Research as a Service

Ricegrowers Limited (SunRice)

Peer Results & SoTP Implications

H1 FY23 highlights relative freight opportunity

FMCG/Agriculture

14 March 2023

We have compiled a summary of the results and outlook statements for our assessed peers of Ricegrowers Limited, trading as SunRice (ASX:SGLLV), with a particular focus on trading conditions, product pricing, freight costs, outlook statements and consensus earnings changes. The overwhelming summary of trading conditions over CY22 was 'challenging' outside of Treasury Wine Estates (ASX:TWE) and Ridley Corporation (ASX:RIC). The overwhelming outlook commentary assumes normalising weather conditions, price increases recouping cost inflation, lower freight costs, improved labour availability and higher earnings. Much improved results into FY25 should be seen from Costa Group Holdings (ASX:CGC), Bega Cheese (ASX:BGA) and Lynch Group Holdings (ASX:LGL). Included in RaaS SGLLV estimates are some similar assumptions around the recoupment of cost inflation through price increases, lower freight costs and more normalised weather conditions. SGLLV has been impacted more materially than peers from a freight cost perspective in H1 FY23, which represented an adjusted ~100% of reported H1 FY23 EBITDA against a peer average of ~15%. Despite share price and consensus estimate changes since initiation our Sum-of-The-Parts (SoTP) valuation for SGLLV is relatively unchanged at $8.50/share.

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 FMCG space.

Freight impact for SGLLV higher relative to peers over H1 FY23

SunRice experienced a $59m increase in absolute freight charges over H1 FY23. If we adjust for the freight costs associated with the Paddy Pool (~30% or $18m passed on in the Paddy price), we estimate a freight cost increase of $41m or 100% of reported H1 FY23 EBITDA. Looking at the impact of freight on peers that reported a freight/distribution breakdown over the recent February 2023 reporting season, the largest impact as a percentage of reported EBITDA was 24% (BGA), followed by LGL and Elders (20%), and CGC (14%). Recoupment of this cost impost in the form of price increases and/or rate reductions is a key near-term earnings opportunity for SGLLV in our view. Risks to recoupment centre around timing and the fact that many of the SunRice routes are not 'mainstream'.

SoTP valuation $8.50/share or $530m market cap

Our preferred valuation method for SunRice is Sum of The Parts using adjusted peer EBITDA multiples for FY23f. There are a number of listed peers with consensus data for comparison across the spread of SunRice businesses. Allowing for share price and earnings adjustments post-initiation, our SoTP valuation is virtually unchanged at $8.50/share (down from $8.76), with key assumptions centring around the assessed multiples for the two largest divisions, International Rice and Corporate. Our DCF as a sense check is $9.25/share but is somewhat limited given long-term rice harvest visibility, and the resulting impacts on working capital.

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

Year end	Revenue*	EBITDA adj.	NPAT adj.	EPS adj.	PER (x)	Dividend Yield (%)
04/21a	1,022.2	47.5	20.8	0.35	18.2	5.1
04/22a	1,331.1	90.2	47.6	0.81	8.0	6.2
04/23f	1,611.1	107.1	53.9	0.88	7.3	5.5
04/24f	1,648.6	119.4	62.5	1.03	6.2	5.5

Source: Actual FY21 and FY22, RaaS estimates FY23f and FY24f; EBITDA, NPAT and EPS adjusted for one-time, non-recurring and non-cash items

Share Details

ASX code	SGLLV
Share price (13-Mar)	$6.41
Market capitalisation	$401.5M
Shares on issue	62.8M
Net debt at 30-Sep-22	$297.6M
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
- Lower AUD increasing import costs
- Price competition in key markets

Board of Directors

Laurie Arthur	Non-Exec. Chair/Grower
Rob Gordon	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
Leigh Vial	Non-Exec. Dir./Grower
Ian Mason	Non-Exec Dir./Grower
Jeremy Morton	Non-Exec. Dir./Grower
Julian Zanatta	Non-Exec. Dir./Grower

Company Contacts

Dimitri Courtelis (CFO)	+61 3 8567 1132
Richard Rose (Head of Corporate Development)	+61 3 8567 1132

investors@sunrice.com.au

RaaS Contacts

John Burgess +61 410 439 723
john.burgess@raasgroup.com

Finola Burke +61 414 354 712
finola.burke@raasgroup.com

Latest Peer Results/Commentary

Below we look at recently reported results for our assessed SGLLV peers and summarise commentary surrounding some of the key issues/drivers for SGLLV, namely current consumer trends, the ability to increase prices and related timing, the direction of freight costs and any change to consensus estimates.

