



14 March 2017

**Note 8**

## Summary and Next Steps

This is the last of my information notes to you ahead of the shed meetings in the week commencing 20 March. In it I will attempt to summarise in short form the elements of the plan that we believe can take Mackay Sugar forward. Mackay Sugar needs \$140m immediately for debt reduction and capital expenditure. There is no spare cash flow or debt capacity and we are unlikely to be able to trade out of our predicament. Our most important consideration is that external equity is not likely and may mean a loss of control of the business.

In light of this capital will come from:

- sale of cogeneration;
- cost reductions/revenue enhancements in Operations, Cane Supply and Admin; and
- a \$2 per tonne levy contribution from growers/shareholders for asset improvement.

The clear message from Kidder Williams that has been accepted by the Board and management is that wholesale changes are needed across the business to get grower/shareholder support for the plan... but also banks and investors. These changes can be grouped across four elements of our business.

In terms of **corporate governance** Kidder Williams state that there needs to be significant changes to Board composition. This must be accompanied by a clear, aligned strategy that delivers a sustainable future for the growers and the milling business. Kidder Williams also recommend that Mackay Sugar should ensure it has better control of Queensland Commodity Services and that we pursue greatly improved communications with our grower/shareholders.

The next area for change is in **management** with structural adjustments to ensure a best fit with our goals and changing needs and size of the business. We need to reduce costs across administration and operations, we need to place a greater emphasis on succession planning and training and recognise there is room for improvement in the culture of Mackay Sugar and the morale of our people.

The changes in our **supply chain** need to provide incentives to grow crop size and the most powerful of these will be a significant improvement in factory performance leading to enhanced grower confidence. We must also continue to address inefficiencies in our supply chain particularly in cane supply and transport.

Kidder Williams also made recommendations relative to Mackay Sugar's **corporate structure** that will require further consideration of our capacity to attract and accommodate investment shareholders and increasing our options for capital raising. Of course one of the thorny matters to be considered in this will be the voting rights of dry shareholders.

I look forward to discussing our plan with you at the shed meetings. I want to end this series of information notes with these words from Andrew Cappello at the 23 February meeting.

*“We are at a very significant point in time, in the history of Mackay Sugar. We will be presenting a plan for you tonight, that if supported will determine the future of this company. The plan we are presenting demonstrates how we can achieve this. The question for you is: **what is this Company worth to you and do you have the appetite to retain it?**”*

**Kind Regards**



**Jason Lowry**  
**Chief Executive Officer**