



# ASX PROPOSAL

## INFORMATION SESSIONS



JUNE 2018





# **WELCOME LAURIE ARTHUR CHAIRMAN**



# AGENDA

## OVERVIEW

Laurie Arthur, Chairman



## VIDEO

Overview



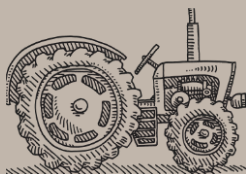
## ASX PROPOSAL

Rob Gordon, CEO



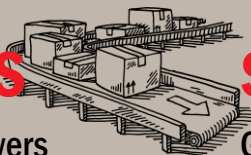
## NEXT STEPS

Laurie Arthur, Chairman



## QUESTIONS

Questions and Answers



## SESSION 2

Group Strategy and  
Need for Funding – Rob Gordon, CEO



# **ASX PROPOSAL**

## **ROB GORDON**

### **CEO**





# **RESOURCING AN EXCITING FUTURE**



- ▶ SunRice is in a position of strength and ready to take the next step forward
- ▶ We are uniquely positioned to take advantage of global food trends to assist in delivering better farm gate returns and shareholder value
- ▶ Our strong growth agenda requires efficient access to capital beyond current capabilities (at least \$200 - \$300 million to execute our 2022 Growth Strategy in full over the next 3-5 years)
- ▶ The ASX is best placed to provide access to equity capital to help resource our next phase of growth

# ASX PROPOSAL

An ASX listing will allow new investors to hold SunRice B Class Shares without the need to change the fundamental elements of our existing structure



## A CHANGE IN LISTING LOCATION, NOT STRUCTURE



THE BOARD IS RECOMMENDING WE RETAIN SUNRICE'S EXISTING STRUCTURE AND TRANSFER OUR LISTING OF B CLASS SHARES FROM THE NSX TO THE ASX, OPENING OUR B CLASS REGISTER TO ALLOW ALL INVESTORS TO BUY AND SELL B CLASS SHARES



THE ASX PROPOSAL REPRESENTS A STRAIGHTFORWARD CHANGE THAT IS INTENDED TO DELIVER ON THE BOARD'S OBJECTIVES TO:

- ▶ Preserve ongoing A Class grower shareholder control
- ▶ Improve access and ability to raise capital to support future growth initiatives that benefit both A and B Class shareholders
- ▶ Improve SunRice's ability to reduce business risk and increase resilience and balance sheet strength
- ▶ Provide opportunity to increase the liquidity and market price\* of B Class Shares over time
- ▶ Address estate planning issues by removing ownership restrictions on B Class Shares

\*It is important to note that SunRice's shares will be subject to market volatility on the ASX, business conditions and various other factors, which may result in both positive and negative movements in the market price.

# WHY THE ASX?

An ASX listing will allow us to take advantage of investor appetite for Australian branded FMCG and agri-stocks, while preserving our dual class structure

- ▶ The ASX meets all our objectives for benefiting both A and B Class Shareholders, as well as the business:
  - ▶ It's the premier exchange for listed companies in our region, providing access to Australia's largest pool of capital to fund our 2022 Growth Strategy
  - ▶ Investors on the ASX are showing growing interest in and appetite for stock such as SunRice's, with a number of new listings and equity raisings in the sector
  - ▶ Improved broker coverage means trading logistics will be comparable, if not easier than today
  - ▶ A Class grower shareholder control and our dual class share structure will continue under the proposed listing

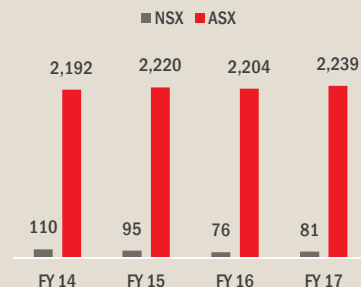


# COMPARISON OF EXCHANGES

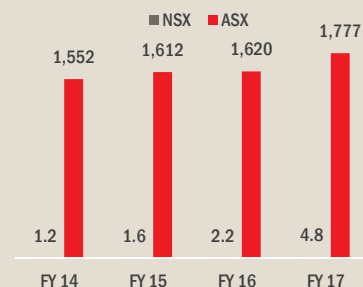
## SUMMARY EXCHANGE METRICS<sup>1</sup>

	NSX	ASX
Market capitalisation	A\$4.8bn	A\$1,777bn
No. of listed securities	81	2,239
No. of brokers	23	77
Average daily turnover	~A\$62k <sup>2</sup>	A\$4.2bn <sup>2</sup>
Average daily turnover relative to market capitalisation	0.001%	0.24%
Capital raised	~A\$115m	A\$52b

