

Capital Structure Review SunRice Technical Workshop

June 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 structure 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 structure, 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 structure.

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
- **Proposal from Australian Rural Capital**
 - Q&A
- **Additional topics and questions**



THE POTENTIAL MODEL

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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

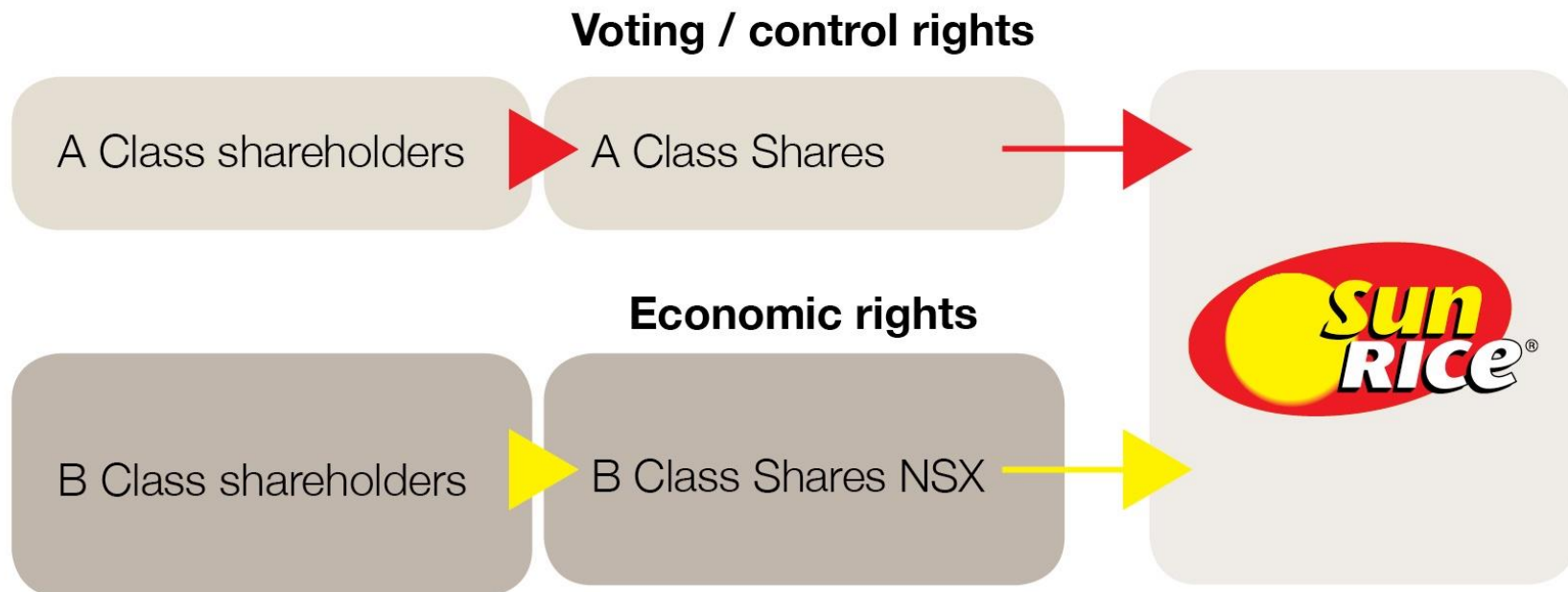


WHAT DOES THE REVIEW AIM TO ACHIEVE?

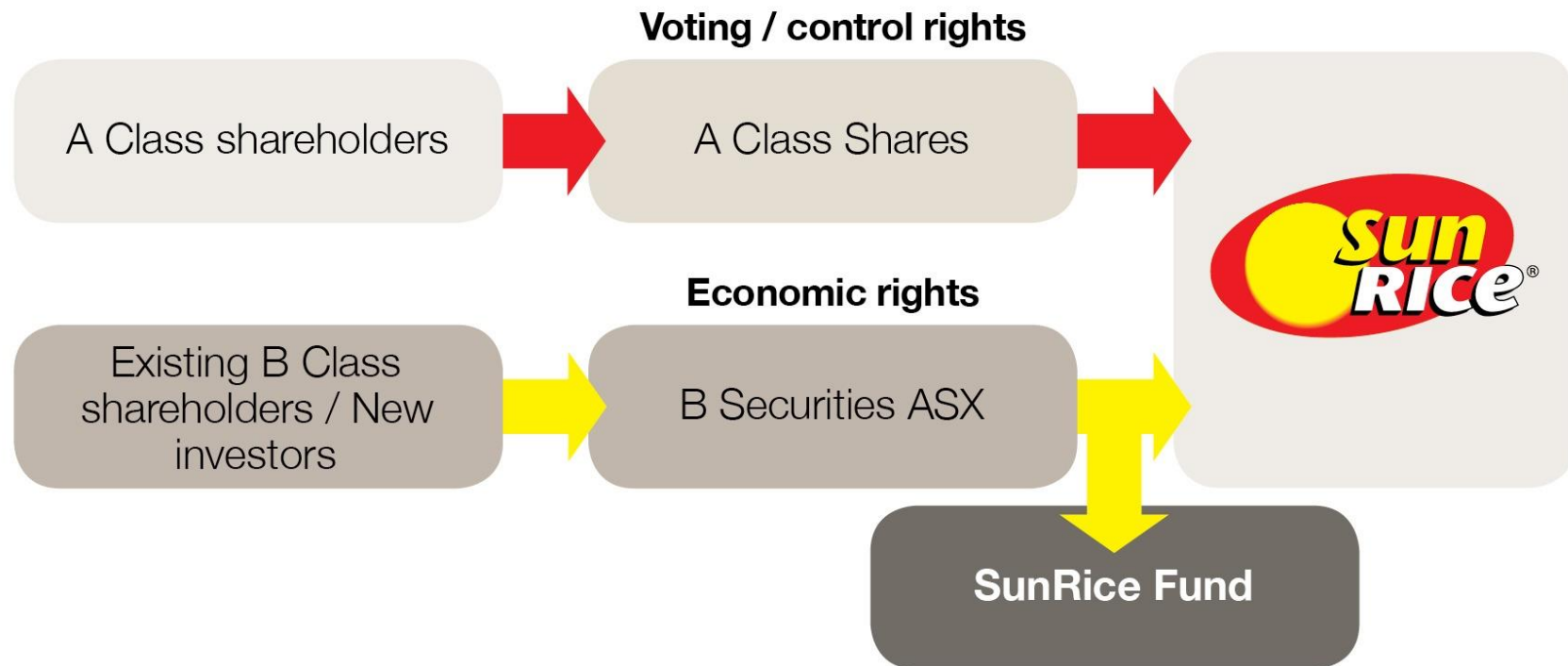
- A structure that can more readily access external sources of equity capital at a lower cost when needed, without:
 - Jeopardising existing grower shareholder control or paddy returns;
 - Making the company more vulnerable to takeover; or
 - Changing the key features of our industry structure today:
 - 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