Treasury Wines (ASX:TWE)

Delivered revenue growth of 0.9% and EBITDA +17%.

- **Consumer trends**. In general, broadly consistent with prior periods, with luxury brands strong and entry-level brands softer.
- **Pricing**. TWE has taken price increases across several brands with Penfolds NSR +6.8% against volume growth of 4.4%, America's -4.3% against -15.4% respectively and premium -4.5% against -10.5% respectively.
- **Freight costs**. Not highlighted.
- **Other**. Global supply chain optimisation programme expected to deliver COGS savings of $28m (2% of annual COGS).
- **Consensus estimate changes**. Revenue -6%, EBITDA -2%, EPS -4%.
- **Share price move since SGLLV initiation (20 December 2022)**. Down 4%.

Ridley Corporation (ASX:RIC)

Delivered revenue growth of 25% and EBITDA growth of 13%.

- **Consumer trends**. Access to premium markets is seeing market-share gains across rural farming. Australian farmgate output is higher, driving volume while packaged sales were +5%.
- **Pricing**. Higher selling prices in packaged feeds.
- **Freight costs**. Selling and distribution costs +7.5% (or $0.4m) against sales growth of 25%, so not an issue.
- **Other**. Packaged feed EBITDA +22% on higher selling prices, bulk stock feeds EBITDA -4% as wet conditions impacted crop plantings. RIC is increasing its focus on the urban pet market (feed).
- **Consensus estimate changes**. Revenue +17%, EBITDA +2% and EPS +2.0%.
- **Share price move since SGLLV initiation (20 December 2022)**. +11%.

Costa (ASX:CGC)

CGC delivered full-year revenue +11.2%, EBITDA-S -1.5%, adjusted NPAT-S -53%.

- **Consumer trends**. Protected cropping and premium varieties (tomatoes, berries and mushrooms) provided a buffer to weather elated supply issues.
- **Pricing**. Not highlighted.
- **Freight costs** $100.2m against $69.9m pcp, an increase of $30.6m, +44% or 14% of H1 FY23 EBITDA.
- **Other**. Very challenging weather conditions across CY22 and particularly Q4. CGC believe Australia is heading into more 'neutral' weather conditions and as a result management are expecting an improved performance in CY23, with a strong growth profile in CY24 and CY25. Labour availability is 'improving significantly'. Export market access is important longer-term for blueberries (China), table grapes (Vietnam) and avocados (Japan).
- **Consensus estimate changes**. Revenue +12%, EBITDA +34% and EPS +64%.
- **Share price move since SGLLV initiation (20 December 2022)**. Down 9%.

Bega (ASX:BGA)

Delivered group revenue growth of 11%, EBITDA -26% and EBIT -53%.

- **Consumer trends**. Double-digit price increases did not impact consumption across consumer brands.
- **Pricing**. Double-digit price increases implemented across brands. The timing of price increases lagged farm gate milk price increases and other cost inflation, resulting in a gross profit margin decline of ~320bps.
- **Freight costs**. Distribution expenses +$17.9m or 12% of reported EBITDA.
- **Other**. Result highlights the importance of diversity. Price and mix initiatives will offset cost inflation by the end of FY23, and benefit in FY24. Will be in an improved competitive position in terms of global milk prices by FY24.
- **Consensus estimate changes**. Revenue +7%, EBITDA +6% and EPS -24%.
- **Share price move since initiation**. Down 11%.

Lynch (ASX:LGL)

LGL delivered revenue growth of 5%, an EBITDA decline of 50% and NPATA decline of 90%.

- **Consumer trends**. Remains strong in Australia driven by a 4% increase in floral. China impacted by lockdowns.
- **Pricing**. Sharp price declines in China to clear stock due to lockdowns. Lagged supply chain cost recovery in Australia.
- **Freight costs**. Remains elevated at $15.2m, +$2.75m or 22% on the pcp and representing 21% of reported EBITDA.
- **Other**. New systems integration of a major customer caused increased wastage. Improving conditions across both Australia and China to drive a significantly stronger H2 FY23 result.
- **Consensus estimate changes**. Revenue +0%, EBITDA +11% and EPS -17%.
- **Share price move since initiation**. Up 14% despite 17% consensus EPS decline.

Grain Corp (ASX:GNC)

Being a September year-end, GNC does not report in February but held its AGM on February 16 which contained updated guidance for FY23, remembering FY22 was a record year. EBITDA guidance was $470m-$530m (FY22 $703m), and NPAT guidance $180m-$220m (FY22 $380m).