## NUMBER OF LISTED SECURITIES (end of respective financial year)



## MARKET CAPITALISATION (A\$bn, end of respective financial year)



## EQUITY RAISED (A\$bn, during respective financial year)



Source: company announcements and IRESS.

1. As at latest reported respective financial year end (NSX 30 June 2017, ASX 30 June 2017).

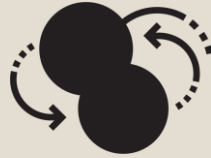
2. Implied from total turnover and 255 trading days.



# KEY COMPONENTS OF AN ASX LISTING



AN ASX LISTING WOULD COMPRISE THREE  
MAIN ELEMENTS:



1.

A transfer of the B  
Class Share listing  
from the NSX to the  
ASX



2.

Removal of ownership  
restrictions from  
B Class Shares and  
provision of  
protection rights



3.

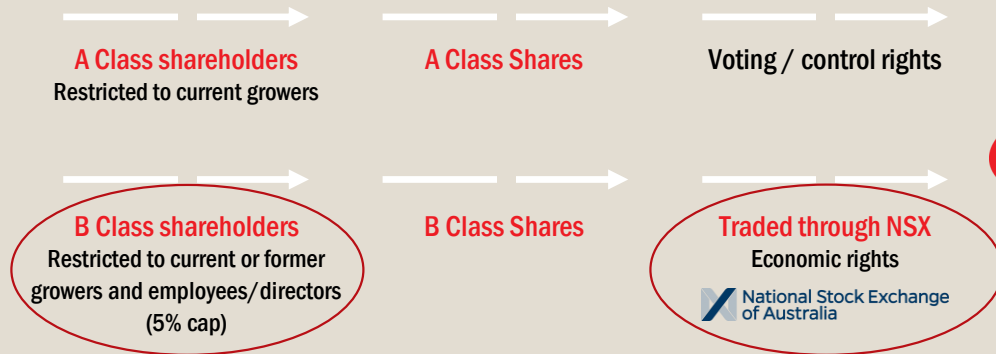
An intended small  
equity raising from  
new and existing  
shareholders

# **1. TRANSFER OF B CLASS SHARE LISTING**

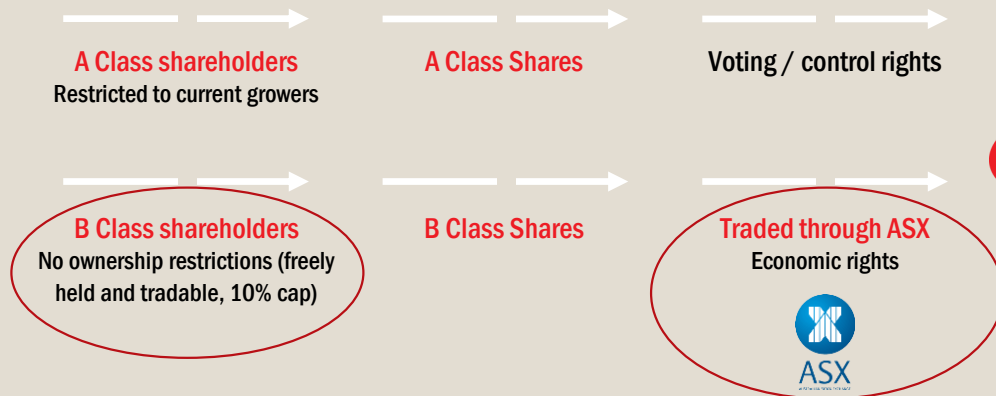


# 1. TRANSFER OF LISTING FROM NSX TO ASX

## CURRENT STRUCTURE



## STRUCTURE ON THE ASX



# 1. CORE COMPONENTS

Core components of SunRice's dual class share structure remain unchanged, including ongoing A Class grower shareholder control, as defined here

