

SunRice Grower & Shareholder Meetings

Mr. Rob Gordon, CEO

June 2017

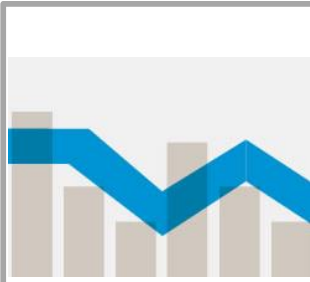


The situation leading up to 2012 and the subsequent Strategy



This strategy was responsible for increasing the resilience of the portfolio in the face of three main business challenges

CHALLENGES FACING THE BUSINESS



VOLATILE CROP

In addition to weather fluctuations, Riverina rice farmers are also facing water availability issues and the competition of cotton



OVER-RELIANCE ON 1-2 KEY MARKETS

SunRice's performance was dependent upon a small number of end-markets



REDUCED AFFORDABILITY

Some of our key markets were facing tougher times and could not afford a premium rice product

SUNRICE 2012-16 STRATEGY

Increased the resilience of the portfolio :

Diversified by increasing the number of key markets for Australian rice

Increased our focus on branded rice over bulk rice

Sourced offshore when Australian crop was low



And delivered:

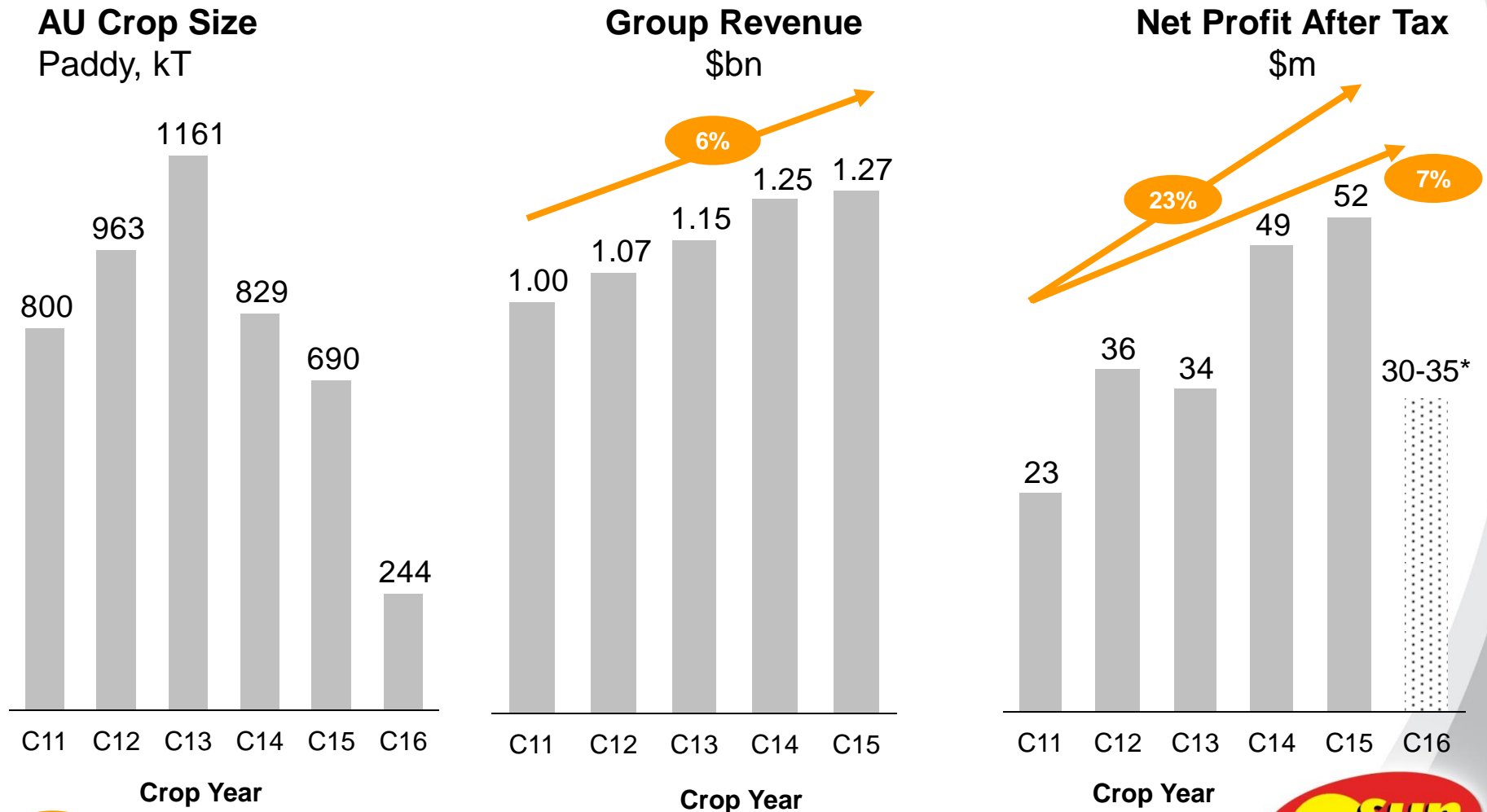
Double-digit profit growth

A ~\$30m paddy supplement in 2016

Retained skill base



Although the AU rice supply has fallen in the past few years, our headline financials have displayed significant resilience ...



