Synlait

HALF YEAR RESULTS INVESTOR PRESENTATION

For the six months ended
31 January 2023

KEY TAKEAWAYS FROM TODAY

1 Two year recovery, now three years

While underlying momentum is lifting, Synlait's full financial recovery will take longer than planned.

2 Operational stability and cost challenges have impacted performance

A range of economic and climatic factors have impacted the stability of Synlait's daily operations.

3 Re-registration for China market access continues to progress

On track for re-registration and commencement of production in Q4 FY 23.

4 Business unit diversification builds

Strong performance of Consumer and Ingredients business units demonstrates momentum is building to diversify Synlait's channels, categories, and geographies. Commercial UHT cream sales commenced in China in the Foodservice business.

5 Executive Leadership Team transformation well progressed

Significant lift in capability, culture and accountability.

FINANCIAL PERFORMANCE

Robert Stowell
Chief Financial Officer

RESULTS AT A GLANCE

$769.8M ▽ 3%
REPORTED REVENUE

$4.8M ▽ $23.1M
NPAT

→ **$8.9M** ▽ $6.8M
ADJUSTED NPAT[1]

$51.5M ▽ $16.9M
EBITDA

→ **$55.0M** ▽ $3.1M
ADJUSTED EBITDA[1]

$8.50kgMS ▽ 11%
FORECAST BASE MILK PRICE FOR 2022/2023 SEASON

($124.7M) ▽ $241.9M
OPERATING CASH FLOW

$33.5M ▽ 27%
CAPITAL EXPENDITURE[2]

$518.6M ▲ 32%
NET DEBT

$81.7M ▲ 18%
REPORTED GROSS PROFIT

All comparisons are to H1 22:
[1] Refer to slide 5 for reconciliation of adjusted NPAT and EBITDA.
[2] Based on cash outflow.

SYNLAIT'S H1 23 RESULT

Delayed sales, one-off costs due to stabilisation challenges associated with the new SAP enterprise resource planning system (ERP), headcount increases in anticipation of an Advanced Nutrition demand lift, and cost pressures significantly impacted performance.

Ingredients

- Overall margin ($2.2m) adverse to H1 22.
- Volume impact: ($16.8m) adverse. Sales volumes 34,794 MT (48%) lower due to ERP challenges and H1 22 benefitting from high carry over of ingredients from FY 21.
- Margin impact: $14.6m favourable driven by SMP/AMF lead bucket performance, offset by a return to normal foreign exchange performance and increased manufacturing overhead recoveries.

Advanced Nutrition

- Overall margin ($1.3m) adverse to H1 22.
- Volume impact: $7.2m favourable. 3,643 MT more infant nutrition sales offset by 1.7 MT less lactoferrin sales.
- Margin impact: ($8.5m) adverse. Driven by timing impact of lag pricing mechanism, increased manufacturing overheads, and adverse foreign exchange vs H1 22. Partially offset by higher base powder manufacture and strong lactoferrin pricing.

Consumer (Beverages & Cream and Dairyworks)

- Overall margin $9.4m positive to H1 22.
- Volume impact: ($0.5m) adverse. 2,162 MT reduction in sales volumes due to reduced butter volumes.
- Margin impact: $9.9m favourable. Beverages benefited from pricing lag and lower overhead recoveries. Dairyworks benefited from increased market share, closure of the Temuka plant, and coolstore benefits.

Foodservice (UHT Cream)

- Margin impact H1 23 ($0.3m) driven by small sales volumes. Good outlook with strong demand signals.

Milk trading

- Margin $3.8m favourable to H1 22 due to milk and cream sales which allowed alignment of product mix to SMP/AMF lead bucket.

SG&A expenses

- $11.6m increase in H1 23 vs H1 22 with material drivers being increases in employee costs, travel, consultancy, and general inflation.

Recurring ERP costs

- Annual recurring ERP costs (including depreciation) are expected to be approximately $10.4m with $5.0m incurred in H1 23.

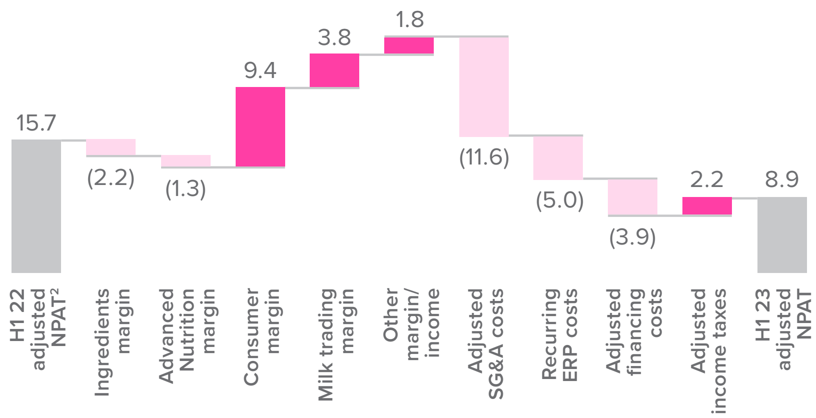
Financing costs

- $3.9m increase in adjusted financing costs due primarily to rising interest rates.

[1] These items have been excluded as they do not reflect future operating expenses or revenue and will be inconsistent in amounts and frequency, making it difficult to contribute to a meaningful evaluation of our operating performance.

[2] H1 22 adjusted NPAT has been restated to include one-off ERP implementation costs for consistency with H1 23 adjustments This has resulted in H1 22 adjusted NPAT increasing to $15.7m from $14.5m.