## A CLASS SHAREHOLDERS

Class	Existing arrangements	Arrangements under ASX Proposal
Board election	✓ Director election (Board remains majority grower directors)	No change
Constitutional changes	✓ Approve changes to the Constitution	
Class voting rights	✓ Voting rights on matters that vary A Class rights	
Ownership cap	✓ No shareholder may hold > 5 A Class Shares	
Paddy price	✓ Determined per Paddy Pricing Policy (determined by the Board)	

## B CLASS SHAREHOLDERS

Class	Existing arrangements	Arrangements under ASX Proposal
Economic rights	✓ Entitled to the Dividend rights as per Dividend Policy	No change
Class voting rights	✓ Voting rights on matters that vary B Class rights	An expanded list of matters that are deemed to vary B Class rights will be introduced



## **2. REMOVAL OF OWNERSHIP RESTRICTIONS FROM B CLASS SHARES AND PROVISION OF PROTECTION RIGHTS**



## 2. KEY CHANGES SUMMARISED



If the ASX Proposal is implemented:

- ▶ B Class Shares would be listed on the ASX rather than the NSX
- ▶ Ownership restrictions on B Class Shares will be removed and anyone can invest in SunRice B Class Shares, not just current and former growers and employees
- ▶ The B Class shareholding cap will increase from 5% to 10%
  
- ▶ A Class Shareholders will be required to renew the B Class shareholding cap in 10 years' time and every three years thereafter
  - ▶ To retain the cap, a 50% majority vote of A Class shareholders will be required
  - ▶ To change the cap, a 75% majority vote of both A and B Class shareholders will be required via a separate EGM
  
- ▶ The Constitution will include a list of matters which are deemed to vary B Class rights and which will require a 75% majority vote of both A and B Class shareholders



## **2. SUNRICE BUSINESS AND OPERATIONS REMAIN UNCHANGED**



- ▶ No change to SunRice's corporate structure, governance or management
- ▶ No change to day-to-day operations of SunRice Group
- ▶ No change to Paddy Pricing or Dividend Policies
- ▶ No change is required to the Board's composition, however your Directors are proposing that the Constitution be amended to enable an additional External Director be appointed:
  - ▶ The majority of the Board will continue to be Grower Directors
  - ▶ This change will be considered separately to the ASX Proposal at the SunRice AGM



### **3. AN INTENDED SMALL EQUITY RAISING FROM NEW AND EXISTING SHAREHOLDERS**





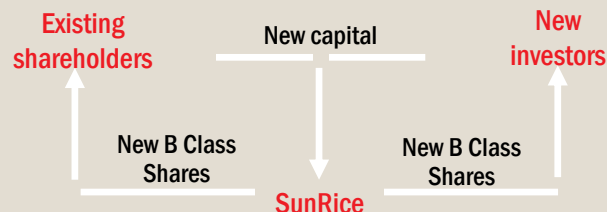
# 3. PROPOSED EQUITY RAISING



IF THE ASX PROPOSAL IS SUCCESSFUL, IT IS THE BOARD'S CURRENT INTENTION TO CONDUCT A SMALL CAPITAL RAISING IN THE ORDER OF \$20 - \$30 MILLION

THE PRINCIPAL OBJECTIVES OF THE EQUITY RAISING WOULD BE TO:

- ▶ Provide existing shareholders an opportunity to increase their investment in SunRice
- ▶ Provide new investors with the opportunity to participate, providing the first step towards developing a deeper liquidity pool for B Class shares
- ▶ Promote development of increased liquidity sooner than might otherwise occur
- ▶ Provide capital to fund growth projects
- ▶ Relevant documentation will be provided in due course, if the capital raising proceeds