%

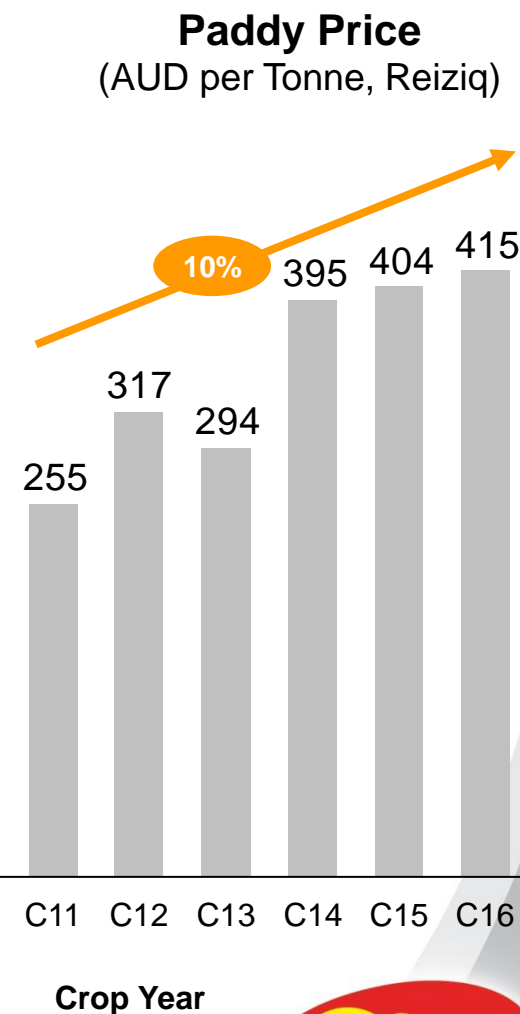
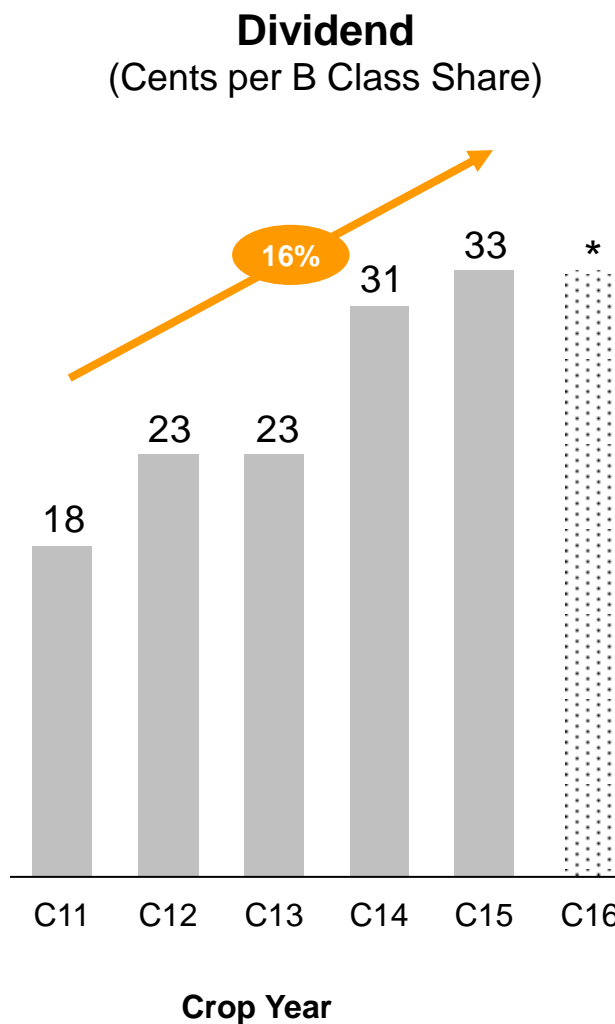
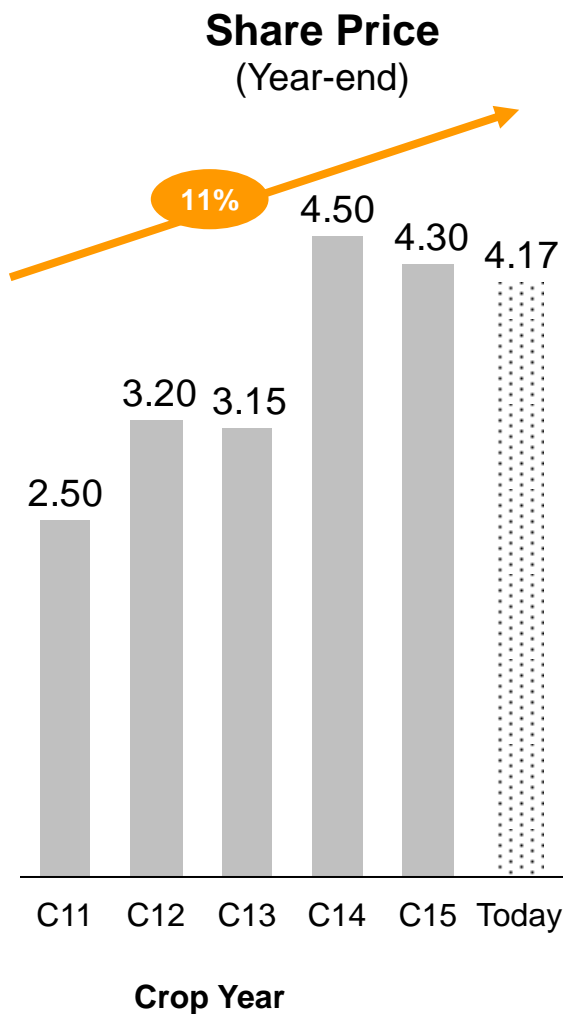
Compound Annual Growth Rate (CAGR)

*

In Profit Guidance issued on 24 February 2017, SunRice stated that it anticipated Net Profit after Tax (NPAT) for FY17 to be in the range of \$30 million to \$35 million



... and our shareholders have also been rewarded with significant increases to share price, dividends and paddy prices



