Rubicon Annual Shareholders' Meeting – 17 September 2019

Andrew Baum - ArborGen CEO Address

Thank you David. It is a pleasure to be able to present ArborGen's status and prospects to you today. As David noted I became the CEO of ArborGen in 2012. Since that time we have evolved to become the preeminent global supplier of seedlings to the forest industry, with leading market shares in the United States, Australia/New Zealand and Brazil. We are the global leader, focused on developing and commercializing advanced genetics products that will transform forestry productivity.

As you are aware, Rubicon has also been through a period of significant change over the last few years, including the sale of Tenon's US distribution and manufacturing assets (Rubicon's single largest investment), which released the capital required for Rubicon to then acquire International Paper's and Westrock's respective interests in ArborGen in 2017. This has brought the strategic clarity that comes with a single owner focused exclusively on maximizing ArborGen's value. We have built upon that progress by moving towards a "One Company" structure streamlining the group to reduce ongoing operating costs.

So, turning now to last year's performance, ArborGen recorded US-GAAP underlying earnings of US$6.1 million[1]. This is in line with updated guidance provided to the market in January this year after confirmation from several of our customers that they were unable to re-plant certain parts of their estates due to the effects of the extreme weather experienced last year, and hence not take delivery of all of the seedlings they had initially ordered. This resulted in the write-off of a substantial number of seedlings in the US, lowering US gross margin percentage from 37.1% to the 34.8% reported, compared with 35.8% in 2018.

It is important to keep in mind though, that from a production standpoint, the 2019 season represented a record seedling production year for ArborGen as we benefitted from various yield enhancing initiatives; and the US$6.1 million[1] US-GAAP underlying earnings also included a US$1 million loss in Brazil – which is still a developing market for us.

We sold 352 million seedlings globally in the March 2019 fiscal year – 279 million in the US, 23 million in Australasia and 50 million seedlings in Brazil.

In our single largest market – the US, 247 million of the 279 million seedlings sold were loblolly seedlings, of which a record 92 million (or just over 37%) were advanced genetics (mostly MCP) seedlings. This was up nearly 25% from 73 million advanced genetics seedlings sold in the prior year, and is the key reason for the circa 40% growth in ArborGen's US-GAAP underlying earnings year-on-year.

[*Present graph of sales mix for last 3 years*]

We will continue to leverage our preeminent position in the US loblolly pine market to improve our profitability. Our focus is to extend our market leadership through:

- operational execution,
- continually validating our position as the market leader and
- differentiating ourselves from the competition,
- while driving sales and controlling costs.

We believe that we will achieve record unit sales and revenue in the current fiscal year in this core market as a result of continued market share growth, as well as higher replanting levels due to a combination of "catch-up" from previous year's delays, damage caused by Hurricane Michael to commercial plantations, and modestly improving timber prices in some markets. We are currently sold out in the US - our order book is up over 15% (volume) on last year's final sales in seedling units.

This growth has been enabled by growth in ArborGen's nursery capacity. Last year we entered into an agreement with TexMark Timber Treasury ("TTT") to lease and operate TTT's 30 million seedling nursery in Texas, with the right to acquire the properties in 2023, along with an exclusive multi-year agreement to supply TTT an estimated 15 million seedlings per annum this fiscal year. This followed the execution of a long-term lease for the 30 million unit Taylor nursery from the state of South Carolina in the prior year.

Unfortunately, prior year extreme weather events and MCP seedling losses in the nursery this year will result in relatively flat MCP sales this fiscal year, and ArborGen not being able to meet the increasing MCP demand we have generated. The prior weather events will also adversely affect our unit seed costs for the current fiscal year, so although revenue will increase substantially, gross margins in the US will be affected by these one-off costs which will inflate unit seedling COGS this year. On a positive note, much stronger earnings y-o-y in Australasia will more than offset this. I will comment on this further shortly.

Unquestionably, the most fundamental driver of ArborGen's future earnings growth is increased sales of advanced genetics seedlings in our core US loblolly market.

And in this respect, on the "supply" front, in spite of the impact of Hurricane Michael on MCP seed supply, our previous significant investments in MCP orchard expansion will allow us to overcome seed supply constraints over the next couple of years as our younger orchards mature. The chart on this slide graphically show ArborGen's future growth in MCP seed supply.

[*Include chart showing our MCP seedling supply growth – without a scale*]

On the "demand" front, our industrial customers are very aware of the increased value advanced genetics offer, and we will work to leverage that perception to drive increased conversion. Our new focus is on converting the private, non-industrial landowners, who comprise more than 50% of the total US seedling market (and currently about 55% of our sales). Our private landowner effort is underpinned by our ABCD strategy: Acquire, Build confidence, Convert, Defend. This strategy recognizes that converting private landowners to advanced genetics is a process, and the need to acquire new customers and gain market share to achieve our advanced genetics sales' targets. Investing in the human and other resources necessary to demonstrate the clear benefits of our advanced genetics products is an integral part of this program. One of the key elements of this programme that demonstrates this approach is our Treelines blog which we distribute to current and potential customers. If you are interested in seeing how we continue to differentiate ourselves as a technology leader, we have a sign-up sheet for you to begin receiving the Treelines publication.

Turning then to our other regions …

In Australasia, our leading market position and solid operational execution allowed us to achieve our financial targets in the year ending 31 March 2019.

Our commitment to staying the course over the past few years in New Zealand and Australia is now bearing fruit as we are very well positioned for substantial growth as reforestation levels in both countries are now increasing. In New Zealand a combination of increased harvesting due to the maturing of forestry estates planted in the early 1990s and the government's "One Billion Trees Program" have led to a major increase in plantings for the year ending March 2020, and we are expecting record sales there this year. The Australian market is also recovering after a downturn due to the collapse of the Management Investment Schemes and we are sold out this year with a waiting list for any production that becomes available.

As we begin planning for next year's production in New Zealand we are paying close attention to the impact of Chinese log exports on timber harvesting and as a consequence reforestation levels, but we are hopeful that the market will remain strong based on our discussions with our major customers concerning their upcoming seedling needs.

Brazil proved somewhat challenging in the year ending 31 March 2019. Our pine program remained on track as we continued to increase volume at double digit rates, meeting or exceeding our margin targets. But the eucalyptus markets were negatively affected by a combination of factors, most notably the macro-economic environment and changes in the ownership of several major forest owners leading to a reduction or cessation of reforestation activities. As a result we reported a loss of circa $1 million in Brazil in the March 2019 fiscal year.

We expect to report improved performance in the year ending 31 March 2020. In eucalyptus the overall market environment has improved as reforestation rates are again increasing and the value of our proprietary products is becoming clear as our field trials reach rotation age. We are seeing higher eucalyptus margins and unit sales as a result.

We also expect to report improved results as our pine sales continue to increase as their superior performance continues to convince customers of their value. We continue to believe that Brazil is a major opportunity for us, but will continue to calibrate our investments to the level of success we achieve in realizing that opportunity.

In summary we believe that we have never been better positioned to increase the value of the company. In the March 2020 fiscal year we expect to report record unit sales and revenue, and improved bottom line performance on a global basis, although bottom line performance will be affected somewhat by the factors I mentioned earlier (specifically, higher "non-normal" seed costs depressing margins in the United States).

We have streamlined the group structure to reduce costs and built a solid operational platform to deliver ever improving products to our customers in the world's largest seedling markets. This will allow us to continue to drive improved revenue, profits and cash flow in the years to come.

Thank you for your time today, and your continued support as shareholders.

[1] Non-GAAP information does not have a standardised meaning prescribed by GAAP, and may not be comparable to similar financial information presented by other entities. EBITDA (i.e. Earnings before Interest, Taxation, Depreciation and Amortisations) is a non-GAAP measure. 'US-GAAP underlying earnings' is a non-GAAP earnings figure. It can be reconciled to our IFRS Net Earnings figure refer to Note 30 of the Rubicon Annual Report 2019.