

Capital Structure Review SunRice Technical Workshop

March 2015



IMPORTANT NOTICES

These materials have been prepared by SunRice for the sole purpose of providing information to its shareholders and growers on a potential new capital structure for SunRice and to seek feedback on it. The potential capital structure as outlined in these materials is a preliminary proposal and no decision has been made to implement a new capital structure for SunRice, whether as outlined in these materials or otherwise.

Nothing in these materials constitutes an offer, intended offer, invitation to offer or recommendation, in any place, to acquire shares in SunRice (or any interest in them) or securities in the fund that would be established if the potential new capital restructure is implemented, or constitutes any financial product advice. These materials do not contain all information that would be required in an explanatory statement or product disclosure statement prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) (**Corporations Act**). If a decision is made by SunRice to offer any shares or securities as part of a capital restructure, that offer will be made in a document prepared in accordance with the disclosure and other requirements of the Corporations Act.

SunRice has engaged in discussions with the Australian Securities and Investments Commission (**ASIC**), Australian Securities Exchange (**ASX**) and Australian Taxation Office (**ATO**) in relation to the potential capital structure. However, ASIC, ASX and ATO have not expressed their final views in relation to the potential capital structure and their final views will be subject to further information and final documents being provided to them.

These materials have been lodged with the National Stock Exchange of Australia (**NSX**).

None of ASIC, ASX, ATO or NSX, or any of their respective officers, endorses or takes any responsibility for the contents of these materials or the potential capital restructure.

These materials contain forward looking statements, which may sometimes be identified by the use of forward looking words such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “likely”, “should”, “planned”, “may”, “estimate”, “potential” or similar words or phrases. Similarly, statements that describe SunRice’s objectives, plans, goals or expectations are or may be forward looking statements. All forward looking statements in these materials reflect views held as at the date of these materials. However, forward looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, events, performance or achievements to be materially different from expected future results, events, performance or achievements expressed or implied by those statements. None of SunRice or its directors or officers, or any other person gives any representation, assurance or guarantee that the results, events, performance or achievements expressed or implied in any forward looking statements in these materials will actually occur and you are cautioned not to place undue reliance on such statements.

The information in these materials is general in nature and does not take into account the investment objectives, financial situation or particular needs of any shareholder or any other person. If in doubt, you should seek consult your own financial or other professional advisor.



AGENDA

- **The potential model**
 - Q&A
- **Paddy price and dividends**
 - Q&A
- **A Class shareholders**
 - Q&A
- **B Class shareholders**
 - Q&A
- **Valuation perspectives**
 - Q&A
- **Additional topics and questions**



THE POTENTIAL MODEL

Capital Structure Review March 2015



THE RESTRUCTURE IS DESIGNED TO BENEFIT ALL SHAREHOLDERS

- We have undertaken a rigorous and comprehensive process
- A unique model has been developed that we believe meets the objectives of the review and the needs of growers and shareholders
- Everyone can benefit from this model, which would enable us to strengthen SunRice for the future
- The Board supports this approach, however your feedback is crucial in determining next steps

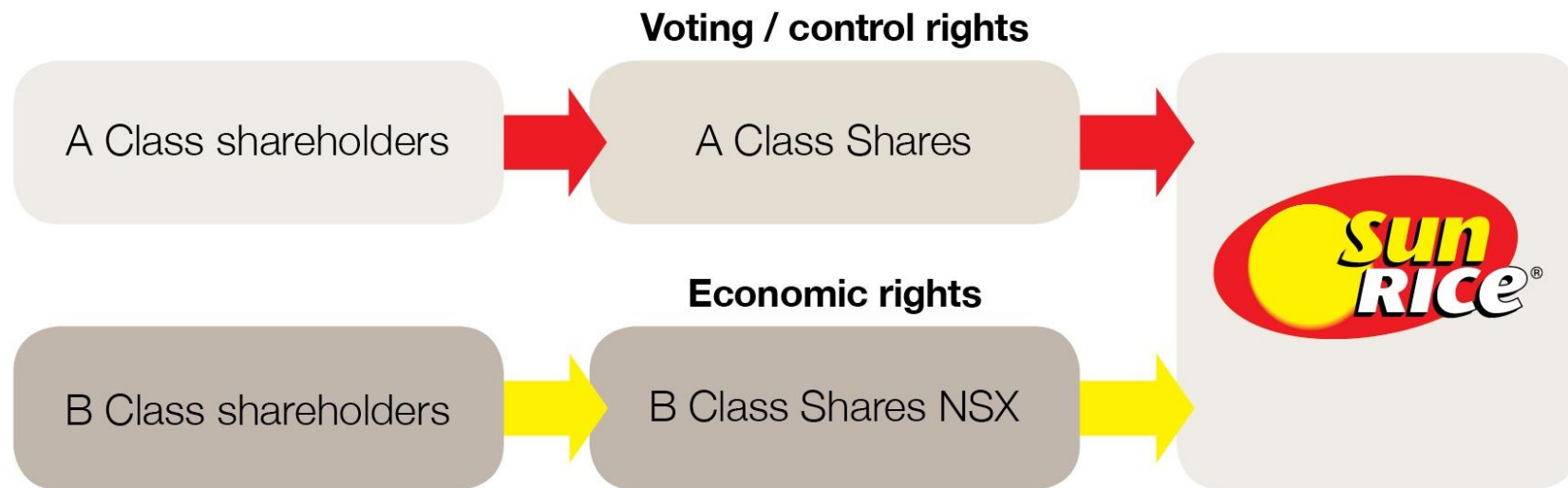


WHAT DOES THE REVIEW AIM TO ACHIEVE?