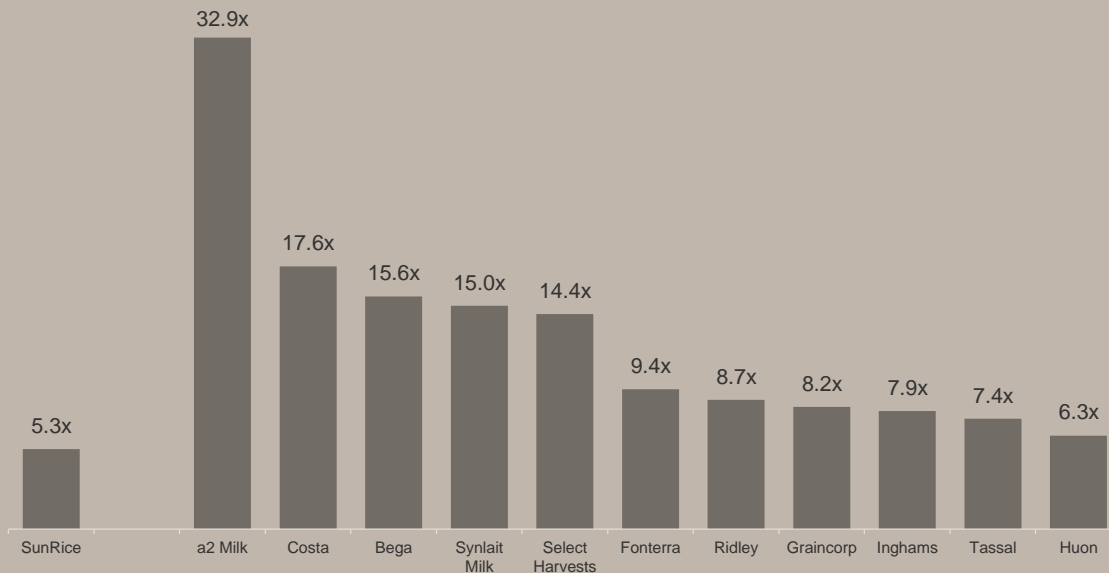
Further details of SunRice's intended capital raising will be provided in due course if it proceeds, and a disclosure document for the offer will be made available when the B Class Shares are offered. The disclosure document will be made available on SunRice's announcement page and on its website if and when the capital raising is launched. You should consider the disclosure document when deciding whether to acquire B Class Shares under the capital raising, and anyone who wants to acquire B Class Shares will need to complete the application form that will be in or will accompany the disclosure document.

# TRADING COMPARABLES

SunRice trades at a significant discount to its ASX peers on an enterprise value basis

$$\text{EV/EBITDA} = \frac{\text{Enterprise Value (EV)} = \text{Market Capitalisation (no. of shares x share price)} + \text{Net Debt (debt outstanding - cash)}}{\text{EBITDA (Earnings Before Interest Tax Depreciation and Amortisation)}}$$

EV / FY18 EBITDA



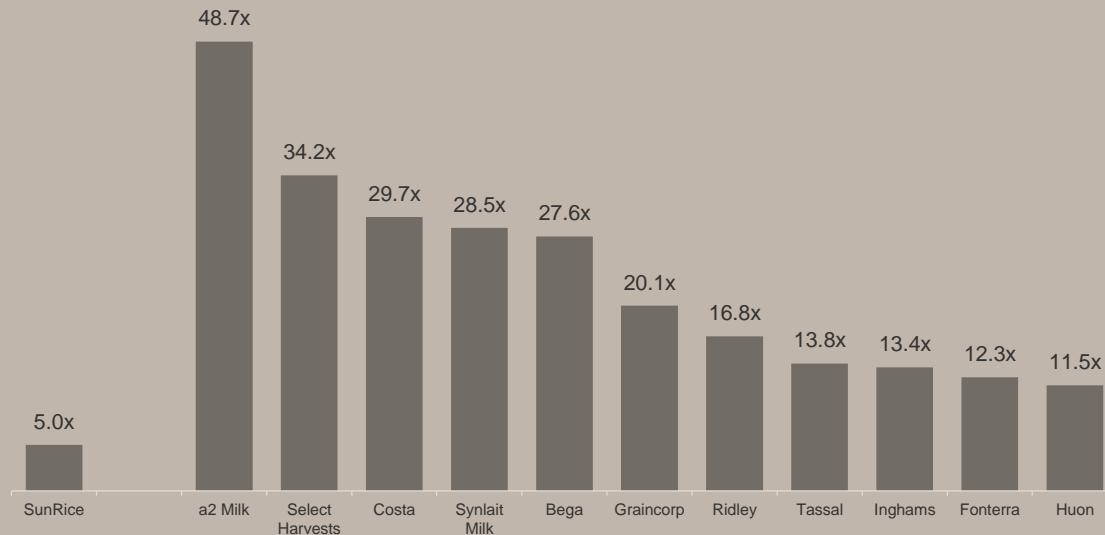
Source: Company filings, Factset, IRESS as at 08 May 2018, calendarised to 30 April year end.  
SunRice multiple calculated using FY17 EBITDA.

