

# SunRice Grower & Shareholder Meetings

Mr. Rob Gordon, CEO

June 2017



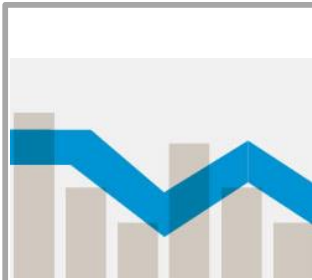
## The situation leading up to 2012 and the subsequent Strategy





**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:

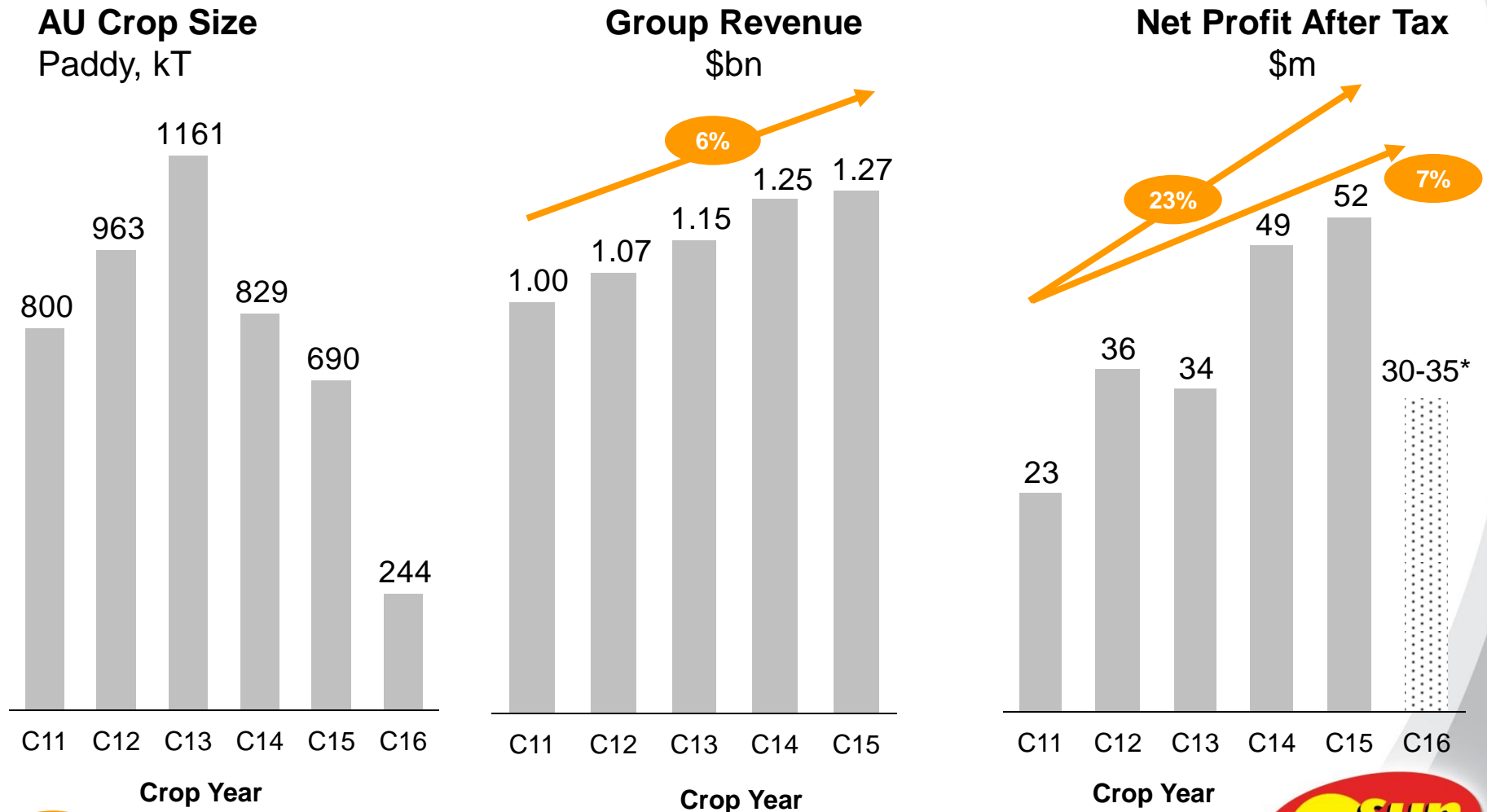
Double-digit profit growth