Adjusted NPAT movement ($ millions)



Reconciliation of reported to adjusted NPAT ($ millions)

	H1 23	H1 22[2]
Reported NPAT	4.8	27.9
Items affecting comparability[1]		
One off costs relating to implementation of ERP	5.9	1.6
Gain on ineffective hedges	(1.0)	-
Gain on sale of New Zealand Units (NZUs)	(1.4)	-
Gain on sale and lease back	-	(11.9)
Interest costs attributable to ERP implementation	2.2	-
Tax impact of above items	(1.6)	(1.9)
Total NPAT adjustment	4.1	(12.2)
Adjusted NPAT	8.9	15.7
Reported EBITDA	51.5	68.4
Adjusted EBITDA	55.0	58.1

REVENUE AND SALES VOLUMES

Total reported revenue was down 3% ($20.8m), driven by lower Ingredients sales volumes (down 48%) due to product release delays caused by ERP implementation challenges and higher FY 21 carry-over inventory in H1 22. Higher Advanced Nutrition sales volumes (up 26%) offset this.

Ingredients

Revenue down 41% (H1 23 $252m, H1 22: $424m) driven by:

- Reduction in sales volumes of 48% (34,794 MT) due to ERP stabilisation challenges. Shipment rates returned to normal levels by the end of Q2 FY 23 and should be caught up by end of FY 23.
- Sales volumes mainly comprised of SMP/AMF (H1 23: 90% vs H1 22: 49%) which was the lead bucket. This significantly outperformed WMP and reduced the impact of lower sales volumes.
- Effective pricing was stable.
- Prior year volumes were also higher (~13,000 MT) due to the sell-down of carry-over inventory from COVID-19 related delays in FY 21.

Advanced Nutrition

Revenue increase of 32% (H1 23 $231m, H1 22: $175m driven by:

- Higher sales of consumer-packaged infant formula to The a2 Milk Company up 26% (3,643 MT).
- Strong and stable volumes and pricing in the Lactoferrin business. Volumes down slightly (1.7 MT) due to increased internal consumption, however the volume decrease was offset by pricing gains.

Consumer

Sales revenue up 10% (H1 23 $164m, H1 22: $149m) driven by:

- Higher milk prices passed through to customers compared to H1 22.
- Offset by 7% lower volumes (H1 23: 28,238 MT, H1 22: 30,400 MT) due to lower butter sales.

Foodservice

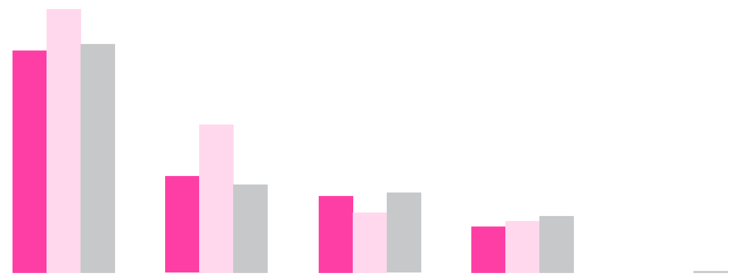
First sales of 218 MT ($1m) made in China for the JOYHANA branded UHT cream, market feedback is positive.

Other amounts not allocated to core business units

Sales of raw milk and cream increased significantly on H1 22:

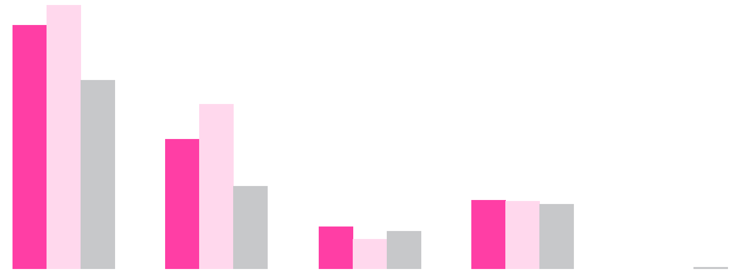
- This is due to maximising the SMP/AMF bucket over WMP and production of infant base powder being pushed into high milk flow months due to raw material shortages and plant stability challenges in H1 23.
- Raw milk and cream sales comprise most of the $122m differential between total reported revenue and total business unit revenue.

Sales revenue ($ millions)



	Total*	Ingredients	Advanced Nutrition	Consumer	Foodservice
H1 21	630	275	224	131	-
H1 22	748	424	175	149	-
H1 23	648	252	231	164	1

Sales volume (MT)



	Total*	Ingredients	Advanced Nutrition	Consumer	Foodservice
H1 21	106,920	56,971	19,679	30,270	-
H1 22	116,202	72,028	13,774	30,400	-
H1 23	83,105	37,234	17,415	28,238	218

* Excludes amounts not attributable to core business units.

PRODUCTION AND CLOSING INVENTORY VOLUMES

Production volumes decreased 5% (6,527 MT) primarily due to increased Advanced Nutrition base powder displacing Ingredients production. Closing finished goods and work-in-process inventories increased 26% due to Ingredient product release delays and the build in Advanced Nutrition base powders.

Ingredients

Production volumes down 18% (H1 23 71,882 MT, H1 22: 87,812 MT) driven by:

- Advanced nutrition base powder production up 74% displacing ingredients production.
- Reduction in milk processed of 1.6% (H1 23: 48.6m kgMS, H1 22: 49.4m kgMS) due to optimisation of the SMP/AMF lead bucket.

Closing inventory up 22% (H1 23: 42,368 MT, H1 22: 34,656 MT) due to ERP implementation challenges constraining logistics and sales. On track to achieve normal levels by end of FY 23.

