

2016 SunRice Update

Laurie Arthur, SunRice Chairman

**RGA Annual General Meeting
5 August 2016**



Agenda

- FY 16 Performance
- Growth Strategy Update
- Key Focus Areas in FY17
- FY17 Outlook & Global Market
- Capital Restructure Update
- Vesting/SEEL Review
- Questions



Another Strong Performance in FY16

REVENUE	\$1.27 billion	^ 1.9% increase
NET PROFIT AFTER TAX	\$52.0 million	^ 5.8% increase
DIVIDEND PER B CLASS SHARE	33.0 cents	^ 6.5% increase
PADDY PRICE	\$403.60 Medium Grain (Reiziq)	^ 2.3% increase



Strategy Continues to Deliver Results

- FY16 result:
 - Demonstrated that increased revenue scale and profitability levels in FY15 have been maintained
 - In line with expectations: continued track record of keeping market accurately informed
 - \$288 million paid to growers for C15
- Continued growth of branded sales and operational improvements
- Middle East delivered ongoing market share, profit and volume growth
- ANZ generated gains in retail consumer market share due to tactical marketing
- Global sourcing initiatives intensified



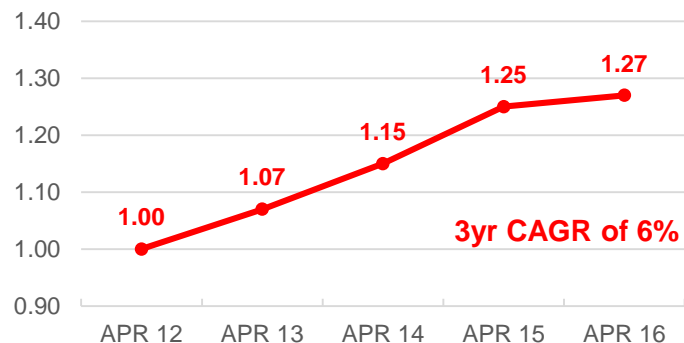
Track Record of Delivery

- Strong track record of accurate market guidance for A and B Class Shareholders
- Demonstrated ability to balance the needs of both shareholder classes since converting to a company in 2005
- Between FY11-FY16, for B Class Shares:
 - 278% increase in earnings per share
 - 83% dividend appreciation
- Between C11-C16 for Growers:
 - 47% increase in paddy price/tonne (Reiziq Medium Grain)
- Board continues to pursue strategies to increase value to all shareholders

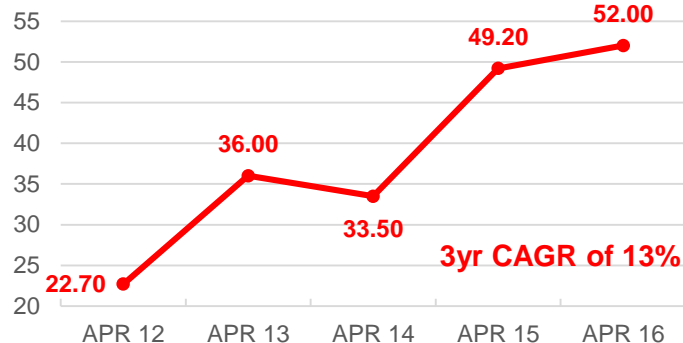


Growth Strategy has Delivered Results

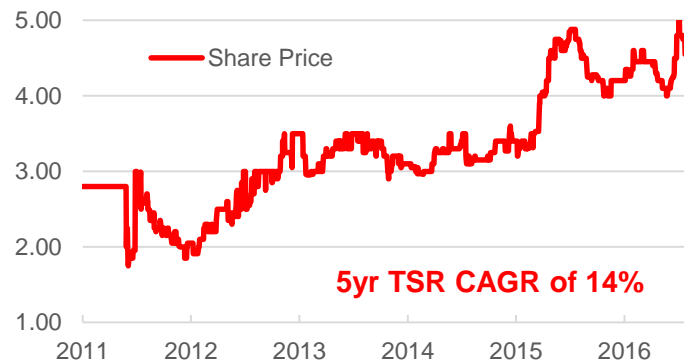
NSV (A\$ Billion)



