

Ricegrowers Limited (SunRice)

SavourLife Acquisition

A branded addition to the CopRice stable

FMCG/Agriculture

Ricegrowers Limited, trading as SunRice (ASX:SGLLV), has announced the acquisition of SavourLife, a premium branded dog food manufacturer and distributor with a national presence across most regions of Australia. The business has a unique go-to-market social mission to rehome abandoned dogs and donates 50% of profit to support this cause. The acquisition price of \$20.3m implies 7.3x EBITDA after a provision for donations, which is a discount to our assessed peer group average of 9.1x FY24f. RaaS sees revenue synergies in the form of increased distribution reach across the CopRice stable, new product development and new verticals outside of dogs. The SGLLV balance sheet and management depth should improve the ability and cost to scale while being familiar with the business as they already undertake contract manufacturing. Settlement is due 30 August, and we will await completion to adjust numbers, but we estimate the transaction to be ~1.0% earnings per share (EPS) accretive over a full 12 months before synergies. Our Sum-of-The-Parts (SoTP) valuation for SGLLV remains \$12.67/share. The SGLLV share price has outperformed our assessed peer group by 18% over the past three months rising 22% (despite going ex-dividend \$0.45/share or 5.5%) against a peer group average increase of 4.0%.

Business model

SunRice has a unique and complementary corporate structure, balancing grower (A-Class shareholders) requirements for a rice crop that delivers them an acceptable paddy price, with the profit/dividend requirements of B-Class shareholders (including coverage of group overheads) delivered by the 'Profit Businesses' of International Rice, Corporate, Riviana Foods, Rice Food and CopRice. SunRice has domestic infrastructure to handle ~1m paddy tonnes across two Australian harvests and multi-region/multi-origin sourcing to supplement harvests while taking advantage of opportunities globally. Growth is focused on acquisitions and organic growth in the branded fast-moving consumer goods (FMCG) space.

SavourLife a premium brand with a social conscious

The acquisition of premium branded petfood business SavourLife appears modestly EPS accretive over the initial 12 months but also provides SGLLV with a socially conscious brand that is ripe for expansion across both the existing dog food category and adjacent pet categories such as cats. SGLLV already manufacture ~50% of the SavourLife products as a contractor, so has a strong understanding of the brand and relationship with the founders. A commitment to maintain the donation arrangement was a key plank in securing the brand, in our opinion. By RaaS estimates the CopRice division will now represent ~15% of FY25 group EBITDA on a pro-forma basis, up from 11% in FY23.

SoTP valuation \$12.67/share or \$820m market cap

Our preferred valuation method for SunRice is a Sum of The Parts (SoTP) using adjusted consensus peer EBITDA multiples for FY24f. There are a number of listed peers with consensus data for comparison across the spread of SunRice businesses. Our SoTP valuation is currently \$12.67/share. The group's Net Tangible Assets (NTA) were stated at \$7.75/share in April 2024. SGLLV has outperformed the RaaS assessed peer group by 18% over the past three-months but still trades at a discount to the peer average across key multiples.

Historical earnings and RaaS' estimates (in A\$m unless otherwise stated)

Year end	Revenue*	EBITDA adj.	NPAT adj.	EPS adj.	PER (x)	Dividend Yield (%)
04/23a	1,634.4	113.7	54.3	0.91	9.0	6.1
04/24a	1,874.2	141.7	73.9	1.20	6.8	7.3
04/25f	1,855.0	145.3	75.2	1.21	6.8	6.7
04/26f	1,830.0	151.4	81.4	1.30	6.3	6.7

Source: Actual FY23 and FY24, RaaS estimates FY25f and FY26f; EBITDA, NPAT and EPS adjusted for one-time, non-recurring and non-cash items

29 July 2024

Share Details

ASX code	SGLLV
Share price (26 July)	\$8.20
Market capitalisation	\$530.5M
Shares on issue	64.7M
Net debt at 30-Apr-24	\$223.8M
Free float	~98%

Share Performance (12 months)



Upside Case

- Stability in water availability/pricing
- EPS-accretive acquisitions
- New product and market developments

Downside Case

- A return to drought conditions in the Riverina
- Long-term access to water
- Price competition/private label in key markets

Board of Directors

Laurie Arthur	Non-Exec. Chair/Grower
Paul Serra	Chief Exec. Officer
John Bradford	Non-Exec. D-Chair/Grower
Luisa Catanzaro	Non-Exec. Dir/Non-Grower
Andrew Crane	Non-Exec. Dir/Non-Grower
Ian Glasson	Non-Exec. Dir/Non-Grower
Melissa De Bortoli	Non-Exec Dir/Grower
Ian Mason	Non-Exec Dir./Grower
Julian Zanatta	Non-Exec Dir/Grower

