



Rice Industry Leaders Forum  
Rob Gordon - CEO

2 August 2017

**In 2012, we pursued a Strategy that moved from marketing the Australian rice crop to servicing market demand for branded rice products.**

## The 2012 Strategy



Differentiate & Build Value in Domestic Consumer Markets



Build Presence in High Growth Consumer Markets



Target the more premium commodity tenders



Double CopRice at existing returns



Establish Secure + Sustainable Supply



Operational Excellence through efficiency and Innovation

## Benefits of this Strategy

1

### Move from bulk to branded

- Less volatile pricing
- Higher profits and returns

2

### Premiumisation

- Less volatile pricing
- Highly profitable
- Increase shares in flat or competitive consumer markets

3

### Sales Diversification

- Built a new sales pillar in the Middle East
- Invested in CopRice and Riviana
- Built a profitable traded rice portfolio

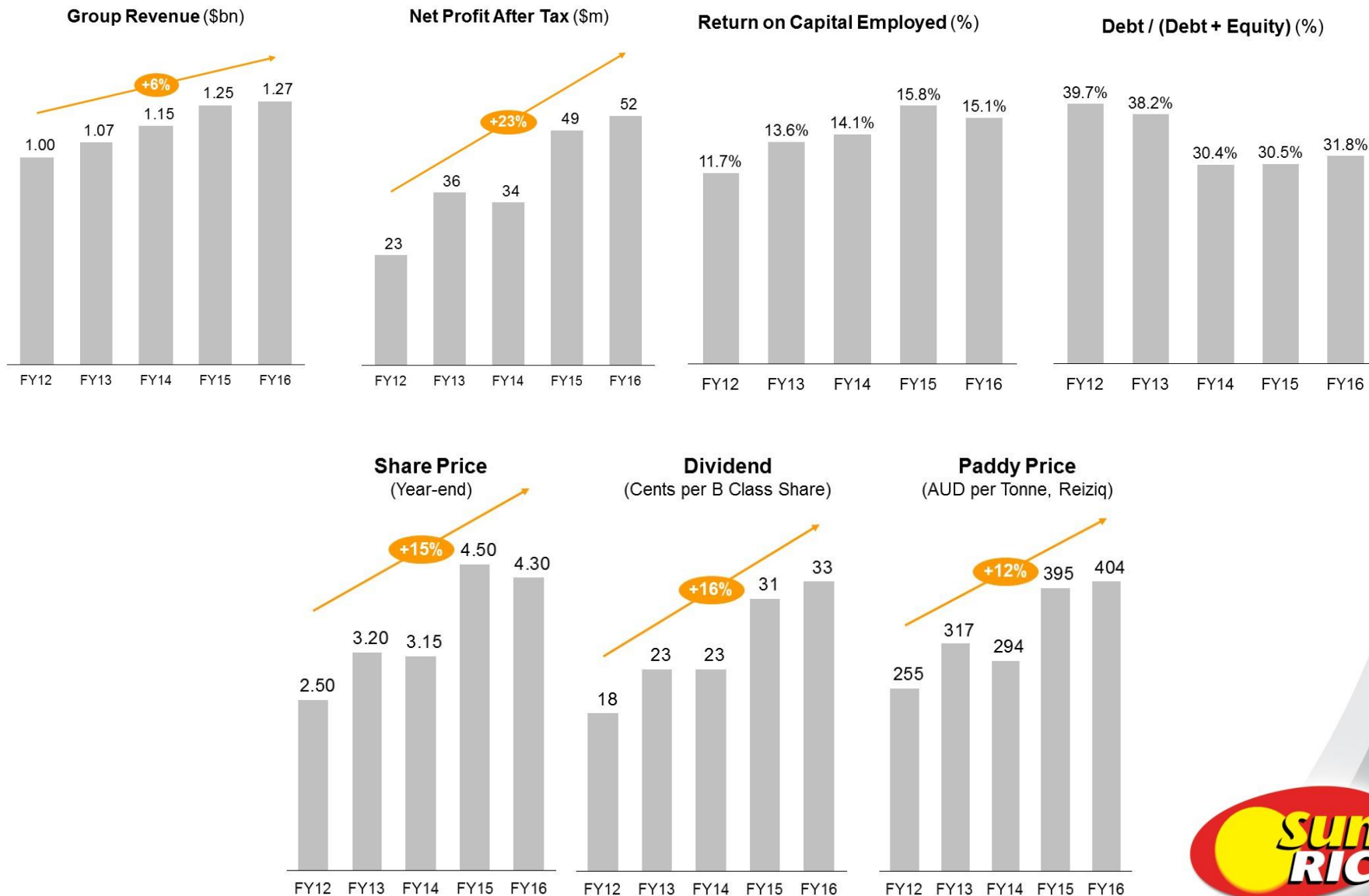
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### Supply Diversification