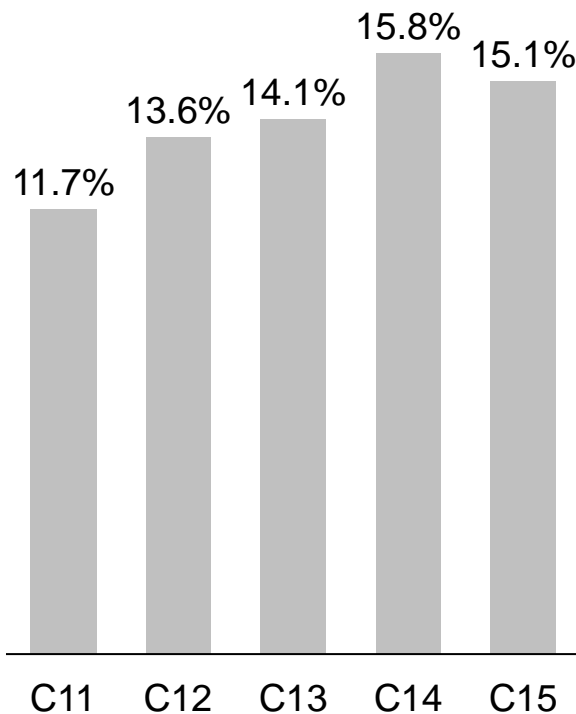
% **Compound Annual Growth Rate (CAGR)**

* In Profit Guidance issued on 24 February 2017, SunRice stated that FY17 B Class shareholder dividend is expected to be maintained at a similar level to the previous year.

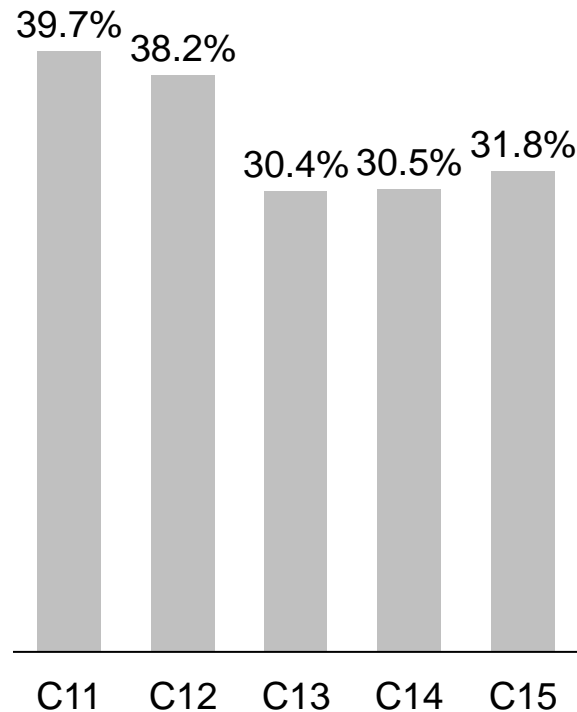


We have also lifted our ROCE quite significantly from C11-15 and significantly reduced our gearing from ~40% to ~30%

Return on Capital Employed
%



Debt / (Debt + Equity)
%



Conclusion

In good times :

Our Strategy delivered good results

In bad times :

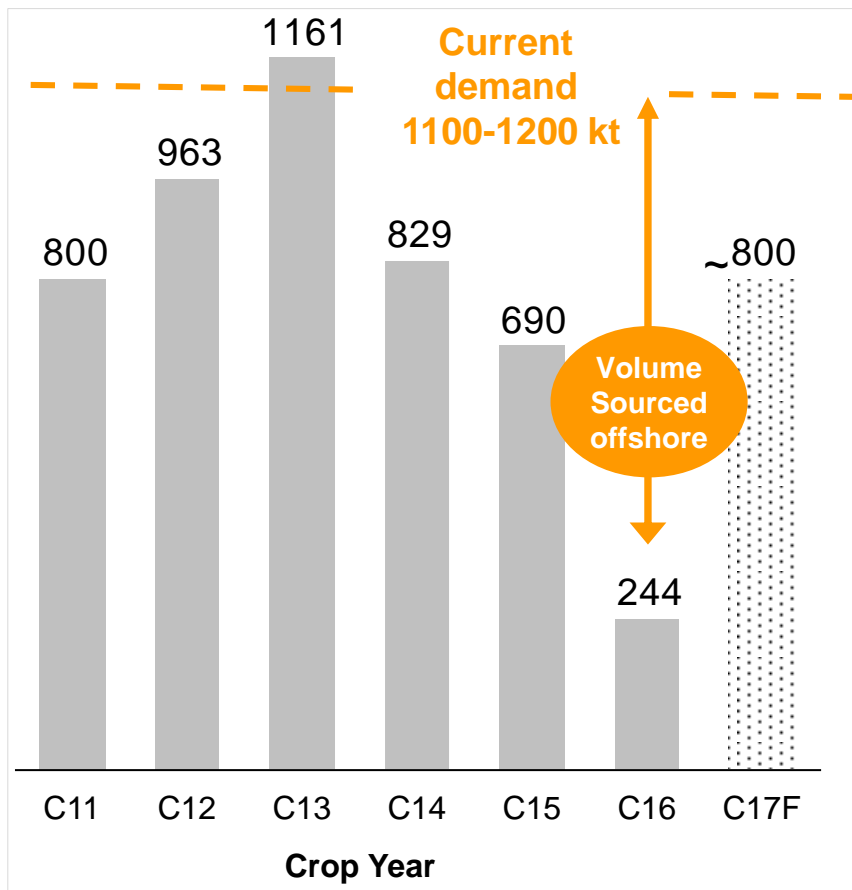
Our Strategy delivered resilience for both sides



