

SunRice (Ricegrowers) RaaS Interview

2 July 2024

Duration 7 minutes 27 seconds

00:00:02:01 - 00:00:17:06

Finola Burke

Hello I'm Finola Burke from RaaS Research Group and we are catching up today with Dimitri Courtelis, Group Chief Financial Officer for Ricegrowers which trades as SunRice, (ASX: SGLLV). Welcome back Dimitri and thank you for joining me.

00:00:17:08 - 00:00:19:12

Dimitri Courtelis

Thanks, Finola. Good to see you again.

00:00:19:14 - 00:00:32:19

Finola Burke

You are looking at a repeatable result in FY25 to the very strong result of FY24, can you take us through the key headwinds and tailwinds for the business as we sit here today?

00:00:32:21 - 00:00:55:12

Dimitri Courtelis

Yeah, sure. So as we delivered to the market last week we had revenue of \$1.88 billion, which was a record revenue for the group, really underpinned by the strong brands that we've developed over a number of decades in the markets that we operate in. So from a tailwind perspective, we certainly are going to look to utilising that brand positioning both locally and internationally.

00:00:55:14 - 00:01:13:10

Dimitri Courtelis

And, you know, really look to expand the product set that we take to market in terms of the depth of the product range, and then also looking at both existing markets and new markets that we look to expand into. So that's certainly been, a positive. And we look to continue with that momentum into FY25 and beyond.

00:01:13:12 - 00:01:38:24

Dimitri Courtelis

Against that backdrop, of course, we've got, you know, the headwinds such as the inflationary environment that we're in, consumers trading down. So there's

been a big push that we've seen to private label across a number of the product categories that we are competing against. And you know, so this inflationary environment with interest rates is certainly starting to, to look like it's feeling the pinch with, with consumers and again, both locally and internationally as well.

00:01:39:01 - 00:02:02:17

Dimitri Courtelis

And a couple of other challenges like, shipping constraints at the Red Sea, blockage through the, the channel through the Suez Canal is still a challenge. So we've had to reroute a number of boxes around Africa. So it certainly takes a long time with those boxes on the water. And, that extended time and costs, obviously puts a bit of pressure on the network and working capital position.

00:02:02:19 - 00:02:28:06

Dimitri Courtelis

And probably the other big one is the, Indian non-basmati export ban that's still in place. So that's keeping long grain prices internationally at quite peaky prices. So a combination of all of those is essentially the backdrop that we're navigating against. But we're remaining positive and we've built some positive, as I mentioned, brand strength and look to continue that to, to offset all of those challenges.

00:02:28:08 - 00:02:42:10

Finola Burke

SunRice shareholders received a considerable lift in dividend in FY24. While it is a matter for the board to decide, is the quantum of ordinary dividend repeatable based on the guidance you have given for FY25?

00:02:42:12 - 00:03:09:06

Dimitri Courtelis

Yeah, so the dividend is a record in itself at \$0.60. That was made up by, \$0.55 ordinary and a five-cent special. So hopefully, you know, market can see through the split between those two. And in terms of your comments, so we obviously can't talk to forecasting dividends. But if I just referred us to the track record of what we've been able to deliver to date, the board board's very cognizant in terms of rewarding B-class shareholders.

00:03:09:08 - 00:03:26:12

Dimitri Courtelis

And, the dividend is been a significant signal in that space. And, whether that's a combination of both the quantum and the payout ratio that that the board



considers. So, you know, hopefully that, that track record continues. But, the board is very mindful of rewarding our B-class.

00:03:26:14 - 00:03:34:14

Finola Burke

With core debt now essentially paid down, what are your capital management priorities moving into FY25, Dimitri?

00:03:34:16 - 00:03:57:04

Dimitri Courtelis

Yes, so the interest rate environment, has obviously, really made us pivot and think about where we're spending. I'll, I'll call facilities, you know, more so than we would ordinarily do. And with the current levels, we, certainly focus on creating value for our shareholders with, you know, improving our ROCE (return on capital employed), against our WACC (weighted average cost of capital) rates.

00:03:57:06 - 00:04:25:06

Dimitri Courtelis

And, certainly the pipeline of M&A opportunities is as fulsome as ever. So we'll continue to, to focus in that space. It's always been a core pillar within our, strategic lens going forward. So, you know, we'll continue to have a look at opportunities as they, come to the fore. But, yeah, pleasingly, core debts now paid down and all of our seasonal facilities essentially against, networking capital and Australian property.