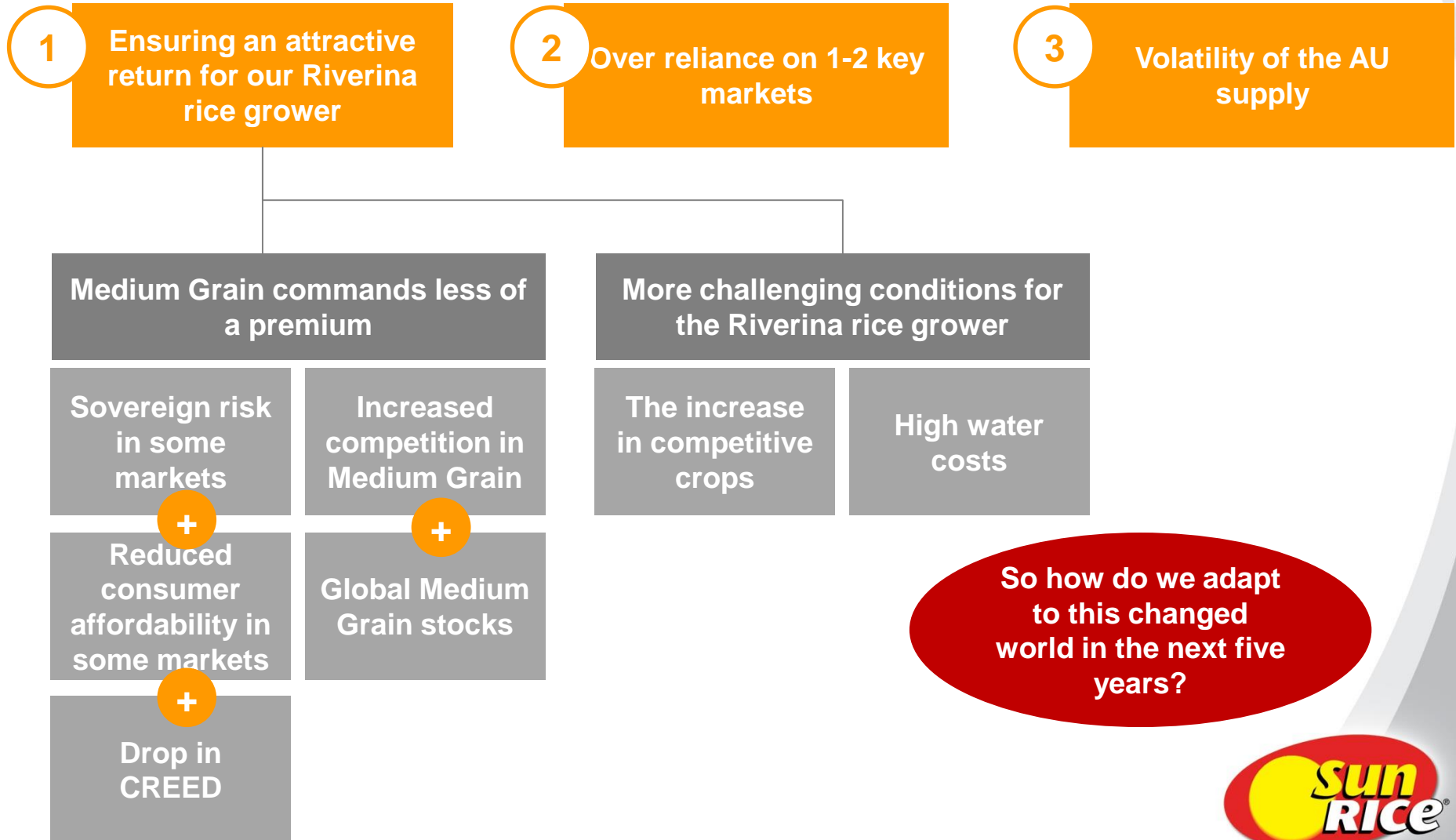
- Built experience in offshore agronomics and supply chains



