

# 2012 SunRice Annual General Meeting Capital Structure Review

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24 August 2012



The Rice Food Experts

# Objectives on our conversion to a company

- Provide security with regard to the paddy price;
- Maintain co-operative principles by aligning production, ownership and control;
- Provide a permanent capital base;
- Enable growers who were retiring from rice growing to retain an ongoing financial interest; and
- Provide the ability to trade B Class shares at a fair value.

# Changing SunRice ownership

- A Class shareholders are not necessarily commercial growers.
- It appears some shareholders may be acquiring a large stake in the company by obtaining B Class shares at a discounted value.
- It appears some shareholders may be positioning themselves with multiple A Class Shares in anticipation of a future control premium.
- Increasingly, growers are choosing not to have an A Share or minimal or no B Shares, while still enjoying access to our brands and premium markets.

# Other issues for consideration

- B Class shares are heavily restricted – ownership, voting and maximum holdings - which results in illiquidity and the price not reflecting the underlying value.
- SunRice has limited capacity to raise capital to reduce debt and invest in the business.
- While retiring growers have been able to retain an ongoing financial interest, B Class shares may not be transferred to estate beneficiaries.

# What are we trying to achieve?

- The review will focus on four fundamental deliverables:
  - Maintaining a secure supply of Australian rice at a competitive price, while providing greater transparency around paddy pricing.
  - Achieving a realistic market value for B Class Shares.
  - Ensuring financial capacity and access to capital to enable the company to grow and ensure it is well positioned for the future.
  - Preserving the voting rights of current shareholders to control the outcome in the event of a future ownership bid.

# The Review's Terms of Reference

- Board Committees have been established to consider:
  - Share structure;
  - Board structure; and
  - Grower services and paddy procurement.
- While the review is underway:
  - New shares will not be issued - A or B Class.
  - B Class shares can still be bought and sold on the NSX.

# Share Structure Review

- The share structure review will seek to balance our four fundamental objectives, while considering:
  - A Class shareholder aspirations and issues;
  - B Class shareholder aspirations and issues, across the grower, employee and investor-shareholder base; and
  - The short, medium and long term needs of SunRice as a strong, sustainable Australian-owned company.

# Board Structure Review

- The review will consider the preferred Board structure going forward to underpin SunRice's growth, including:
  - The number of Directors;
  - The mix of grower and business-based/finance skills; and
  - Directors' duties and fees.



# Grower Services and Paddy Procurement Charter

- A formal charter will be developed that provides increased transparency to ensure:
  - Certainty for growers and investors that they are being treated fairly.
  - The procurement of Australian rice.
- A range of elements will be considered, including:
  - A price setting mechanism, payment structures and timings.
  - Commitments to harvest management and storage; crop planning and receival; market requirements and varietal planning; research and development; pure seed scheme; and RGA and industry support.

# Consultation

- The Board will consult widely and any proposed changes will be guided and shaped by your input, before being considered by shareholders.
- All shareholders will be provided with opportunities to contribute and give feedback, starting in the coming months.
- Updates will be provided and it is anticipated that the process could take up to 12 months.
- The Board urges you to be involved.

# Conclusion

- SunRice has great potential and with full production, now is the time to come together and position our company strongly for the future.
- This is an opportunity for shareholders to:
  - Consider the issues that face SunRice today; and
  - Have a say in the future of the company.
- We encourage you to participate and welcome your input.

Questions



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