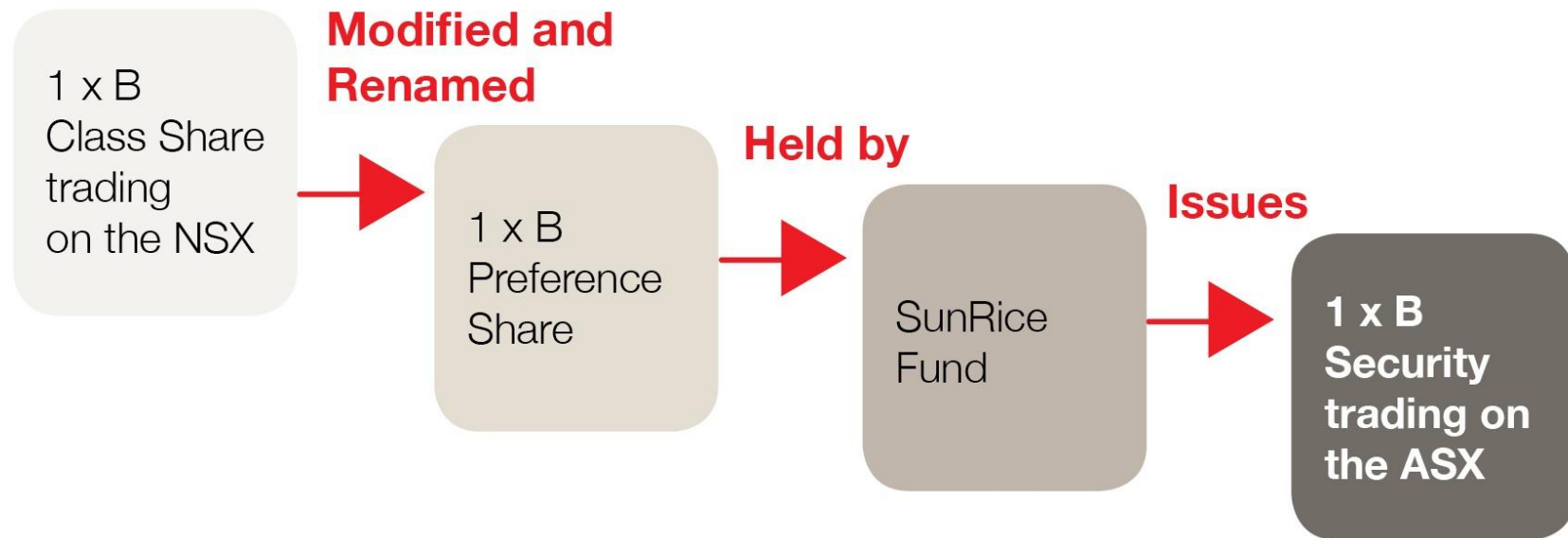
EXISTING STRUCTURE



POTENTIAL STRUCTURE



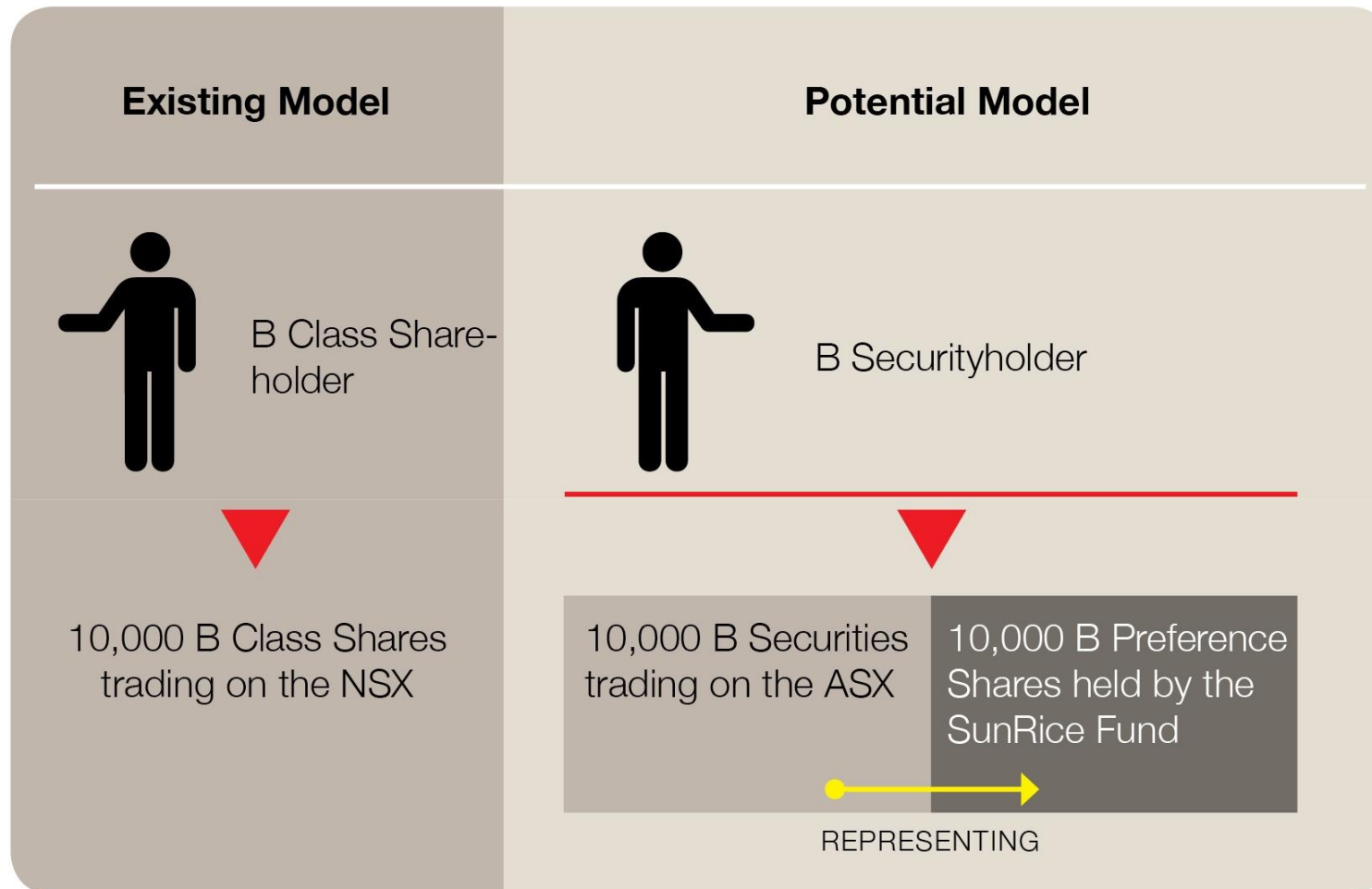
HOW DO B CLASS SHARES CHANGE?



