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Synlait FY23 guidance update

Synlait Milk Limited (Synlait) has updated its full year 2023 (FY23) guidance.

Synlait is updating its FY23 net profit after tax (NPAT) guidance range to a net loss of (\$5) million to a net profit of \$5 million.

There are two components to today's guidance update:

1. Further Advanced Nutrition demand reductions, mostly from one of Synlait's customers, which impact consumer-packaged infant formula volumes and base powder production, are expected to have an NPAT impact of approximately \$16.5 million in FY23.
2. The remainder of the NPAT impact (approximately \$3.5 million) is attributable to less material factors, including higher financing and supply chain costs.

The Board and management of Synlait note that:

- The State Administration for Market Regulation (SAMR) re-registration process remains on track. The on-site audit process is complete and Synlait still expects to receive re-registration and commence production in Q4 FY23, subject to SAMR approval.
- Demand coming from Synlait Pokeno's new multinational customer, once commercial production commences, will assist in delivering strong double-digit growth in Advanced Nutrition sales volumes in FY24.
- There have been no demand changes in the Ingredient, Foodservice or Consumer businesses.
- Synlait remains highly focused on diversifying its customers, mitigating risk, and reducing its cost base and inventory to strengthen its balance sheet.

In addition to the demand reductions and financing and supply chain costs cited above, as previously communicated, Synlait continues to manage several material risks which could impact its year-end performance, including, but not limited to, the SAMR re-registration timeline and supporting activities, the onboarding timeline for Synlait Pokeno's new multinational customer, UHT volume ramp up, a tight labour market, and high inflationary cost pressures. These factors could impact Synlait's current guidance.

Balance sheet update

Synlait continues to actively engage with its banking syndicate, which remains strongly supportive. Amendments to certain banking covenants for the remainder of FY23 have been approved. The amended key financial covenants that will apply until test dates up to and including 31 July 2023 are set out on the next page.



1. Total shareholder funds of greater than \$600m at all times (unchanged).
2. Working capital ratio of greater than 1.5x at all times (unchanged).
3. Interest cover ratio of no less than 2.25x as at 30 April 2023 and 31 July 2023 test dates (previously 3.0x).
4. Leverage ratio of no greater than 5.5x as at 31 July 2023 test date (previously 4.0x).
5. Senior leverage ratio of no greater than 3.5x at as 31 July 2023 test date (previously 3.0x).

For test dates after 31 July 2023, these key financial covenants will revert to their prior levels.

As previously communicated, Synlait is currently reviewing its capital strategy to ensure it has the appropriate funding for FY24 and beyond. The focus of this review is primarily on its levels of debt. Synlait is not considering an equity capital raising as part of the capital strategy review.

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