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Exhibit 1: SGLLV Financial Summary

Ricegrowers t/a SunRice						Share price (26 July 2024)						A\$ 8.20
Profit and Loss (A\$m)						Interim (A\$m)						
Y/E 30 April	FY2023	FY2024	FY2025F	FY2026F	FY2027F	1H23	2H23	1H24	2H24	1H25F	2H25F	
	A	A	F	F	F							
Revenue	1,634.4	1,874.2	1,855.0	1,830.0	1,848.9	Revenue	758.0	876.5	918.4	960.4	898.4	960.1
adj EBITDA	113.7	141.7	145.3	151.4	157.6	EBITDA	39.2	74.5	62.0	79.7	67.3	78.0
Depn	(25.4)	(25.9)	(26.1)	(26.2)	(26.3)	EBIT	25.3	60.0	48.0	64.9	53.0	63.2
Amort	(2.9)	(2.9)	(3.0)	(3.0)	(3.0)	NPAT (normalised)	16.1	40.3	28.9	47.1	34.6	42.6
EBIT	85.4	112.9	116.2	122.2	128.3	Minorities	1.9	0.3	0.6	1.5	0.8	1.1
Interest	(14.0)	(18.3)	(17.3)	(15.3)	(13.3)	NPAT (Class B)	14.3	40.0	28.3	45.6	33.8	41.5
Tax	(14.9)	(18.5)	(21.8)	(23.5)	(25.3)	EPS (normalised)	0.23	0.64	0.44	0.71	0.52	0.64
Minorities	(2.2)	(2.1)	(1.9)	(2.0)	(2.2)	EPS (reported)	0.23	0.64	0.44	0.71	0.52	0.64
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Dividend (cps)	0.10	0.40	0.15	0.45	0.15	0.40
NPAT pre significant items	54.3	73.9	75.2	81.4	87.5	Imputation	30.0	30.0	30.0	30.0	30.0	30.0
Significant items	(1.7)	(10.8)	0.0	0.0	0.0	Operating cash flow	(70.6)	22.0	81.9	21.5	na	na
NPAT (Reported)	52.6	63.1	75.2	81.4	87.5							
Cash flow (A\$m)						Divisions						
Y/E 30 April	FY2023	FY2024	FY2025F	FY2026F	FY2027F	1H23	2H23	1H24	2H24	1H25F	2H25F	
EBITDA (less rent)	108.8	136.4	139.8	145.9	151.9	EBITDA - Rice Pool	0.0	0.0	0.0	0.0	0.0	0.0
Interest paid	(14.0)	(18.3)	(17.3)	(15.3)	(13.3)	EBITDA - International Rice	12.9	27.0	26.4	30.3	27.0	29.2
Tax Paid	(3.2)	(30.5)	(20.1)	(22.6)	(24.4)	EBITDA - Rice Food	4.5	6.5	4.6	9.4	5.0	9.6
Working capital changes	(146.1)	10.5	(62.5)	13.4	(8.5)	EDITDA - Riviana	2.1	4.2	1.8	5.3	3.0	5.3
Operating cash flow	(54.5)	98.1	39.9	121.3	105.7	EBITDA - CopRice	4.0	8.4	7.9	9.3	8.8	10.2
Mtce capex	(20.1)	(22.8)	(29.0)	(25.4)	(26.7)	EBITDA - Corporate	15.6	28.4	21.2	25.5	23.5	23.6
Free cash flow	(74.6)	75.2	10.9	95.9	79.0	TOTAL EBITDA	39.2	74.5	62.0	79.7	67.3	78.0
Growth capex	0.0	0.0	0.0	0.0	0.0	Costs - Raw materials	(433.7)	(530.5)	(554.3)	(579.1)	(548.0)	(585.7)
Acquisitions/Disposals	(0.3)	0.0	0.0	0.0	0.0	Costs - Freight and distribution	(113.3)	(112.6)	(100.0)	(106.3)	(95.0)	(95.0)
Other	0.0	0.0	0.0	0.0	0.0	Costs - Employee benefits	(89.0)	(89.5)	(98.3)	(98.3)	(100.0)	(102.5)
Cash flow pre financing	(74.8)	75.2	10.9	95.9	79.0	Other Operating Costs	(82.6)	(72.8)	(104.2)	(96.6)	(88.3)	(92.3)
Equity	0.0	0.0	0.0	0.0	0.0	Margins, Leverage, Returns		FY2023	FY2024	FY2025F	FY2026F	FY2027F
Debt	124.2	(98.2)	25.0	(50.0)	(30.0)	EBITDA		7.0%	7.6%	7.8%	8.3%	8.5%
Dividends paid	(18.5)	(25.9)	(38.5)	(35.6)	(35.6)	EBIT		5.2%	6.0%	6.3%	6.7%	6.9%