- 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



OWNERSHIP INTEREST IN SUNRICE OF SUNRICE B SECURITY HOLDERS

- B Class shareholders would retain an economic interest in SunRice equivalent to what they had as B Class shareholders
- Includes the right to receive all dividends and other distributions
- SunRice would continue to be a public company regulated by the Corporations Act:
 - SunRice Directors would continue to be subject to the duties and obligations set out in the Act.
 - Includes a fiduciary and statutory duty to consider the interests of B Preference Shares.
 - ASIC would continue to be in a position to hold SunRice and its directors accountable for any breaches of the Corporations Act

The creation of the SunRice Fund will not result in B Class shareholders relinquishing their interest in SunRice



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



PROTECTION MECHANISMS IN THE SUNRICE FUND

A Responsible Entity will be established to manage the SunRice Fund, which has certain duties to securityholders. In addition to these duties the SunRice Fund Constitution will include a number of protection mechanisms

SunRice Fund Responsible Entity

- Corporations Act provides SunRice B Securityholders with the right to change the Responsible Entity and amend the terms of the SunRice Fund Constitution

Protection mechanisms

SunRice Interest

- Proposed structure to restrict changes to the SunRice Fund Constitution in order to protect the interest of SunRice B securityholders

Repurchase of preference shares

- Buy-back of B Preference Shares at a discount if they are withdrawn from the SunRice Fund

Other

- The SunRice Fund constitution removes the right for the Responsible Entity to have their expenses reimbursed by SunRice, if SunRice is no longer the RE