- **Consumer trends**. Continued demand for oilseeds, strong demand for feeds, fats and oils as renewable fuel feedstocks.
- **Pricing**. Not highlighted.
- **Freight costs**. Not highlighted.
- **Other**. Still seeing above-average grain handling volumes but at lower margin than FY22.
- **Consensus estimate changes**. Revenue +4%, EBITDA +16% and EPS +5%.
- **Share price move since SGLLV initiation (20 December 2022)**. Down 9% despite a 5% consensus EPS increase.

Elders (ASX:ELD)

Being a September year-end, ELD does not report in February but held its AGM on December 15. As a recap ELD reported revenue growth of 35% and EBIT growth of 39% to $232m in FY22.

- **Consumer trends**. Strong demand for residential and farmland assets, generally strong demand for commodities.
- **Pricing**. Cattle and sheep prices are expected to soften in the medium-term, wool prices are expected to remain strong driven by demand from Europe and China.
- **Freight costs**. Rose $46m over FY22 representing 20% of FY22 EBIT.
- **Other**. Benefitted from strong seasonal conditions, extreme rainfall late in CY22 has created some uncertainty in affected cropping regions and concern about reaching full harvest potential for both summer and winter crops.
- **Consensus estimate changes**. Revenue +1%, EBITDA +2% and EPS -6%.
- **Share price move since SGLLV initiation (20 December 2022)**. Down 14% on the back of 6% EPS decline, not helped by the loss of both the CEO and CFO.

EBRO (SM:EBRO)

SGLLV's most comparable internationals peer, EBRO delivered CY22 sales growth of 22%, EBITDA growth of 11% and NPAT from continuing operation down 7%. The rice division (+17% EBITDA) performed better than the pasta division (-15% EBITDA). In-line with rising rice prices EBRO's net debt increased €258m to €762m due to the working capital requirements of higher prices.

- **Consumer trends**. Double-digit growth across flagship products including instant rice, microwave rice, ethnic and premium categories.
- **Pricing**. Impossible to offset all cost increases through price, but price increases were implemented and accounted for a large portion of revenue growth.
- **Freight costs**. Not disclosed but 'Total costs' including COGS rose €234m over CY21, which rose €60m over CY20. Freight costs only levelled off in Q3 CY22. Management is estimating a further €225m in cost increases over CY23.
- **Other**. Rice prices are expected to remain high in CY23 for a number of reasons including poor harvests in Spain, Italy and California (Japanese rice), flooding in Pakistan (Basmati) and higher import duties in Europe (up from €30/tonne to €60/tonne).
- **Consensus estimate changes**. Revenue +4%, EBITDA +6% and EPS +10%.
- **Share price move since SGLLV initiation (20 December 2022)**. Up 9% on the back of a better-than-expected H2 FY22 and upbeat outlook for rice prices.

For those companies that disclose freight and distribution costs as an operating cost we summarise the absolute increase in freight costs over H1 FY23 and this increase as a percentage of reported H1 FY23 EBITDA.

For SunRice we adjust for the estimated freight costs associated with the Paddy Pool as they are essentially passed on to growers when calculating the Paddy Price. Over H1 FY23 we estimate 30% or $18m of the reported $113m in freight was associated with the Paddy Pool, and similarly 30% of the $54.4m or $16m relate to the Paddy Pool in H1 FY22.

SGLLV does have a more freight intensive business model than many peers, particularly in Riviana where ~90% of the products are imported. This is why we have used absolute changes.

RaaS
Research as a Service

Exhibit 1: H1 FY23 freight costs relative to reported EBITDA (in A$m unless otherwise specified)

Company	H1 FY23 freight	Increase on pcp	Increase as % of H1 FY23 EBITDA	Comments
ELD	333	46	20	
CGC *	100	30	14	FY22 numbers
BGA	162	18	24	
RIC	7	0	1	Little impact
LYL	15	3	21	
SGLLV (ex Paddy Pool)	79	41	100	By far the biggest impact

Source: Company announcements; * FY22

Key consensus changes since our SGLLV initiation on December 20, 2022, are summarised in the table below. While mixed, revenues and adjusted EBITDA have generally been revised up while EPS and NPAT have generally been revised down, with higher depreciation charges a common theme (TWE, GNC, ELD, CGC, BGA and LYL).

