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ASX: SM1

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## Synlait's two year recovery, now three years; guidance updated

Synlait Milk Limited (Synlait) has released a full year 2023 (FY23) net profit after tax (NPAT) guidance range of \$15 million to \$25 million.

Synlait previously communicated it would provide an FY23 NPAT guidance range at the company's half year result on Monday 27 March 2023. Synlait is updating shareholders sooner on its expected FY23 performance because it is outside market consensus.

Synlait CEO Grant Watson commented: "It has become increasingly clear that our two year recovery plan will now take three years. While underlying momentum is lifting, our full financial recovery will take longer than planned."

"Key drivers of the guidance range include a reduction or delay in advanced nutrition demand, operational and SAP stability challenges and an increasing cost base. This is on top of inflationary and interest rate pressures."

The key drivers of this FY23 guidance range are as follows:

- Advanced Nutrition forecast demand and production has been reduced or delayed following forecast changes by Synlait's largest customer during HY23 and more recently by other customers.
- Operational stability and cost challenges are evident across Synlait, including a reduction in milk processed, raw material supply challenges, CO2 shortages, an extremely tight labour market, extreme weather events, and high inflationary costs pressures.
- SAP stabilisation challenges. As signalled in December, implementing and stabilising SAP significantly impacted Synlait's ability to release and ship products to customers in Q1 FY23. The flow-on effects resulted in higher inventory levels and costs, including interest costs.

The performance of Synlait's Ingredients and Consumer businesses remains strong. Commercial UHT cream sales commenced as planned in the Foodservice business, and market feedback is positive.

Mr Watson commented: "The focus of our leadership team remains on stabilising Synlait to ensure we have strong foundations to deliver sustainable and diversified growth across our customers, channels, categories, and geographies."

Synlait will release a complete FY23 guidance statement at its half year result on Monday 27 March 2023.

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