



**Synlait**

**FULL YEAR RESULTS  
INVESTOR PRESENTATION**

For the 12 months ended 31 July 2024

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Annie McLaren and Andrew Lindsay,  
Synlait Area Managers

# FY24 KEY ACHIEVEMENTS



## Much-needed balance sheet reset delivered

Two-step plan (shareholder loan and equity raise) underpinned by bank refinancing.



## Synlait and The a2 Milk Company settle disputes

Resolved all disputes subject to arbitration, including those regarding exclusivity, pricing, and other matters.



## North Island strategic review completed

Operations to solely focus on producing Advanced Nutrition products which do not require raw milk.



## Customer growth continues

Expansion into South East Asia in Advanced Nutrition, Foodservice and Consumer business units.



## Retaining milk supply

Balance sheet reset enables competitive advance rates and additional one-off milk price payments.

**These steps forward will enable Synlait to focus on further lifting performance and returning to profitability.**

**At a headline level the financial results are disappointing. However, significant progress has been delivered on Synlait's business recovery.**

# RETAINING MILK SUPPLY

A critical next step in Synlait's business recovery.

- Synlait has historically enjoyed high support from farmer suppliers. 2023 / 2024 has been a challenging season.
- A significant majority of Synlait's farmer suppliers issued cessation notices ahead of 31 May 2024. Submitting a cessation notice provides an option, rather than a clear intention to sign with other processors. Regaining farmer suppliers' trust and confidence in Synlait is a top priority.

## TODAY WE ANNOUNCE ADDITIONAL PAYMENTS:

\$0.05c / kg MS for North Island farmers  
(supplying Synlait in the 2024 / 2025 season).

\$0.20c / kg MS for new and existing South Island farmers who  
commit to a future with Synlait without a cessation notice.

## UNDERPINNED BY:



Balance sheet  
reset



Competitive milk  
price and stronger  
advance rates



Recognising Synlait's  
impact on farmer  
suppliers' businesses

# FY24 KEY FINANCIALS



▲ 2%  
**\$1.64B**

TOTAL GROUP REVENUE



▼ \$177.8M  
**(\$182.1M)**

TOTAL GROUP NPAT



▼ \$55.8M  
**(\$60.4M)**

ADJUSTED TOTAL GROUP NPAT<sup>1</sup>



▼ \$94.8M  
**(\$4.1M)**

TOTAL GROUP EBITDA



▼ \$40.5M  
**\$45.2M**

ADJUSTED TOTAL GROUP EBITDA<sup>1</sup>



▼ 5%  
**\$7.83kgMS**

TOTAL BASE MILK PRICE



▼ 4%  
**\$8.11kgMS**

TOTAL AVERAGE MILK PRICE

▼ \$88.0M  
**\$56.0M**

TOTAL GROUP GROSS PROFIT

▼ 221%  
**(\$47.2M)**

OPERATING CASHFLOW

▼ 53%  
**\$30.5M**

CAPITAL EXPENDITURE<sup>2</sup>

▲ 33%  
**\$551.6M**

NET DEBT

All comparisons are to FY23 and include the results of Dairyworks.

<sup>1</sup> Refer to slide 6 for a reconciliation of adjusted NPAT and EBITDA.

<sup>2</sup> Based on cash outflow for investing activities

# FINANCIAL PERFORMANCE

**Charles Fergusson**

Director On-Farm Excellence, Business  
Sustainability and Corporate Affairs  
*(Acting Chief Financial Officer  
April to September 2024)*



# SUMMARY OF SYNLAIT'S FY24 RESULT

Poor trading and operational performance combined with high interest costs drove a poor result.

## INGREDIENTS

- Total gross profit (\$39.9m) adverse to FY23.
- Sales volumes up 11,858 MT as the Enterprise Resource Planning (ERP) system stabilisation challenges from FY23 did not impact FY24, resulting in \$2.9m of benefit.
- Margin down (\$42.8m) due to significantly lower SMP/AMF lead bucket, adverse butter differentials, unfavourable sales phasing, and adverse FX.

## ADVANCED NUTRITION

- Total gross profit (\$13.2m) adverse to FY23.
- Sales volumes up 2,345 MT to meet customer demand, providing \$5.9m of benefit.
- Margin down (\$19.1m) due to softening of lactoferrin market sales prices, inflationary pressure on manufacturing costs, and short-term inefficiencies as North Island production volumes scale up. This is partially offset with the unfavourable effect on lag pricing experienced in FY23 improving in FY24. Inventory write down costs remain at elevated levels across both years.

<sup>1</sup> 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 Synlait's operating performance.

<sup>2</sup> FY23 adjusted NPAT has been restated as if the product costing methodology had been applied consistently for both periods. This has resulted in FY23 adjusted NPAT decreasing to a (\$4.6m) loss from a \$2.5m profit. Refer to page 29 for further information.

## CONSUMER

- Total gross profit \$3.1m favourable to FY23 driven by strong performance at Dairyworks.
- Sales volumes were up 4,525 MT due to strong execution by Dairyworks on its export strategy, providing \$2.2m of benefit.
- Margin up \$0.9m due to the strong performance by Dairyworks, mostly offset by the impact of lag pricing on the fresh milk and cream business.

## OTHER MARGIN & INCOME

- (\$6.6m) adverse to FY23 because of less favourable milk trading performance, a (\$1.1m) gross profit loss in the foodservice business, and a reduction in other income.