Exhibit 2: Percentage change in consensus estimates since December 2022

Company	Revenue	Adj. EBITDA	NPAT	EPS
TWE	(6)	(2)	(7)	(4)
GNC	4	16	6	5
ELD	1	2	(6)	(6)
CGC	12	34	64	64
BGA	7	6	(30)	(24)
RIC	17	2	2	2
SHV	(11)	(100)	(276)	(277)
LGL	0	11	(19)	(17)
EBRO.SM	4	6	14	10

Source: Company announcements;

Consensus EPS growth assumptions out to FY25 are summarised below. Impacted by with weather events, cost inflation and Covid there have been some very volatile years for some of the peer group.

Outside of GNC and ELD most peers are forecast to deliver strong EPS growth in FY24 and in particular FY25 as weather and cost inflation impacts normalise. In this context our growth estimates for SGLLV do not look aggressive.

Exhibit 3: Consensus EPS growth summary – FY23-FY25

Company	FY23f	FY24f	FY25f	CAGR
TWE	18	14	12	15
GNC	(45)	(51)	(19)	(38)
ELD	(12)	(2)	3	(3)
CGC	70	15	20	35
BGA	(36)	81	26	24
RIC	0	11	9	7
SHV	(418)	(232)	88	(187)
LGL	(36)	85	7	19
EBRO.SM	19	12	12	14
SGLLV *	9	17	7	11

Source: Company announcements * RaaS estimates only

RaaS Research as a Service

SGLLV H1 FY23 Result Recap

- Improved availability of Riverina rice resulted in higher **Rice Pool** revenue and fully covering allocated overheads;
- **International** revenue increased 32% on the back of the improved availability of Riverina rice, sourcing opportunities across drought-impacted regions of Europe and the US, and generally higher sell prices. EBITDA ex-Trukai was significantly impacted by higher freight costs with EBITDA margins ex-Trukai estimated to have declined to ~3.5% from ~9.5% in the pcp;
- **Rice Food** revenue increased 4% and EBITDA 29% on market-share gains and lower COGS respectively;
- **Riviana Foods** revenue increased 10% on the back of strength in new categories (bakery) and the return of Food Services, but EBITDA was down 68% as higher costs (product, currency and freight) could not be recovered on a timely basis;
- **CopRice** was the standout division considering the subdued demand for alternate feed, with underlying revenue growth of 38% and a first-time $17.7m contribution from the Pryde's EasiFeed acquisition at or above initial targets. EBITDA as result moved from loss to profit;
- **Corporate EBITDA increased 29%** excluding a $3.4m gain on excess PP&E sale on the combination of higher brand charges and a higher return requirement due to a higher WACC;
- **Depreciation and amortisation** increased with a first-time contribution of Pryde's Easifeeds;
- **Interest expense** increased on the back of higher average debt (inventory rebuild) and higher interest costs (BBSW); and
- **The $1.6m outside Equity Interest** predominately relates to Trukai in PNG and implies a total NPAT of $5.5m against a loss of $0.5m in the pcp.

Exhibit 4: SGLLV H1 FY23 result summary (in A$m unless otherwise stated)

Variable (A$000')	H1 FY22	H1 FY23	% Chg	Comments
Revenue	**563.3**	**758.0**	**34**	
Rice Pool	89.9	145.8	62	Improved harvest
International	253.7	334.8	32	Higher prices and Riverina rice opportunities
Rice Food	53.8	55.8	4	Market-share gains
Riviana Foods	97.3	107.3	10	Improved Food Services and new categories
CopRice	68.5	112.1	64	Pryde's EasiFeed for first time ($17.7m), +38% underlying
Other	1.4	2.2	58	
Gross profit	225.8	324.3	44	
GP%	40	43		
Operating costs	(189.4)	(283.3)	50	Freight costs +>100%
Underlying EBITDA	**36.4**	**41.0**	**13**	**Solid in the light of cost growth**
Rice Pool	0.0	0.0		Harvest covered overheads
International	16.3	14.6	(11)	Impacted by freight costs, excludes FX losses
PNG	1.0	7.0	635	Much improved
Balance	15.4	7.5	(51)	Key freight impact
Rice Food	3.5	4.5	29	Lower COGS from improved rice supply
Riviana	6.7	2.1	(68)	Timing of higher freight and product costs
CopRice	(2.2)	4.0	nm	Pryde's EasiFeed for the first time, improved CopRice
Corporate	12.1	15.6	29	Higher brand and finance charge, excludes profit on sale
D&A	(12.8)	(13.9)		Pryde's Easifeed for the first time
EBIT	**23.6**	**27.1**	**15**	
Interest expense	(2.9)	(4.9)		Higher debt and interest rates
PBT	20.7	22.2	7	
Tax	(4.5)	(4.3)		20% tax rate aided regional tax rates and tax losses
Outside equity	(0.1)	1.9		Much improved result from PNG business Trukai
Adj. NPAT	**16.4**	**16.1**	**(2)**	**Mainly higher depreciation and interest**
Abnormals	0.4	1.6		FX losses and sale of PP&E gains
Reported NPAT (B-Class)	16.8	17.7	5	Attributable to B-Class shareholders after minorities