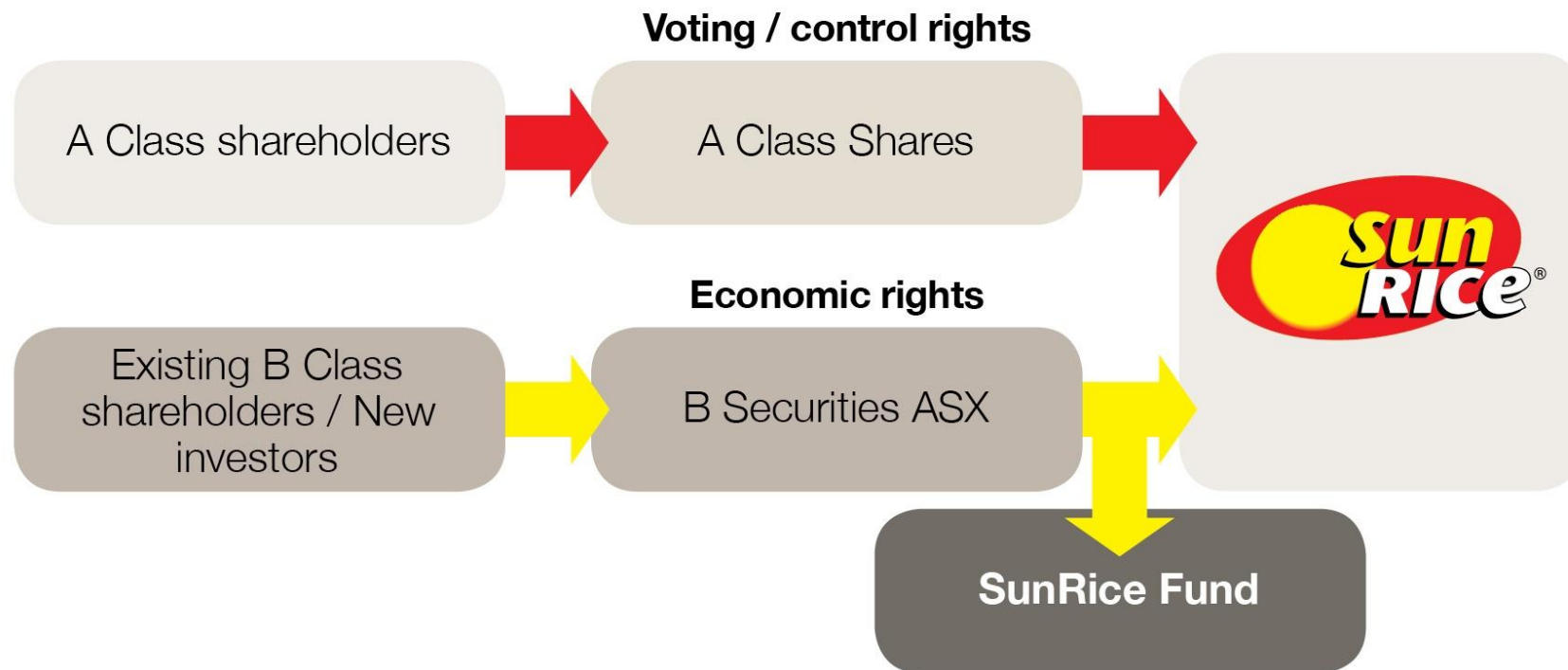
- A structure that can more readily access external sources of equity capital at a lower cost when needed, without:
 - Jeopardising existing grower shareholder control or paddy returns;
 - Making the company more vulnerable to takeover; or
 - Changing the key features of our industry structure today:
 - A Class shareholders retain control rights
 - B Class shareholders retain economic rights
- Any model has to deliver on this while equipping the company for the future, benefiting both classes of shareholders and addressing outstanding constitutional issues, such as estate planning