# TRADING COMPARABLES

SunRice trades at a significant discount to its ASX peers on an equity value basis

$$\text{PER} = \frac{\text{Market Capitalisation (no. of shares x share price)}}{\text{Net Profit After Tax}}$$

FY18 PRICE TO EARNINGS RATIO (PER)



Source: Company filings, Factset, IRESS as at 08 May 2018, calendarised to 30 April year end.  
SunRice multiple calculated using SunRice's NPAT guidance of \$45 million for FY18.

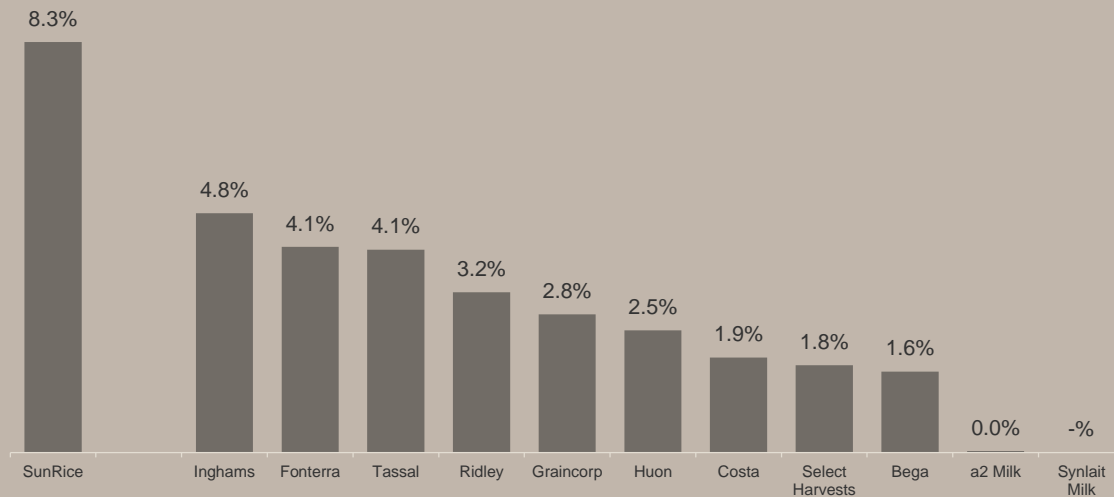
# TRADING COMPARABLES



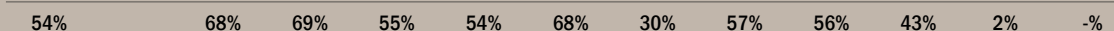
SunRice provides a significantly higher dividend yield than its ASX peers

$$\text{Dividend yield} = \frac{\text{FY18 dividend}}{\text{Current share price}}$$

FY18 DIVIDEND YIELD<sup>1</sup>



Dividend payout ratio<sup>2</sup>



Source: Company filings, Factset, IRESS as at 08 May 2018, calendarised to 30 April year end.