A ~\$30m paddy supplement in 2016

Retained skill base



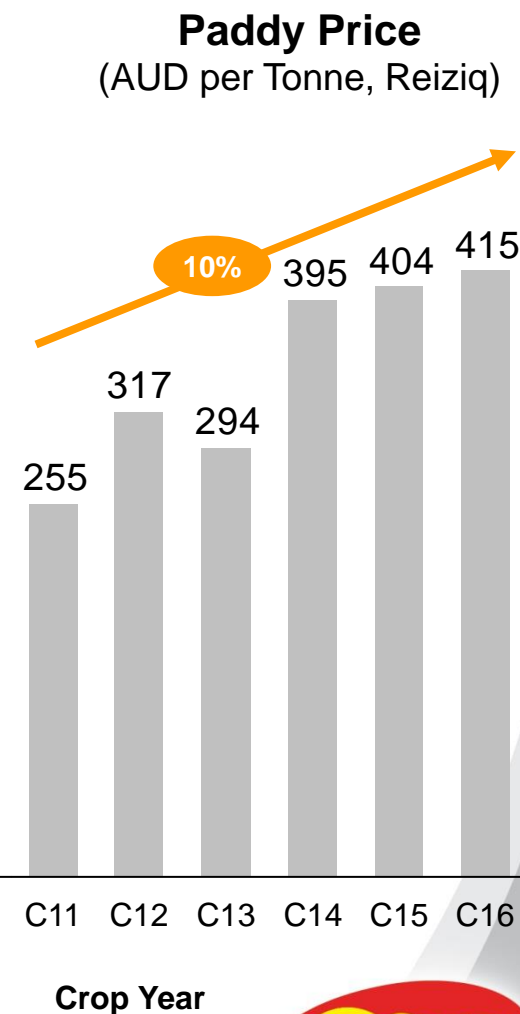
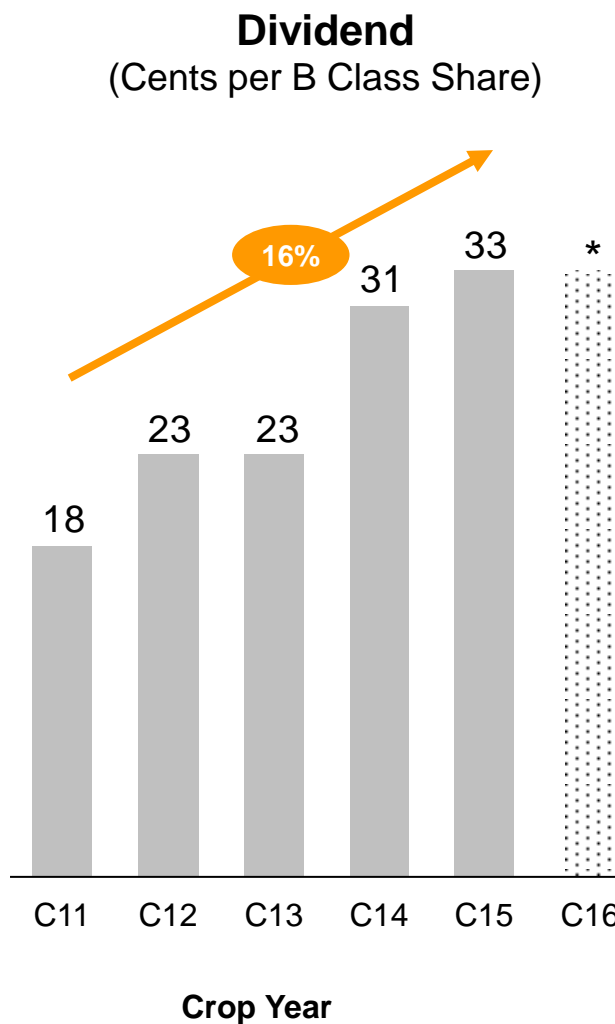
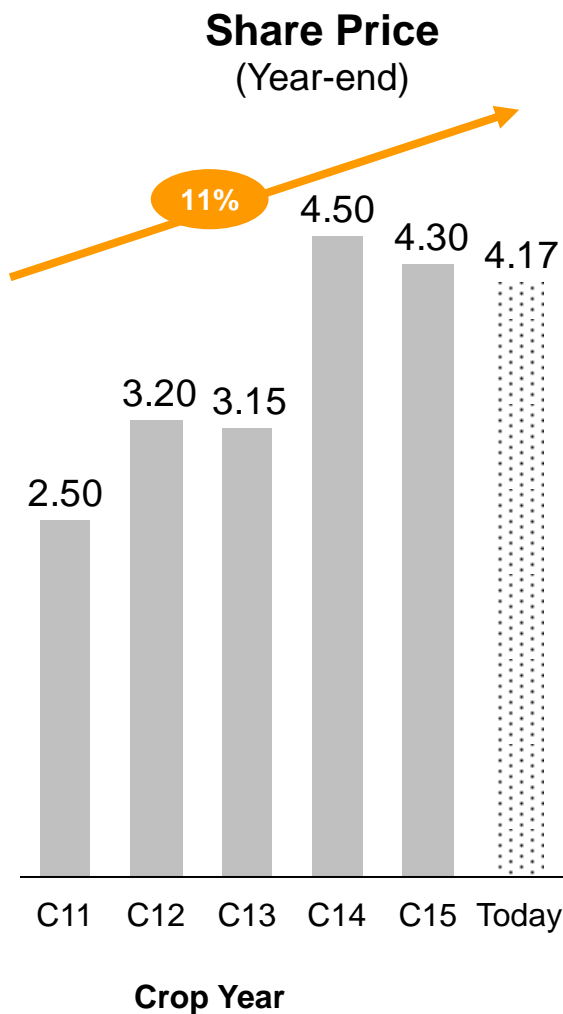
Although the AU rice supply has fallen in the past few years, our headline financials have displayed significant resilience ...