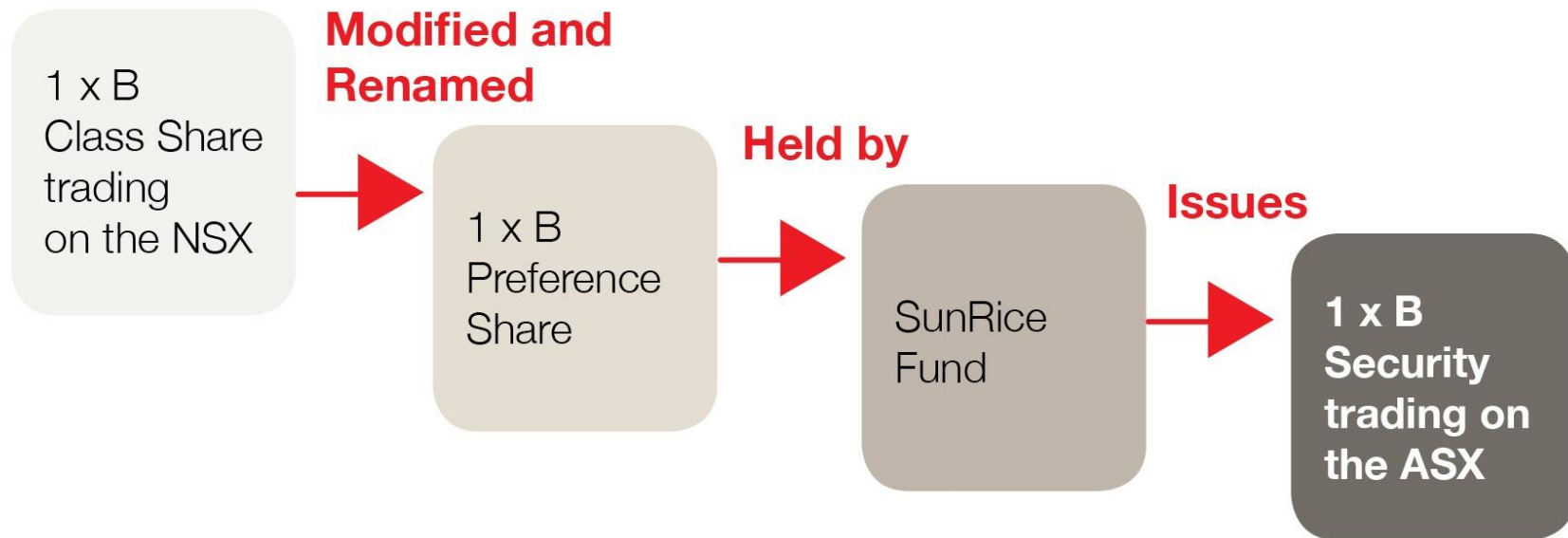
EXISTING STRUCTURE



POTENTIAL STRUCTURE



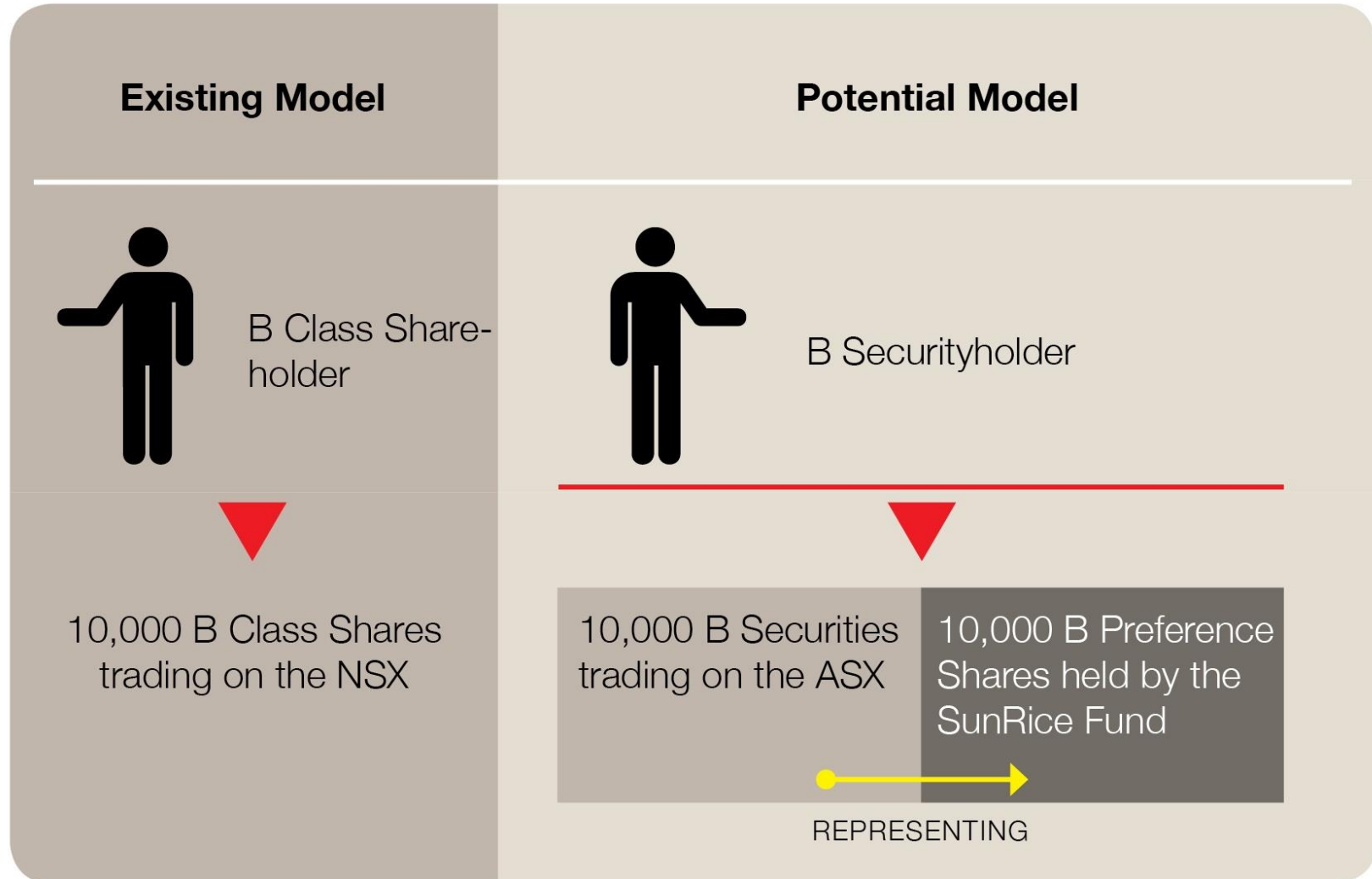
HOW DO B CLASS SHARES CHANGE?