**This translated into a very healthy financial performance, marked by strong sales and profit growth in addition to significant increases in shareholder returns**

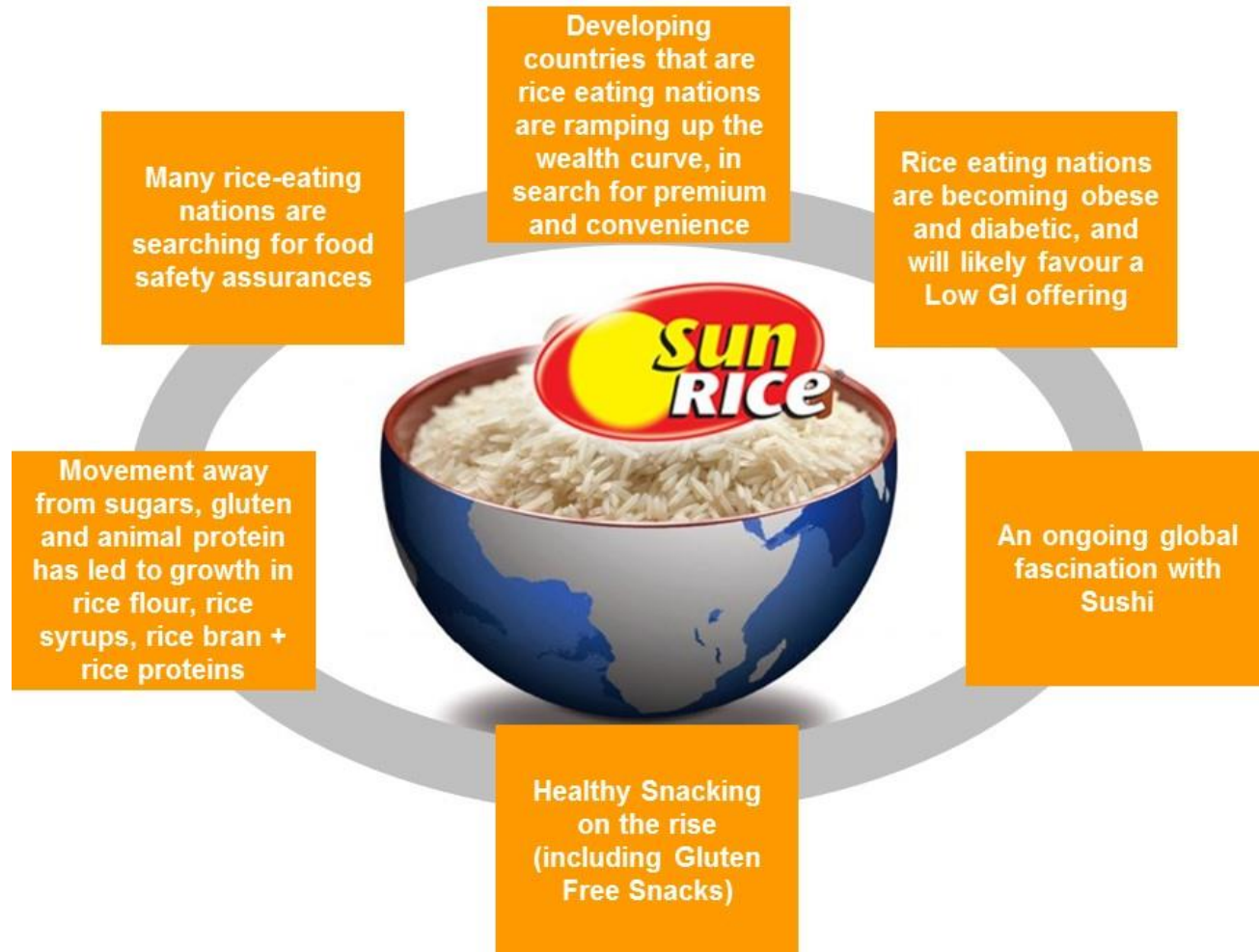


## What's been a challenge?



Fortunately, being an Australian-owned branded rice player today is exciting given that the world is changing in our favour

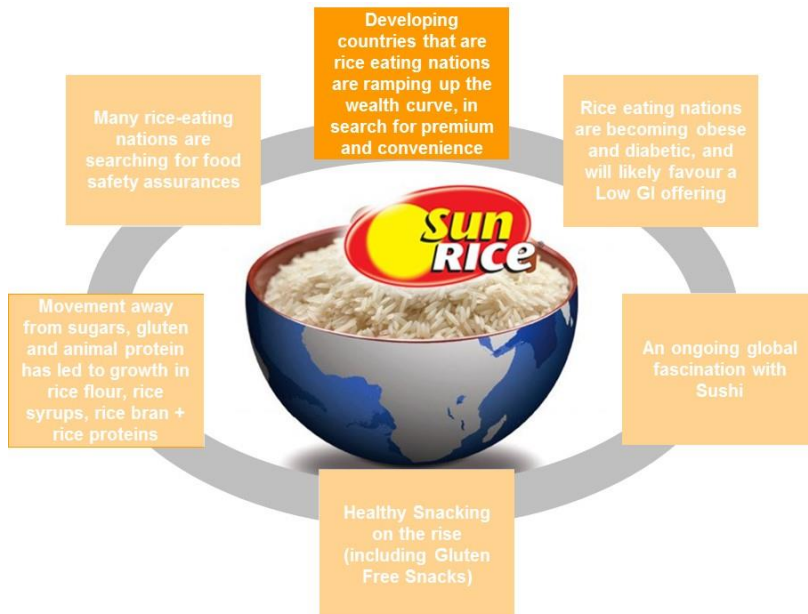
## Food trends that affect SunRice



Our opportunity to grow and diversify, whilst playing to our core capability is an exciting path for the company – 1/6

## Food trend

Developing countries that are rice eating nations are ramping up the wealth curve, in search for premium and convenience



## SunRice intent

Diversify into new markets

- New markets poised for significant growth in Packaged Rice
- Many of these are in Asia, as consumers migrate from traditional markets into modern trade