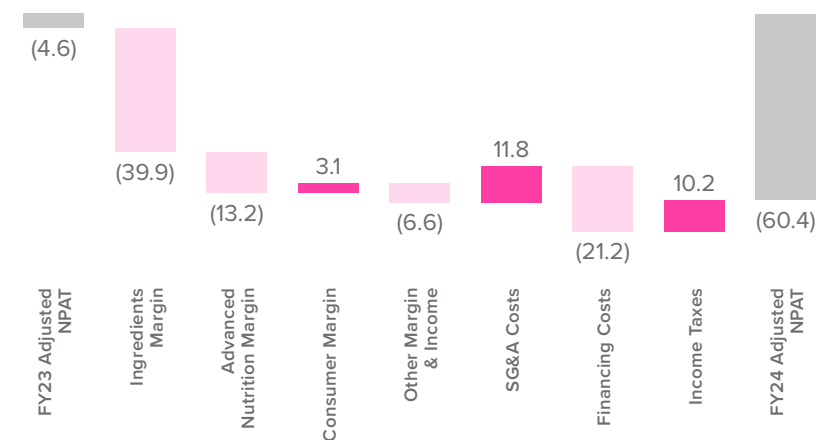
## FINANCING COSTS

- \$21.2m increase in adjusted financing costs due to higher debt levels and interest rates.

## SG&A EXPENSES

- Adjusted SG&A costs were \$11.8m favourable to FY23, however unadjusted SG&A costs were higher due to supply chain disruptions, higher employee costs, and general cost increases.

Adjusted NPAT movement (\$ millions)



Reconciliation of reported to adjusted NPAT and EBITDA (\$ millions)

	FY24	FY23 <sup>2</sup>
Reported NPAT	(182.1)	(4.3)
Items affecting comparability <sup>1</sup> :		
Impairment of assets	114.6	-
Supply chain and transaction costs	25.2	1.9
Impact of improved product costing methodology <sup>2</sup>	17.1	(9.9)
Inventory losses resulting from ERP implementation	7.0	-
ERP implementation costs	-	6.8
Gain on sale of New Zealand Units (NZUs)	-	(1.8)
Interest costs attributable to ERP implementation	-	4.5
Legal settlement (Dairyworks)	-	(2.0)
Tax impact of above items	(42.2)	0.2
Total NPAT adjustment	121.7	(0.3)
Adjusted NPAT	(60.4)	(4.6)
Total EBITDA adjustment	49.3	(5.0)
Reported EBITDA	(4.1)	90.7
Adjusted EBITDA	45.2	85.7

# INGREDIENTS PERFORMANCE

Sales volumes returned to normal levels after ERP and plant reliability challenges impacted FY23. Profitability was down due to less favourable market pricing and adverse FX performance.

## SALES PERFORMANCE

Revenue down 4% or \$27m driven by:

- Overall lower commodity prices (also reflected through lower costs per MT due to the lower milk price).
- Relative commodity prices (SMP lead, butter differential).
- This was partially offset by 11,858 MT of additional sales volumes as FY23 was impacted by ERP stabilisation, plant reliability challenges, and higher production of base powders.
- Furthermore, revenue benefitted from higher USD/ NZD spot and hedge rates.

## GROSS PROFIT PERFORMANCE

Gross profit down 151% or \$39.9m. Gross margin on a per MT basis reduced 146%, impacted by:

- SMP lead bucket advantage – relative market prices strongly favoured the SMP stream in FY22 and FY23. The SMP stream was still favourable over the WMP stream in FY24, but the return was less than in FY23 and FY22.
- Compared to AMF, butter (which Synlait does not produce) was the more profitable use of cream.

- Synlait's FY24 hedged rate was unfavourable relative to the market rate.
- Lagged contracts – the impact from delivering product linked to earlier pricing periods was detrimental in FY24 whereas it was favourable in FY23.

## MANUFACTURING PERFORMANCE

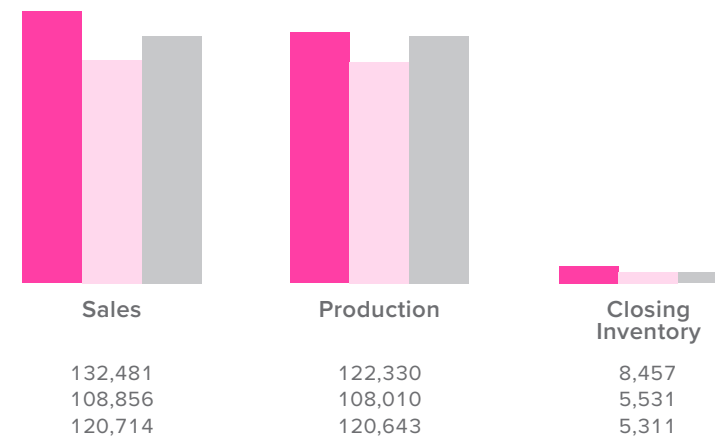
Production volumes up 12% or 12,633 MT driven by:

- Net milk processed up 3% or 2.6 million kgMS, due to lower milk sales, improved plant reliability, and slightly higher contracted milk volumes.
- More capacity to produce ingredients due to lower Advanced Nutrition base powder production in FY24.