\* 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



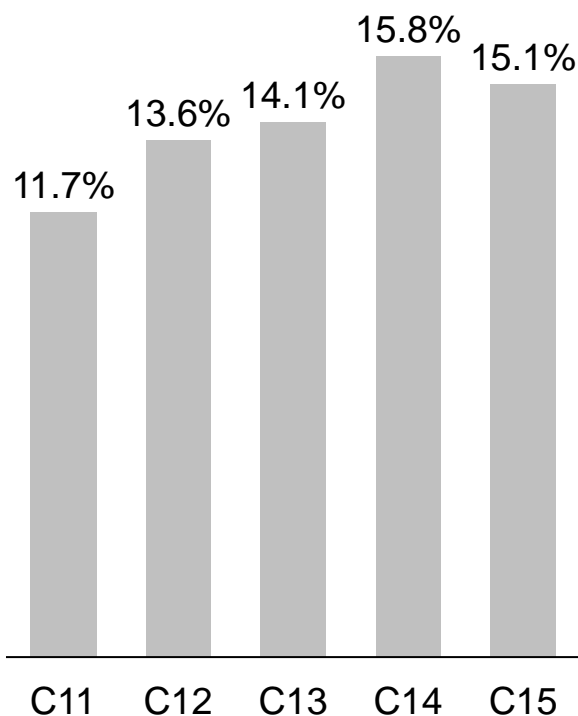
% **Compound Annual Growth Rate (CAGR)**

\* 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.

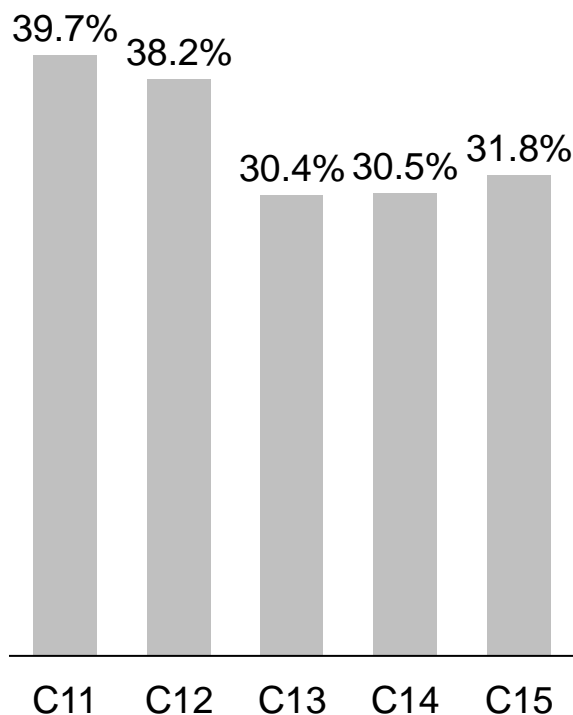


**We have also lifted our ROCE quite significantly from C11-15 and significantly reduced our gearing from ~40% to ~30%**

**Return on Capital Employed**  
%



**Debt / (Debt + Equity)**  
%



## Conclusion

In good times :