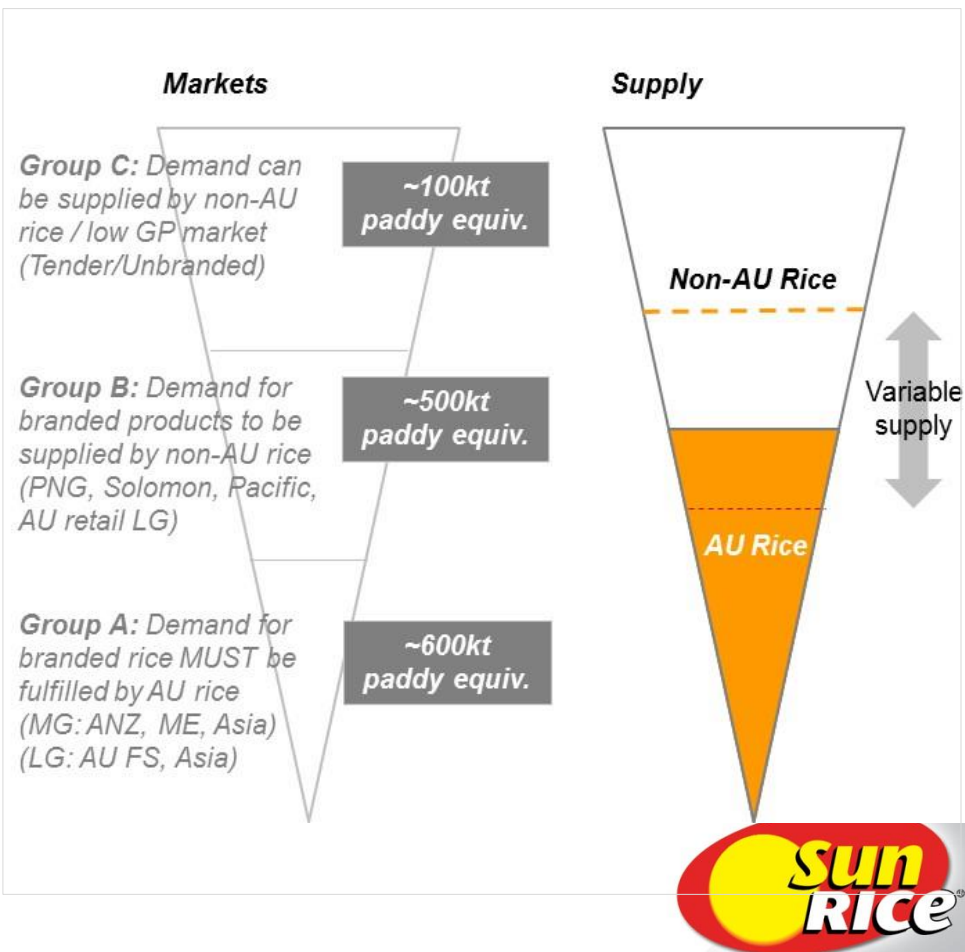
Against rising demand, AU rice supply has fallen in the past few years, therefore building other origins leveraging our agronomic capability has been a key strategic focus area for the Group

AU Crop Size

Paddy, kT



Supply and demand scenario in different market tranches



What's next for SunRice?



ENSURE THE RIVERINA GROWER CAN COMPETE AGAINST COTTON

- **We will promote fewer but higher-earning varieties**
 - Focus on Premium-market Medium Grain, Short Grains and Low GI
 - More streamlined supply chain eg. fewer sheds, optimised milling
 - Supportive agronomic packages
- **Greater forward-pricing arrangements and a minimum guarantee for the pool**
- **SunRice's 5R Proposition** (*following page*)



CREATE NEW HIGH VALUE OPPORTUNITIES

- **Continue investing in innovation**
 - With trends in Gluten Free and Health, there exist considerable opportunities in Value-Added products for both the ANZ and offshore
- **Accelerate our Ingredients offering in rice and also in more sophisticated Rice By-products and Derivatives**



FIND NEW PREMIUM MARKETS ACROSS THE GLOBE

- **Sell Australian rice to markets that will pay a premium for clean and green rice – this will likely be in Asia**
 - Australian Medium Grain to discerning Asian consumers
 - Australian Sushi in Asian Food Service
 - Australian Low GI to the significant diabetic and health-conscious populations in Asia

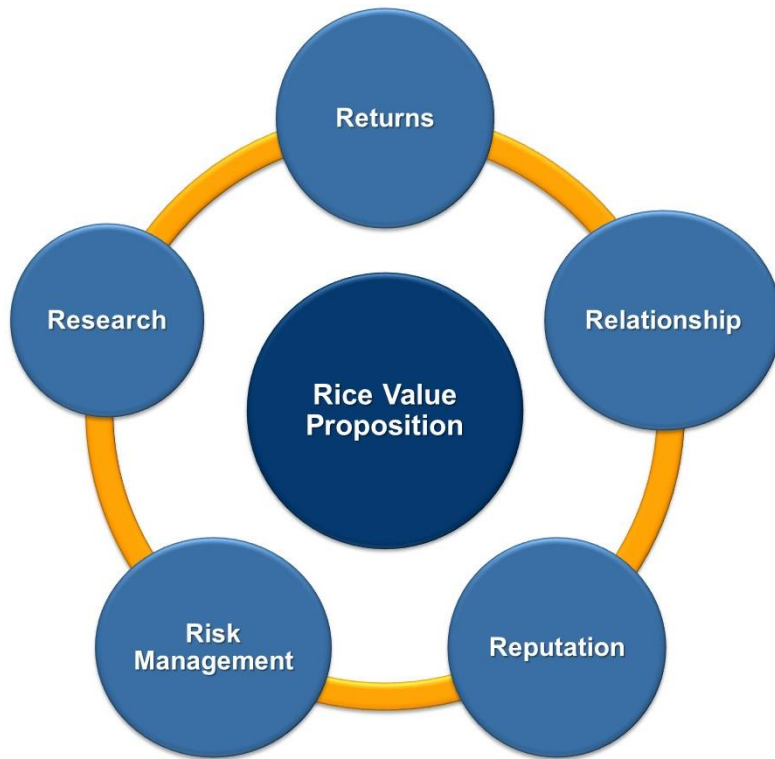


SOURCE LOWER-RETURNING MARKETS FROM OFFSHORE

- **Allows a supply flex in times of low Australian crop**
- **Allows SunRice to remain competitive in markets that can no longer afford Australian rice and enter new developing markets**
- **Absorbs considerable overhead, therefore lifts paddy price for the Riverina grower**
- **Diversifies the SunRice portfolio**