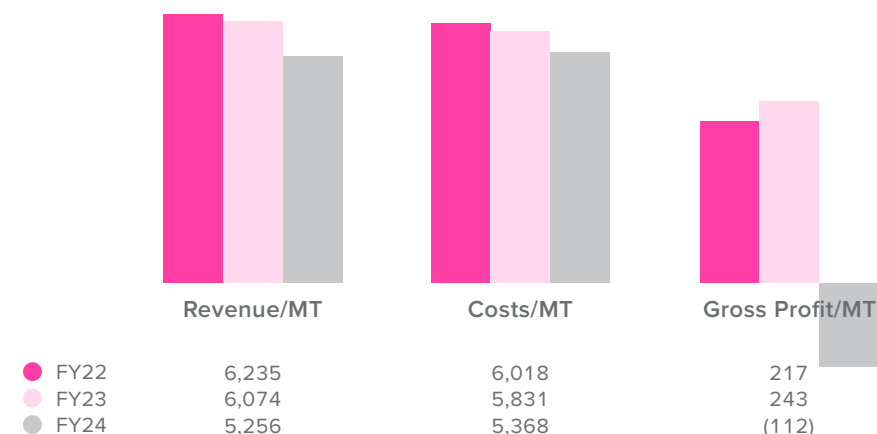
## BALANCE SHEET

Closing inventory was largely consistent year-on-year.

Volumes (MT)



Performance (\$)



Due to the change in product costing methodology, historical and current performance has been normalised to ensure comparability and consistency of performance measures. Refer to slide 29 for further information.

# ADVANCED NUTRITION PERFORMANCE

Margins were down due to a softening lactoferrin market and cost pressures relating to manufacturing expenses.

## SALES PERFORMANCE

Revenue up 11% or \$48m driven by:

- Overall sales volumes higher by 7% (2,345 MT) due to the commissioning of recent upgrades at Synlait's North Island operations and customer demand changes.
- Updated pricing which reflects recent significant increases in materials and packaging prices.
- Offset by a softer lactoferrin market putting pressure on pricing.

## GROSS PROFIT PERFORMANCE

Gross profit down 16% or \$13.2m driven by:

- Softer lactoferrin pricing due to high global supply relative to demand.
- Cost pressures from manufacturing cost inflation as well as short-term inefficiencies in production costs as North Island production volumes scale up.
- Offset with increasing nutritional sales volumes and lag pricing downsides improving versus FY23.
- Gross profit continued to be impacted by significantly higher than normal levels of inventory provisions and write-downs as well as unfavourable FX.

## MANUFACTURING PERFORMANCE

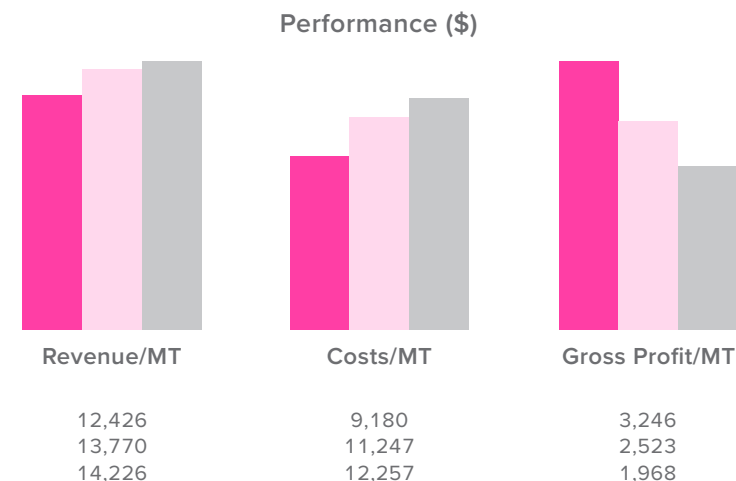
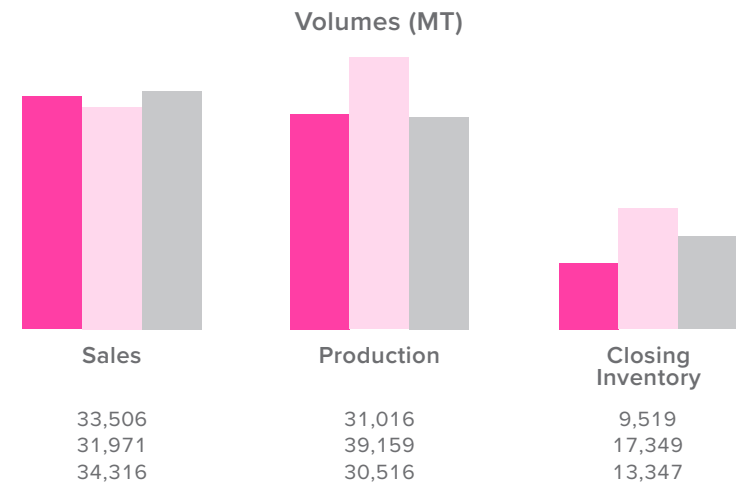
Production volumes down 22% or 8,643 MT driven by:

- FY23 seeing higher production of China label product to transition between old and new Chinese food safety standards.
- Improved working capital management which drove a rebalancing of base powder inventories.

## BALANCE SHEET

Closing work in progress and finished goods inventories decreased 23% or 4,002 MT and was driven by:

- The rebalancing of base powder inventories driven by the completion of the SAMR registration in FY23.
- Improved working capital management.



Due to the change in product costing methodology, historical and current performance has been normalised to ensure comparability and consistency of performance measures. Refer to slide 29 for further information.