A change in the Responsible Entity will not impact the control of SunRice



QUESTIONS & DISCUSSION

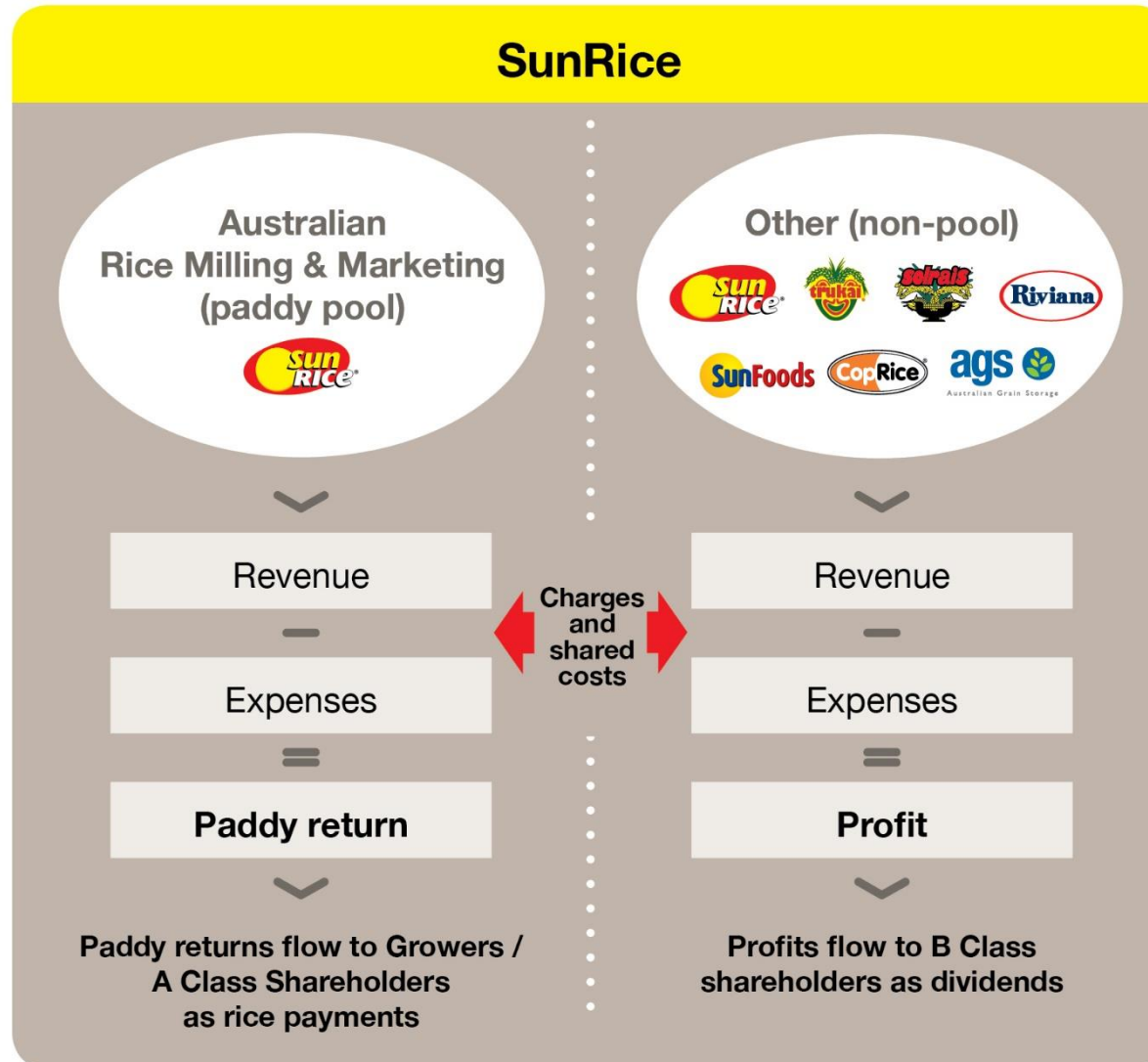


PADDY PRICE AND DIVIDENDS

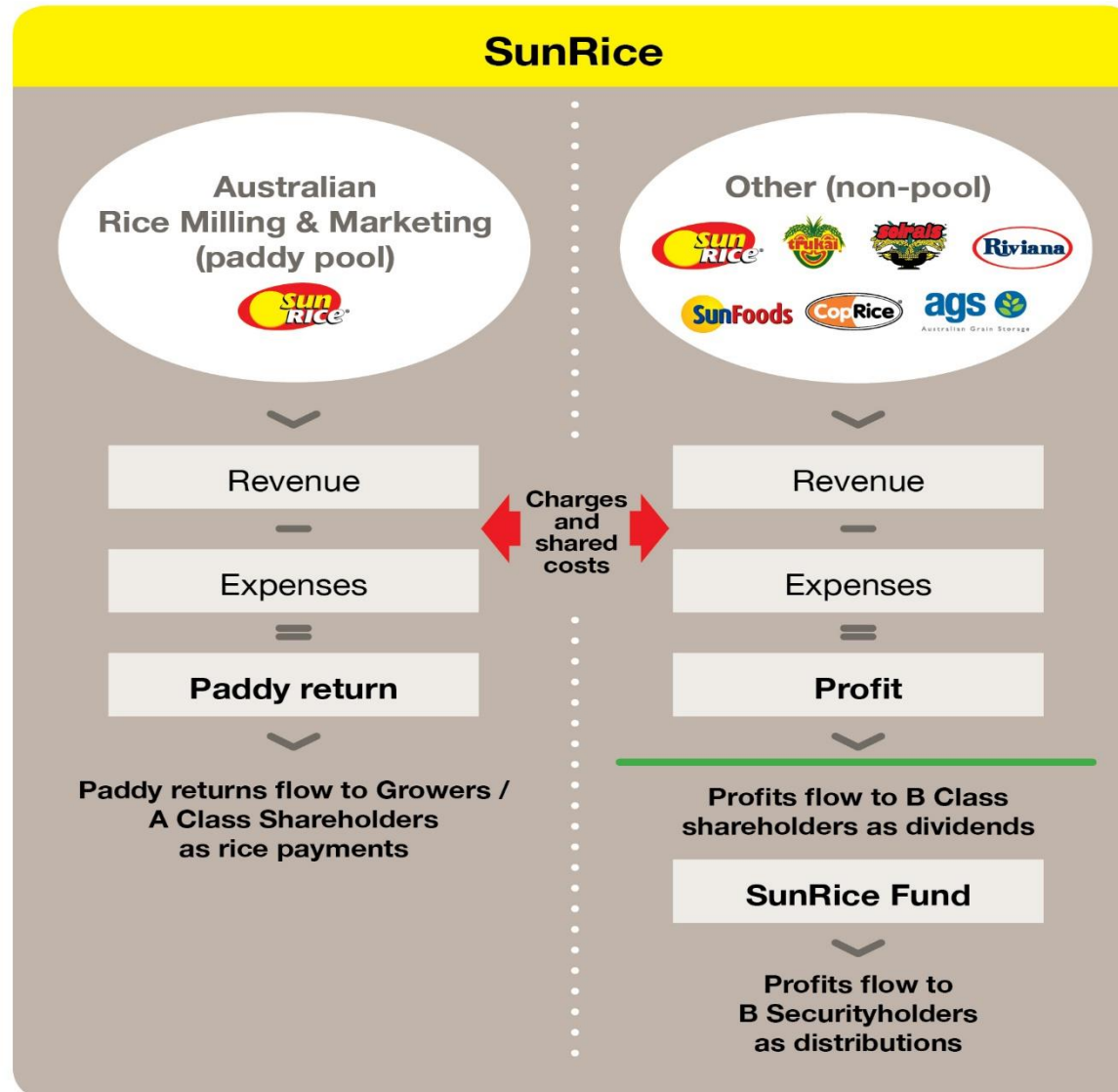
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DETERMINATION OF PADDY PRICES AND DIVIDENDS



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

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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