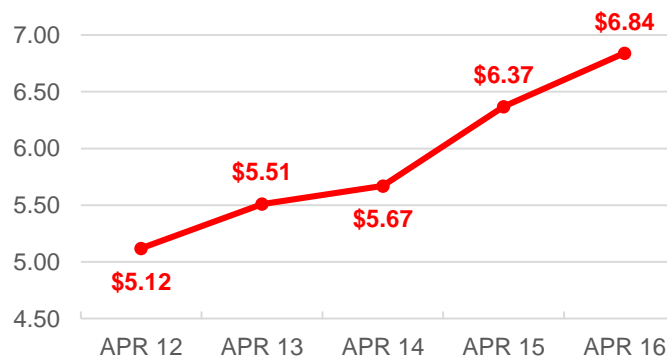
NPAT (A\$m)



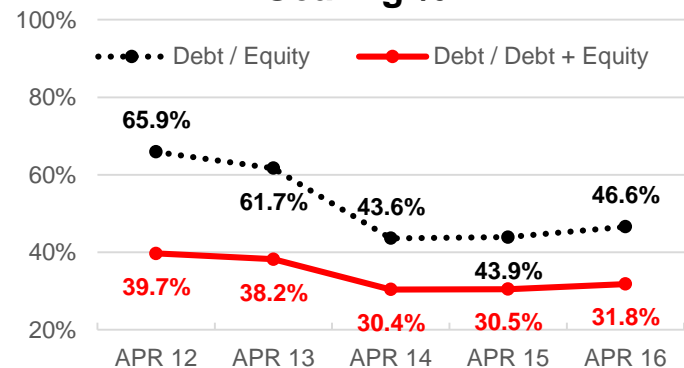
Share Price (\$) & TSR



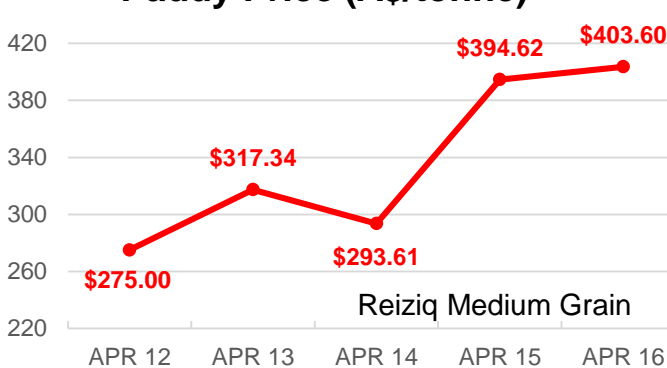
NTA per B class share



Gearing %



Paddy Price (A\$/tonne)



Key Focus Areas in FY17

- Pursue growth in Asian branded markets, including China market entry
- Leverage identified global trends, especially those in emerging consumer markets
 - Preference for 'healthy' (low GI)
 - Meal convenience (microwave)
 - Sushi revolution
- Working capital management
 - Manage ongoing PNG Kina illiquidity
 - Improve Accounts Payable/Receivable
- Enhance grower support programs like GrowRice and PayRice
- Proceed to shareholder vote on proposed Capital Restructure
- Focus on ensuring renewal of vesting/SEEL arrangements NSW growers