# CONSUMER FOODS PERFORMANCE

Performance improvement driven by a well-managed Dairyworks business which delivered on its export strategy.

## SALES PERFORMANCE

Sales revenue increased by \$8m or 2% and was driven by:

- Cheese sales volumes growing by 14% driven by strong execution of Dairyworks' export strategy, while adjusting to consumer needs in a challenging New Zealand market.
- The fresh milk and cream segment was largely stable year-on-year, with revenues down slightly due to a lower milk price in the period despite higher sales volumes.
- Overall, softer commodity prices contributed to revenue on a per MT basis decreasing by 5% or \$292.

## GROSS PROFIT PERFORMANCE

Gross profit increased \$3.1m or 11%. This was driven by:

- As noted strong performance at Dairyworks with growth in overseas markets. Dairyworks generated gross profit of \$34.1m (FY23: \$26.1m).
- The impact of Dairyworks' improved performance was brought down by poorer performance in the fresh milk and cream business which was adversely impacted by lag pricing. Fresh milk and cream margin decreased by \$5m to (\$3.5m) (FY23: \$1.5m).

## MANUFACTURING PERFORMANCE

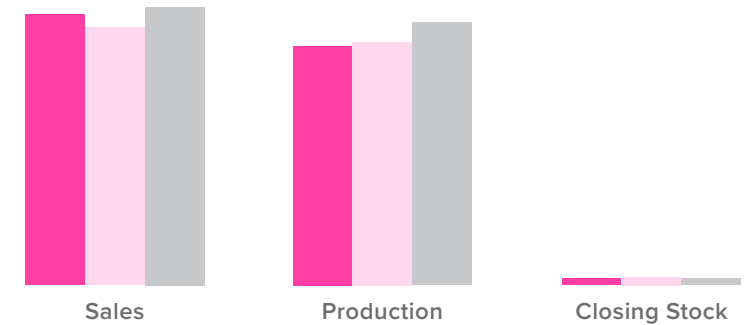
Production volumes up 4,270 MT or 8% driven by:

- Dairyworks volumes increasing by 16% (FY24: 24,533 MT, FY23: 21,195 MT) driven by export market growth.
- Fresh milk and cream production up 4% due to higher demand.

## BALANCE SHEET

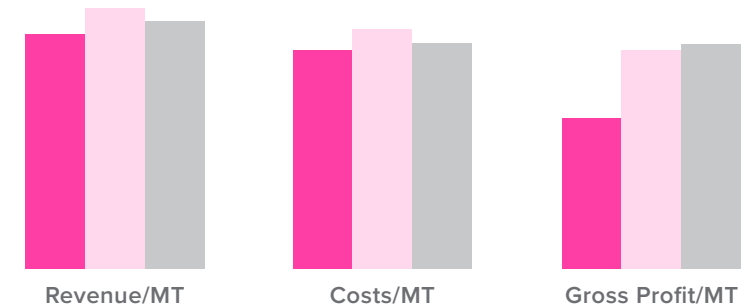
Closing inventories were down 20% or 362 MT, driven by changes in production and sales phasing and improved working capital management.

Volumes (MT)



	FY22	FY23	FY24
Sales	59,786	56,999	61,524
Production	52,894	53,753	58,023
Closing Stock	1,423	1,846	1,484

Performance (\$)



	FY22	FY23	FY24
Revenue/MT	5,172	5,767	5,475
Costs/MT	4,839	5,283	4,977
Gross Profit/MT	333	483	497

Due to the change in product costing methodology, historical and current performance has been normalised to ensure comparability and consistency of performance measures. Refer to slide 29 for further information.

# FOODSERVICE PERFORMANCE

Higher than expected start-up costs and a delayed ramp-up of production have impacted demand and therefore performance.

## SALES PERFORMANCE

Sales revenue increased by \$20m driven by:

- Sales volumes increasing by 3,929 MT as traction was gained in the China market and initial sales made in South East Asia.

## GROSS PROFIT PERFORMANCE

Total gross profit was down \$1.1m year on year, however gross profit on a per MT basis increased by \$4,507.

- Gross profit per MT increased due to the higher volumes utilising more of the plant capacity.
- The decrease in overall gross profit despite higher sales and production volumes was driven by unfavourable fat pricing differentials adversely impacting performance.
- Performance across both years was impacted by production teething issues as volumes ramped up to target run-rates. As production is still ramping up, excess capacity has also affected performance across both years.