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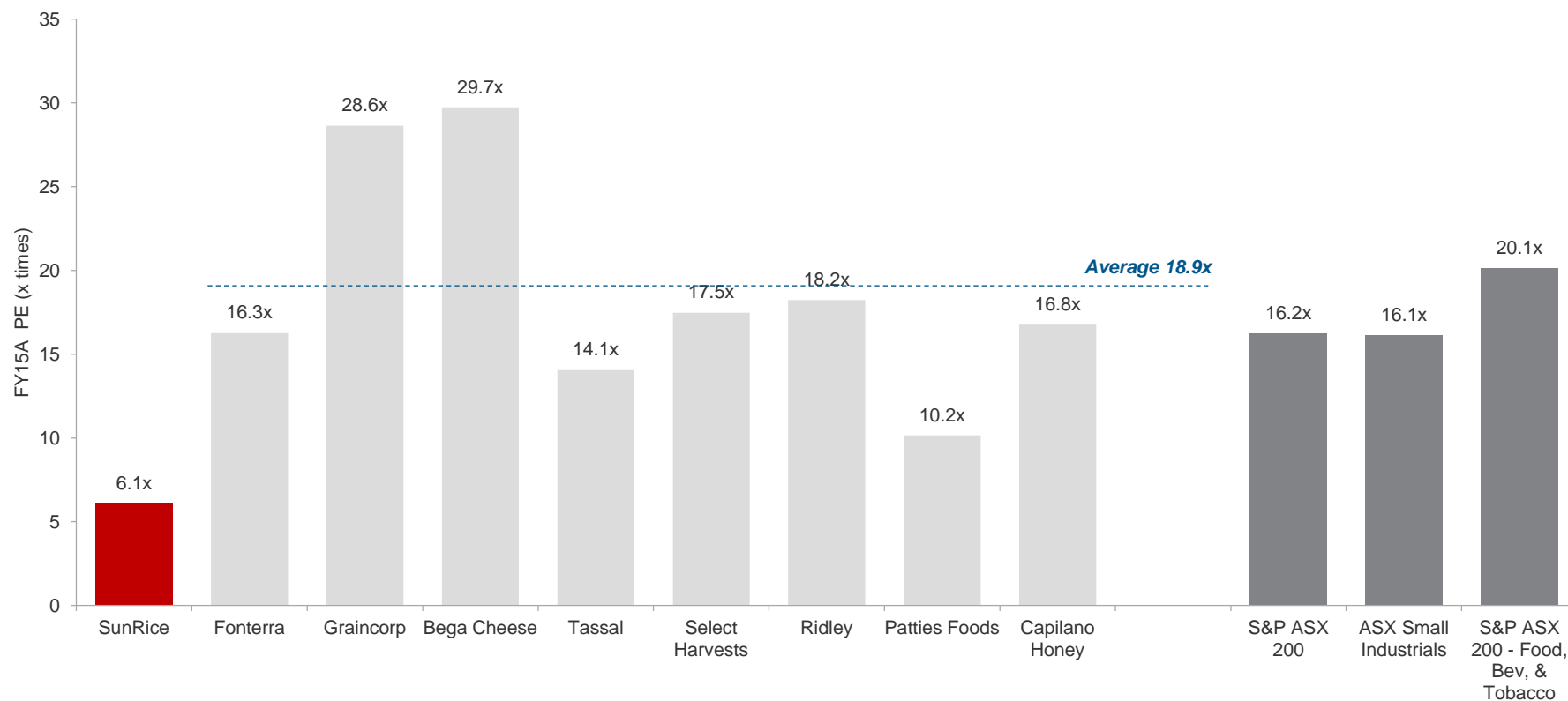


TRADING COMPARABLES

Price earnings ratio (FY15A)

SunRice B Class shares FY15 PE multiple of 6.1x is a significant discount to the comparable peer set of 18.9x and the S&P ASX200 Food, Beverage, and Tobacco index of 20.1x

FY15A PER

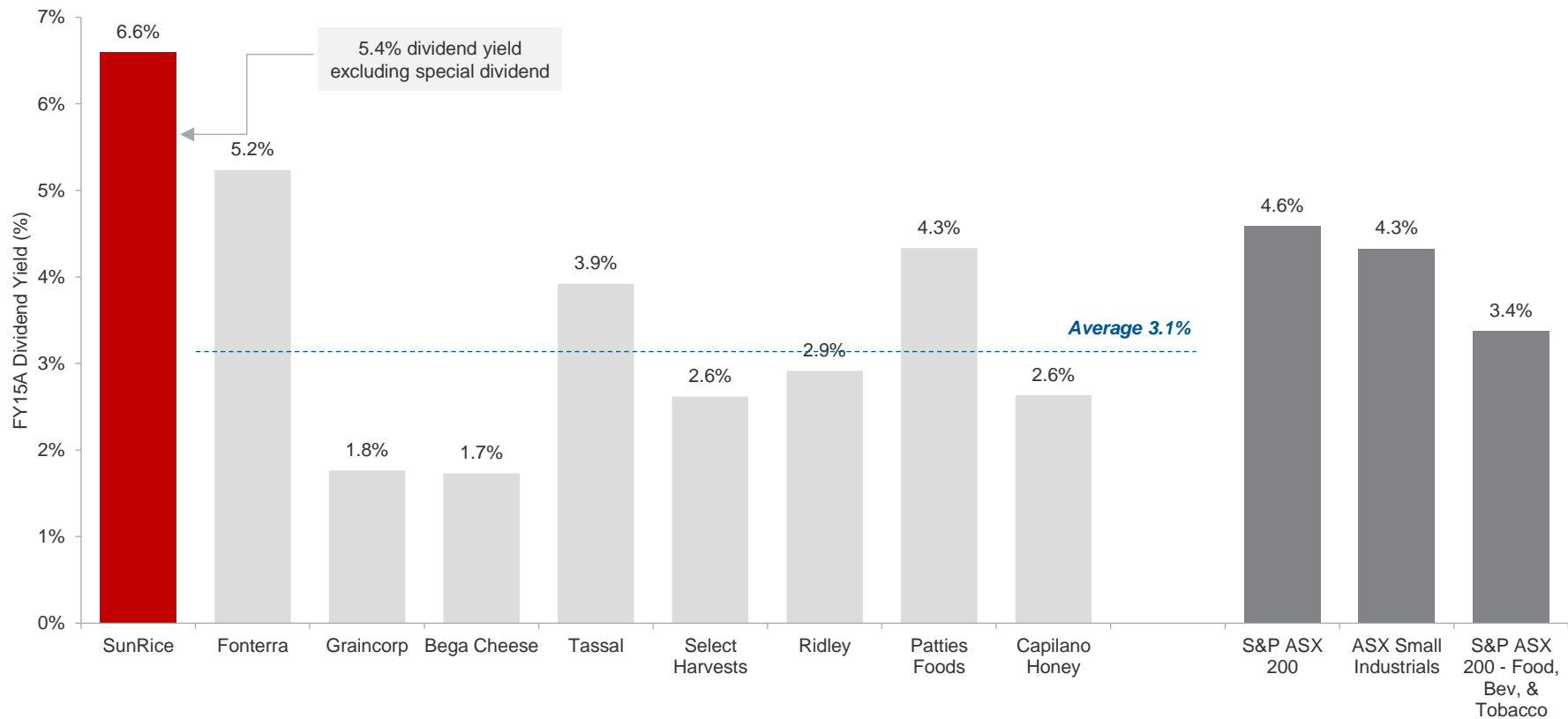


TRADING COMPARABLES

Dividend yield (FY15A)

