



NZX: SML

ASX: SM1

25 June 2024

Notice of Special Shareholders' Meeting

Synlait Milk Limited's (Synlait) Special Shareholders' Meeting will be held on Thursday 11 July 2024 at 2.00pm, in person at Synlait's Dunsandel facility, located at 1028 Heselton Road, RD13 Rakaia, Canterbury, New Zealand, and online at: www.meetnow.global/nz

The meeting is to vote on the resolution to approve the proposed entry into a \$130 million shareholder loan to be made available to Synlait by Bright Dairy International Investment Limited, a related company of Bright Dairy Holding Limited, Synlait's 39.01% shareholder. If the resolution is approved, Synlait will fully draw down the loan to meet the \$130 million payment due to its banks on 15 July 2024.

Importance of the resolution to Synlait's future

Synlait will only be able to meet its \$130 million payment obligation to its banks on 15 July 2024 if the resolution is approved by shareholders other than Bright Dairy by way of an ordinary resolution. An ordinary resolution is a resolution that is approved by a simple majority of the votes of those shareholders entitled to vote and voting on the question.

If the \$130 million payment is not made and the banks do not agree to alternative arrangements, the Board believes Synlait will need to cease trading or initiate a formal insolvency process.

Recommendation of Independent Directors

The Independent Directors of Synlait unanimously recommend that shareholders vote in favour of the resolution.

Voting intentions of major shareholders

Bright Dairy cannot vote in favour of the resolution; as such, the Directors appointed by Bright Dairy have abstained from making a recommendation.

Whilst as at the date of the notice of meeting Synlait and The a2 Milk Company Limited have engaged in discussions, The a2 Milk Company Limited has not determined how it will vote on the resolution. If Synlait is advised of a change of status of The a2 Milk Company Limited's voting intentions, it will update shareholders by way of market announcement.

The deadline for returning proxy votes is 2.00pm on Tuesday 9 July.

Independent appraisal report

In accordance with the NZX Listing Rules, the Board commissioned an independent appraisal report for shareholders to support their consideration of the resolution. Shareholders should read the report prepared by Northington Partners in full alongside the notice of meeting. Both documents (released with this announcement) contain important information that should be carefully considered before voting. Overall, the independent appraisal report concluded that the terms and conditions of the shareholder loan are fair to Synlait shareholders not associated with Bright Dairy.



Banking facilities update

Included within the Notice of Meeting is an update on Synlait's existing banking facilities.

As announced on 2 April 2024 at the half year result, the banks agreed to short-term covenant relaxation in the company's existing facility to provide time to reduce debt. Since that date, Synlait has requested waivers in respect of its leverage ratios and interest coverage ratio, and a deferral of the maturity/limit step downs of relevant facilities through to the end of July 2024.

The banks' agent has confirmed that each of the banks have received credit approval to the covenant waivers and the deferral of the relevant maturity/limit step downs in June and July until such time that Synlait's planned equity capital raising is completed. The approval is subject to the addition of a covenant to achieve minimum adjusted EBITDA for FY24 of \$45 million.

Synlait and the banks are in the process of negotiating the documentation for these waivers and satisfying any applicable conditions. Further information can be found in the Notice of Meeting.

Synlait Chair George Adams commented: "Synlait is now progressing at pace a series of structural initiatives to address the scale of challenges we face today."

"We are committed to resetting Synlait's balance sheet, with the support of Bright Dairy, to ensure we return to a position where we can deliver the growth potential we see in our core Advanced Nutrition and Foodservice businesses."

"The Board and management have spent considerable time aligning on Synlait's business recovery plan for this financial year and next, focusing on reducing debt, accelerating volume growth, and optimising cost and operational performance. We are committed to delivering on this for the benefit of all our stakeholders – customers, farmers, shareholders, staff, and suppliers."

On behalf of Bright Dairy Appointed Directors, Director Julia Zhu commented: "In line with Bright's long-term support of the New Zealand agriculture sector, in particular, Synlait's business, its farmers, staff, and all shareholders – this \$130 million shareholder loan facility is one part of Bright's wider support to see Synlait return to a much stronger financial and operating position, as early as practicable in this economic cycle."

"We are deeply committed to Synlait, believing its assets and operations to offer significant value and opportunity within regional and global dairy markets. Notwithstanding Synlait's short-term challenges, we see a pathway to growth and future value, and we will continue to work closely with the Board and management team to do what we can to help with the company's turnaround plan."

"Bright Dairy fully supports Synlait raising equity capital, subject to finalised terms and all necessary approvals being received, to more substantially reset the company's equity and debt position to provide a platform to return to sustainable growth for Synlait's farmers and all shareholders."

The Synlait Board, management, and its advisers are continuing to progress the structure, terms and conditions of a proposed equity raising and will further update shareholders by the end of August, possibly earlier, by market announcement.

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