- Each B Class Share would be renamed and modified to become a B Preference Share
- Each B Preference Share would be held by the SunRice Fund
- The Fund would be listed on the ASX
- For each B Preference Share, one B Security would be issued by the Fund
- The B Securities would be able to be bought and sold on the ASX



B CLASS SHARES VS. B SECURITIES



WHAT IS THE FUND?



- The Fund is an MIS, established as a trust
- It would be ASX listed and allow B Securities to trade freely
- Protections would be in place for securityholders and investors:
 - A Responsible Entity to administer the Fund, which would be wholly owned by SunRice
 - A licensed custodian to hold the B Preference Shares
- No change to paddy pool or dividend structures under this model



QUESTIONS & DISCUSSION

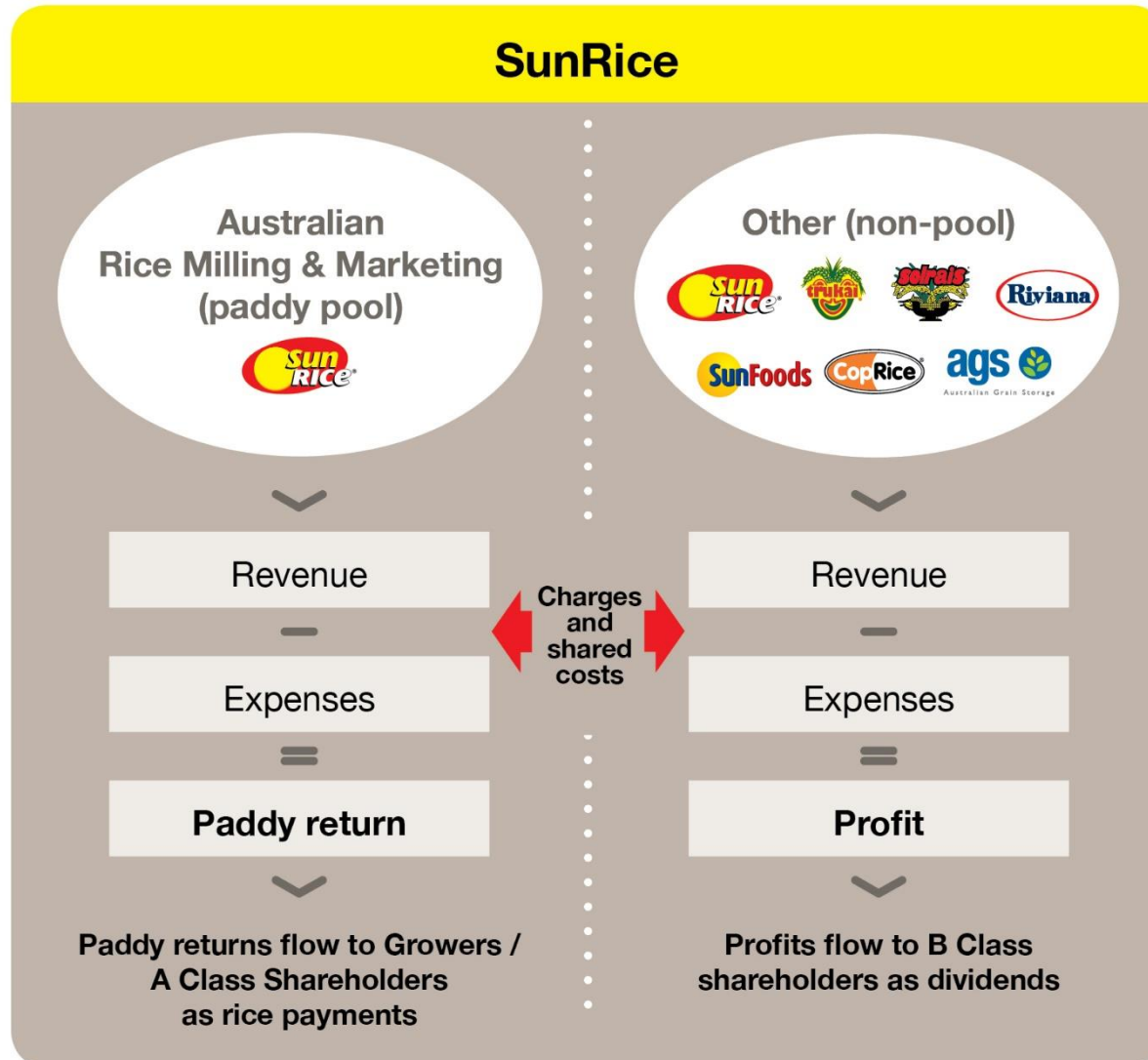


PADDY PRICE AND DIVIDENDS

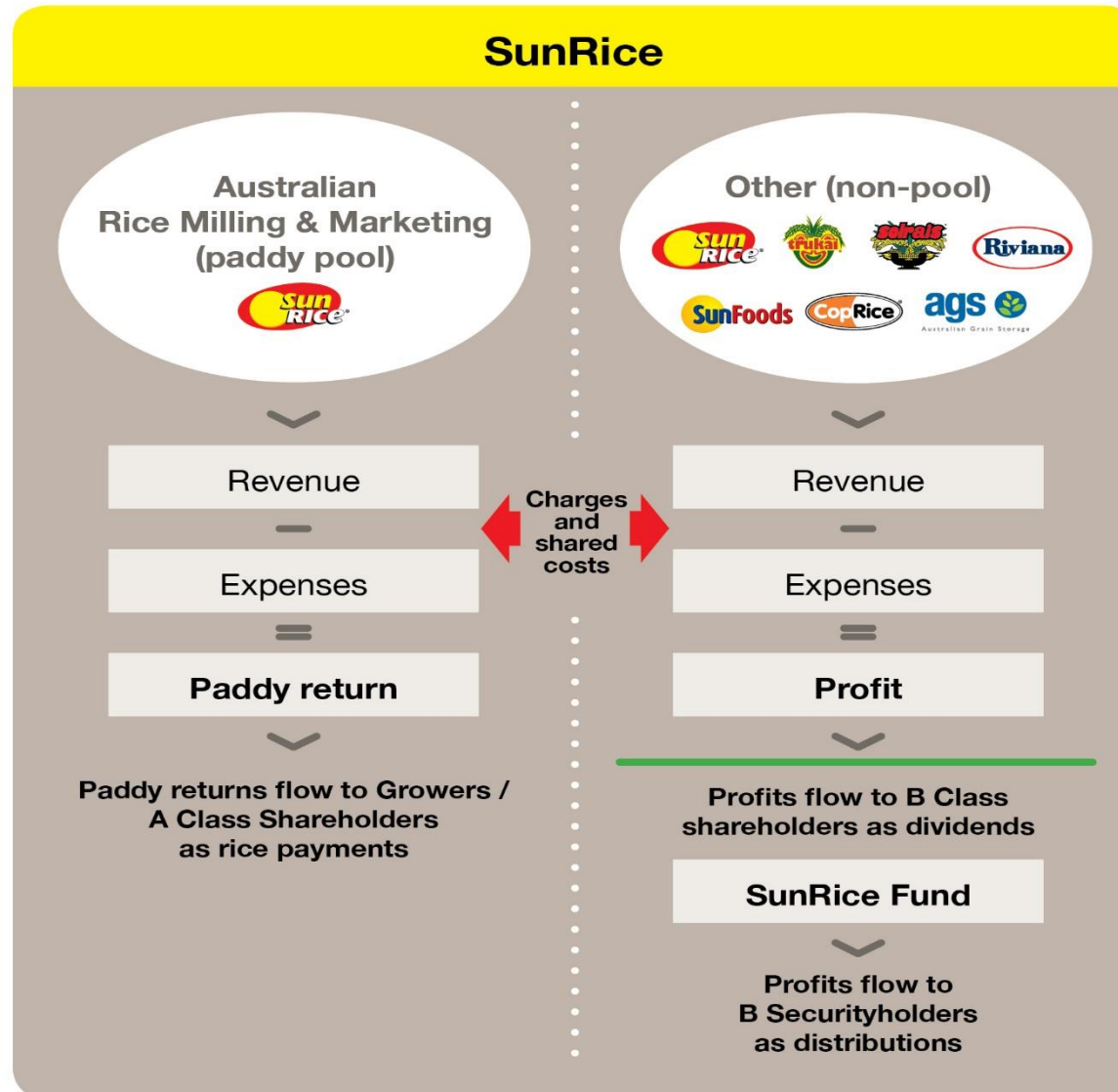
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DETERMINATION OF PADDY PRICES AND DIVIDENDS



DETERMINATION OF PADDY PRICES AND DIVIDENDS UNDER THE POTENTIAL MODEL



A CLASS SHAREHOLDERS

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WHAT IT MEANS FOR A SHAREHOLDERS

No fundamental change to A Class Shares, preserving grower shareholder control

Feature	Before	After
Director appointment to SunRice Board	✓	✓
Majority of grower / A Class Directors	✓	✓
Eligibility criteria to hold A Class Shares	✓	✓
75% vote on change of control of SunRice	✓	✓
Changes to SunRice Constitution	✓	✓
Paddy pricing policy	✓	✓