SunRice's dividend yield is significantly higher than peers at 6.6%, compared to the comparable peer set of 3.1% and the S&P ASX 200 Food, Beverage, and Tobacco index of 3.4%

FY15A dividend yield (%)

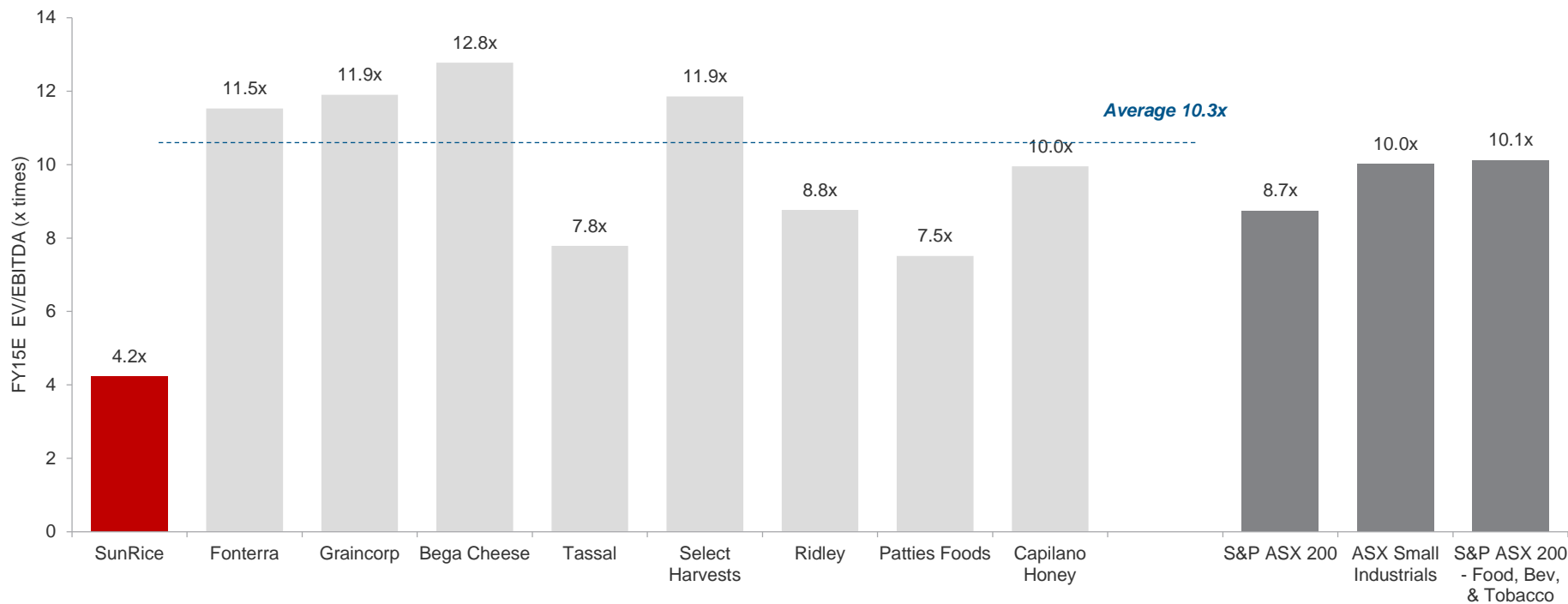


TRADING COMPARABLES

EV/EBITDA (FY15A)

SunRice’s FY15 EV/EBITDA multiple of 4.2x is a significant discount to the peer set of 10.3x and the S&P ASX 200 – Food, Beverage, and Tobacco index of 10.1x

FY15A 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

WHAT WILL ATTRACT FUTURE EXTERNAL INVESTORS?

- An established milling and marketing operation
- An established global distribution platform for rice products
- The ability to leverage our international distribution platform
- A well-diversified portfolio across operating segments
- A track record of growth and delivering shareholder value over past three years:
 - Consolidated revenue growth of \$250m or 25%
 - Increase in NPAT of 117%
- A strong track record of innovation to enhance shareholder value
- Potential for a significant uplift in B Class securities over time
- An attractive dividend yield, with a history of paying consistent dividends to shareholders