00:04:25:08 - 00:04:36:04

Finola Burke

Well one of the areas that you are creating is the Leeton plant. What sort of spend is being booked out for that, what are one of the return expectations of the business from that spend?

00:04:36:06 - 00:04:59:21

Dimitri Courtelis

Right, the businesses looking to spend about \$20 million in our Leeton upgrade facility. So that's essentially our packing hall and fumigation silos as we look to automate that and really bring some best in class technology into the, the packing all of the rice mill, in that part of the world in our portfolio. And in terms of we're looking to bring that online, probably FY 26.

00:04:59:21 - 00:05:21:19

Dimitri Courtelis

So the next 12 months will be, you know, looking to install and finalise testing and ultimately look to commission that, at least 12 months down the track. Now, the way that that will work is because it's, really going to support the rice side of

the business in the Australian paddy. It will mean that our asset base, will increase to the tune of the 20 million.

00:05:21:21 - 00:05:53:05

Dimitri Courtelis

And, we will then apply the asset finance charge, which will show up as an income in the corporate segment. So, I can turn your minds to the, asset finance charge, and that's where you'll see the income side of that, that CapEx spend coming into the business to the profit side, within the paddy price, we hope to gain some efficiencies from those operational improvements, which will ideally offset the likes of depreciation and the interest spend that the paddy price will have to absorb on that side of the ledger.

00:05:53:07 - 00:06:05:22

Finola Burke

The cessation of the NSW vesting arrangements in July 2025 appears to have been taken positively by SunRice, can you take us through the reasons why?

00:06:05:24 - 00:06:30:03

Dimitri Courtelis

You know, as a business, we're certainly looking forward to the reduced, regulatory environment. At the moment we are the buyer of last resort, so whatever gets grown in the Riverina, we're obliged to purchase. So without that in place, it really enables us to match supply and demand going forward and working very closely with our growers to ensure that, we can really plan ahead with the amount of supply that we need from them.

00:06:30:03 - 00:06:50:04

Dimitri Courtelis

And in doing so, position that Aussie rice into high returning markets and generates a healthy paddy return for our growers. But then equally give the international side of our business that opportunity to continue to source rice for our global markets and, and therefore we'll be able to manage that balance a lot better as opposed to whatever gets grown,

00:06:50:04 - 00:07:08:24

Dimitri Courtelis

we have to buy and find markets for that, which has been the case in the past with vesting. So the next 12 months will be a transition period as we navigate our way through what life after vesting will look like. But we're certainly very positive in terms of being able to manage the supply and demand antics of the business in the in the future.



00:07:09:01 - 00:07:16:23

Finola Burke

Well, thank you, Dimitri, for taking the time to speak with me today. I'm looking forward to catching up with you over the course of the next 12 months to check on SunRice's progress.

00:07:17:00 - 00:07:17:16

Dimitri Courtelis

Thank you Finola.

FINANCIAL SERVICES GUIDE

RaaS Research Group Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415, of

BR SECURITIES AUSTRALIA PTY LTD; ABN 92 168 734 530; AFSL 456663

Effective Date: 26th March 2024

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Research Group Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as who we are, our services, how we transact with you, how we are paid, and complaint processes

Contact Details, BR and RaaS

BR Head Office: Level 1, 160 Edward Street, Brisbane, QLD, 4000 www.brsecuritiesaustralia.com.au

RaaS: c/- Rhodes Docherty & Co Pty Ltd, Suite 1, Level 1, 828 Pacific Highway, Gordon, NSW, 2072.

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities.

How are we paid?

RaaS earns fees for producing research reports about companies we like, and/or producing a financial model as well. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report. Sometimes we write reports using our own initiative.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service, you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

This report has been prepared and issued by RaaS Research Group Pty Ltd. Ricegrowers trading as SunRice is a research client of RaaS Research Group. RaaS Research Group's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report. This research is issued in Australia by RaaS Research Group and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Research Group at the time of publication. RaaS Research Group provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Research Group in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Research Group has no obligation to update the opinion unless RaaS Research Group is currently contracted to provide such an updated opinion. RaaS Research Group does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Research Group does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Research Group shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Research Group limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable.

Copyright 2024 RaaS Research Group Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.