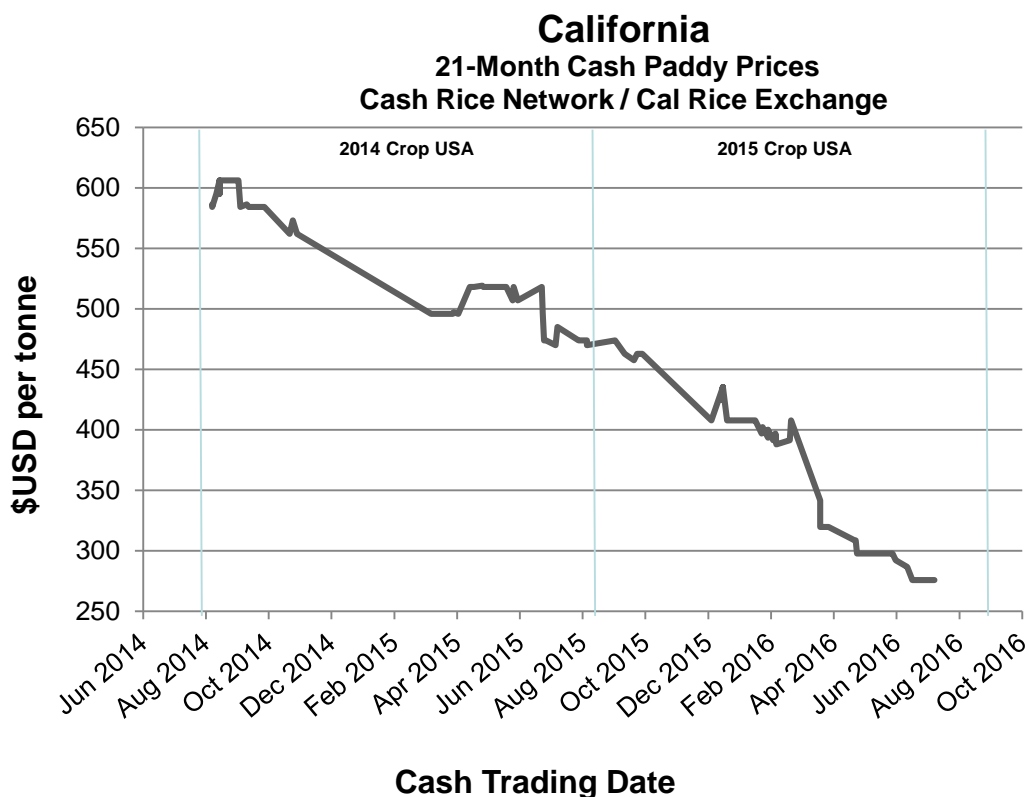


FY17 (C16) Outlook

- Challenging trading environment in world rice markets
- Impacts in dairy industry affecting domestic sales for CopRice
- Potential PNG issues being monitored:
 - Weakening economy, with poor outlook
 - Increasing in-market competition
 - Exchange rate movements (Kina has declined 20% against US\$ since 2015)
 - Government policy changes & instability
- Kina exchange rate and illiquidity are impacting SunRice's business in PNG:
 - Sudden Kina devaluation is likely to considerably reduce trading margins and reduce the intercompany receivable from Trukai
- FY17 profit guidance will be provided at the AGM (on 24 August)



C16 Global pricing – Medium Grain



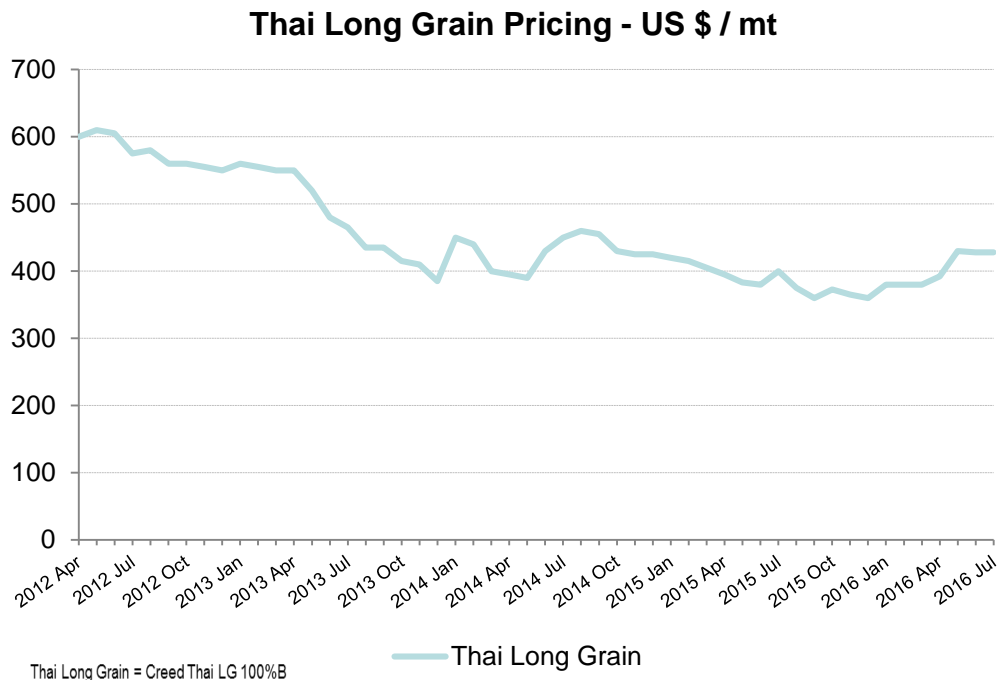
Note: Cash price does not include storage and drying costs, which are deducted from this amount