Advanced Nutrition

Production volumes up 110% (H1 23 17,795 MT, H1 22: 8,475 MT) driven by:

- Base powder production up 74% driven by higher infant formula sales and build in China label inventories in advance of SAMR re-registration.
- CO_2 shortages resulted in ~1,100 MT decrease against planned production.
- Lactoferrin down 1 MT (H1 23: 16 MT, H1 22: 17 MT) due to product mix change.

Inventory build for The a2 Milk Company resulted in higher closing inventory, up 45% (H1 23: 10,545 MT, H1 22: 7,259 MT).

Consumer

Production volumes consistent with prior period (H1 23: 26,551 MT, H1 22: 26,796 MT):

- Overall production flat. No further production at the Temuka cheese plant since last year.

Foodservice

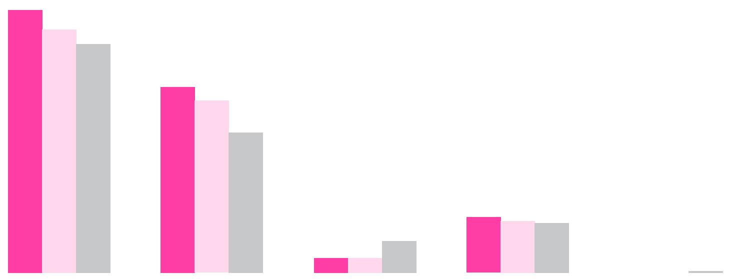
- 328 MT of UHT whipping cream produced for China market, with 202 MT on hand at 31 January 2023.

Raw materials inventory

Raw materials inventories increased significantly at 62% (H1 23: $133.8m, H1 22: $82.4m) driven by:

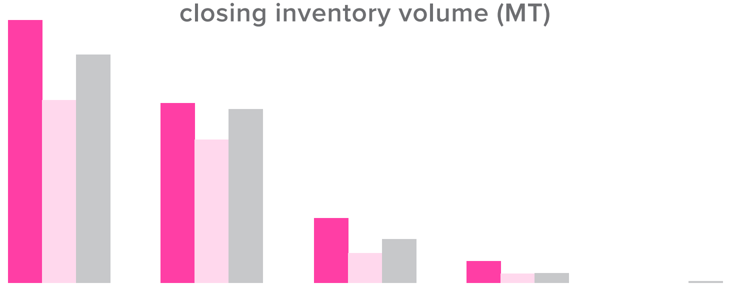
- Higher costs driven by global inflation.
- Higher planned Advanced Nutrition base powder production for H2 23.
- Increased safety stocks to de-risk stockouts and higher balance of bulk cheeses at Dairyworks due to earlier phasing of maturation cheese replenishment.

Production volume (MT)



	Total*	Ingredients	Advanced Nutrition	Consumer	Foodservice
H1 21	133,435	95,151	9,188	29,096	-
H1 22	123,083	87,812	8,475	26,796	-
H1 23	116,556	71,882	17,795	26,551	328

Finished goods and work-in-process closing inventory volume (MT)



	Total*	Ingredients	Advanced Nutrition	Consumer**	Foodservice
H1 21	64,198	43,241	15,378	5,579	-
H1 22	44,303	34,656	7,259	2,388	-
H1 23	55,670	42,368	10,545	2,555	202

* Excludes amounts not attributable to core business units.

**Amounts have been restated to exclude raw materials (bulk cheeses awaiting aging or further processing).

GROSS MARGIN PERFORMANCE

Reported gross margin increased 18% ($12.6m) due to the Consumer business unit's strong performance and the favourable impact of raw milk and cream sales. Overall performance fell short of expectations due to ERP implementation and operational stability challenges and cost pressures.

Ingredients

Decrease in gross profit performance of 6% or $2.2m (H1 23: $32.5m, H1 22 $34.7m) driven by:

- Reduction in sales volumes of 48% due to ERP challenges and less carry over inventory from prior year compared to H1 22. Sales expected to recover in H2.
- Gross margin on a per MT basis increased 81% (H1 23: $873/MT, H1 22 $482/MT). This is due to excellent alignment to the SMP/AMF lead bucket.

Advanced Nutrition

Decrease in gross profit performance of 4% (H1 23: $26.2m, H1 22 $27.4m) driven by:

- Higher sales volumes of infant formula to The a2 Milk Company and higher production of base powders driving higher recoveries of costs.
- Gross margin per MT decreased 25% (H1 23: $1,504/MT, H1 22: $1,993/MT). This is due to lag pricing mechanisms which are unfavourable in periods of high inflation, the delay in commercial production for the new multinational customer, and non-recourse cost pressures compared to H1 22.

Consumer

Increase in overall gross profit performance of 121% (H1 23: $17.2m, H1 22 $7.8m) driven by:

- No further sales of high-cost cheeses manufactured at Temuka. Plant closure also reduced operational costs.
- Dairyworks cool store commissioned in H2 22 contributed $0.9m in reductions in handling costs.
- Also benefited from pricing lag and lower manufacturing overhead recovery rates.

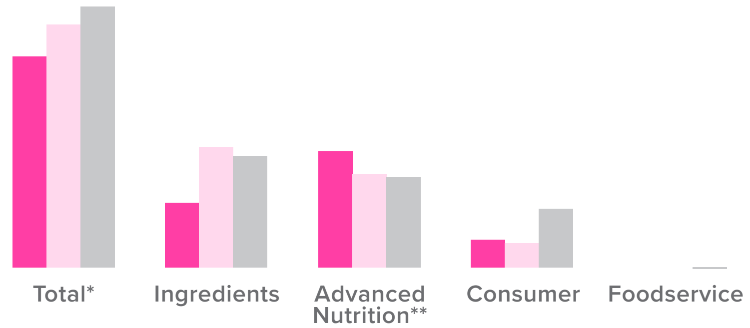
Foodservice

Gross profit loss of ($0.3m) as initial sales made into China. Margin attainment is expected to improve as volumes increase.