ADVANTAGES OF THE MODEL

Advantages A Class

Improved ability to raise capital and support future growth initiatives

Preserves existing control of A Class shareholders (active growers) on an ongoing basis

Should enhance SunRice's ability to grow the business to optimise paddy returns



DISADVANTAGES OF THE MODEL

Disadvantages A Class

More expensive for growers who do not hold B Class Shares to meet the minimum securityholding requirement

Potential for further dilution of alignment in A and B Class shareholder interests



QUESTIONS & DISCUSSION



B CLASS SHAREHOLDERS

Capital Structure Review March 2015



WHAT IT MEANS FOR B SHAREHOLDERS

Feature	B Class Shares	B Securities
Dividends	✓	✓
Director appointment rights	X	X
Voting rights in SunRice (only on “variation of rights”)	✓	✓
Ownership / estate planning	Restricted	Unrestricted
Liquidity / share price uplift	Limited	Potential for significant uplift over time
5% holding cap	Cap	No cap
75% vote on change of control of SunRice	✓	✓



ADVANTAGES OF THE MODEL

Advantages B Class

Improved ability to raise capital and support future growth initiatives

Expected enhanced liquidity for B Class shareholders

Potential for significant increase in security price for B Class shareholders over time

Addresses estate planning issues



DISADVANTAGES OF THE MODEL

Disadvantages B Class

Potential for greater volatility in the market price of B Securities compared to B Class Shares

B Securityholders would hold an indirect, rather than a direct, interest in SunRice through the Fund



QUESTIONS & DISCUSSION



VALUATION PERSPECTIVES

Capital Structure Review March 2015



EXECUTIVE SUMMARY

- The SunRice Board believes that there is potential for a significant uplift in the value of SunRice's B Securities over time as a result of the proposed Capital Restructure:
 - SunRice trades at a significant discount of SunRice's current trading multiples compared to comparable peers at both the P/E and EBITDA level
 - SunRice currently trades at a substantially higher yield than its comparable peer group
- As a result, we expect the potential listing of B Securities on the ASX is likely to lead to an increase in the value at which SunRice B Securities trade, compared to the value at which SunRice B Class Shares trade on the NSX; all other factors being equal (e.g. profits and outlook)



EXECUTIVE SUMMARY CONTINUED

- It's not possible to determine the extent of the value uplift due to a number of factors, including:
 - The potential structure is unique to SunRice
 - SunRice's operating business is not exactly comparable to any of its peer set, and therefore faces different risks and will be valued differently by investors
 - Each company has its own challenges and opportunities
 - SunRice is significantly smaller than some of the peer group
 - The securities to be listed on the ASX are an indirect interest in SunRice, and do not obtain voting rights for SunRice
 - SunRice has a relatively greater exposure to drought conditions compared to some of its peers
 - Liquidity may not be immediately available
- If we move forward with the potential model following shareholder feedback, an Independent Expert's Report will be sought to provide guidance to shareholders