Source: SunRice

- In June, FAO's Japonica Rice Price Index declined by 7 points to 223 points due to weakness in the short/medium grain market. Between January – June, the FAO Index had declined by 13% y-o-y.
- US MG prices declined another \$40/tonne over June-July.
- Spot paddy cash prices at lowest level of the US marketing year.
- US growers being required to move or sell old stock by storage sheds and banks.
- April-May paddy sales pricing estimated \$60-75/tonne under Californian cost of production.
- USDA forecast planted area for MG in California increased by 34% to 510,000 acres (206,477ha).
- Egypt switched from exporting to importing prior to Ramadan



C16 Global pricing – Long Grain



*Creed Thai LG 100% B

*Selling prices listed are in U.S. dollars per tonne and for Finished Product tonnes (includes costs for milling and yield losses, packing, distribution and administrative charges)

- El Nino weather pattern has ended and there are predications of 60% likelihood of La Nina building over 2016, which will be associated with heavy rainfall benefitting both main and secondary season crops this year.
- FAO estimates the Philippines' 2016 rice imports to decline 20% to 1.6 million metric tonnes.
- Harvesting of Vietnamese 2016 main winter-spring paddy crop, which accounts for about 45% of annual production, is complete. The crop was significantly impacted by lower irrigation water availability and salt water intrusion into the Mekong Delta.
- FAO estimates Vietnam 2016 rice exports to decline due to a combination of tighter export availability and reduced demand.



World Market Outlook

- Overall, a more challenging trading environment, particularly for Medium Grain (MG) as prices come off
- Conversely, Thailand's drought is driving Long Grain (LG) prices up
 - Could benefit performance in markets where MG and LG are direct competitors
- SunRice's intensifying global sourcing activities will be impacted by these global factors
- Riverina paddy pricing will also continue to be impacted by global supply and demand mechanics (note: C16 paddy price is \$415 per tonne – Reiziq)



Capital Restructure Update

- The Capital Restructure is designed to equip SunRice and all growers and shareholders for the future, enabling the company to:
 - Invest for growth;
 - Better manage business risk; and
 - Have greater resilience to benefit all growers and shareholders
- Significant time and resources have been invested to develop a structure that enables SunRice to realise these outcomes while preserving both:
 - Existing grower shareholder control; and
 - Existing economic rights of SunRice B Class investor shareholders



Capital Restructure Update

- Timing continues to be impacted by developments with a partner that is reviewing it all of its JV arrangements
- We will be progressing with the Capital Restructure once the JV issue is resolved
- Timetable for vote will also take into account the need to re-establish the strong support we have received over the past 12 months
- The Board remains firmly committed to the success of the Capital Restructure and its ability to deliver a strong future for SunRice and all shareholders



Rice Vesting/SEEL Review

- Fundamental to NSW rice industry success
 - Vesting and SEEL maintain a competitive advantage for NSW-grown rice
- Allows consolidation of export channels, maximisation of sales and marketing scale and supply chain efficiencies
 - NSW rice growers compete in international markets without any export subsidies
- Track record of price premiums for NSW growers: FY15 export price premium to growers was \$82 million
- DPI has publically stated quantity and quality of submissions will be important in helping them reach a decision on vesting/SEEL renewal

Ensure your voice is heard and make a submission supporting the vesting/SEEL arrangements – for more information go to:
<http://www.dpi.nsw.gov.au/about-us/legislation/list/rice-marketing/review/info-paper>



Summary

- FY16 result underpinned by the continued growth of branded sales and operational improvements
- Continue to deliver on our strategy for growth across several markets and to secure non-Australian sources of supply
- FY17 will be challenging given several issues in PNG, current global market trends and CopRice headwinds
- Board remains committed to progressing the Capital Restructure despite delay
- Review of NSW Government's vesting/ SEEL arrangements under way



Questions