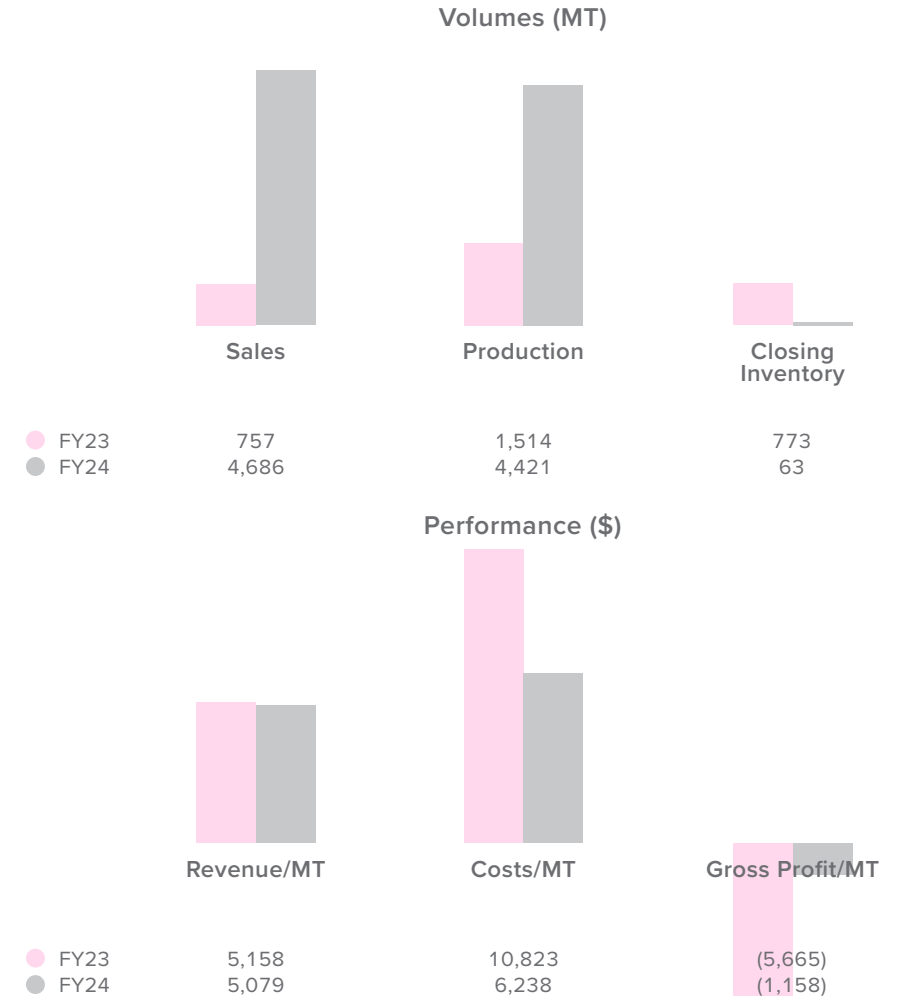
## MANUFACTURING PERFORMANCE

Production volumes were up 192% or 2,907 MT driven by:

- Significantly higher sales volumes due to first full year of production.

## BALANCE SHEET

- Closing inventories finished 710 MT lower, driven by a change in sales and production phasing.



Due to the change in product costing methodology, historical and current performance has been normalised to ensure comparability and consistency of performance measures. Refer to slide 29 for further information.

# SG&A AND MANUFACTURING COSTS

Unadjusted SG&A and manufacturing costs increased by \$4.7m and \$12.0m, respectively. The recapitalisation of the business and a customer related dispute resulted in SG&A costs remaining at higher levels through FY24. Both SG&A and manufacturing costs were influenced by employee costs, Dairyworks' execution on its export strategy, and supply chain disruptions which occurred in the year.

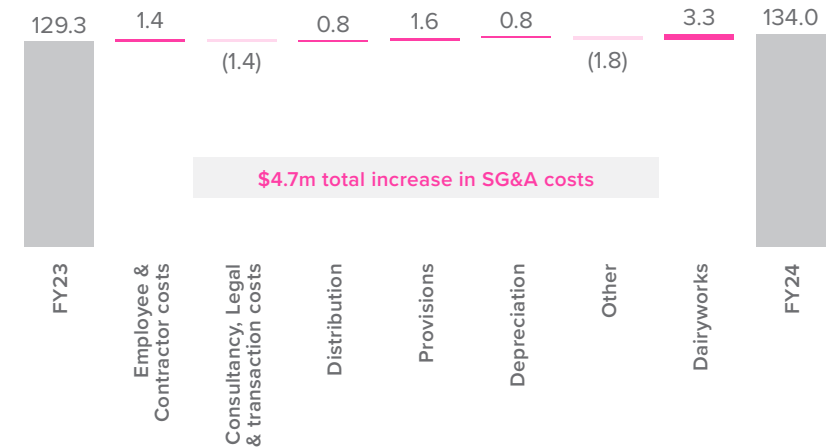
## SG&A COSTS

- Employee costs up \$1.4m due to inflationary wage increases, less capitalised labour, and the commissioning of North Island plant upgrades.
- Consultancy, legal and transaction costs down \$1.4m driven by lower ERP-related consultancy, however, consultancy costs remained high due to a customer related dispute and the recapitalisation process.
- Distribution costs up \$0.8m driven by supply chain disruptions, partially offset by lower detention and demurrage which were substantial in FY23 due to the ERP implementation issues.
- Net provisions movement of \$1.6m in relation to the supply chain disruptions offset by a reversal of provisions taken in FY23 which did not crystallise.
- Depreciation up \$0.8m driven by the new North Island warehouse lease and temporary storage costs relating to the North Island facility upgrades.
- Other of \$1.8m reflects net reduction in other business costs.
- Dairyworks up \$3.3m due to across-the-board impact of inflation, wage increases, and higher sales volumes as Dairyworks executed on its export growth strategy.