Proposal from Australian Rural Capital

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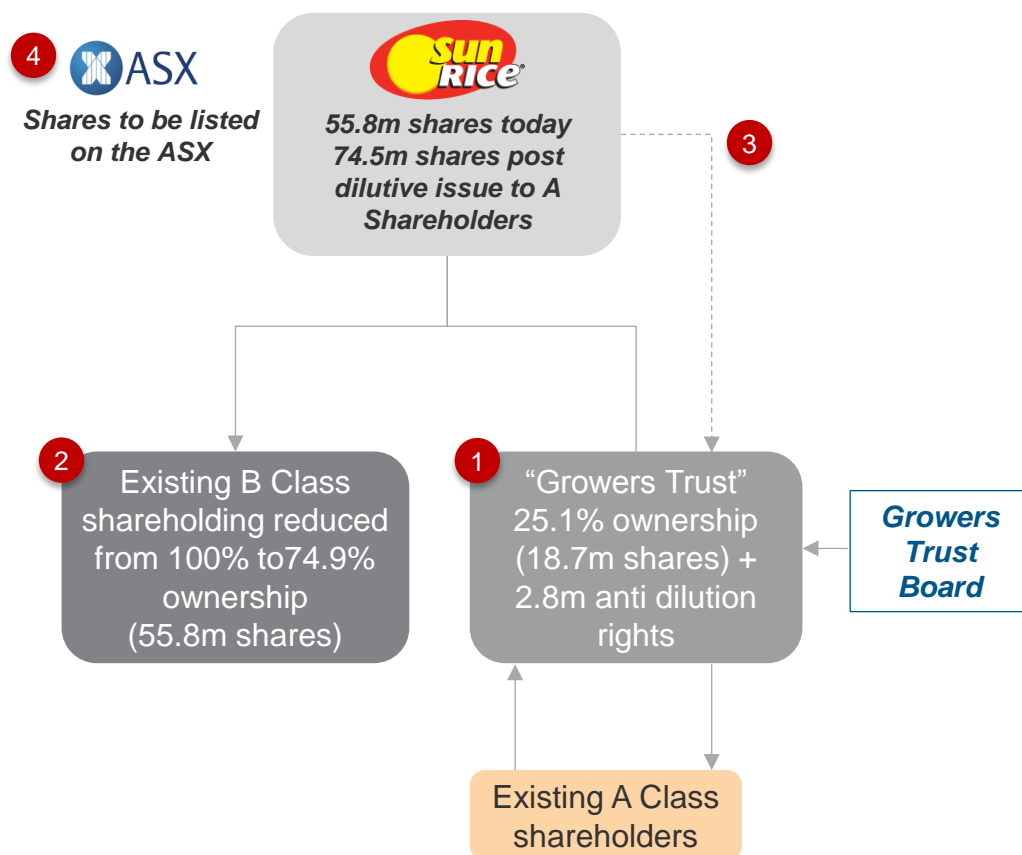


ALTERNATIVE PROPOSAL

Australian Rural Capital (“ARC”) proposal

The proposed structure from Australian Rural Capital (“ARC”), anticipates a single share structure and lower control protection for growers

Proposed structure



Item Proposed structure

- 1 Establish Growers Trust
(may take the form of a company or trust – ARC example has assumed a trust structure)
- 2 B Class shares are converted into ordinary shares
- 3 SunRice to issue new B Class shares and anti-dilution rights to the Growers Trust, which pays dividends to unit holders
- 4 Listing on the ASX



EQUITY VALUATION

The ARC proposal is not expected to create additional value for SunRice¹, with SunRice's equity value expected to be consistent under both structures. However, the issue of new SunRice shares will dilute B Class shareholders

Equity valuation comparison

Equity valuation	Unit	ARC Proposal	SunRice Proposal
SunRice NPAT - FY15A (ARC assumption)	A\$M	47	47
PE valuation multiple (ARC assumption)	x multiple	11.0x	11.0x
1 Total Equity value	A\$M	517	517
Current shares outstanding	M shares	55.8	55.8
Implied share price	\$/share	\$9.27	\$9.27
2 Issue of new shares - Growers Trust	M shares	18.7	-
Pro forma shares outstanding	M shares	74.5	55.8
3 Implied share price	\$/share	\$6.94	\$9.27
EPS	\$/share	\$0.63	\$0.84
Dividend payout ratio (ARC assumption)	%	50%	50%
Dividend	A\$M	24	24
DPS	\$/share	\$0.32	\$0.42

1

Valuation of SunRice Equity

- Illustrative earnings and Price / Earnings valuation multiple consistent with the ARC Proposal, the total equity valuation for SunRice is equivalent

No additional value is created

2

Issue of new shares to Growers Trust

- Under the ARC Proposal the Growers Trust is issued with 18.7m new shares providing it with a 25.1% stake in SunRice
- A Class shares are cancelled
- Shares outstanding increases under the ARC Proposal to 74.5m shares, compared to the existing 55.8m outstanding

Existing B Class shareholders are diluted with A Class shareholders receiving units in the Growers Trust as consideration (distribution, trading and liquidity of these units is yet to be clarified by ARC)

3

Implied share price

- Due to the issue of new shares the ARC Proposal results in a comparative share price of A\$6.94/share, compared to A\$9.27

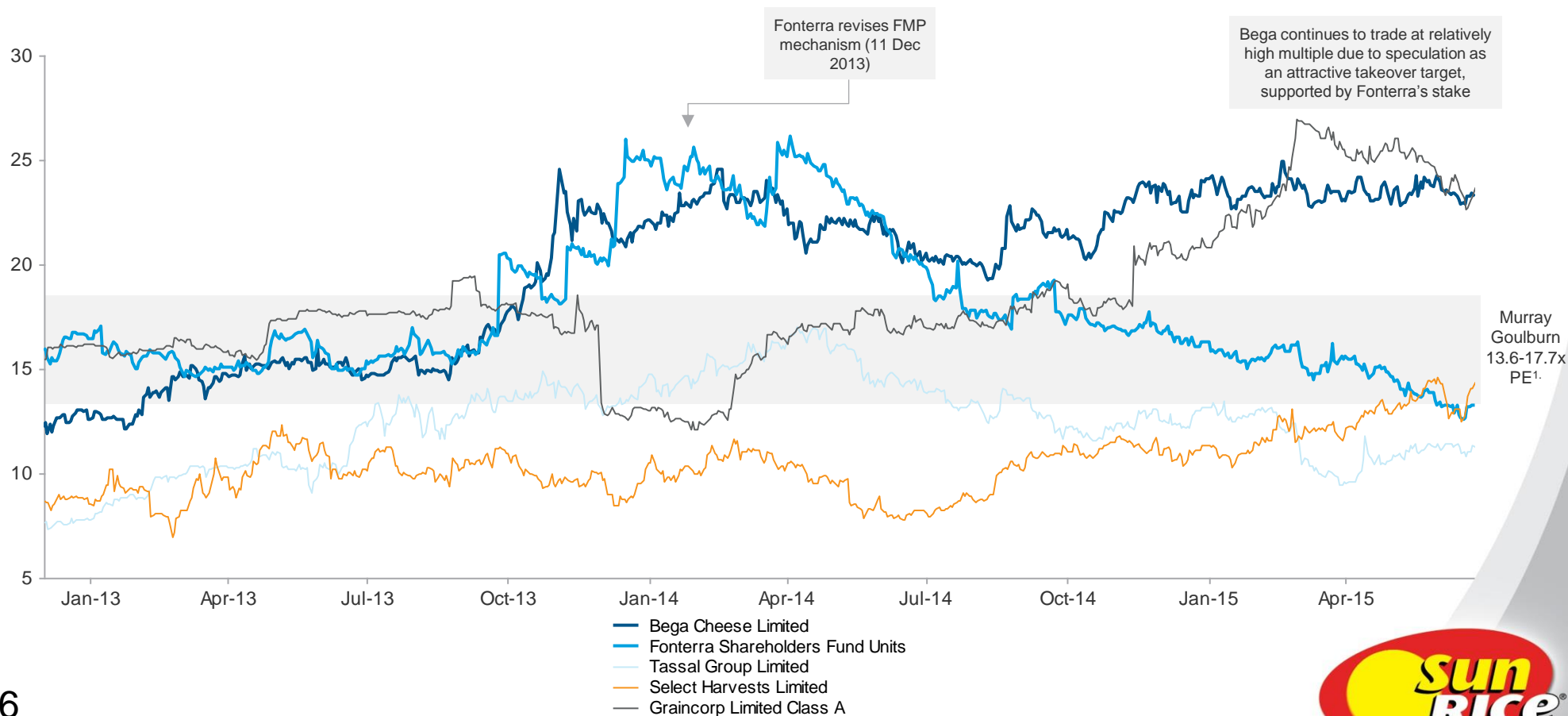
Lower share price, EPS, DPS, due to greater shares outstanding