1. SunRice dividend yield calculated using FY17 dividend.

2. Forecast dividend payout ratio for 2018 financial year for each peer, except SunRice which is 2017.





# ADVANTAGES OF AN ASX LISTING



- ▶ A Class grower shareholder control<sup>1</sup> retained (including in relation to change of control)
- ▶ Improved access to a deeper pool of capital to better support growth initiatives designed to increase grower and shareholder returns, to the benefit of both A and B shareholders and the SunRice business
- ▶ Improved liquidity and removal of ownership qualifications could reasonably be expected to facilitate the market pricing<sup>2</sup> of B Class Shares over time
- ▶ Address estate planning issues by removing ownership restrictions on B Class Shares
- ▶ No negative tax implications are anticipated
- ▶ No change to day-to-day operations, policies or management of SunRice
- ▶ No corporate restructure required

1. A Class grower shareholder control means the right of A Class Shareholders to vote at general meetings of SunRice, which gives them the right to elect Directors and approve any changes to the Constitution.

2. It is important to note that SunRice's shares will be subject to market volatility on the ASX, business conditions and various other factors, which may result in both positive and negative movements in the market price.



# **DISADVANTAGES OF AN ASX LISTING**



- ▶ Possible increased cost of entry for A Class shareholders, with the requirement to hold a minimum of 3000 B Class Shares
- ▶ Divergence of interests between B Class shareholders and A Class shareholders over time, as the proportion of B Class shareholders with no rice industry experience may increase
- ▶ An expanded list of matters that are deemed to vary B Class rights will be introduced
- ▶ Potential for greater volatility in the market price of B Class Shares
- ▶ Potential for increased market scrutiny of SunRice Board



**NEXT STEPS**

**LAURIE ARTHUR  
CHAIRMAN**





# NEXT STEPS



THE ASX PROPOSAL WILL BE PRESENTED TO SHAREHOLDERS FOR A VOTE AT THE TIME OF THE SUNRICE AGM, WHICH WILL BE HELD ON 20 SEPTEMBER 2018

- ▶ Special resolutions (75%) of both A Class shareholders and B Class shareholders will be required to implement the ASX Proposal
- ▶ An Explanatory Booklet and other documentation, including an Independent Expert's Report, will be sent to shareholders in the months ahead
- ▶ We encourage you to remain up to date by reading available materials, participating in meetings, asking questions and seeking your own financial and professional advice
- ▶ Access the latest information on the ASX Proposal via:
  - ▶ [www.sunrice.com.au/ASX](http://www.sunrice.com.au/ASX)
  - ▶ Information Line: 1800 020 806

# HIGH LEVEL TIMELINE



**JUNE-SEPT**

Information sessions,  
website, shed  
meetings, hotline



**LATE JULY**

Explanatory Booklet,  
IER and shareholder  
documentation issued



**AUGUST**

Shareholder  
meetings



**20 SEPT**

A and B Class  
shareholder vote



# QUESTIONS







# YOUR QUESTIONS AND FEEDBACK



[SUNRICE.COM.AU/ASX](http://SUNRICE.COM.AU/ASX)