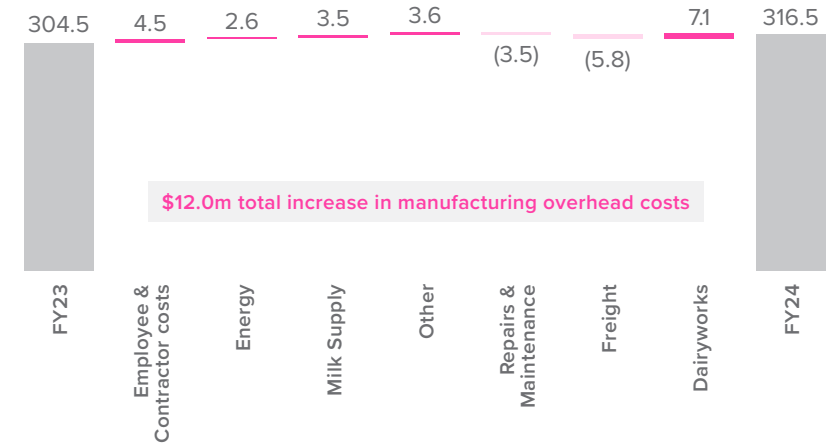
## MANUFACTURING COSTS

- Employee costs (including independent contractors) up \$4.5m, driven predominately by annual wage increases and higher North Island staffing as the North Island plant upgrades were commissioned.
- Energy costs up \$2.6m driven by higher North Island production, higher energy prices and higher emissions trading scheme unit costs.
- Milk Supply costs up \$3.5m due to higher collection costs as more milk was collected on farm and an increase in premiums due to more farms becoming Lead with Pride™ certified.
- Other comprised predominantly of across-the-board cost increases.
- Repairs and maintenance \$3.5m lower driven by a rephasing of the major maintenance windows to align to the milk curve and improved plant reliability.
- Freight costs down \$5.8m due to sea freight prices falling towards the end of FY23 as global congestion eased.
- Dairyworks up \$7.1m because of costs to support plant upgrades and higher production and sales volumes.

SG&A cost movement (\$ millions)



Manufacturing cost movement (\$ millions)



# CASH FLOW AND NET DEBT

Net debt ended 33% (\$138.1m) higher than FY23 due to poor trading performance and significantly higher interest costs.

## OPERATING CASH FLOWS

Operating cash flows decreased by \$86.2m driven by:

- Poor trading performance resulting in FY24 unadjusted EBITDA ending \$94.8m lower than FY23.
- Working capital balances ending \$45.9m higher than FY23 driven primarily by timing differences in respect of creditors and debtors, offset by lower inventories.

## CAPITAL EXPENDITURE

CAPEX down 53% driven by:

- Capital spend on major growth projects (North Island upgrades, ERP implementation, and SAMR registration) winding down.
- CAPEX now comprised primarily of operational and enhancement CAPEX with short payback periods.

## FINANCING COSTS

Higher financing costs contributed \$54.8m to net debt. This was driven by higher average debt levels over the course of the year combined with higher financing costs.

- Financing costs are expected to reduce significantly in FY25 upon completion of recapitalisation.

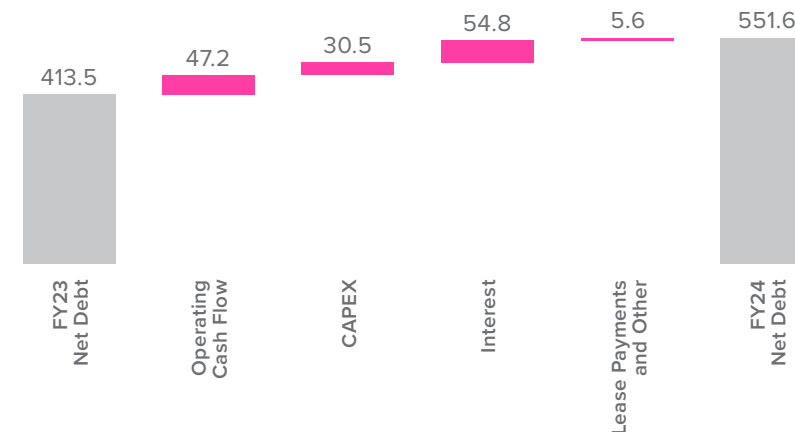
## FINANCING CASH FLOWS AND NET DEBT

- Net debt increased \$138.1m or 33% because of poor trading performance and higher interest costs.
- Financing cash inflows increased by \$58.1m (FY24: \$76.8m, FY23: \$18.7m) primarily due to a \$130m shareholder loan from Bright Dairy to ensure short-term liquidity.

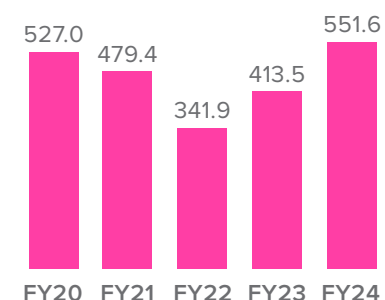
## BALANCE SHEET AND LEVERAGE

- Balance sheet metrics continued to deteriorate in FY24, driven by poor trading performance and higher finance costs.
- Synlait is targeting a net leverage ratio (senior debt to EBITDA) of below 2.5x in FY25 through completion of recapitalisation and improved earnings.

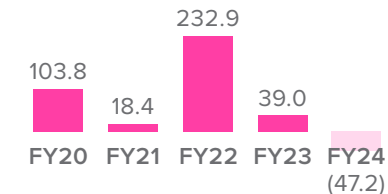
Net debt movement (\$ millions)



Net debt (\$ millions)



Net cash from operating activities (\$ millions)



# DEBT FACILITIES AND BANKING COVENANTS

Synlait has refinanced its banking facilities, adding three new banks to the syndicate. The refinance will be fully executed on 1 October 2024 upon receipt of proceeds from the equity placement and settlement of the dispute with The a2 Milk Company.