Our Strategy delivered good results

In bad times :

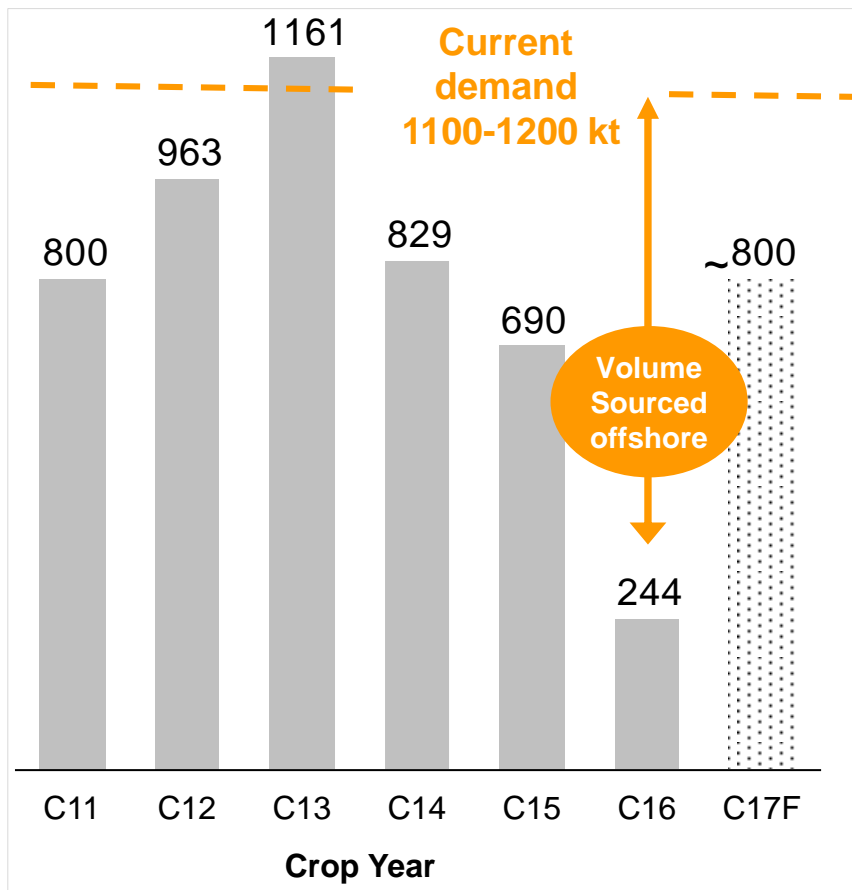
Our Strategy delivered resilience for both sides