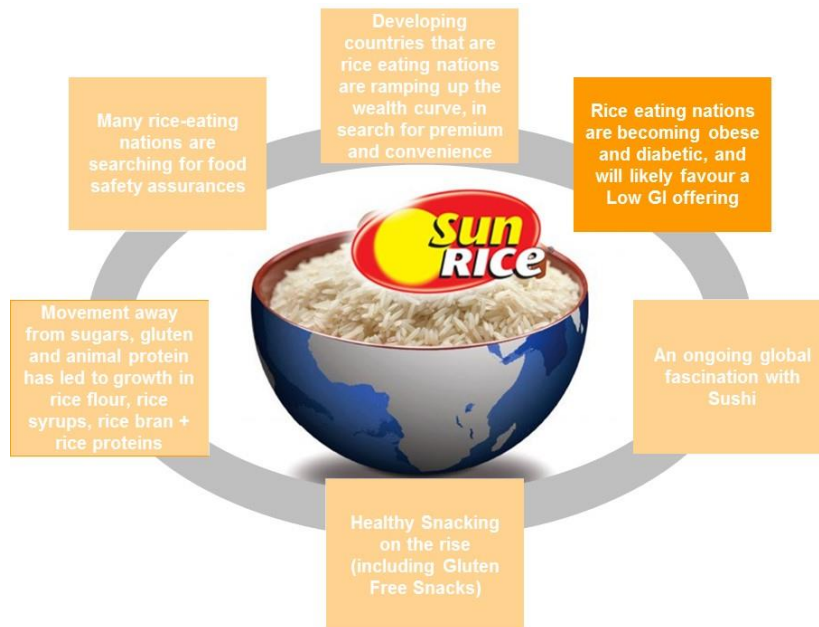




Our opportunity to grow and diversify, whilst playing to our core capability is an exciting path for the company – 2/6

## Food trend

Rice eating nations are becoming obese and diabetic, and will likely favour a Low GI offering



## SunRice intent

Aggressive expansion of our Low GI Rice especially into Asia

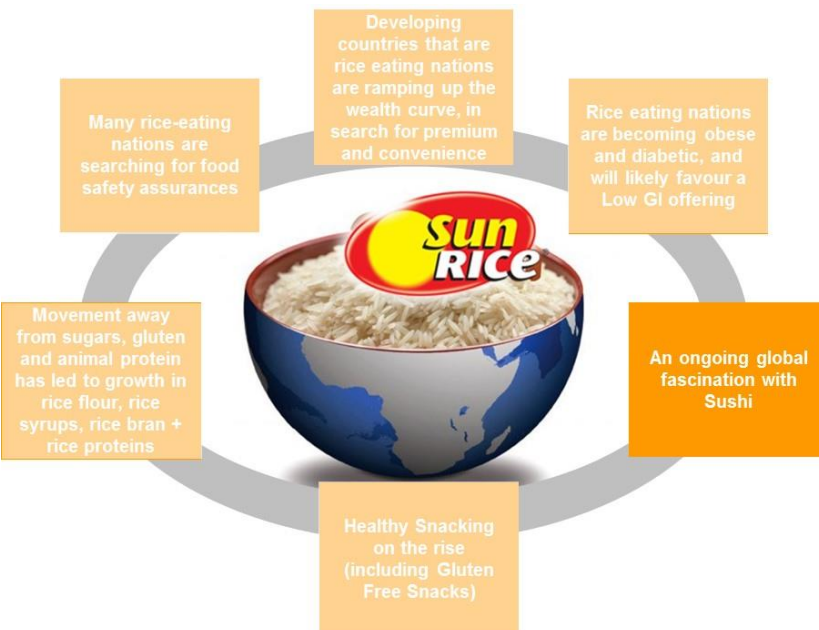
- We have a real head start in Low GI – let's take it to the world
- Largest concentration of diabetics live in Asia, and they are natural rice consumers
- High returns for the Riverina grower



Our opportunity to grow and diversify, whilst playing to our core capability is an exciting path for the company – 3/6

## Food trend

An ongoing global fascination with Sushi



## SunRice intent

Aggressive expansion of Short Grains to consumers in new and existing markets

- Not many places in the world can grow sushi rice - the Riverina can grow some of the best varieties
- We have interest from customers in Japan, Pan-Asia, Europe, and the US
- High returns for the Riverina grower