Other margin

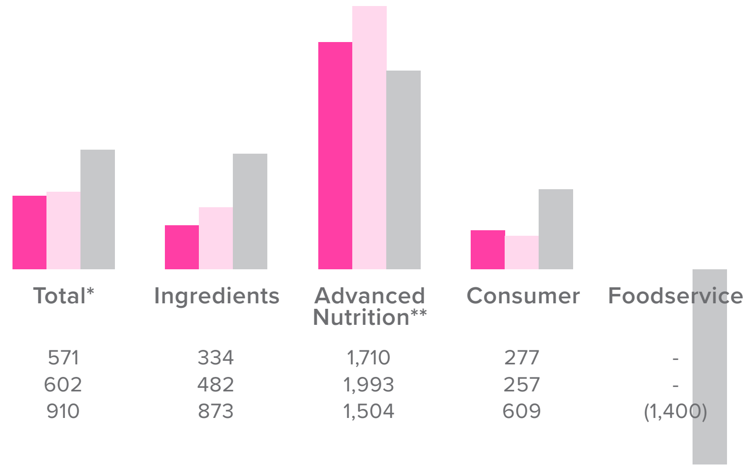
$6.1m difference between reported gross margin of $81.7m and business unit gross margin of $75.6m is primarily margin from fixed price raw milk and cream sales, Synlait farms, and other recoveries.

Gross profit ($ millions)



	Total*	Ingredients	Advanced Nutrition**	Consumer	Foodservice
H1 21	61.0	19.0	33.6	8.4	-
H1 22	69.9	34.7	27.4	7.8	-
H1 23	75.6	32.5	26.2	17.2	(0.3)

Gross profit ($/MT)



	Total*	Ingredients	Advanced Nutrition**	Consumer	Foodservice
H1 21	571	334	1,710	277	-
H1 22	602	482	1,993	257	-
H1 23	910	873	1,504	609	(1,400)

* Excludes amounts not attributable to core business units.

**Amounts have been restated to exclude milk costs relating to raw milk and cream sales.

SG&A & MANUFACTURING COSTS

Increase driven by higher employee costs, ERP recurring and one-off costs and general cost pressures due to inflation. In summary, SG&A and manufacturing costs have increased $20.8m and $16.4m, respectively, compared to H1 22.

SG&A costs

Increases compared to H1 22 include:

- Employee costs up $6.5m due to inflationary wage increases, additional FTEs to support anticipated Advanced Nutrition demand, ELT structure changes, less capitalised labour, and higher rates of illness (COVID-19) covered by extra overtime and temporary staff. Synlait also invested significantly in health & safety.
- Recurring ERP costs ($5.0m) include depreciation ($3.0m) and ongoing service and support costs ($2.0m).
- Additional one-off ERP cost ($4.2m) incurred during stabilisation phases. A further $2.0m expected to be incurred in H2 23.
- Travel up $1.4m as Synlait Pokeno's multinational customer nears go-live and reopening of borders following COVID-19.
- Consultancy increased by $1.1m relating to strategic customer insights, sustainability projects, research and development, and business and supply chain process improvements.
- Distribution costs, up $1.0m, driven by higher demurrage costs due to disruption caused during the go-live of the new ERP system.
- Increase in other costs of $1.6m, due to the impact of inflation and immaterial line-item reclassifications.

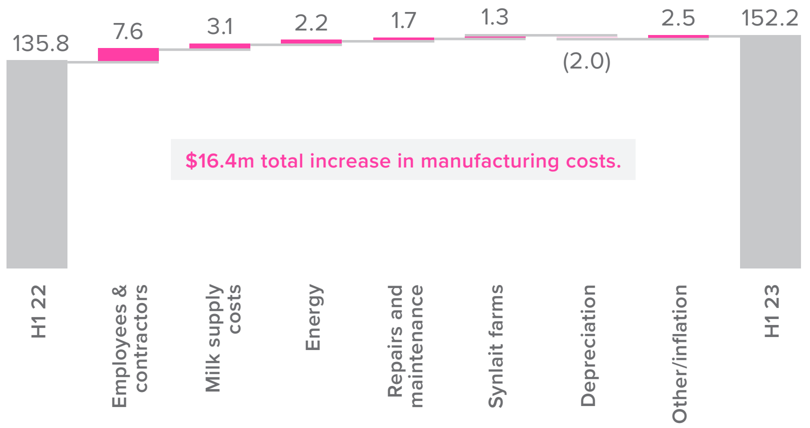
Manufacturing costs

Increases compared to H1 22 include:

- Employee costs (including independent contractors) up $7.6m, driven by:
  - An additional 3 blending and canning shifts at the Dunsandel and Auckland facilities.
  - Increased staffing levels of ~100 staff in anticipation of commencement of production for the new multinational customer.
  - Higher-than-normal wage increases in H2 22 due to inflation. Also more overtime and less capitalised labour.
- Milk supply costs up $3.1m due to significantly higher fuel prices and incentives paid to suppliers.
- Energy costs up $2.2m due to higher coal and energy prices.
- Repairs and maintenance up $1.7m due to unplanned maintenance, a tight labour market, and inflation.
- Synlait farms costs up $1.3m due to the farms not being operational in H1 22.
- Depreciation savings driven by write-down of Temuka plant, reclassifications of certain assets to SG&A, and certain assets becoming fully depreciated in late FY 22.