A note on the SunRice 5R proposition



- **Maximise reliable Returns** for the rice based grower, narrow the gap and returns/MI, through initiatives including:

- **Short season varieties and migration to higher value, premium varieties** have the potential to significantly increase cropping frequency and improve whole farm returns.
- Superior **Farming Systems** that increase returns/MI
- Introduction of **agro packages** that encourage more people to grow premium varieties by allowing them to make a better return
- Use **field officers** to help individual rice growers up the **productive curve**

- **Manage farmer Risks, Relationship and Research :**

- Increase **options** for growers who want to manage their own **Risk**
 - SunRice to have the greatest understanding and **quality of relationship** with our individual growers
 - Improve the **performance of individual farms**.
 - Proactively lead **R&D** as to what the rice farming system offers to the cotton grower, attract areas back to rice in the cotton rotation.
- **Enhance the Reputational image of the industry and the quality of our message**



We need to accelerate the development of higher returning varieties other than simply grow Medium Grain

Whilst Medium Grain to high-returning markets remains attractive, there are a number of challenges to address

Sovereign risk
in some
markets

+

Increased
competition in
Medium Grain

+

Reduced
consumer
affordability in
some markets

+

Global Medium
Grain stocks

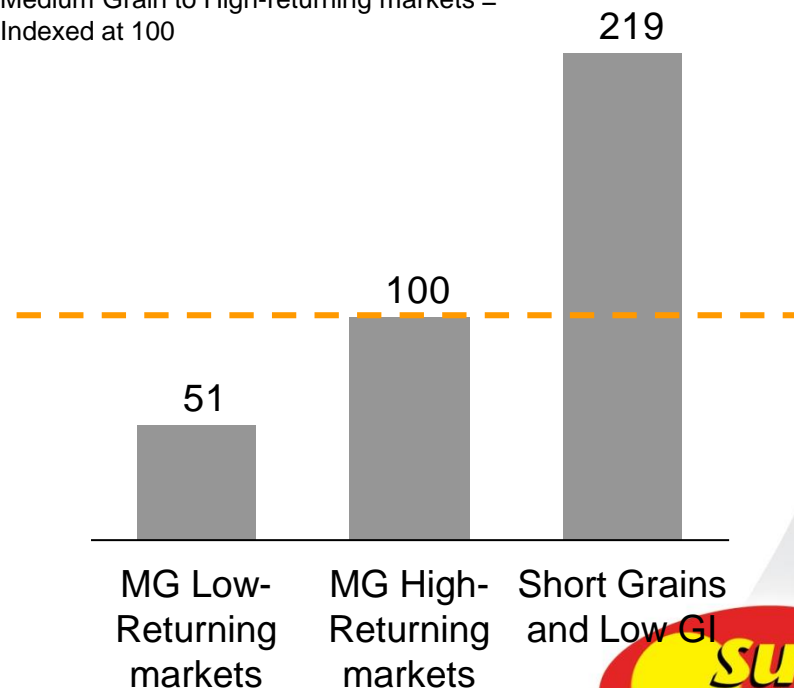
+

Drop in
CREED

The Riverina is well positioned to grow some high-returning varieties that are growing in demand and have less global competition

