	404
FY17	C16	32.5	0	244,000	415
FY18	C17	0	0	802,000	379
FY19	C18	0	0	623,000	411

Source: ABARES; Australian Bureau of Statistics - Crop Data, SunRice, RaaS

The recent history of NSW production in Exhibit 55 also shows the scale of supplements received by the growers from the rice pool operator (SunRice) in years when harvests are small. These payments represent the difference between rice pool revenue and fixed and variable costs incurred to store, market and deliver rice to end users on behalf of the rice pool (growers). The C19 harvest is weak as noted by SunRice at its Annual General Meeting on August 22. The C20 harvest is currently being planted with some visibility on the outlook for this crop likely by the time the company reports its interim FY20 results. Note SunRice retained a portion of Rice Pool revenues in FY12 to strengthen the balance sheet.

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 26th November 2018

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