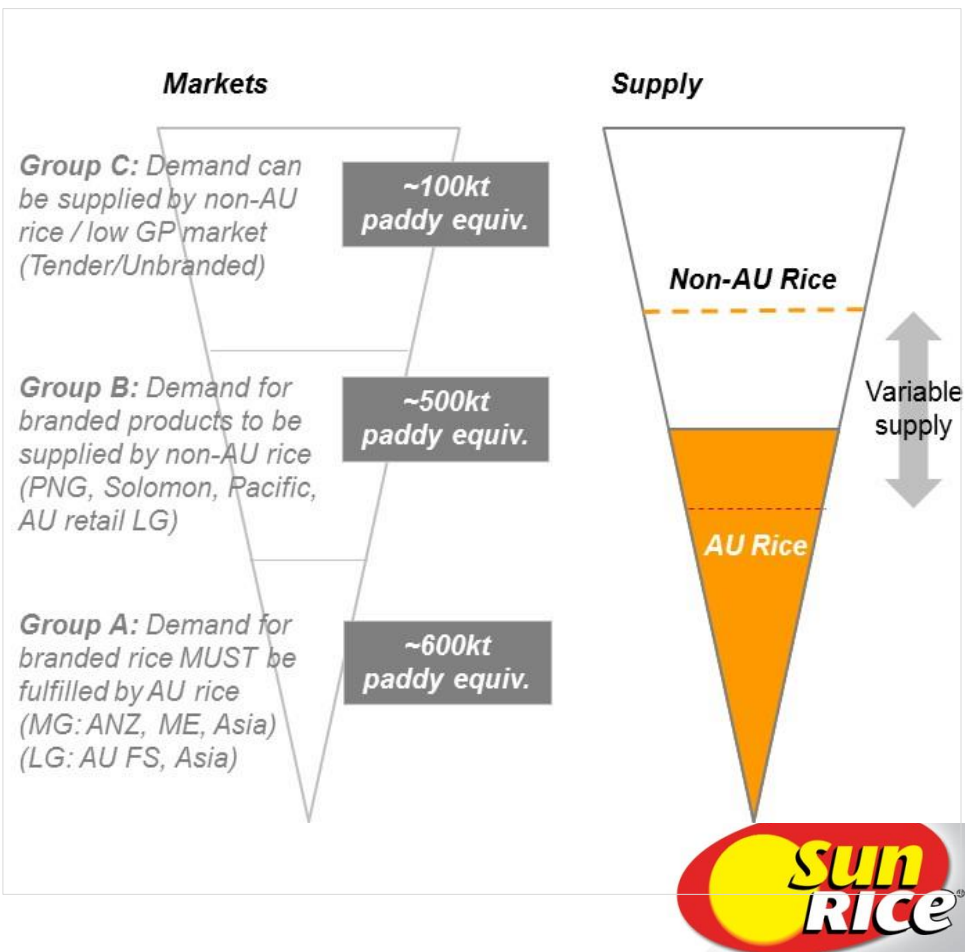
**Against rising demand, AU rice supply has fallen in the past few years, therefore building other origins leveraging our agronomic capability has been a key strategic focus area for the Group**

## 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



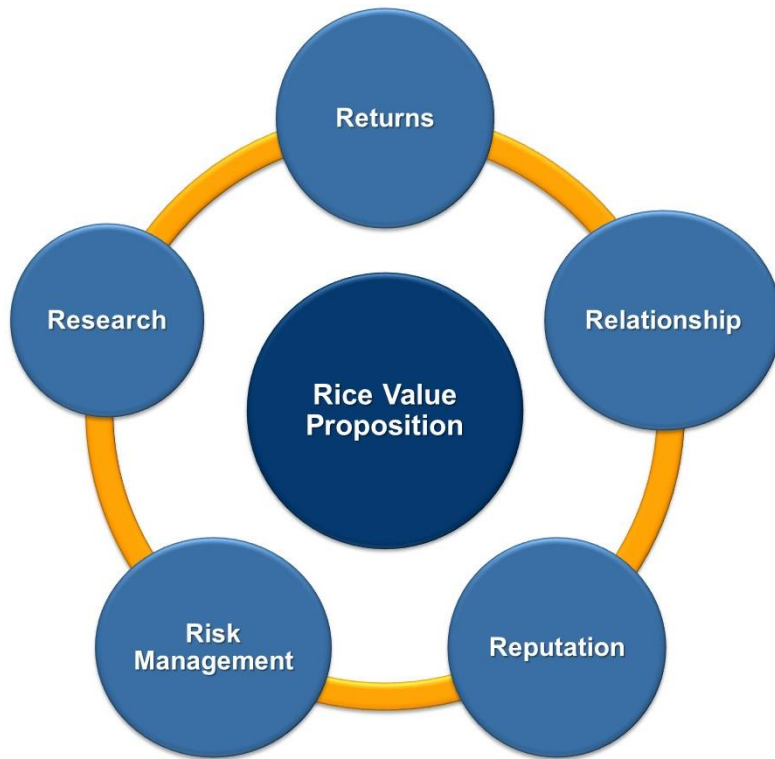
### SOURCE LOWER-RETURNING MARKETS FROM OFFSHORE