Indexed – a comparison of paddy returns

Medium Grain to High-returning markets =
Indexed at 100

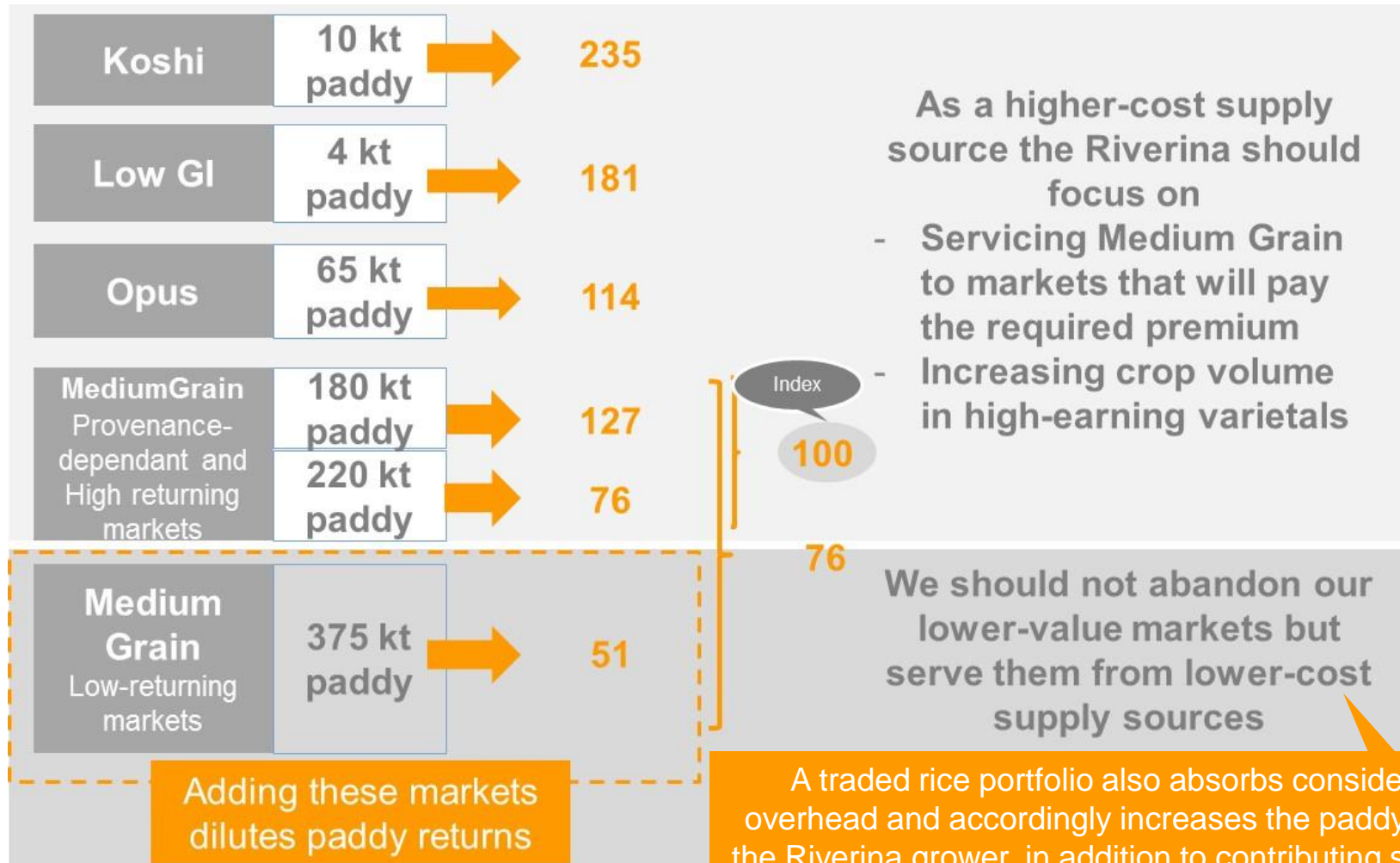


We should only serve premium markets with premium supply sources and value markets with low-cost supply sources

Current Paddy returns for key Riverina grains

100 = Indexed at Medium Grain paddy return for high-returning markets only

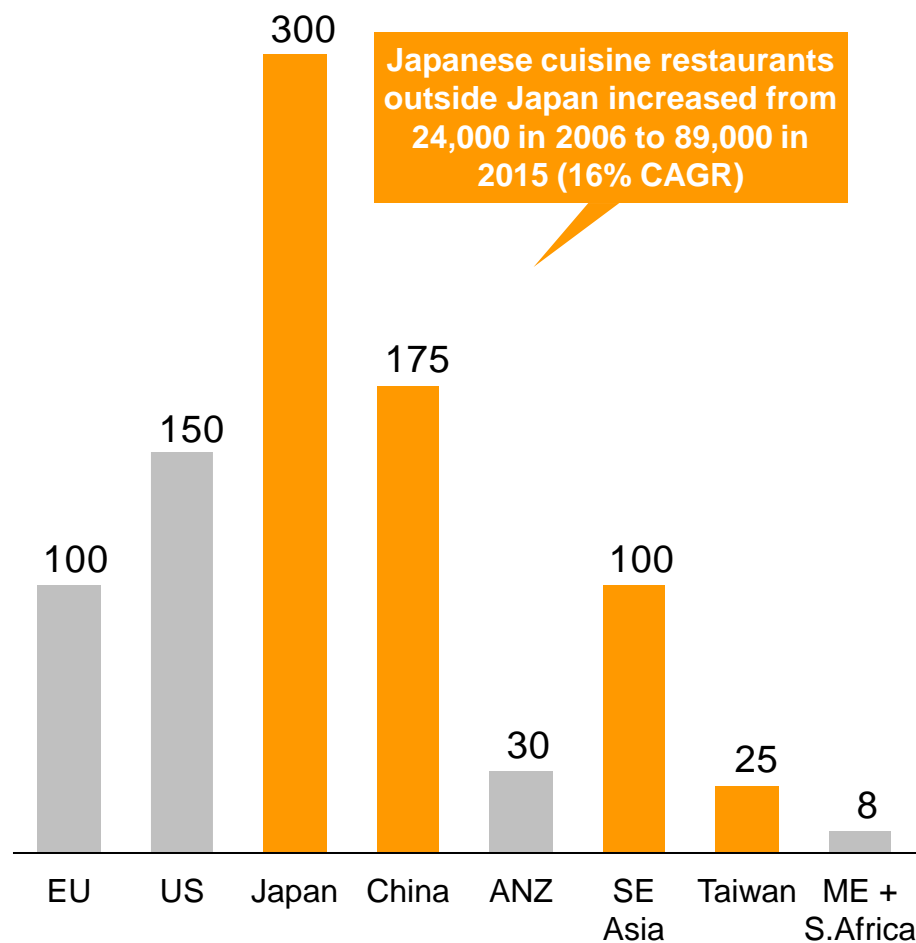
C16 returns with a simulated volume for Medium Grain



Our greater emphasis on sushi and Low GI rices will likely resonate with the Asian consumer – we will further emphasise these varietals in the Riverina going forward