Source: Company announcements

Peer Comparisons

Our assessed peer group for SGLLV has the following characteristics:

- Exposure to an agricultural cycle;
- Base product is essentially a commodity;
- An owner of market-leading FMCG brands sold into major supermarkets;
- Material infrastructure ownership; and
- Australian listed.

Key domestic and international peers that satisfy some or all of these requirements are listed in the peer comparison table below.

Exhibit 5: Peer group financial comparison – FY23 (in A$m June year-end unless otherwise stated)

Company name	Ticker (ASX unless stated)	Share price (cps)	Mkt. cap.	Revenue	Adj. ## EBITDA	Adj. NPAT	Adj. EPS	Adj. ## EBITDA multiple (x)	FY22 Working capital /Rev (%)	Debt/ EBITDA (x)
Treasury Wines	TWE	$12.97	9,362	2,602	732.6	370.0	0.53	12.8	30	0.9
Graincorp #	GNC	$7.47	1,671	6,934	397.4	207.9	0.93	4.2	15	1.4
Elders #	ELD	$8.90	1,391	3,247	223.6	135.8	0.87	6.2	19	0.7
Costa Group ^	CGC	$2.38	1,106	1,466	166.9	67.0	0.14	6.6	2	0.2
Bega Cheese	BGA	$3.37	1,024	3,318	141.9	43.9	0.10	7.2	5	1.9
Ridley	RIC	$2.18	697	1,260	83.2	62.9	0.13	8.4	4	0.3
Select Harvests #	SHV	$4.03	487	191	32.9	-15.0	-0.18	14.8	70	4.1
Lynch Group	LGL	$1.80	220	404	43.2	15.3	0.13	5.1	(3)	0.5
PEER AVERAGE								**8.2**	**18**	**1.2**
FMCG AVERAGE								**8.9**	**12**	**1.0**
SunRice *	SGLLV	$6.41	402	1,611	103.2	52.2	0.88	3.9	28	2.2
Ebro Foods (€) ^	EBRO:SM	16.52	2,542	2,954.0	313.0	149	0.94	8.1	27	2.4

Sources: Company financials, Refinitiv Eikon; Prices 13 March 2023; # Sept year-end; * April year-end; ^ Dec year-end; ## Adj. EBITDA adds back RoU/rental expense

Looking at SGLLV relative to the domestic peer group, we would highlight the following:

- Trading at a material discount to peers on an EV/EBITDA multiple (subtracting rent paid), EV/EBIT and PER multiple using FY23 consensus data;
- Working capital to revenue for SGLLV at the higher end of peers, albeit impacted by the two strong harvests in recent years;
- Debt to EBITDA at the higher end of peers, again impacted by the working capital requirements of recent large harvests; and
- Capex to revenue and capex to core PP&E depreciation at the lower end of peers despite significant PP&E (low maintenance assets).

Valuation

Sum of The Parts

We view SunRice as a cross between an infrastructure business (Corporate), a brand owner (Corporate), a trading business (International), FMCG (International, Rice Food and Riviana) and Animal Feed (CopRice). The table below presents a Sum of The Parts (SoTP) valuation for SunRice using the following EBITDA multiples, derived from FY23 consensus estimates adjusted for rental expense/RoU (subtracted from EBITDA), and then applied to RaaS FY23(f) adjusted EBITDA forecasts:

- A 8.9x EBITDA multiple for FMCG businesses (down from 9.6x), in-line with the average of the FMCG businesses in the peer group (TWE, BGA and CGC). For Riviana we are using FY22 EBITDA given FY23 is not reflective of sustainable earnings in our view;

- A 5.5x EBITDA multiple for the Corporate business (down from 5.8x), the average of GNC and ELD multiple in recognition that SunRice Corporate provides both infrastructure (GNC) and brands (ELD) to its ricegrowers. An ELD multiple would see the valuation closer to $9.42/share all else equal;
- A 8.4x multiple for CopRice (up from 7.9x), in-line with RIC metrics which is essentially 100% animal feed; and
- A 8.2x EBITDA multiple for International (down from 8.4x), which is the average of the peer group. The tax rate of this business is forecast to be well below peer averages.