# SUMMARY OF MATERIAL CHANGES

## KEY MATERIAL RIGHTS AND VOTING CHANGES FOR A AND B CLASS SHAREHOLDERS\*

RIGHT	EXISTING ARRANGEMENTS	ARRANGEMENTS UNDER ASX PROPOSAL
B Class ownership qualifications	<ul style="list-style-type: none"> <li>Ownership of B Class Shares restricted to current or former growers or SunRice employees</li> </ul>	<ul style="list-style-type: none"> <li>Unrestricted ownership</li> </ul>
B Class ownership cap	<ul style="list-style-type: none"> <li>No shareholder may hold more than 5% of total B Class Shares on issue</li> </ul>	<ul style="list-style-type: none"> <li>Ownership cap increased to 10%</li> <li>Cap renewed through A Class vote (50%) after 10 years and every 3 years thereafter</li> <li>A and B Class approval (75%) required to change or remove cap</li> <li>A and B Class approval (75%) required for a transaction that will result in any person's voting power exceeding 10%</li> </ul>
A Class shareholding cap	<ul style="list-style-type: none"> <li>No shareholder may hold more than 5 A Class Shares</li> <li>Any change to ownership cap requires A Class approval (75%)</li> </ul>	<ul style="list-style-type: none"> <li>A Class approval (75%) still required for changes to cap</li> <li>A and B Class approval (75%) required for a transaction that will result in any person's voting power exceeding 10%</li> </ul>
Directors election	<ul style="list-style-type: none"> <li>Only A Class vote (50%) required</li> </ul>	<ul style="list-style-type: none"> <li>No change. Only A Class vote (50%) required</li> </ul>
Sale of main undertaking or substantially all of the profit business	<ul style="list-style-type: none"> <li>NSX may require A Class approval (50%)</li> <li>No B Class vote required</li> </ul>	<ul style="list-style-type: none"> <li>A and B Class approvals (50% under ASX Listing Rules and/or 75% under Constitution or both) required</li> </ul>
*Not exhaustive		

# SUMMARY OF MATERIAL CHANGES

## KEY MATERIAL RIGHTS AND VOTING CHANGES FOR A AND B CLASS SHAREHOLDERS\*

RIGHT	EXISTING ARRANGEMENTS	ARRANGEMENTS UNDER ASX PROPOSAL
Related party transactions	<ul style="list-style-type: none"><li>• A Class approval (50%) may be required</li><li>• No B Class vote required</li></ul>	<ul style="list-style-type: none"><li>• A and B Class approval (50%) may be required</li></ul>
Substantial shareholder notices	<ul style="list-style-type: none"><li>• No public substantial shareholder disclosure regime applicable for B Class shareholders. Company may require disclosure of beneficial holdings</li></ul>	<ul style="list-style-type: none"><li>• Public disclosure regime in relation to substantial shareholders <math>\geq</math> 5% of B Class shares issue. Company may also require disclosure of beneficial holdings</li></ul>
Constitutional amendment	<ul style="list-style-type: none"><li>• A Class approval (75%) required</li><li>• B Class approval (75%) required if varies B Class rights at law</li></ul>	<ul style="list-style-type: none"><li>• A Class approval (75%) required</li><li>• B Class approval (75%) required if adversely affects B Class rights or economic interests</li></ul>
Winding up	<ul style="list-style-type: none"><li>• A Class approval (75%) required</li><li>• No B Class vote required</li></ul>	<ul style="list-style-type: none"><li>• A and B Class approval (75%) required</li></ul>

*\*Not exhaustive*

# TRADING COMPARABLES



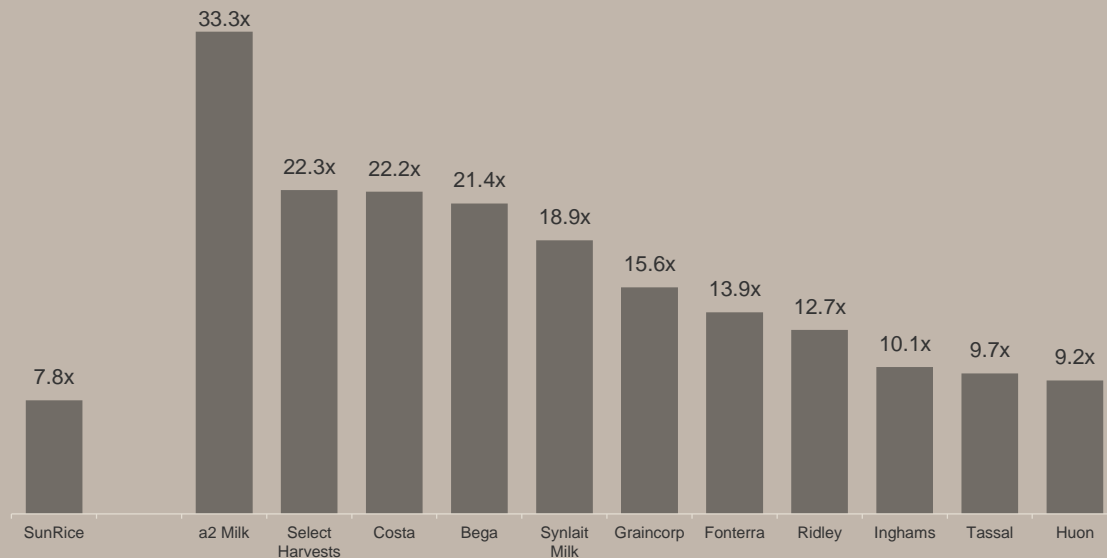
SunRice trades at a significant discount to its ASX peers on an enterprise value basis