Net change in cash	30.9	(48.9)	(2.5)	10.3	13.4	NPAT pre significant items		3.3%	3.9%	4.1%	4.4%	4.7%
Balance sheet (A\$m)						Net (Debt) Cash		-291.4	-223.8	-251.3	-191.0	-147.6
Y/E 30 April	FY2023	FY2024	FY2025F	FY2026F	FY2027F	Net debt/EBITDA (x)	(x)	2.6	1.6	1.7	1.3	0.9
Cash	74.3	32.8	30.3	40.6	54.0	ND/ND+Equity (%)	(%)	34.4%	27.1%	28.1%	21.7%	16.6%
Accounts receivable	306.4	329.5	333.2	336.2	340.4	EBIT interest cover (x)	(x)	6.1	6.2	6.7	8.0	9.6
Inventory	569.9	675.9	632.4	607.8	615.4	ROA		6.4%	8.3%	8.4%	9.0%	9.4%
Other current assets	0.6	2.7	2.7	2.7	2.7	ROE		9%	11%	12%	12%	12%
Total current assets	951.3	1,040.9	998.6	987.4	1,012.5	ROIC		10%	13%	14%	14%	15%
PPE	270.1	253.0	261.3	266.1	272.2	NTA (per share)		7.2	7.8	8.3	9.1	9.9
Goodwill& Intangibles	84.9	81.3	78.3	75.3	72.3	Working capital		638.3	752.8	710.2	686.4	694.9
Investments	5.7	5.5	5.5	5.5	5.5	WC/Sales (%)		39%	40%	38%	38%	38%
Deferred tax asset	14.6	22.1	22.1	22.1	22.1	Revenue growth		23%	15%	-1%	-1%	1%
Other non-current assets	0.5	0.0	0.0	0.0	0.0	EBIT growth pa		30%	32%	3%	5%	5%
Total non current assets	375.8	361.9	367.2	369.0	372.1	Pricing		FY2023	FY2024	FY2025F	FY2026F	FY2027F
Total Assets	1,327.1	1,402.8	1,365.8	1,356.5	1,384.7	No of shares (y/e)	(m)	62.7	63.9	64.7	64.7	64.7
Accounts payable	238.1	252.6	255.4	257.7	260.9	Weighted Av Dil Shares	(m)	62.7	63.9	64.7	64.7	64.7
Short term debt	299.1	146.0	171.0	121.0	91.0	EPS Reported	cps	0.84	0.99	1.16	1.26	1.35
Payable to Ricegrowers	112.5	243.5	138.4	128.0	128.0	EPS Adjusted	cps	0.91	1.20	1.21	1.30	1.40
Other current liabilities	50.6	43.8	44.2	44.5	44.9	EPS growth (norm/dil)		10%	32%	1%	8%	7%
Total current liabilities	700.2	686.0	609.0	551.2	524.9	DPS	cps	0.50	0.60	0.55	0.55	0.55
Long term debt	66.7	110.5	110.5	110.5	110.5	DPS Growth		25%	20%	-8%	0%	0%
Other non current liabs	3.5	3.0	3.3	5.9	8.6	Dividend yield		6.1%	7.3%	6.7%	6.7%	6.7%
Total long term liabilities	70.2	113.6	113.9	116.5	119.2	Dividend imputation		30.0	30.0	30.0	30.0	30.0
Total Liabilities	770.4	799.5	722.9	667.7	644.0	PE (x)		9.0	6.8	6.8	6.3	5.9
Net Assets	556.7	603.3	643.0	688.8	740.7	PE market		16.0	16.0	16.0	16.0	16.0
Share capital	152.5	161.5	161.5	161.5	161.5	Premium/(discount)		-44%	-57%	-58%	-61%	-63%
Reserves	(11.6)	(5.6)	(5.6)	(5.6)	(5.6)	EVEBITDA		7.1	5.3	5.4	0.0	0.0
Retained profits	392.5	420.8	460.4	506.3	558.2	FCF/Share	cps	(0.9)	1.5	0.6	1.9	1.6
Minorities	23.2	26.7	26.7	26.7	26.7	Price/FCF share		(9.4)	5.3	13.3	4.4	5.0
Total Shareholder funds	556.6	603.3	643.0	688.8	740.7	Free Cash flow Yield		-10.6%	18.7%	7.5%	22.9%	19.9%

Source: Company data for actuals, RaaS estimates

FINANCIAL SERVICES GUIDE

RaaS Research Group Pty Ltd

ABN 99 614 783 363

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Effective Date: 26th March 2024

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