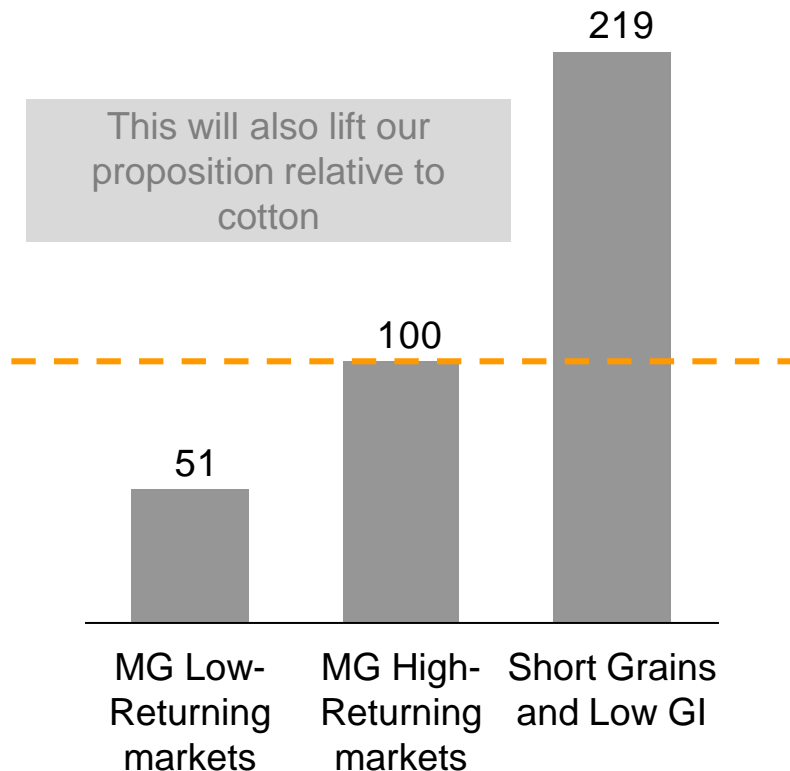




## Sidebar: A look at Low GI and Sushi returns show that they offer an attractive proposition to the Riverina grower

### Indexed – a comparison of paddy returns

Medium Grain to High-returning markets =  
Indexed at 100



- The Riverina should be positioned as the premium Medium Grain source for premium Medium Grain markets
- The Riverina is well positioned to grow high-returning varieties that are growing in demand and have less global competition
- We should not abandon our lower returning markets, but serve them from lower cost supply sources

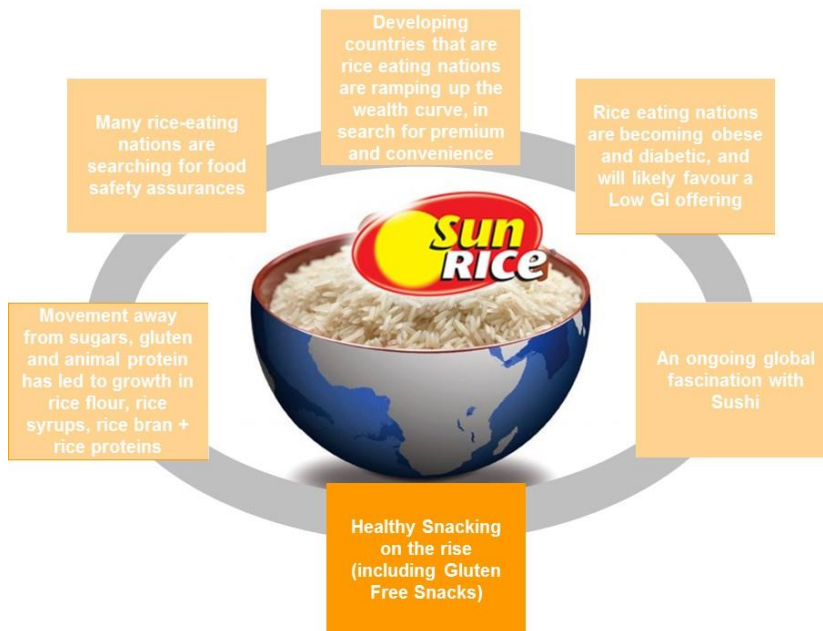
**We need a more permanent offshore supply to serve these lower-returning markets**

**Sun  
RICE®**

**Our opportunity to grow and diversify, whilst playing to our core capability is an exciting path for the company – 4/6**

