

Rubicon Annual Shareholders' Meeting – 17 September 2019

Dave Knott – Chairman's address

Good morning Ladies and Gentlemen. Welcome to the Annual Meeting of Shareholders of Rubicon Limited.

My name is David Knott and I am the Chairman of the Board of Rubicon. I would like to begin by thanking you for your attendance today, both in person here at Eden Park and also via the live webcast – a first for us so we thank you for your patience in advance (should there be any hiccups!)

Before proceeding, I am pleased to advise that a quorum is present and that this Meeting is duly constituted.

The Notice of Meeting sent to shareholders four weeks ago, sets out the formal sessions of the meeting.

Let me begin today by introducing the members of your Board and Management to you:

At the far end of the table on my Right is Paul Smart. Paul joined the Board in August of last year, and is the Chair of Rubicon's Audit Committee. He also serves on the boards of Solarcity, InterCity Holdings, Mercer Group, Argus Group and Geo40.

Next to Paul is George Adams. George, a New Zealand resident, is the newest member of the Rubicon Board appointed last month, following Hugh's advice to the Company of his intention to retire this year. George was formerly the managing director of Coca-Cola Amatil NZ and the finance director of British Telecom Northern Ireland, and brings broad industry experience to the Board. He currently also serves as a director of Competenz and Tegel, is the deputy chairman of Cavalier, and the chairman of Netlogix and Mix Cosmetics.

Next to me is Andrew Baum – ArborGen's Chief Executive Officer since 2012, and also here today are Alex Brown, Rubicon's Chief Financial Officer, and Sharon Ludher-Chandra, Rubicon's Company Secretary.

Also joining us by telephone (from the US) are directors Ranjan Tandon, Tom Avery, and Ozey Horton.

I would like to take this opportunity to thank Hugh Fletcher, who formally retired from the Board last week, for his extensive contribution and commitment to the Company during his tenure with Rubicon. Hugh has invested considerable time and guidance, and intellectual rigour to support the Company and for that we are very grateful.

Turning then to our programme for today -

- ⇒ First, I will ask Andrew to update you on the considerable progress we have made over the past period.
- ⇒ I will then make some comments from the Board's perspective.
- ⇒ You will then have the opportunity to raise any questions you may have.
- ⇒ And we will then deal with the formal resolutions to be considered by this meeting.

Upon completion of the meeting we will have tea and coffee and a light snack at the far end of the room.

I will now ask Andrew to review our recent activity for you.

[Andrew Baum Talks]

DAVE

Thank you Andrew.

There are just a few things I would like to touch on before moving to your questions, and the more formal session of the day.

The first is in relation to our **investment philosophy**.

We have said that we will only invest where the upside from doing so is operationally compelling, and where the value proposition is abundantly clear.

So, for example, last year we proceeded with the Jasper nursery and seed orchard '5-year lease with an option to acquire' in Texas, which cemented ArborGen's strong foothold in that large market, as well as increased our seedling capacity by an additional 30 million units to approximately 400 million seedlings in the US. This seedling productive capacity brings us very close to the targeted production capacity in the US, so we are pleased to have put this in place under a favourable deferred purchase option structure.

A similar investment was made in 2017 with the Taylor nursery in South Carolina, which after additional capital investment, has also added roughly 30 million to our seedling capacity.

Another example of our investment philosophy is the approximate \$4 million of annual spend on developing and expanding ArborGen's pipeline of industry leading advanced genetics, including building our future supply capacity of MCP. As you know, transitioning our customers in the US from OP genetics to advanced MCP and varietal genetics is where the real earnings uplift will come from for ArborGen in the future.

And finally, the recent \$14 million acquisition of the ArborGen HQ facility (previously leased under a 20-year term lease) in South Carolina, which together with a new lease agreement for part of the building with a third party hemp manufacturer, will improve our earnings and cash flows by approximately \$1 million on an annualised basis moving forward. Ownership of the premises will also strengthen Rubicon's balance sheet over time, and open up a range of options for this property that come with outright ownership.

Now I would like to focus on my second discussion point – **MCP supply**.

The effect of Hurricane Michael last year, together with freeze damage experienced in the prior year, has unfortunately constrained our near-term MCP seed supply. That, combined with seedling losses suffered early this fiscal year during the critical nursery planting window, will result in flattish MCP sales this year. Seedling losses early in the planting season are not unusual, however the lack of MCP seedling buffer volume has limited our ability to replace lost volume with equivalent genetics. Looking ahead though, we believe with our increase in this year's MCP seed harvest, we will be able to increase MCP sales by 10-15% in the March 2021 fiscal year. Beyond this timeframe, ArborGen's MCP seed supply will grow exponentially as our large, younger and more advanced seed orchards approach their maximum seed yielding years. This is the direct result of the previously mentioned investments made in expanding our MCP orchard capacity 5-10 years ago, which will allow us to not only meet growing demand for this product, but also build a sufficient buffer of MCP seed inventory to help mitigate the effects of extreme weather events. To put this in perspective, (absent uncontrollable factors), ArborGen's MCP seed supply is projected to more than double from the current 90 million in three years' time.

Turning then to projected **Earnings**. As noted in the 2019 Annual Report, absent the extreme weather events, we would have forecast double-digit US-GAAP underlying earnings for our March 2020 fiscal year, however lower MCP seed availability required us to reduce this target. For the current 2020 fiscal year, although not giving numeric guidance today, we do want to reiterate that we continue to believe that US-GAAP underlying earnings will be higher than prior year's earnings.. And beyond the current fiscal year, we believe we will be reporting double-digit US-GAAP EBITDA, with earnings increasing each year as the MCP supply constraint is progressively released.

Finally, I would like to talk a little about **Restructuring**. As you are aware, following the restructuring and sale of Tenon's distribution and manufacturing businesses, and the 100% acquisition of ArborGen, Rubicon's sole operating business is now ArborGen. We no longer see the need for separation of these two entity activities, and consistent with our 'One Company' approach, I am happy to announce that Rubicon Limited is to be renamed **ArborGen Holdings Limited**. Our NZX ticker will be changed to **ARB** effective end of the month.

So, to recap, we believe the foundation is firmly in place for ArborGen to offer increasing value to shareholders in the future. We are committed to converting that position into demonstrable value for shareholders, and the best way to achieve this is via share price performance driven by earnings and cash generation. While current share price performance is unquestionably disappointing, we are confident that as ArborGen continues to demonstrate improved earnings and cash flows, share price growth will follow. As Chairman, and a major shareholder, I am incredibly focused on share price appreciation.

Thank you – that ends my formal comments today.

I will now open up the floor to you to ask me and my fellow directors any questions you might have.