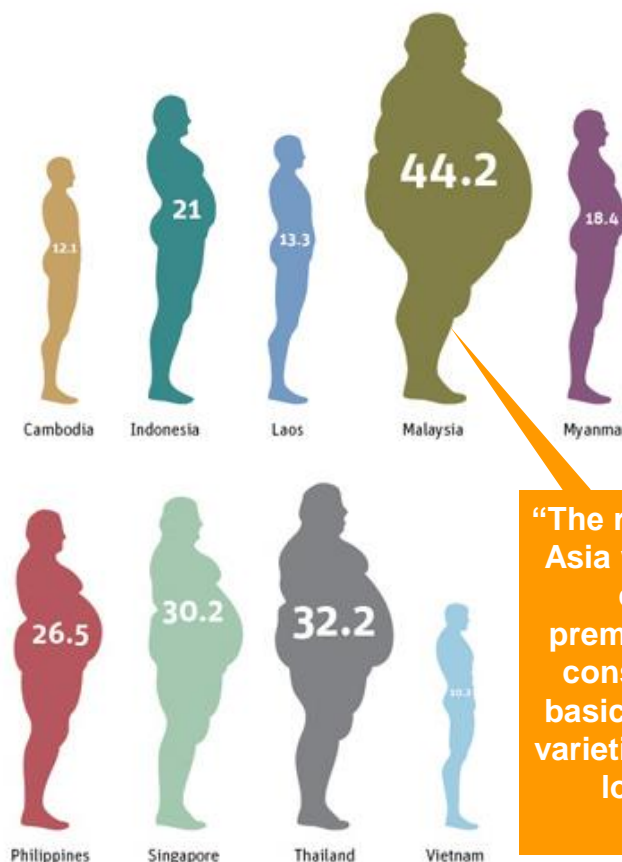
Global Sushi demand

Thousand Tonnes



Overweight populations in Asia

Prevalence % of both sexes



"The rice category in Asia will undergo a degree of premiumisation as consumers shun basic white high GI varieties in favour of low GI rice"

Mintel Analysis

Diabetes is the World's fastest growing chronic disease and Malaysia has the highest amputations per capita



Snacks is forecast to be a star player in our Value-Add portfolio, and requires investment to support profitable growth

- **Healthy Snacking** is a fast growing category in ANZ, our existing offshore markets and also in new Asian markets
- **Our play in this space** has been rewarded with **strong topline growth** both **here and offshore**, in addition to **strong consumer reinforcement** (eg. Received **Product of the Year** for both Rice Chips and Minis). Consumer and market research suggests that this **growth will continue**.
- We have **established a real right to play** in this premium space— we are **one of ANZ's largest players** here
- However **to build a competitive Snacks business**, we need a **lower-cost solution** than today



Invest in becoming a market leader in ANZ Healthy Snacking – either organically or through acquisition

Invest in rolling out this portfolio across Asia

Invest in a low-cost facility

Similarly, Rice by-products and sophisticated Rice derivatives are viewed as significant and high-value opportunities for the business, both for the Pool and Profit sides of the business

- Our **existing Food Ingredients** play has primarily centred on supplying rice and rice flour to ANZ Food Manufacturers and a by-products play into the Animal Feeds/Care sector
- As Food Manufacturers increase their needs for gluten-free foods and plant-derived protein, there is considerable **opportunity to offer rice-derived solutions**, that command a **high return for the Riverina grower**
- As many **Food Manufacturers extend** their bases into **Asia**, they are **seeking** quality-assured **suppliers** that meet their high standards.
- There is accordingly a **sizeable opportunity** to **expand** our Food Ingredients capability into a **regional** offer



**Invest in Rice
by-product and Rice
Derivative technology**

**Invest in a Quality-
Assured offshore supply
chain to meet our ANZ
Manufacturing customer
needs offshore**

In conclusion

- The **2012 Strategy** served to **grow the financials** of the business and delivered **healthy returns** for both growers and investors. It also served to **increase** the **resilience** of the portfolio
- With **changed market conditions for Medium Grain** – that could constrain our pricing levers – **the 2017 Strategy needs to:**
 - 1 **Accelerate Short Grain** and **Low GI** varieties in the **Riverina**
 - 2 **Diversify** into new premium **markets** - particularly **Asia** - and new **high-value products**
 - 3 Cement a more permanent **offshore supply** that serves **lower-returning markets**, provides a **supply flex** for AU crop and to **improve the AU paddy price** through overhead absorption