## Food trend

**Healthy Snacking on the rise  
(including Gluten Free Snacks)**



## SunRice intent

**Diversify the portfolio by building our  
high-value Rice-based Snacks into a  
sales pillar**

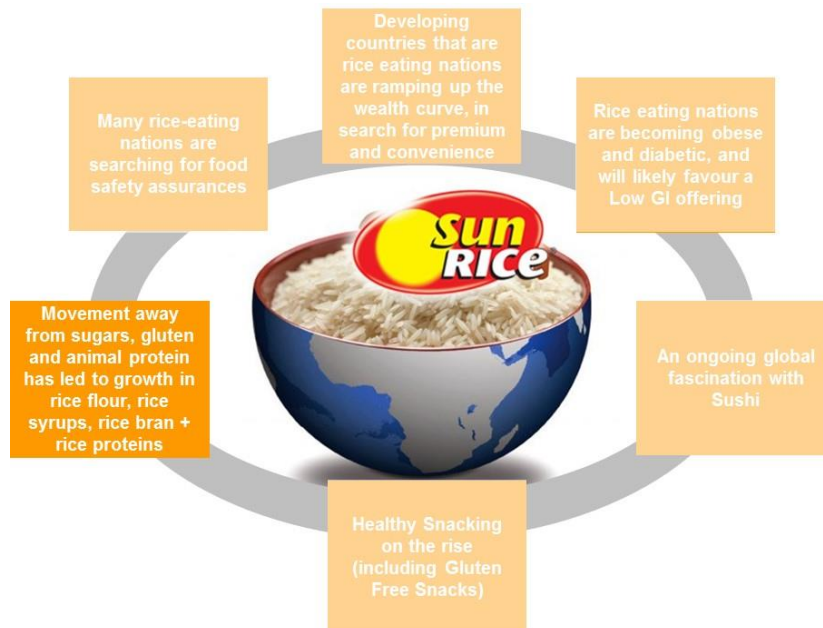
- Healthy Snacking is a fast growing category in ANZ, our existing offshore markets and also in new Asian markets
- Our play in this space has been rewarded with strong topline growth both here and offshore, in addition to strong consumer reinforcement (eg. Received Product of the Year for both Rice Chips and Minis).
- We need an efficient facility to support a larger scale and profitable effort



Our opportunity to grow and diversify, whilst playing to our core capability is an exciting path for the company – 5/6

## Food trend

Movement away from sugars, gluten and animal protein has led to growth in rice flour, rice syrups, rice bran + rice proteins



## SunRice intent

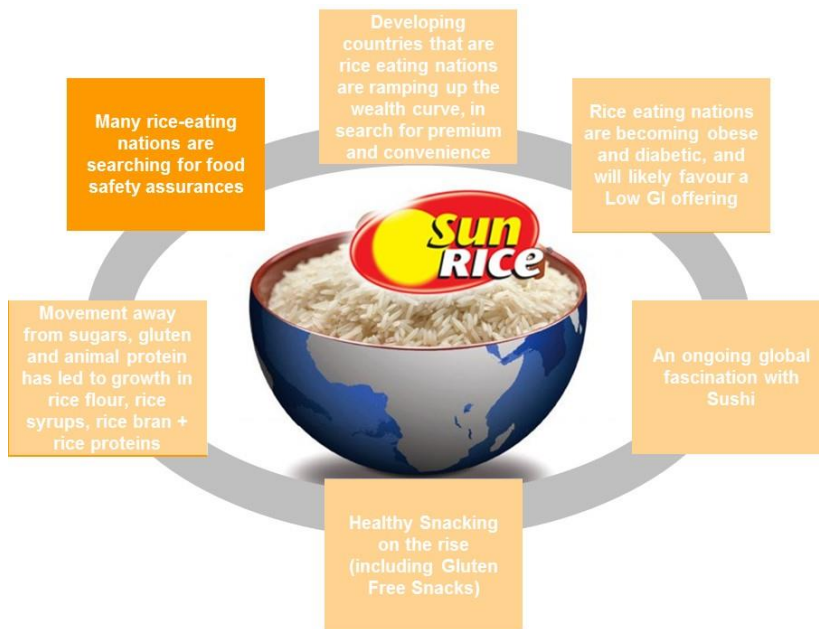
Diversify the portfolio by building a high-value Rice-derived Ingredients business