Issues with this approach include using FY23 earnings in isolation (Riviana as an example), limited regard for the replacement value of key infrastructure, varying tax rates which are not captured at the EBITDA line, other anomalies between each company (including the share structure of SunRice), a small sample size in some divisional comparisons, and volatility in peer multiples.

Exhibit 6: SGLLV Sum of The Parts valuation – FY23 A$m unless otherwise stated

Division	FY23 adj. EBITDA	Adj. EBITDA multiple (x)	Valuation	Comments
International	45.4	8.2	372	A key assumption given EBIT size
Rice Food	8.9	8.9	80	FMCG peers
Riviana Foods *	13.8	8.9	123	FMCG peers using FY22 EBITDA
CopRice	11.5	8.4	97	RIC is the key peer
Corporate	28.8	5.5	158	Average of ELD and GNC
Less				
33.8% of Trukai	4.9	8.2	-40	Same multiple as International
Net debt (Apr-23 est.)			-256	RaaS estimate as at April 2023
VALUATION			**533**	
Shares on issue			63	
EQUITY VALUE			**$8.50**	**Down from $8.74**

Source: Company announcements and RaaS estimates; *FY22 EBITDA

Investment Case Revisited

The investment case for SunRice B-Class shareholders is managing a sweet spot in Riverina rice harvest volumes, recouping significant freight costs, and growing the footprint of key ‘profit businesses’ both organically and via acquisition:

- SunRice has delivered a **stable dividend stream** of at least $0.33/share over the past seven years ($0.40/share in FY22) irrespective of the Australian harvest size or other divisional earnings volatility. We expect this trend to continue, allowing B-Class shareholders to ride out any near-term earnings volatility with fully franked dividends. Our forecast 35cps in FY23 implies a fully franked yield of 5.3%.
- **Improved availability of Riverina rice** opens up international export opportunities while at the same time reducing the overhead charge for other divisions, and relieving some COGS pressures for the Rice Food division. ABARES has forecast a 51% decline in the 2022/23 rice crop (to 340kt), but the 688kt 2021/22 crop should provide a buffer into 2023/24, where growing conditions are expected to remain favourable.
- **Global rice markets are supportive** for Australian rice demand and general sourcing opportunities over coming years with overall global stock levels forecast to decline 8% in 2022/23, the second consecutive year of decline. The premium medium grain Californian harvest (a peer to Australian production) is forecast to decline 30% in 2022/23, opening up sourcing and supply opportunities for SunRice.
  Niche sourcing and supply opportunities are also emerging in the EU and UK as a result of drought and Brexit/free trade respectively.
- While likely to be an FY24 story, **cost recovery opportunities** exist across freight and distribution, which increased 108% on the pcp in H1 FY23 against revenue growth of 34%, well above peers. We estimate the

benefits are proportional to revenue across all profit businesses, but mainly in International ex-PNG and Riviana.

- **Improved return rates are likely for the Corporate division** (29% of FY22 EBITDA) as higher 10-year bond rates drive higher return requirements from the group's infrastructure due to an increased WACC. Using a rolling two-year average, we expect return rates to gradually increase ~200bps over the next 18 months. EBITDA estimates over this period are 20% higher than FY22 as a result.
- **EPS-accretive acquisitions in the branded FMCG space** are likely to continue, with the group building a solid brand portfolio across convenience and healthy rice snacks (Rice Food), animal feed (CopRice) and the branded entertainment/special occasion products (Riviana). The size of acquisitions has been progressively increasing, promising more material EPS accretion.
- **SGLLV is trading at a material discount to selected ASX peers** on key metrics including EV/adjusted EBIT, EV/EBIT and PER using FY23 consensus forecasts against RaaS FY23 SGLLV estimates.