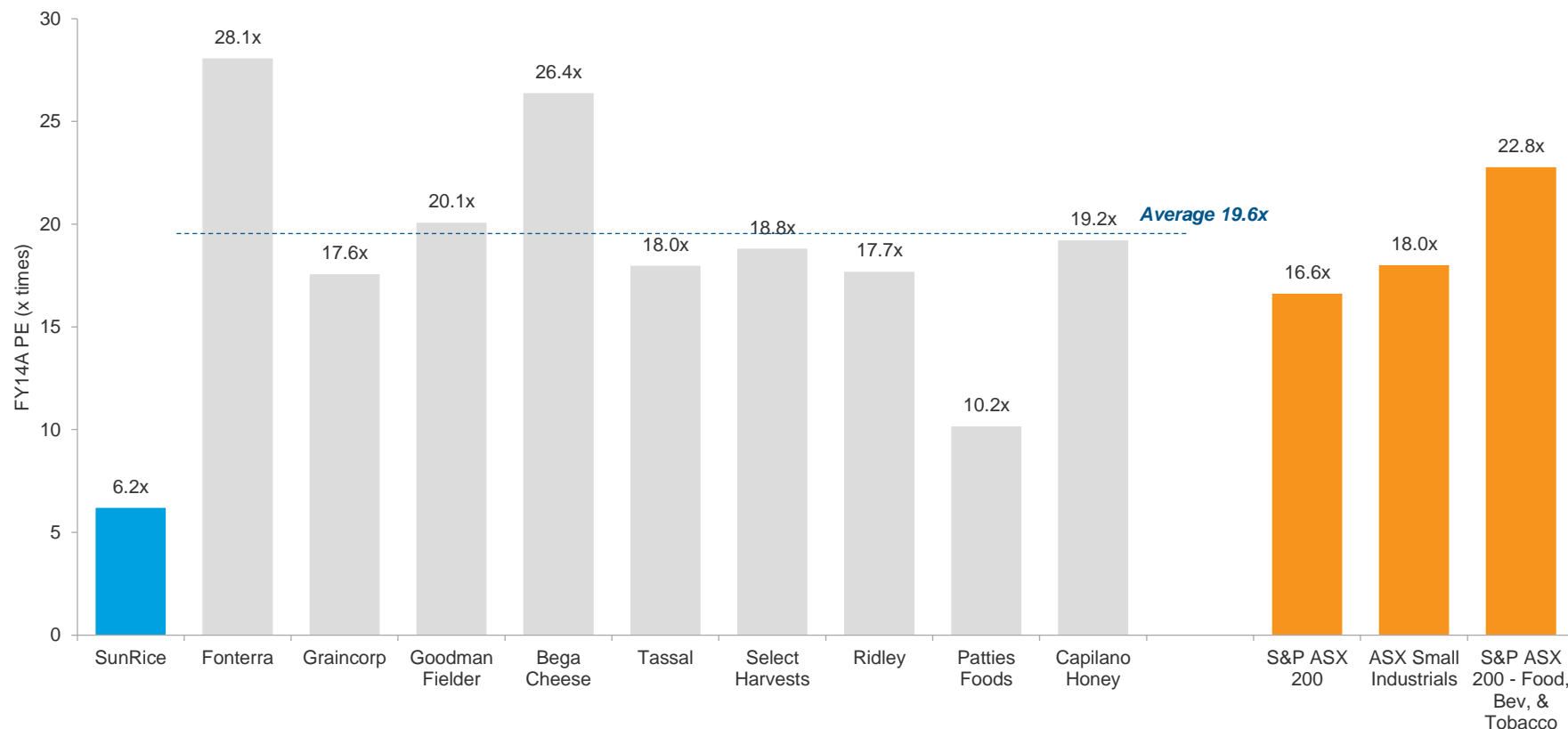


TRADING COMPARABLES

Price earnings ratio (FY14A)

SunRice B Class shares FY14 PE multiple of 6.2x is a significant discount to the comparable peer set of 19.6x and the S&P ASX200 Food, Beverage, and Tobacco index of 22.8x

FY14A PER



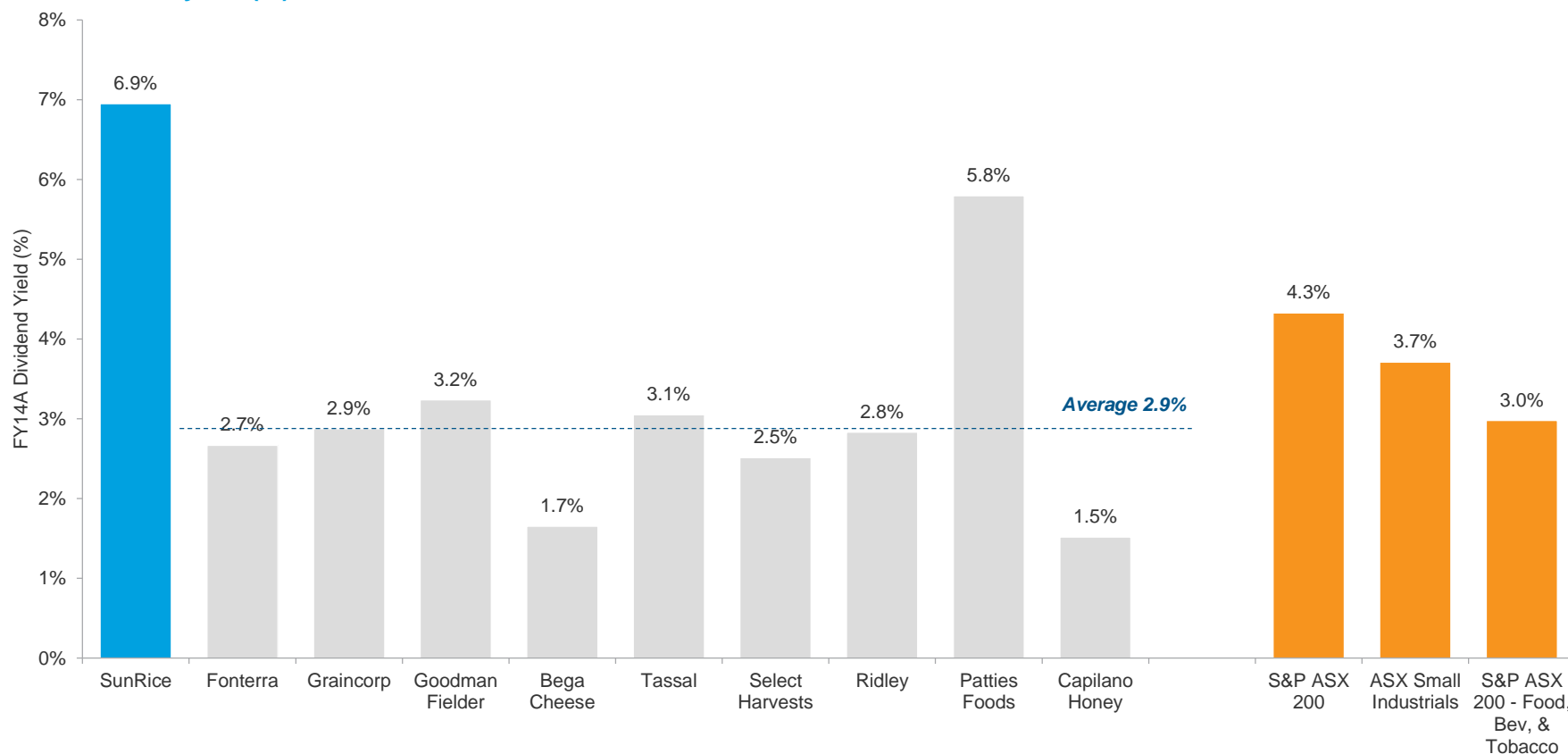
Source: Company filings. Factset, as at 19th February 2015. Company earnings calendarised to 30 April. 2014 indices multiples provided by Factset. SunRice FY14 NPAT represents earnings attributable to Ricegrowers Limited shareholders