SG&A cost movement ($ millions)

Manufacturing cost movement ($ millions)



CASH FLOW AND NET DEBT

Net debt ended 52% ($176.7m) higher than FY 22 due to lower operating cash flows from delayed sales and higher operating costs.

Operating cash flows

Operating cash flows decreased by $241.9m (H1 23: -$124.7m, H1 22: +$117.2m) driven by:

- Ingredients shipments and invoicing delayed by ERP challenges.
- Increased acquisition of raw materials to reduce disruption risk and support higher Advanced Nutrition base powders production in H2.
- Employee and other operating cost increases over the comparative period. See slide 9 for more detail.
- Increase in milk supplier advance payments compared to H1 22 to help support farmer suppliers.

Capital expenditure (CAPEX)

CAPEX down 27% (H1 23: $33.5m, H1 22: $46.0m) due to:

- Substantial completion of the ERP project with $2.6m capitalised to WIP in H1 23 (H1 22: $29.6m).
- Reduced spend on Synlait Pokeno upgrade as commissioning nears with $9.8m capitalised to WIP in H1 23 (H1 22: $43.0m).
- Less operational CAPEX. Total spend in H1 23 was $17.6m (H1 22: $18.3m).
- The balance of cash spend comprises mainly creditors and accruals as at 31 July 2022.

Financing costs

Higher interest costs increased net debt by $18.9m. This is up $6.0m on H1 22 due to:

- Higher debt due to high finished goods inventory levels due to ERP challenges. Total attributable interest was $2.2m.
- Increase in interest rates impact ~$3.8m.

Financing cash flows and net debt

- Net debt up $176.7m or 52% (H1 23: $518.6m, FY 22: $341.9m) as a result of negative operating cash flows.
- Synlait is now targeting a net debt to EBITDA ratio of 3.0x to 3.5x in FY 23.

Banking facilities

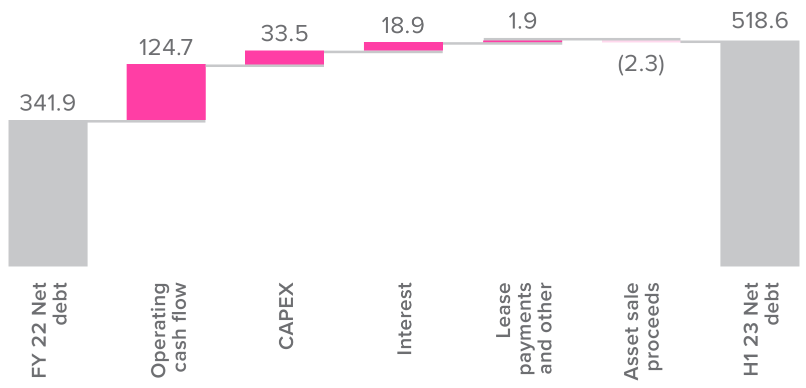
Synlait met all banking covenant requirements in H1 23 and is confident it will meet all banking covenant requirements in H2 23 and beyond.

Refer to slide 24 in the appendix of this presentation for further info on banking facilities.

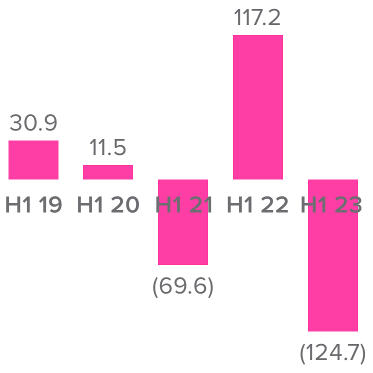
Capital strategy review

Synlait is currently undertaking a review of its capital strategy which is progressing well. The focus of this review is primarily on debt. A further update will be provided at the Investor Day on 8 May 2023.

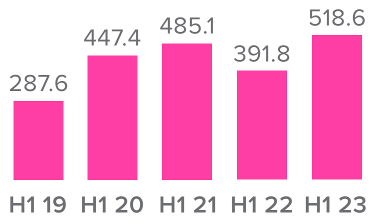
Net debt movement ($ millions)



Net cash from operating activities ($ millions)



Net debt ($ millions)



BUSINESS UPDATE

Grant Watson
Chief Executive Officer

ADVANCED NUTRITION

Leadership

- Director of Advanced Nutrition, Naiche Nogueira, started in January 2023.

Synlait Pokeno's multinational customer

- Customer onboarding is progressing to plan, in order for facility and team to be ready to commence commercial production.
- Commercial production is planned to commence in Q4 FY 23. Production delayed due to a change in customer phasing from current source origin to Synlait manufacturing.
- Demand signals remain strong. No change to previously communicated CAPEX spend or markets across contract term. FY 23 volumes adjusted in line with commercial production delays.

Lactoferrin

- Demand remains forecasted to outstrip supply, driven by China infant formula market. New recipe registrations have higher lactoferrin content to improve product functionality.
- Pricing remains strong and stable given market dynamics.

Nutritional base powders

- Base powder demand opportunities (infant and adult) remain strong in China and Southeast Asia markets.
- New Zealand's provenance continues to position Synlait well. Positive exploration with multinationals and Southeast Asia companies. Opportunities with prominent China companies are progressing slower than planned due to falling birth rates. In-market manufacturing capacity is therefore sufficient.
- Review of channel, category, and geography opportunities taking place under Naiche's leadership. Further updates will be provided at the Investor Day.

Consumer-packaged infant formula

- Continuing to provide strong support to enable The a2 Milk Company's growth agenda, including in China and the USA.