Research as a Service

Exhibit 7: SGLLV Financial Summary

Ricegrowers t/a SunRice					
Profit and Loss (A$m)					
Y/E 30 April	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
	A	**A**	**F**	**F**	**F**
Revenue	1,022.2	1,331.1	1,611.1	1,648.6	1,732.9
EBITDA	47.5	90.2	107.1	119.4	124.5
Depn	(23.2)	(23.5)	(24.8)	(24.9)	(24.7)
Amort	(1.7)	(2.7)	(3.0)	(3.0)	(3.0)
EBIT	22.6	64.0	79.3	91.5	96.8
Interest	(4.8)	(4.8)	(9.3)	(8.3)	(6.3)
Tax	(0.8)	(10.9)	(14.0)	(18.3)	(19.9)
Minorities	2.5	(1.2)	(3.7)	(2.4)	(2.2)
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0
NPAT pre significant it	**19.5**	**47.1**	**52.2**	**62.5**	**68.4**
Significant items	1.3	0.4	1.7	0.0	0.0
NPAT (reported)	**20.8**	**47.6**	**53.9**	**62.5**	**68.4**
Cash flow (A$m)					
Y/E 30 April	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
EBITDA (less rent)	43.3	86.3	103.1	115.4	120.5
Interest paid	(4.8)	(4.8)	(9.3)	(8.3)	(6.3)
Tax Paid	(5.6)	(6.1)	(12.5)	(16.2)	(19.1)
Working capital changes	5.6	(57.1)	(67.1)	19.8	(26.9)
Operating cash flow	**38.5**	**18.2**	**14.2**	**110.8**	**68.2**
Mtce capex	(17.6)	(16.5)	(20.0)	(21.0)	(22.1)
Free cash flow	**20.9**	**1.7**	**(5.8)**	**89.8**	**46.1**
Growth capex	0.0	0.0	0.0	0.0	0.0
Acquisitions/Disposals	(66.2)	(37.5)	(1.8)	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Cash flow pre financin	**(45.3)**	**(35.8)**	**(7.6)**	**89.8**	**46.1**
Equity	0.0	0.0	0.0	0.0	0.0
Debt	58.0	56.3	30.0	(60.0)	(20.0)
Dividends paid	(14.5)	(19.8)	(24.8)	(26.5)	(22.4)
Net cash flow for year	**(1.8)**	**0.6**	**(2.4)**	**3.3**	**3.7**
Balance sheet (A$m)					
Y/E 30 April	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
Cash	23.5	42.6	44.0	47.4	51.1
Accounts receivable	175.8	260.0	310.4	317.4	322.6
Inventory	375.7	525.0	492.2	503.2	511.4
Other current assets	4.3	3.5	3.5	3.5	3.5
Total current assets	*579.4*	*831.1*	*850.2*	*871.4*	*888.5*
PPE	262.3	267.6	266.8	266.9	268.3
Goodwillc& Intangibles	58.5	85.7	83.5	80.5	77.5
Investments	5.4	5.6	5.6	5.6	5.6
Deferred tax asset	15.9	8.5	8.5	8.5	8.5
Other non-current assets	0.3	0.3	23.9	0.0	0.0
Total non current assets	*342.4*	*367.7*	*388.3*	*361.5*	*359.8*
Total Assets	**921.8**	**1,198.8**	**1,238.5**	**1,232.9**	**1,248.4**
Accounts payable	143.9	217.7	259.9	265.7	270.0
Short term debt	85.0	125.1	155.1	95.1	75.1
Payable to Ricegrowers	112.5	200.1	103.5	135.5	117.6
Other current liabilities	28.0	30.0	34.9	35.6	36.1
Total current liabilities	*369.4*	*572.8*	*553.3*	*531.7*	*498.7*
Long term debt	86.5	115.3	145.3	85.3	65.3
Other non current liabs	4.9	5.3	5.3	45.3	67.8
Total long term liabilities	*91.4*	*120.6*	*150.6*	*130.6*	*133.1*
Total Liabilities	**460.8**	**693.4**	**703.9**	**662.3**	**631.8**
Net Assets	**461.1**	**505.3**	**534.5**	**570.6**	**616.5**
Share capital	134.6	142.5	142.5	142.5	142.5
Reserves	(5.5)	(21.4)	(21.4)	(21.4)	(21.4)
Retained profits	315.1	364.8	394.0	430.0	476.0
Minorities	16.9	19.4	19.4	19.4	19.4
Total Shareholder func	**461.1**	**505.3**	**534.5**	**570.5**	**616.6**