- **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

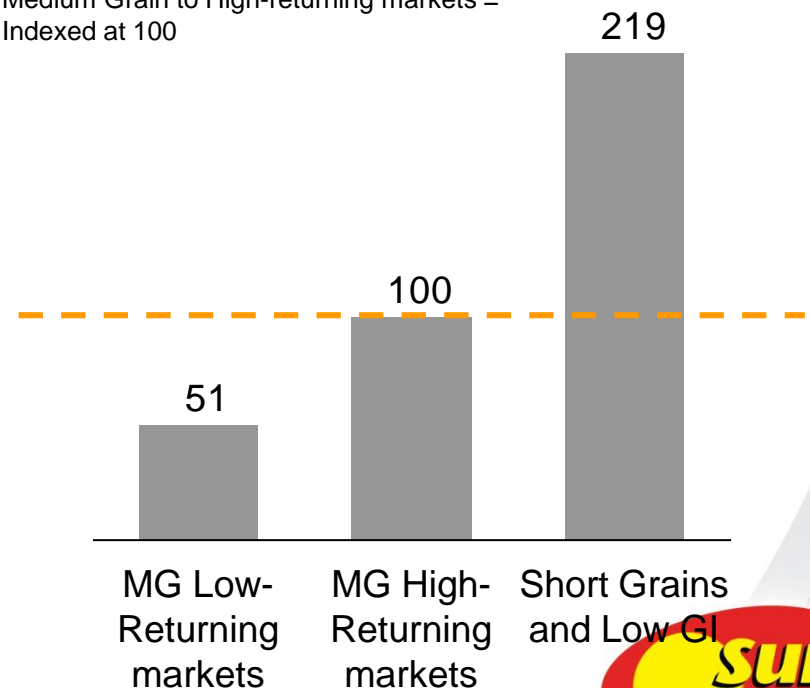
+

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

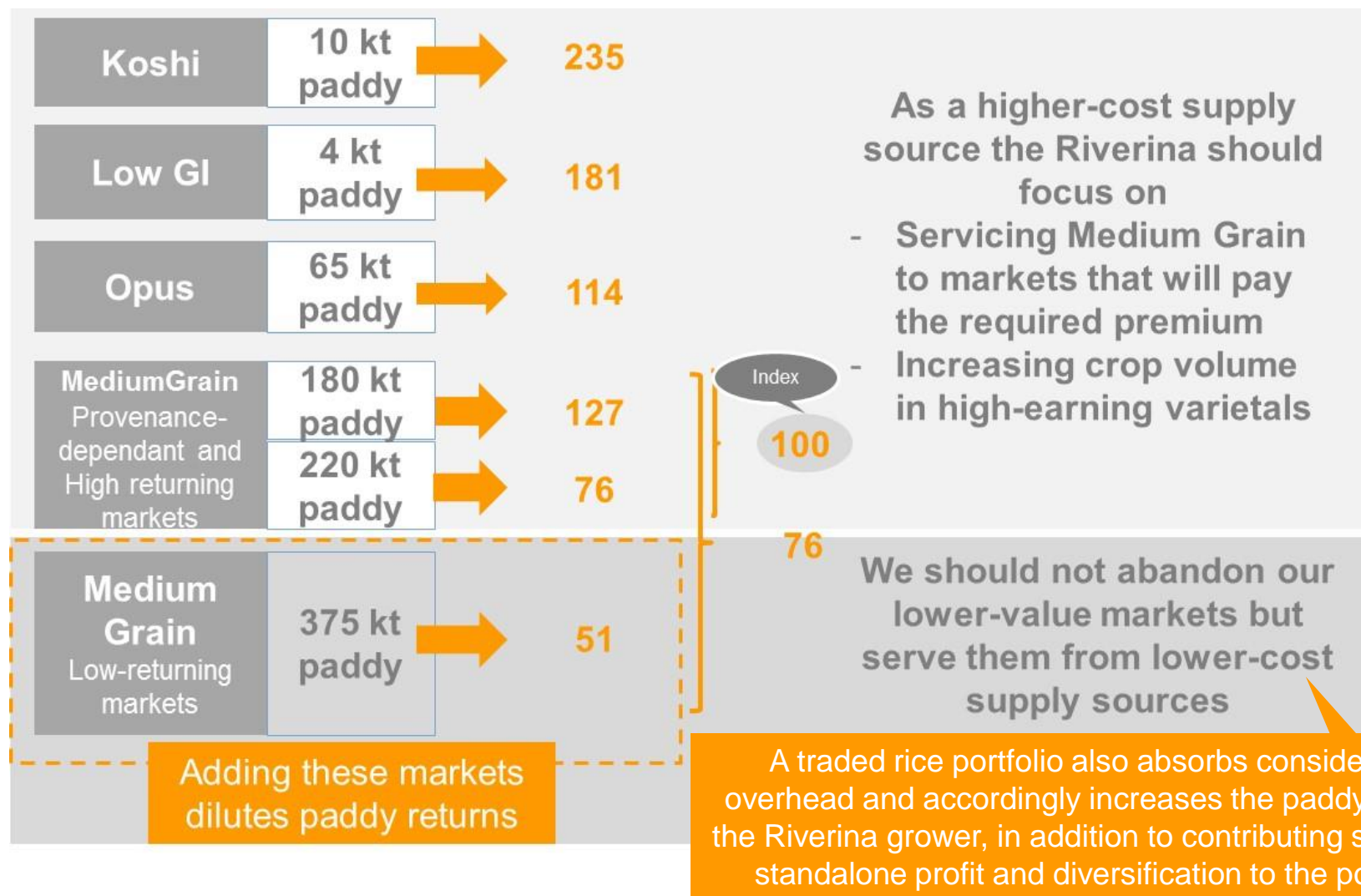


# We should only serve premium markets with premium supply sources and