SAMR RE-REGISTRATION UPDATE

Current timetable for achieving the State Administration for Market Regulation (SAMR) re-registration:

1. **Q3 FY 23**
   Audit completion
2. **Q4 FY 23**
   Receive re-registration and commence production
3. **Q2 FY 24**
   Product in market

INGREDIENTS

Performance

- Ingredients Business impacted by ERP Implementation challenges, which significantly impacted Synlait's ability to ship products to customers in the first quarter of this financial year, resulting in 48% lower sales volumes compared to H1 22.
- Significant progress made in Q2 FY 23 to return the Ingredients export run rate to near-normal levels (Q1 average run rate: 29%, Q2 average run rate: 72% and returned to normal by end of Q2).
- Delayed Ingredient shipments in Q1 impacted first half profitability and overall phasing of FY 23 result. Synlait plan to ship the full year volume by year end.

Contracting

- Forward Contracting for the FY 23 season has been very strong.
- Gross margin on a per MT basis increased by $391 or 81% in HY 23 vs HY 22 due to excellent alignment to the lead bucket of SMP/AMF.

Customers and forward focus

- Significant deal signed with a major Chinese customer in FY 23 will lift volumes in this key market.
- Focus for the second half is on continuing to lift performance, growing China and Southeast Asia markets, and delivering volumes to market.

CONSUMER

Leadership and strategy

- Dairyworks CEO & Director of Consumer, Tim Carter, is responsible for all consumer-facing products within Synlait following the strategy refresh to ensure better coordinated capability and insight across the entire business.

Dairyworks performance

Dairyworks continued to exceed business case expectations delivering a solid half year performance. The result benefited from:

- The idling of the Temuka cheese plant in FY 23, removing high cost inventory from the business due to the high manufacturing costs associated with this site.
- Ongoing cost savings and operational efficiencies from Dairyworks new warehouse and distribution centre, which consolidates all bulk and finished goods into one location, generating ~$1 million in savings annually.
- Market share in cheese continued to grow due to Dairyworks' multi-tier brand offering, as benefits were obtained from consumers trading down to more affordable offerings.

Dairyworks product development

- Dairyworks Small Grate launched in Countdown's nationwide. The 100 gram (1 cup) grated cheese option makes mealtimes easier and extends the brand's convenience and snacking options.
- Dairyworks and Talbot Forest brands expanded into fresh cheese, launching 200 gram haloumi cheese blocks nationally.

Consumer customer pipeline commercialises

- UHT line on track to reach 70% utilisation in FY 24.
- Synlait is working with several multinationals to manufacture value add creams and beverages for the New Zealand, Australia, and China markets.

FOODSERVICE

Leadership

- President China & Director of Foodservice, Abby Ye, started in March 2023.

JOYHANA (UHT cream) update

- Commercial sales commenced in Q1 FY 23, and market feedback is positive.
- Limited volumes sold, but product expected to deliver strong margin attainment.
- Commercial sales volumes forecast to steadily ramp up in the second half of FY 23.
- JOYHANA brand is a partnership between Synlait and SAVENCIA Group. Significant growth opportunities exist in China with SAVENCIA Group, the 12th largest dairy company globally.
- Review of channel, category, and geography opportunities taking place under Abby's leadership. Further updates will be provided at the Investor Day.

ON-FARM EXCELLENCE

Leadership and strategy

- Voice of Synlait farmer suppliers elevated to the Executive Leadership Team with the appointment of Charles Fergusson as Director of On-Farm Excellence & Business Sustainability, in February 2023. The role concentrates on the importance of milk supply, on-farm excellence, and sustainability to ensure Synlait's milk pools remain highly competitive while continuing to accelerate sustainability performance on and off-farm.
- Synlait Farmer Leadership Team established – another critical step put in place to ensure that Synlait and its farmers work closer together to improve outcomes. These eight farmers are a conduit between Synlait and its farmer supplier base, providing feedback and direction on Synlait's strategic choices and prioritisation of tactics.
- These two actions are key enablers to ensuring Synlait maintains and grows its New Zealand milk supply. Synlait has always had a clear milk recruitment strategy that leverages the company's purpose of *Doing Milk Differently For A Healthier World*. No matter how competitive the raw milk environment may become, these actions further strengthen Synlait's position.

Climate

- Cyclone Gabrielle and flooding events in the North Island were challenging for North Island farmer suppliers in early 2023.
- Everyone was safe and accounted for, but many have experienced land damage and ongoing road, internet, and power outages.
- Short term disruption to milk collection but no material impact on milk flow.

OUTLOOK

Grant Watson
Chief Executive Officer

KEY PRIORITIES FOR THE SECOND HALF

Secure The a2 Milk Company China label registration and commence initial production

Onboard multinational customer at Synlait Pokeno

Continue to stabilise SAP ERP

Improve operational stability

Progress ELT transformation to lift capability, culture and accountability

Strategy function upweighted to provide greater support for delivering short-term priorities that will lift business performance and to help explore trends and test ideas that could shape Synlait and industry into the future.

SYNLAIT'S FY 23 GUIDANCE STATEMENT

Synlait's full year 2023 (FY 23) net profit after tax (NPAT) guidance range is $15 million to $25 million.

The key drivers of this 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 H1 23 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, CO_2 shortages, an extremely tight labour market, extreme weather events, and high inflationary costs pressures.
- ERP stabilisation challenges. As signalled in December, implementing and stabilising SAP significantly impacted Synlait's ability to release and ship products to customers in Q1 FY 23. The flow-on effects resulted in higher inventory levels and costs, including interest costs.