$$\text{Enterprise Value (EV) = Market Capitalisation (no. of shares x share price) + Net Debt (debt outstanding - cash)}$$

EV/EBIT =

EBIT (Earnings Before Interest and Tax)

EV / FY18 EBIT



Source: Company filings, Factset, IRESS as at 08 May 2018, calendarised to 30 April year end.  
SunRice multiple calculated using FY17 EBIT.

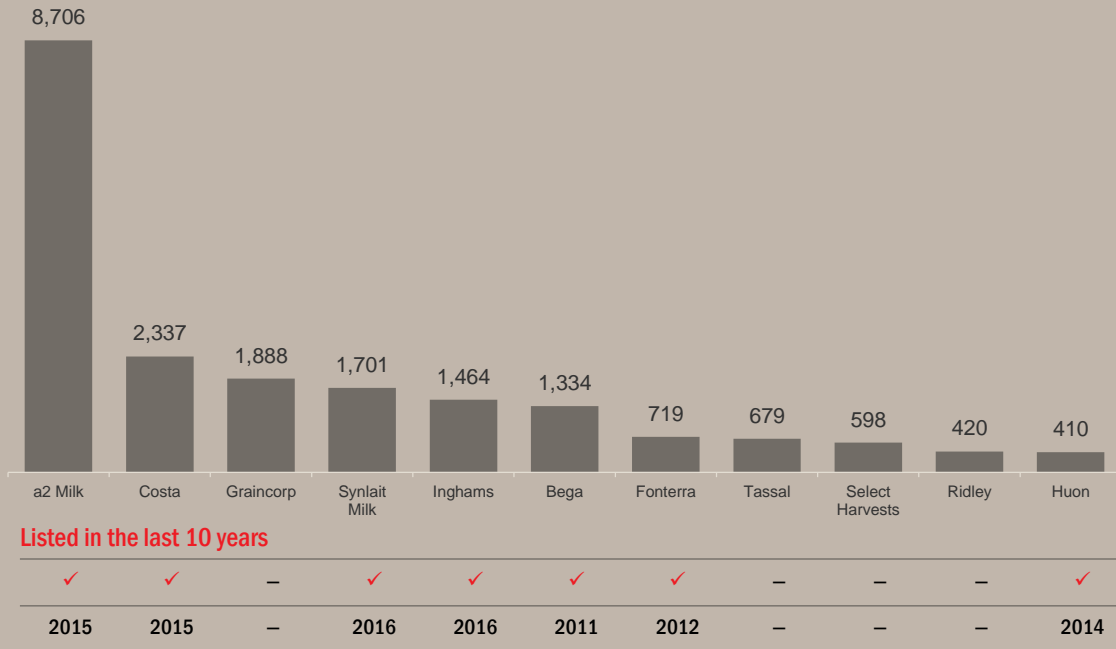
# TRADING COMPARABLES



There has been a number of recent listings that have grown the representation of food and agri-stocks on the ASX

Market Capitalisation =  
no. of shares x share price

CURRENT MARKET CAPITALISATION OF ASX LISTED COMPARABLES (A\$M)



Source: Company filings, Factset, IRESS as at 08 May 2018, calendarised to 30 April year end.

1. Represents market capitalisation of the Fonterra Shareholders Fund which non-farmers can invest in. The market capitalisation of all Fonterra shares (including farmer owned shares) is A\$8.6bn.





**THANK YOU**  
**PLEASE JOIN US FOR REFRESHMENTS**



**SUNRICE.COM.AU/ASX**