value markets with low-cost supply sources

## Current Paddy returns for key Riverina grains

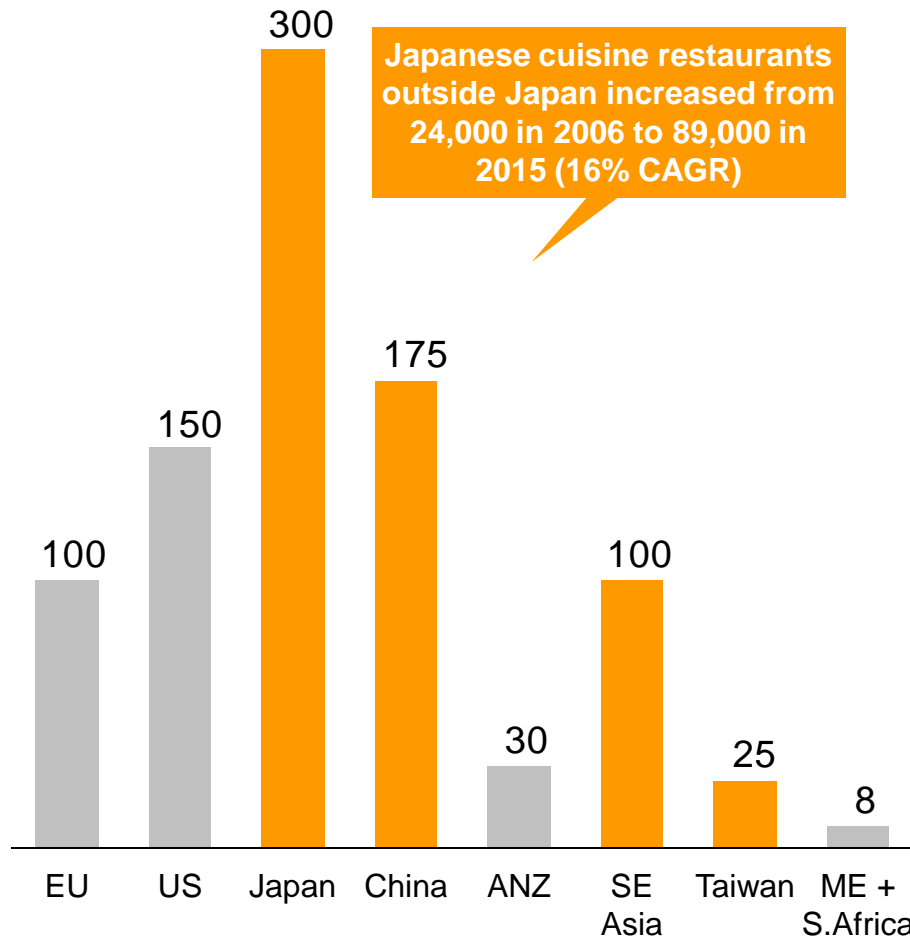
100 = Indexed at Medium Grain paddy return for high-returning markets only

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.