Synlait's revised syndicated bank facilities are with ANZ, Bank of China, Bank of Communications, China Construction Bank, HSBC, Industrial and Commercial Bank of China, Kiwibank, and Rabobank. The new funding arrangements, which peak at \$450m, are comprised of:

- A working capital facility peaking at \$160m (together with a \$10m on-demand bilateral facility).
- A revolving credit facility of \$205m.
- A term loan facility of \$75m.

All facilities (other than the on-demand bilateral facility) are seasonally adjusted with step-downs and step-ups over the course of the facilities. The new facilities (other than the on-demand bilateral facility) mature 12 months from the closing date of the refinancing (expected to be 1 October 2024).

Synlait has key financial covenants in place with its banking syndicate.

Covenants for the recently executed facilities agreement are:

- Total shareholder funds of no less than NZD \$500m at all times.
- Working capital ratio of no less than 1.2x at all times for the period from 1 August 2024 to 31 March 2025 and no less than 1.5x at all times from 1 April 2025 to 31 July 2025.
- Interest coverage ratio of no less than 2.5x for the 31 July 2025 reporting date.
- Senior leverage ratio of no greater than 2.5x for 31 July 2025.

## Shareholder loan

During 2024 Synlait obtained a \$130m shareholder loan from Bright Dairy. The loan was advanced to ensure that Synlait would meet a mandatory debt prepayment obligation of \$130m which fell due on 15 July 2024.

## Synlait also has borrowings through retail bonds

Synlait currently has \$180m 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.

While scheduled for 17 December 2024, repayment may occur earlier if bondholders elect to exercise their right for early repayment upon change of control because of the equity placement.



# IMPORTANT INFORMATION REGARDING THE FY24 FINANCIAL STATEMENTS

1

## GOING CONCERN

Our financial statements have been prepared on a going concern basis.

However, readers should be cautioned that a material uncertainty will continue to exist in respect of Synlait's ability to refinance 12 months from now. To ensure Synlait can refinance in the future, Synlait will need to deliver against its financial forecasts through improved trading performance and ensure that a sufficient level of milk supply ceases are removed to safeguard the viability of Synlait's South Island operations.

Refer to the "Going concern" section of the notes to the FY24 financial statements for further information.

2

## IMPAIRMENT OF ASSETS

During the year, we recognised a total non-cash impairment charge of \$114.6m against our long-term assets. The impairment charge has been driven by a revised view of future demand phasing and continued underutilisation of our North Island facilities. Refer to note 1 of the FY24 financial statements for further information.

3

## CHANGE IN PRODUCT COSTING METHODOLOGY

We implemented a new product costing methodology during the year which aims to support better decision making around product mix and asset utilisation. The new methodology reflects a cost of production specific to the cost base of the asset used in production and has resulted in a non-cash one-off gross margin impact of (\$17.1m) in the current year. Refer to slide 29 for further information on the change.

Gross profit amounts throughout this presentation have been amended to ensure comparability with current year amounts.

# BUSINESS UPDATE

**Grant Watson**  
Chief Executive Officer





## ADVANCED NUTRITION

Formulated powders in bulk or consumer-ready format and specialty nutritional ingredients that Synlait customers sell to consumers.

### LEADERSHIP

- Advanced Nutrition continues to be a strategic product category. It is overseen by the revenue team established in the second half of FY24, led by Chief Revenue Officer Naiche Nogueira.

### BUSINESS DEVELOPMENT

- A range of dairy and non-dairy hybrid nutrition products continue to be exported to Asia Pacific markets, packaged in various can and flexible material formats.
- It has been a challenging year for lactoferrin, with global demand and pricing softening. Synlait is developing further sales opportunities through newly established customer relationships.
- Synlait piloted a new range of nutritional base powders called Nutrabase™. These are Early Life and Adult Nutrition base powders in 25kg bags, which will expand Synlait's market offering and accelerate customer growth in South East Asia and China. Discussions with prospective customers continue to progress positively.

### FY25 FOCUS

- Following the dispute resolution, Synlait is committed to partnering with The a2 Milk Company to explore future opportunities in the infant formula market.
- Trials and audits to produce customer-specific Early Life Nutrition infant formula base powders for Asia Pacific markets are progressing. Synlait is preparing to supply these products in FY25.
- Synlait continues to expand its Essential Nutrition portfolio and explore adjacent nutritional categories in response to customer and consumer needs within strategic markets.



A new range of nutritional base powders called Nutrabase™ is being introduced. This is a concept, which the Synlait team are testing in market.



## INGREDIENTS

Bulk milk powder and other bulk products sold to manufacturers who use them in a range of applications.

### LEADERSHIP

- Ingredients is now overseen by the revenue team established in the second half of FY24, led by Chief Revenue Officer Naiche Nogueira.

### BUSINESS DEVELOPMENT

- In FY24, Synlait announced a five-year co-investment partnership with Nestlé. This partnership supports farmer suppliers with on-farm sustainability activities. Synlait is exploring new business opportunities within this partnership.
- Using an online sales platform, Nui Market, has provided the opportunity for continued growth and connection with a broad range of ingredient customers.

### FY25 FOCUS

- Continue to optimise and customise Synlait's product portfolio, which supports a reduction in manufacturing complexity.
- Development of a suite of sales collateral to support increased product sales.