Other business unit performance update:

- The performance of Synlait's Ingredients and Consumer businesses remain strong. Combined, the business units will contribute more than in FY 22.
- The Ingredients business will not experience the one-off foreign exchange gains experienced in FY 22. While volume is down on FY 22, the business unit will benefit from a highly favourable stream return from the skim milk powder, AMF and cream product mix in FY 23.
- The Consumer business continues to navigate high milk and cheese commodity prices and expansion into overseas markets. The business unit has performed well due to favourable movements in underlying price mechanism and higher plant utilisation.
- In the Foodservice business, sales volumes of Foodservice UHT cream to China are forecast to steadily ramp up in the second half of FY 23. Customer feedback and demand outlook is positive.

Synlait continues to manage several risks, including, but not limited to, the SAMR re-registration timeline and supporting activities, the onboarding timeline for Synlait Pokeno's new multinational, UHT volume ramp up, a tight labour market, and high inflationary cost pressures. These factors could impact Synlait's current guidance.

Synlait will look to provide a further update on its performance and outlook on 8 May 2023 at its Investor Day.

INVESTOR DAY

- Synlait's institutional Investor Day will be on Monday 8 May 2023.
- If you have not received an invitation and would like to attend, email: investors@synlait.com
- Agenda includes:
  - Synlait Pokeno site tour.
  - Executive Leadership Team presentations and Q&A on Synlait's four business units (Ingredients, Advanced Nutrition, Consumer Foods and Foodservice).
  - Governance session with Chair, Simon Robertson.

KEY TAKEAWAYS FROM TODAY

1. Two year recovery, now three years

While underlying momentum is lifting, Synlait's full financial recovery will take longer than planned.

2. Operational stability and cost challenges have impacted performance

A range of economic and climatic factors have impacted the stability of Synlait's daily operations.

3. Re-registration for China market access continues to progress

On track for re-registration and commencement of production in Q4 FY 23.

4. Business unit diversification builds

Strong performance of Consumer and Ingredients business units demonstrates momentum is building to diversify Synlait's channels, categories, and geographies. Commercial UHT cream sales commenced in China in the Foodservice business.

5. Executive Leadership Team transformation well progressed

Significant lift in capability, culture and accountability.

APPENDIX

BANKING FACILITIES, COVENANTS AND BOND ISSUE

Our banking syndicate remains supportive and engaged as we progress towards renewing our banking facilities which is expected to occur in July 2023.

Synlait currently has four syndicated bank facilities in place with ANZ and BNZ:

1. A secured working capital facility of NZD $250m (with a temporary increase to NZD $330m) maturing 1 October 2023.
2. A secured revolving credit facility (Facility A) of NZD $66.7m with NZD $33m amortising 31 July 2023, and the remainder maturing 1 October 2023.
3. A secured ESG-linked revolving credit facility (Facility B) of NZD $50m maturing 1 October 2023.
4. A secured ESG-linked revolving credit facility (Facility C) of NZD $50m maturing 1 October 2023.

Key financial covenants imposed by the syndicate for FY 23:

1. Total shareholder funds of no less than $600m at all times.
2. Working capital ratio of no less than 1.5x at all times.
3. Interest cover ratio of no less than 3.0x at all times.
4. Leverage ratio of no greater than 4.0x at 31 July 2023.
5. Senior leverage ratio of no greater than 3.0x at 31 July 2023.

Retail Bonds:

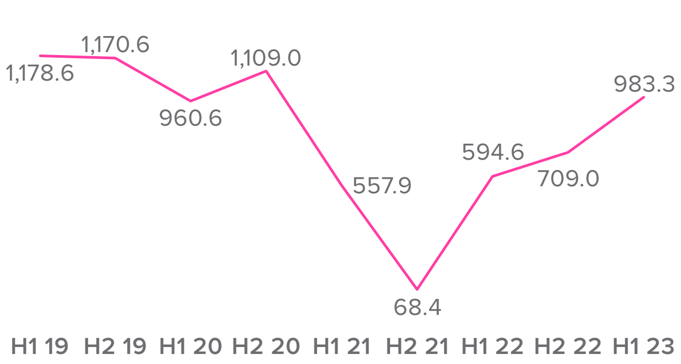
Synlait currently has $180 million of five-year unsecured subordinated fixed rate bonds which were listed on the NZX Debt Market in December 2019, and mature on 17 December 2024.

Review of Synlait capital strategy moving forward:

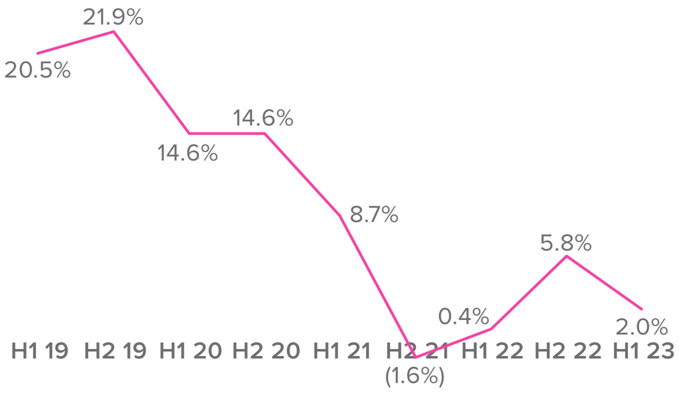
As previously indicated, Synlait is currently undertaking a review of its capital strategy, which is progressing well. The focus of this review is primarily on debt. It expects to provide an update on 8 May 2023 at the Investor Day.

