



The Rice Food Experts

## MEDIA RELEASE

4 June 2012

### **SunRice announces capital structure review**

Leading Australian branded food business, SunRice, has announced that it intends to undertake a review of its governance and capital structure to consider the objectives set during SunRice's conversion to a company, as well as the expectations of shareholders in the current commercial environment.

While the review is taking place, SunRice will not issue any new A and B Class shares; however B Class shares can still be bought and sold on the NSX. The company noted that this does not infer an external bid.

"The Board's major focus in the past year has been to address the company's debt levels and re-establish our business post-drought," said SunRice Chairman, Mr. Gerry Lawson.

"Given the progress in these areas, we think it is timely to revisit our capital structure and, in particular, the objectives that we set on our conversion to a company in 2005.

"This announcement does not signal an external bid. We have neither received nor are we soliciting bids as part of this process. It is simply part of a broader review into SunRice's capital structure and whether the company is well positioned for the future and meeting the needs of our shareholders.

"We expect this process could take considerable time as we intend to consult extensively with shareholders to consider whether change is desirable."

Mr. Lawson, SunRice CEO Mr. Rob Gordon and Directors are attending the RGA's Branch Meetings this week to introduce the capital structure review and the company's 2011/12 business performance – which is expected to deliver a strong profit result, allowing:

- An improved overall paddy price for the 2011/12 Crop expected to be above \$250 per tonne;
- Retentions to further address the company's debt; and
- Accordingly, an improvement in SunRice's gearing ratio, which is anticipated to drop below the Board's 2009 target of 70%, subject to the financial year end audit.

SunRice CEO Rob Gordon said the company had experienced a strong 12 months and "there is now a clear opportunity ahead of us to build shareholder value, including an increased paddy price, via growing our business and strategic investment."

Mr. Gordon said while meeting SunRice's 70% gearing target reduces the company's dependence on short term debt, the ratio was still too high in the current economic environment and did not provide capacity to fund business growth and capital investment.

"My mandate from the Board is to identify the next phase of development in the SunRice business. Significant work is already underway and with the return of good supply conditions, we need to focus on realising the opportunities that will position SunRice well for the future and create wealth for all shareholders. Part of this journey is reducing our gearing further," he said.

At the RGA meetings, SunRice will present its anticipated gearing position and the factors that the company's 2011/12 balance sheet were expected to benefit from. These include a stronger than anticipated performance across the group; reductions in working capital (including reduced inventory holdings); lower capital expenditure vs. depreciation; and the weaker A\$ at year end, which improved the group's overall equity value from overseas entities. However the company noted that working capital may fluctuate due to operational reasons and that it was likely to spend an increased amount over the next four years to keep its asset base competitive.

"We have benefited from a range of factors over the past 12 months, including the opportunity to sell into international tender markets early and at good prices. We have also experienced a rapid reestablishment of international market share post drought, which has surpassed all expectations," said Mr. Gordon.

"We look forward to sharing these highlights and the company's full financial results in more detail at the SunRice Annual General Meeting in Jerilderie on 24 August 2012."

*Note – SunRice Chairman Gerry Lawson and CEO Rob Gordon will be available for interview from Monday, 4 June – Thursday, 7 June 2012 inclusive.*

**Media inquiries:**

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**About SunRice**

Ricegrowers Limited, trading as SunRice, is Australia's leading branded rice food company, with products marketed in close to 60 countries around the globe. SunRice has annual sales of approximately AUD800 million. Information – [www.sunrice.com.au](http://www.sunrice.com.au)

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