- 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**
- There is a **sizeable opportunity** to **expand** our Food Ingredients capability into a **regional** offer, especially with technology partnerships and bolt-on processing facilities

Our opportunity to grow and diversify, whilst playing to our core capability is an exciting path for the company – 6/6

## Food trend

Many rice-eating nations are searching for food safety assurances



## SunRice intent

Emphasise and invest in our commitment to quality

- The clean and green rice offering of AU rice will appeal to our offshore customers, especially in Asia
- Investments will be made to further ensure and communicate the traceability of our AU rice
- Any offshore supply chain will bear our stamp of quality and traceability, with a commitment to strict agronomic, operational and sustainability standards



## The key initiatives that fall out of this Strategy warrant a look at our capital base

### The types of activities and investments we will be pursuing

1	Expand our Low GI and Sushi rices into new end markets, especially Asia	<ul style="list-style-type: none"><li>▪ <b>Agronomic packages</b> for Riverina growers</li><li>▪ <b>Investments in ANZ facilities</b> to ensure premium quality short grains</li><li>▪ Asian <b>sales and marketing</b> efforts</li><li>▪ Consumer-led <b>varietal development</b></li></ul>	<b>\$ 30-50m</b> Capital estimate
2	Grow our Healthy Snacks business	<ul style="list-style-type: none"><li>▪ Build <b>NPD and Innovation</b> either organically or through acquisition</li><li>▪ Global Sales and marketing efforts</li><li>▪ <b>Lower-cost Snacks facility</b> and global supply chains</li></ul>	<b>\$ 30-50m</b> Capital estimate
3	Build a regional Ingredients business in both Rice and Rice-derived products	<ul style="list-style-type: none"><li>▪ Customer-led <b>R&amp;D</b></li><li>▪ Global partnerships and potential <b>acquisitions</b></li><li>▪ <b>Quality-assured supply chain</b></li><li>▪ <b>Facility investments</b> in both <b>ANZ and offshore</b></li></ul>	<b>\$ 20-50m</b> Capital estimate
4	Cement one supply chain offshore	<ul style="list-style-type: none"><li>▪ <b>Quality-assured and traceable supply chains</b></li><li>▪ Consumer-led <b>R&amp;D</b></li><li>▪ <b>Facility investments in ANZ</b></li><li>▪ <b>Build a facility in Asia and invest in a QA supply chain</b></li></ul>	<b>&gt;\$50m</b>

There is evidently a need for capital



**We wish to strengthen some of the existing cash-generative businesses of our portfolio in order to increase our ability to direct our profit towards these growth initiatives – this would likely be done through acquisition**

**CopRice: an established player that is capable of scaling up to be cash generative**

- Between C12-15, CopRice delivered some of the **highest ROCEs of the business** – (>20%)
- The profits of the business are exposed to the **cyclical dairy industry** which is now in the process of recovering
- CopRice's Strategy is to **scale-up the business - including M&A** in Dairy, Stabilised Bran offerings and premium toll manufacturing here and offshore and initiatives in sheep and beef - to **return to a 15-20% ROCE for the Group**

**With Riviana's strong address book, we could add a more with an optimised back office**

- Between C14-15, Riviana delivered some of the **highest ROCEs of the business** – (>25-34%)
- The profits of the business have **recently come under pressure** – although still remain high at 18% in C16) with increased competition in the retail and FS space
- Riviana's Strategy is to **scale-up the business - focusing on M&A** for widening its **product portfolio into other cuisine types** – and continue to cement its position as a **strong profit generator for the Group**

**\$50-100m capital estimate**

**There is evidently a need for capital**





**Given our strategic priorities, we would require an estimated \$200-300m of additional capital**

1 Expand our Low GI and Sushi rices into new end markets, especially Asia

2 Grow our Healthy Snacks business

3 Build a regional Ingredients business in both Rice and Rice-derived products

4 Cement one supply chain offshore

5 Scale CopRice through M&A

6 Scale Riviana through M&A

**\$200-300m  
capital  
estimate**

*What are our  
funding options?*