KEY FINANCIAL METRICS

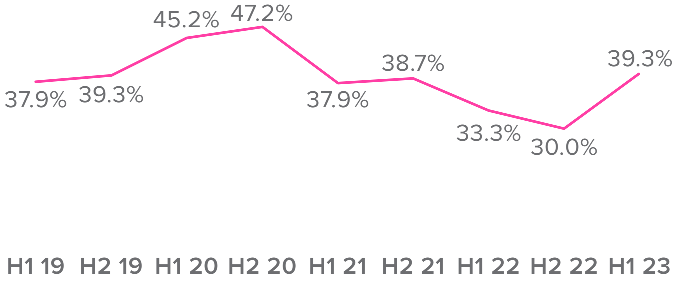
Gross profit per MT ($)*



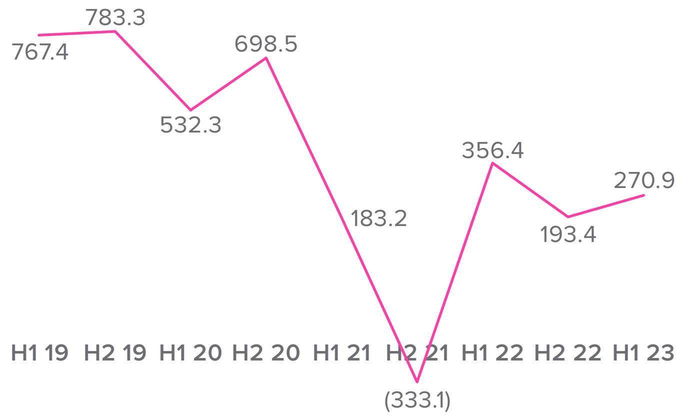
Return on net operating assets (12 month trailing)



Debt/(debt + equity)

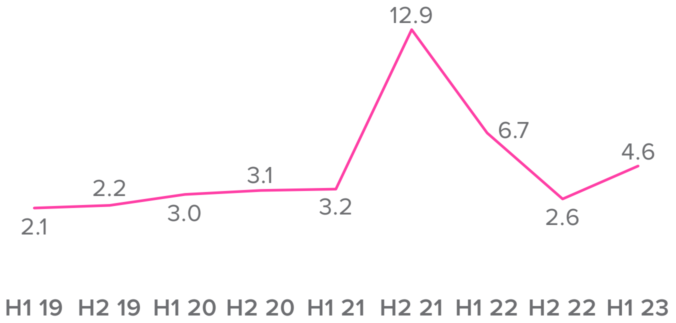


EBIT per MT ($)



Basic earnings per share (cents NZD)

Net debt/EBITDA (12 month trailing)



* Includes gross profit not attributable to business units (comprised primarily of margin on raw milk and cream sales, income from dairy derivatives, and farms contribution).

GROSS PROFIT H1
PERFORMANCE BY CATEGORY

	H1 19	H1 20	H1 21	H1 22	H1 23
Sales Volume (MT)					
Ingredients	50,930	45,673	56,971	72,028	37,234
Advanced Nutrition	21,947	23,657	19,679	13,774	17,415
Consumer	-	16,942	30,270	30,400	28,238
Foodservice	-	-	-	-	218
Subtotal	**72,877**	**86,272**	**106,920**	**116,202**	**83,105**
Gross Profit ($M)					
Ingredients	17.4	16.7	19.0	34.7	32.5
Advanced Nutrition	68.5	70.8	33.6	27.4	26.2
Consumer	-	(2.2)	8.4	7.8	17.2
Foodservice	-	-	-	-	(0.3)
Subtotal	**85.9**	**85.3**	**61.0**	**69.9**	**75.6**
Gross Profit ($/MT)					
Ingredients	342	366	334	482	873
Advanced Nutrition	3,122	2,994	1,710	1,993	1,504
Consumer	-	131	277	257	609
Foodservice	-	-	-	-	(1,400)
Subtotal	**1,179**	**989**	**571**	**602**	**910**
Revenue ($M)					
Ingredients	244	238	275	424	252
Advanced Nutrition	207	252	224	175	231
Consumer	-	28	131	149	164
Foodservice	-	-	-	-	1
Subtotal	**451**	**518**	**630**	**748**	**648**

SUMMARISED FIVE YEAR H1 INCOME STATEMENT

	H1 19	H1 20	H1 21	H1 22	H1 23
Revenue	470,950	559,286	664,182	790,591	**769,828**
Cost of sales	(385,061)	(476.410)	(604,529)	(721,502)	**(688,108)**
Gross profit	**85,889**	**82,876**	**59,653**	**69.089**	**81,720**
Other income	337	604	1,611	15,426	**4,669**
Share of loss from associates	(580)	-	(33)	-	**-**
Sales and distribution expenses	(12,410)	(13,871)	(18,739)	(18,144)	**(22,368)**
Administrative and operating expenses	(17,314)	(23,687)	(22,909)	(23.328)	**(35,634)**
Impairment of Temuka cheese plant assets	-	-	-	-	**-**
One-off ERP implementation costs	-	-	-	(1,635)	**(5,877)**
Earnings before net finance costs and income tax	**55,922**	**45,922**	**19,584**	**41,408**	**22,510**
Finance expenses	(4,097)	(8,610)	(10,720)	(9,876)	**(14,476)**
Finance income	741	49	30	109	**137**
Loss on derecognition of financial assets	(755)	(938)	(436)	(567)	**(2,066)**
Net finance costs	**(4,111)**	**(9,499)**	**(11,126)**	**(10,334)**	**(16,405)**
Profit before income tax	**51,811**	**36,423**	**8,458**	**31,074**	**6,105**
Income tax expense	(14,876)	(10,556)	(2,086)	(3,169)	**(1,292)**
Net profit after tax for the period	**36,935**	**25,867**	**6,373**	**27,905**	**4,813**

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