PEER COMPARISON – TRADING MULTIPLES

Non-controlling relative to controlling share structures

Fonterra and Murray Goulburn operate listed non-controlling share structures. Comparable peer historical trading multiples prior to recent diversion in multiples driven by company and market specific issues, and M&A speculation

Next 12 month Price / Earnings multiple - since Fonterra listing in November 2012



KEY ISSUES WITH THE ARC PROPOSAL

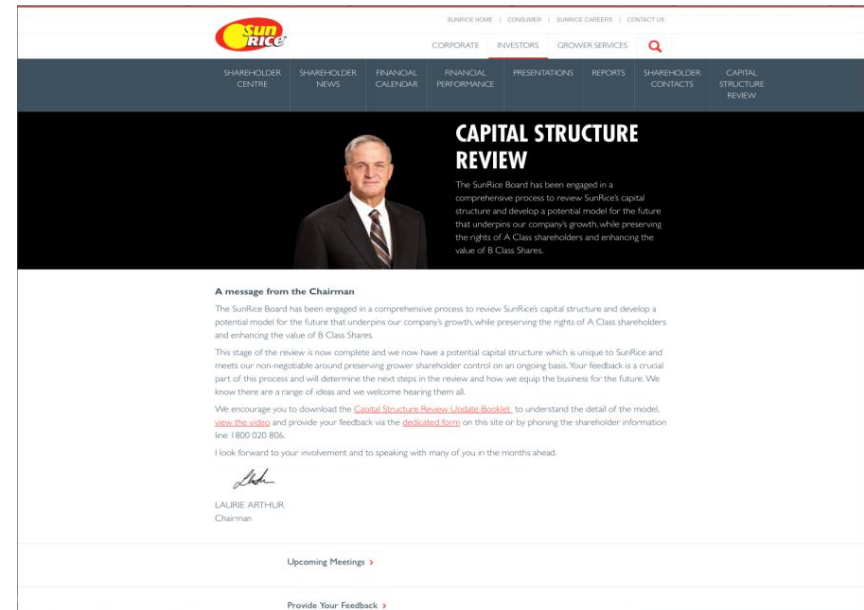
The ARC proposal raises a number of concerns, importantly it does not maintain the current level of grower control – a core objective of the restructure that has consistently been reiterated in A Class shareholder feedback

- Long term grower control of SunRice is not guaranteed, as the proposal results in the potential for ongoing dilution of A Class grower shareholder control over time:
 - Further capital raising is likely to dilute growers without further substantial investment into SunRice by growers holding units in the Grower Trust
 - Any special rights vesting with the Grower Trust are likely to be subject to ongoing shareholder approval at regular intervals
- The proposed structure may crystallise a taxable gain for A Class shareholders
- The issue of B Class shares for A Class shares will dilute B Class shareholders by more than 25%
- The proposed structure may not result in any material increase in the value of SunRice, as compared to the SunRice proposed restructure
- A Class grower shareholders would not have the sole right to appoint SunRice Directors;
- The proposal does not address the substantial regulatory approvals that would be required to allow it to be implemented, including grower protections, tax analysis, trust governance etc
- Given the above, the board does not believe the ARC proposal warrants investing further time or capital to progress it further



NEXT STEPS

- The Board believes this is a strong workable model, but your input will determine the next steps in the process and whether or not it proceeds to a shareholder vote
- Shareholder telephone survey to be conducted following the technical workshops
- We urge all growers and shareholders to have your say in determining SunRice's future:
 - Access the Update Booklet, presentations, video and FAQs in the investor section of www.sunrice.com.au
 - Ask questions or provide feedback via the shareholder information line on 1800 020 806
 - Participate in the telephone survey
 - Speak to your Directors



Additional Topics and Questions



C16: MAKING RICE YOUR FIRST CHOICE CROP

- SunRice is committed to making it easy for you to grow the rice we need
- In addition to paying a very competitive paddy price, SunRice provides:
 - A payment facility through Westpac to advance the 2nd, 3rd and 4th post harvest pool payments - this facility is available right now for C15 and will be available for C16
 - For C16 - a new facility will be launched in July to provide an advance payment up to \$1,000/contracted ha (through Westpac)
 - Available pre-sowing to purchase water
 - Available post-sowing to purchase other crop inputs (including water)
 - Facility will be managed by Grower Services
 - Payment of the advance
 - Repayment to Westpac from 1st pool payment
 - Cost of finance will be extremely competitive
 - Grower Deduction Authorities and seed purchase on credit terms will continue to be available



QUESTIONS & DISCUSSION

