

25th June 2020

Ricegrowers Ltd (SunRice)

FY20 delivers on guidance, 33cps fully franked div

Ricegrowers Ltd (ASX: SGLLV), trading as 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. SunRice has announced FY20 NPAT of \$22.7m, down 31% on the previous corresponding period (pcp) but in line with the company's guidance for a lower though profitable second half. NPAT attributable to B Class shareholders was \$27.0m, down 14.2% on pcp. The company also maintained its 33cps fully franked dividend in line with guidance. Revenue of \$1.13bn was also in line with guidance, declining just 5% on FY19, despite the year delivering one of the lowest rice crops on record from the Riverina region. As we noted in our initiation report of late last year [Quality Income from Branded Products](#), SunRice has built significant resilience into the business with its international footprint in rice supply and branded products and this was reflected in the FY20 result. The company noted that the CY20 rice harvest had now concluded, producing the second-smallest crop on record with just 45,000 paddy tonnes. In our view, the company is well positioned to trade through this turbulent time with leverage to upside from new consumer products emerging from the portfolio. Our sum-of-the-parts Compco valuation derives a range of \$8.40 to \$10.59/share with a mid-point valuation of \$9.50/share.

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 has a growing presence in the healthy snacking category. 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.

Key takeaways from FY20 result

SunRice delivered on its guidance for 2H NPAT to be lower than 1H FY20 NPAT but for profitability to be maintained. The company also met its commitment to maintain its fully franked dividend of \$0.33/share. The result was struck on the one of the lowest rice crops from the Riverina district on record and reflects the diversified nature of the group's operations with the international division flexing its sourcing capabilities to meet the >1m paddy tonnes of rice needed to meet SunRice's markets. The company noted that the now harvested CY20 rice crop was the second smallest crop on record.

Mid-point compco valuation is \$9.50/share

Our Sum-of-the-Parts Compco valuation derives a mid-point valuation of \$9.50/share. **This valuation does not give any guarantee regarding SunRice's future financial performance, its outlook or its share price performance. It should also be noted that this is a valuation not a target price and is based on RaaS's analysis.**

Historical earnings and ratios

Year end	Revenue (A\$m)	EBITDA Adj.* (A\$m)	NPAT Adj.* (A\$m)	NPAT Attrib.^	EPS^ (c)	P/E (x)	DPS (c)	Yield (%)	NTA/share (\$)
04/16a	1,265.9	110.4	52.0	49.1	87.9	6.0	33.0	6.3%	6.84
04/17a	1,109.3	75.3	37.5	34.2	61.3	8.6	33.0	6.3%	7.10
04/18a	1,174.0	94.3	43.6	42.7	75.9	6.9	33.0	6.3%	7.49
04/19a	1,189.5	85.8	40.1	31.5	54.5	9.6	33.0	6.3%	7.64
04/20a	1,134.8	65.8	27.7	27.0	45.8	11.4	33.0	6.3%	7.82

Source: Company data *EBITDA and NPAT adj for one-time, non-cash items inc forex costs ^attrib to B Class shareholders

Share details

ASX Code	SGLLV
Share price (intraday)	\$5.25
Market Capitalisation	\$311.9M
Shares on issue	59.27M
Net debt at 30/04/2020	\$82.6M
Free float	98%

Share price performance (12-months)



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

Catalysts/Upcoming events

- AGM on August 26
- H1 FY21 result due the third week of December

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FINANCIAL SERVICES GUIDE

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Effective Date: 26th November 2018

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- our services
- how we transact with you
- how we are paid, and
- complaint processes

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