TRADING COMPARABLES

Dividend yield (FY14A)

SunRice's dividend yield is significantly higher than peers at 6.9%, compared to the comparable peer set of 2.9% and the S&P ASX 200 Food, Beverage, and Tobacco index of 3.0%

FY14A dividend yield (%)

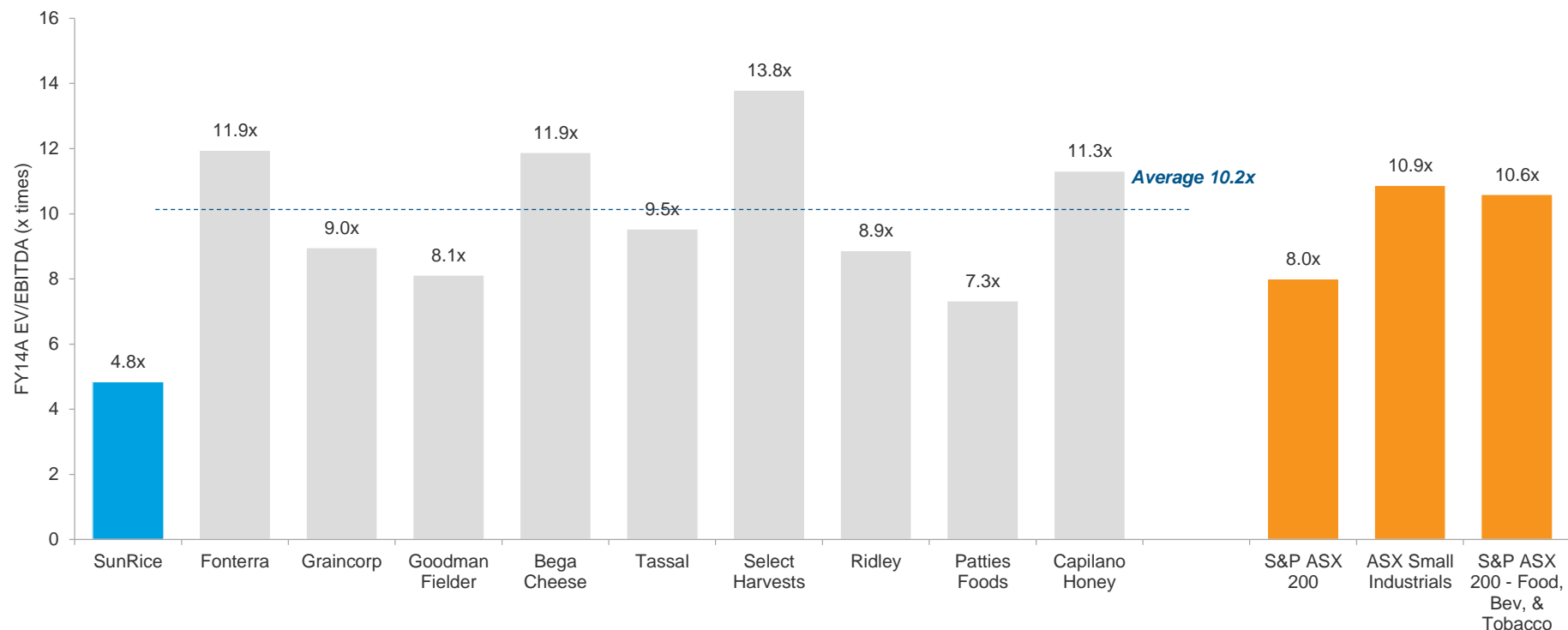


TRADING COMPARABLES

EV/EBITDA (FY14A)

SunRice's FY14 EV/EBITDA multiple of 4.8x is a significant discount to the peer set of 10.2x and the S&P ASX 200 – Food, Beverage, and Tobacco index of 10.6x

FY14A EV/EBITDA



Over time SunRice B Securities listed on the ASX are likely to trade at higher prices than the NSX listed B Class Shares as a result of the following:

- There will be no restriction on ownership of the SunRice B Securities, except for the restrictions under the Corporations Act
- There is enhanced liquidity trading on the ASX
- SunRice will be able to access a deeper pool of equity capital to ensure the company is positioned for growth

QUESTIONS & DISCUSSION



ADDITIONAL TOPICS, QUESTIONS, FEEDBACK