Share price (13 March 2023)						A$ 6.41
Interim (A$m)	**1H21**	**2H21**	**1H22**	**2H22**	**1H23**	**2H23F**
Revenue	505.4	516.8	563.3	767.7	758.0	890.6
EBITDA	28.0	19.5	36.4	53.7	40.9	66.2
EBIT	15.8	6.8	23.6	40.4	27.0	52.3
NPAT (normalised)	12.1	5.0	16.3	32.0	17.8	38.1
Minorities	(2.2)	(0.3)	(0.1)	1.3	1.9	1.9
NPAT (Class B)	14.2	5.3	16.4	30.7	16.0	36.3
EPS (normalised)	0.24	0.09	0.27	0.50	0.25	0.58
EPS (reported)	0.24	0.09	0.27	0.50	0.25	0.58
Dividend (cps)	0.00	0.33	0.10	0.30	0.10	0.25
Imputation	30.0	30.0	30.0	30.0	30.0	30.0
Operating cash flow						
Free Cash flow						
Divisions	**1H21**	**2H21**	**1H22**	**2H22**	**1H23**	**2H23F**
Rev - Rice Pool	68.4	46.4	89.9	156.2	145.8	170.1
Rev - International Rice	271.4	277.4	253.7	367.2	334.8	399.4
Rev - Rice Food	48.0	48.1	53.8	52.6	55.8	54.9
Rev - Riviana	64.5	83.9	97.3	99.2	107.3	114.0
Rev - CopRice	53.1	61.4	68.5	92.6	112.1	116.9
Costs - Raw materials	(352.7)	(287.6)	(339.3)	(484.1)	(433.7)	(517.3)
Costs - Freight and distributio	(44.0)	(45.6)	(54.4)	(92.5)	(113.3)	(106.7)
Costs - Employee benefits	(70.2)	(67.1)	(73.4)	(75.3)	(89.0)	(91.0)
Other Operating Costs	(49.7)	(56.6)	(61.5)	(67.9)	(81.0)	(75.6)
EBITDA	28.0	19.5	36.4	53.7	40.9	66.2
Margins, Leverage, Returns		**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
EBITDA		4.6%	6.8%	6.6%	7.2%	7.2%
EBIT		2.2%	4.8%	4.9%	5.6%	5.6%
NPAT pre significant items		1.9%	3.5%	3.2%	3.8%	3.9%
Net Debt (Cash)		-147.9	-197.8	-256.3	-133.0	-89.3
Net debt/EBITDA (x)	(x)	(3.1)	(2.2)	(2.4)	(1.1)	(0.7)
ND/ND+Equity (%)	(%)	24.3%	28.1%	32.4%	18.9%	12.7%
EBIT interest cover (x)	(x)	0.2	0.1	0.1	0.1	0.1
ROA		2.6%	6.0%	6.5%	7.4%	7.8%
ROE		5%	10%	10%	11%	12%
ROIC		5%	15%	16%	19%	23%
NTA (per share)		7.2	7.4	7.7	8.2	9.0
Working capital		407.6	567.3	542.8	554.9	563.9
WC/Sales (%)		**40%**	**43%**	**34%**	**34%**	**33%**
Revenue growth		-8%	30%	21%	2%	5%
EBIT growth pa		-55%	183%	24%	15%	6%
Pricing		**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
No of shares (y/e)	(m)	60.0	61.8	62.6	63.6	64.5
Weighted Av Dil Shares	(m)	60.0	61.8	62.6	63.6	64.5
EPS Reported	cps	0.35	0.81	0.88	1.03	1.11
EPS Normalised/Diluted	cps	0.35	0.81	0.88	1.03	1.11
EPS growth (norm/dil)		-27%	128%	9%	17%	7%
DPS	**cps**	**0.33**	**0.40**	**0.35**	**0.35**	**0.35**
DPS Growth		0%	21%	-13%	0%	0%
Dividend yield		5.1%	6.2%	5.5%	5.5%	5.5%
Dividend imputation		30.0	30.0	30.0	30.0	30.0
PE (x)		18.1	8.0	7.3	6.2	5.8
PE market		16.0	16.0	16.0	16.0	16.0
Premium/(discount)		13%	-50%	-55%	-61%	-64%
EV/EBITDA		11.2	6.6	6.1	4.5	4.0
FCF/Share	cps	214.9	103.5	(85.0)	97.5	69.3
Price/FCF share		3.0	6.2	(7.5)	6.6	9.2
Free Cash flow Yield		33.5%	16.1%	-13.3%	15.2%	10.8%

Source: Company data for actuals, RaaS estimates

FINANCIAL SERVICES GUIDE

RaaS Advisory 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: 6th May 2021

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Advisory 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: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000
RaaS. 20 Halls Road Arcadia, NSW 2159
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
- deal on behalf of 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

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application from if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. 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.
We may also receive a fee for our dealing service, from the company issuing the securities.

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 commissioned by Ricegrowers Ltd and prepared and issued by RaaS Advisory Pty Ltd, trading as Research as a Service. RaaS Advisory has been paid a fee to prepare this report. RaaS Advisory'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 Advisory 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 Advisory at the time of publication. RaaS Advisory 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 Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory 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 Advisory 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 Advisory 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 Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable.