Overview of Sundrop Farms

Redefining sustainable greenhouse production of fresh fruits and vegetables

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Executive Summary

• **Overview:** Sundrop Farms is a pioneer in sustainable agriculture, growing high-value fruits and vegetables using renewable inputs. The Company develops, owns, and operates infrastructure-like agriculture assets globally. By taking a sustainable approach to greenhouse growing, Sundrop uses advanced technology to increase produce quality and consistency, reduce environmental impact, and create a superior business model.

• **Sundrop Approach:** Sundrop integrates solar power, electricity generation, fresh water conservation, and production, climate control, and hydroponics to enable the year-round production of premium produce at high yields with consistent quality and deliver a meaningful reduction in fossil fuel and water use through innovative use of renewable energy/low carbon technologies.

• **History:** Sundrop was set-up in 2009 to directly address industry supply constraints (water, energy, land, capital) on a triple bottom line basis, taking into account profits, planet, and people. In 2014, Sundrop signed a landmark deal to supply the Australian food retailer Coles with tomatoes under an exclusive long term contract, setting the scene for more customer-led projects. Sundrop completed its Series B round with private equity firm KKR (exact investment amount undisclosed, but US$ 100m+)

• **Business Development Strategy:** Sundrop is expanding in Australia, the USA, and Portugal and is developing greenhouses to produce cucumbers, peppers, berries, and other supply constrained fruits and vegetables.

• **Sundrop Expertise:** Sundrop has assembled a world-class team of agronomy, technology, project development, operations, and finance professionals using an analytical and professional approach to develop projects and to deliver complex developments on time, on budget, and to the need of its offtake partners.
Technology Overview

Compared to typical greenhouses, Sundrop primarily uses renewable inputs.

**Non-renewable input**
- Groundwater
- Fossil fuels
- Nutrients
- Sunlight

**Renewable input**
- Seawater / Grey water
- Nutrients
- Sunlight / Renewables
- Salt and minerals
- Freshwater

**Output**
- Fruits and Vegetables
- Rain water

TYPICAL GREENHOUSES

Sundrop
Key Benefits of the Sundrop Approach

Sundrop presents an environmentally friendly and commercially attractive alternative to traditional agriculture

Fresh water conservation: By producing, capturing (from rain), and/or recycling water there is limited if any need for mains or ground water. In Port Augusta, solar-powered desalination technology produces fresh water from the ocean that is used to grow fresh tomatoes.

Reduction in fossil-fuel use: Unlike traditional greenhouses, which rely on mains electricity, natural gas, or other fossil fuels for temperature control, Sundrop’s greenhouses use sunlight as their main power source.

Production of premium produce: Delicious fruits and vegetables can be grown year-round in high yields. Sundrop greenhouses can grow a range of products, including tomatoes, cucumbers, peppers/capsicums, herbs, leafy greens, berries, and other fruits and vegetables.

Transformation of arid land: The Sundrop System enables the transformation of land normally not deemed suitable for agriculture. The Company is particularly interested in sites with significant sunlight that are climatically dry and have relatively low humidity.

Job creation: Each hectare of a Sundrop greenhouse typically employs 10 people. This creates long-term green employment in new markets. For example, the Port Augusta facility created ~200 new ‘green’ jobs in South Australia.

Superior returns and profitability: The Sundrop System more than doubles grower profitability (as compared to conventional greenhouses) by increasing yield/quality and lowering operating costs. Furthermore, the business is not dependent on government subsidies.

Reduced volatility: Traditional greenhouse and field agriculture operations have volatile operating expenses due to fluctuating input costs (such as energy and water). Sundrop accurately forecasts yield and operating expenses to significantly smooth revenue and earnings volatility.
Port Augusta Project

A world-class 20 hectare greenhouse in Port Augusta, South Australia is now operational

- Operations in Australia began with the construction of a 0.2 hectare pilot facility opened in 2009. The pilot paved the way for the development and refinement of the technology that underpins the Sundrop approach.

- Port Augusta, Australia is not suitable for conventional agriculture but works well for the Company’s technology. Specifically, the location has significant sunlight, mild temperatures, and low relative humidity. Additionally, the site is close to an unlimited source of seawater.

- In 2014, Sundrop broke ground on a world class greenhouse in Port Augusta on the same site as the pilot facility. At a cost of ~US$ 150m, the operation comprises 20 hectares and produces premium truss tomatoes for Coles. The facility opened in early 2016. John Holland Group was the EPC contractor for the project.

- The 20 hectare Port Augusta greenhouse and solar field are shown below:

View of the greenhouses

View of the solar collection equipment adjacent to the greenhouses
Triple Bottom Line

Growing in harmony with people and planet are core to Sundrop’s ethos and provides for enhanced long-term returns

- Industry leadership with regards to restorative agriculture, going beyond sustainability, always employing innovation and farming best practices to significantly reduce or obviate reliance on fossil water or fuel
- Further environmental stewardship principles:
  - Pesticide free production
  - No GMOs
  - No irradiation
  - No biosolids

- Sundrop is an employer of choice, fostering long-term careers and training, ensuring farmworker health and safety, and offering a unique culture of shared values and success
- Promoting high-value jobs and industry in regions that would otherwise not sustain agricultural production
- Promoting human health through safe food of the highest ethical and environmental standards

- Sundrop’s success in true sustainability is predicated on making an economic return; profits fund innovation, R&D and future contributions to the planet and employees
- Looking out for revenues and costs allows us to grow delicious and natural food that is affordable
The Sundrop Model

**Large-scale, sustainable farming captures a greater share of the value chain and creates a superior business model**

**Conventional Fresh Fruit and Vegetable Supply Chain**

- **Market fragmentation**: There are few large scale growers and production is highly fragmented
- **Bargaining power**: Producers have limited control over inputs (especially energy and water) and little pricing power over output prices because of an inherently volatile business model
- **Capital constraints**: Smaller farmers lack capital and resources for consolidation and meaningful expansion
- **Lack of technology**: Limited R&D and best-in-class agricultural practices are not applied

**Sundrop**

- **Consistent supply**: Differentiation through consistent production of sustainably grown, premium quality fruits and vegetables
- **Cost profile**: Operational leverage in production due to unique technology and R&D, scale of projects, high density growing systems, global supplier relationships, and knowledge sharing across markets
- **Horticulture expertise**: Best-in-class horticultural talent and track record, allowing for greater training and development of scarce grower talent. Staff is highly focused on quality, consistency, and yield
- **Disintermediation**: By partnering directly with leading off-takers, Sundrop reduces sales and marketing expenses and builds strong relationships with the end customer – thereby erecting barriers to entry.
- **Global brand**: Sundrop aims to build customer relationships and trust through a track record for environmental stewardship and consistently delivering a high quality product
- **True Sustainability**: A triple bottom line business which adds value to our product, people, the planet and our long-term profits.