**We will need growth capital even though
our balance sheet is strong**





SunRice Grower & Shareholder Meetings

Mr. Laurie Arthur, Chairman

June 2017



Agenda & Issues for Discussion

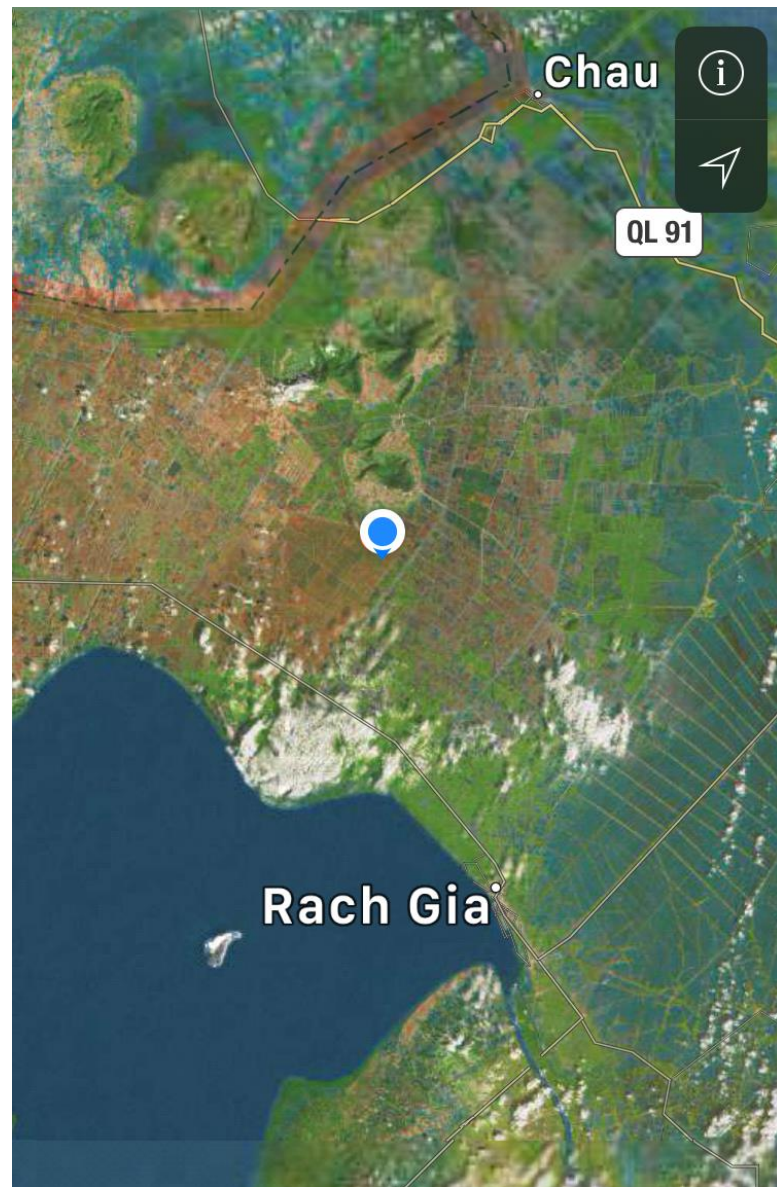
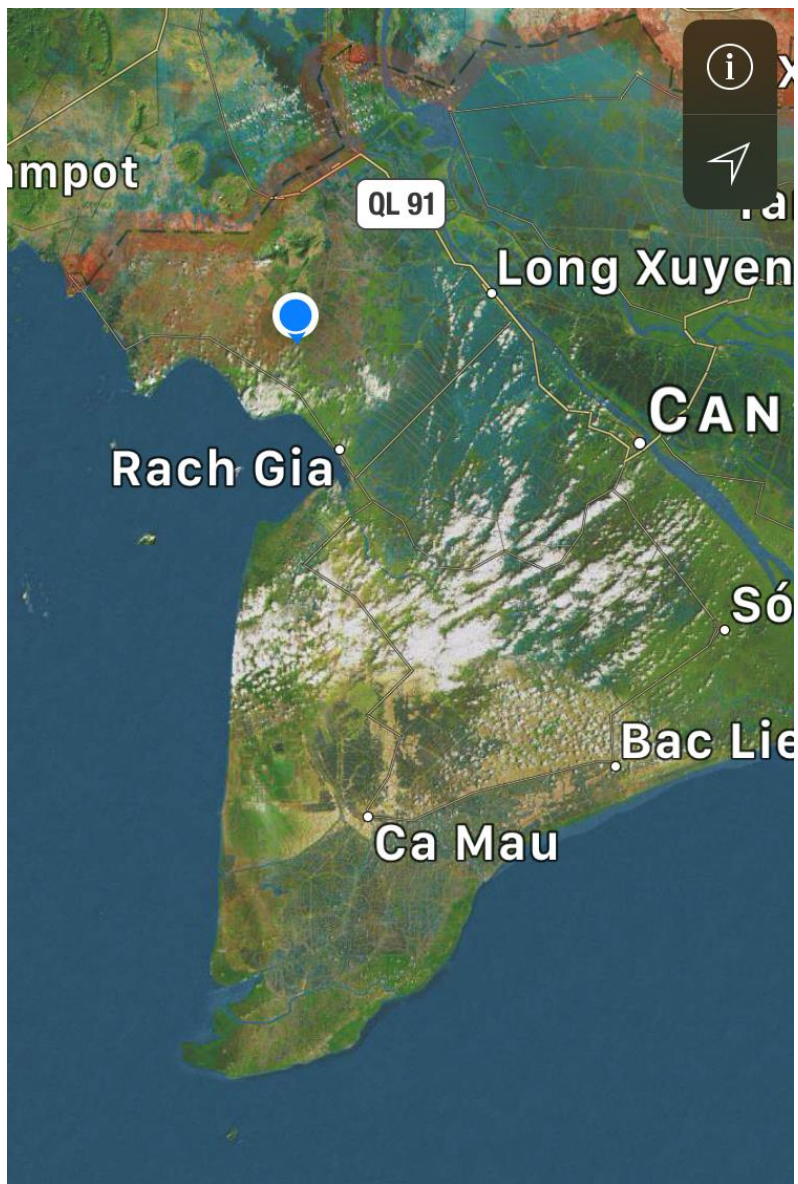
- Vietnamese Rice Industry
 - Well established and large scale, particularly in the Mekong.
 - 320,000 paddy tonnes sourced by SunRice in C16.
 - Produces medium grain that is now being sold in North Asian tender markets.
 - Multiple crops, favourable water prices and low labour costs see Vietnam being a strong competitor.
- Board composition
 - Update on consideration of replacing one Grower Director with another External Director.
- A Class Shares
 - Shed meetings generated some strong responses but not been the high level of support for change that is required to amend the constitution.
- 2018 crop outlook
 - There are early indications that the global rice market is starting to move beyond the bottom of the cycle.
- Capital Restructure



Capital Restructure – Update

- The proposed Capital Restructure remains delayed. As previously communicated, the circumstances related to external factors that are impacting the Capital Restructure are expected to continue and evolve.
- The Board is confident that the refreshed strategy will deliver healthy returns for both growers and investors.
- If there is a requirement for funding in the short term, SunRice has headroom to increase debt.
- We are also providing the opportunity for growers/shareholders to contribute capital with the Dividend Reinvestment Plan (DRP) and Grower Share Purchase Plan (GSPP).
- The Board remains committed to ensuring it has access to capital from existing and new shareholders, at the right price, at the right value and at the right time.
- This may include mechanisms to access additional equity from new investors to deliver the goals set out in the strategy and optimise shareholder value, while retaining A Class control.







Questions & Discussion

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