Synlait farmer suppliers Gary and Rowan Michael on farm at Nestlé partnership launch.

## FOODSERVICE

Functional UHT cream is sold to customers who turn it into finished products for out-of-home consumption at bakeries, cafés, beverage chains etc.

### BUSINESS DEVELOPMENT

- Sales ramp-up efforts were supported by increased brand recognition via e-commerce, trade expos, and social media activity.
- Synlait launched UHT Whipping Cream in South East Asia in Q4 through a distribution partnership with Uhrenholt. The initial market response has been positive.

### FY25 FOCUS

- Launch of the next generation of whipping cream.
- Continuing to work with Synlait's distribution partnerships to support volume growth in China and South East Asia.



Synlait and Joyhana received the Excellent Exhibitor Award at the China International Import Expo (October 2023).



Synlait has partnered with Uhrenholt to launch UHT Whipping Cream into South East Asia.



# CONSUMER

A range of fresh milk, cream and cheese products continues to be produced and sold under the Dairyworks, Rolling Meadow and Alpine brands.

## DAIRYWORKS SALE UPDATE

- Dairyworks is a high-value business, and the Board and Management are committed to ensuring the best possible return for shareholders.
- While Synlait received interest in the business from several parties, a binding offer did not materialise at an acceptable level. Although Synlait may consider compelling offers, the sale process no longer remains formally open.

## BUSINESS DEVELOPMENT

- Rolling Meadow brand relaunch increased brand awareness and product sales in the New Zealand market.
- 85% of packaging transitioned to recyclable packaging, the remaining 15% is to transition during FY25.
- Recent capital investment projects are delivering positive benefits through enhanced food quality, production efficiencies, and an increased focus on health and safety.

## MARKET DEVELOPMENT – AUSTRALIA

- New supply agreements are in place with key Australian partners. The first orders shipped in the second half of FY24, and the partnerships will deliver 10% incremental volume growth in FY25.
- Woolworths Australia’s base volumes continue to grow. In FY25, additional product lines will be added to the everyday cheese range.
- Supply terms have been agreed with a major trans-Tasman retailer resulting in new activity launching in early FY25.

## MARKET DEVELOPMENT – SOUTH EAST ASIA

- Products are now sold in Thailand via a local retailer partnership, creating a platform for ongoing supply in this market.
- Ongoing Vietnam engagement resulted in the signing of a distributor agreement.
- Significant regulatory activity occurred in the Philippines. Dairyworks is preparing to launch foodservice products in this market in FY25.



New Rolling Meadow branding launched in 2024.



Dairyworks mascot 'Woogie' appears during the New Zealand Trade and Enterprise 'Made with Care in NZ' event in Malaysia (July 2024).

# ON-FARM EXCELLENCE

Synlait manages approximately 4% (84.5 million kgMS) of New Zealand's milk supply and ended the FY24 season with 274 farmer suppliers.

## SECURING MILK SUPPLY

- A significant majority of the company's farmer suppliers issued cessation notices ahead of 31 May 2024.
- Submitting a cessation notice provides an option, rather than a clear intention to sign with other processors. Synlait is committed to regaining farmers' support and retaining milk supply.
- Today Synlait announces two additional payments:
  - \$0.05c/kgMS to North Island farmers.
  - \$0.20c/kgMS for new and existing South Island farmers who commit to a future with Synlait without a cessation notice.

## NORTH ISLAND STRATEGIC REVIEW

- The review found the processing of milk at Pōkeno is not commercially viable. The facility is now focused on high value Advanced Nutrition products.
- Open Country is now collecting and processing North Island farmers' milk until the end of their contracts. This enables Synlait to ensure farmers will receive all of their entitlements.

## LEAD WITH PRIDE™

- Several changes were made to refresh Lead With Pride™ to better meet farmer and customer requirements going forward.
- Both Synlait-owned dairy farms achieved Lead With Pride™ certification, joining over 75% of Synlait's farmer suppliers who are part of the programme.

## WORLD-CLASS ON-FARM SERVICE

- Five-year partnership with Nestlé to support on-farm sustainability.
- New Farmlands partnership which saved farmers over \$1.5 million in FY24.

## SYNLAIT FARMER LEADERSHIP TEAM

- Partnership in place for 18 months.
- Serving as a valuable conduit between Synlait and farmer suppliers.



Nicky Halley, Farm Operations Manager, and the Dunsandel farm team received Lead With Pride™ certification.

# REFRESHED SUSTAINABILITY STRATEGY

Synlait's sustainability strategy was refreshed in FY24. A further update will be provided in the Sustainability Report which will be released in November 2024.

## AMBITION TO FY29



100% of product packaging reusable, recyclable or compostable



-30% GHG on-farm per kgMS by FY29



-45% GHG absolute Scope 1 and 2 by FY29



B Corp™ Score of 105



-20% water use and N discharge by FY29



99% of non-hazardous waste diverted from landfill by FY29

## RIGHT TO PLAY OUR STRONG FOUNDATIONS



Sustainability progress, reporting and credentials



Value chain – balanced nature, climate, financial procurement



Lead With Pride™ farmer leadership



Science-based nature targets for water, biodiversity and soil



Mentally safe environment for our people to thrive



Whakapuāwai ecological centre of excellence

## OUR OPPORTUNITIES RESPONDING TO OUR CUSTOMERS



Natural ecosystems and biodiversity



Regenerative agriculture and soil health



Water stewardship



Roadmap to net zero emissions

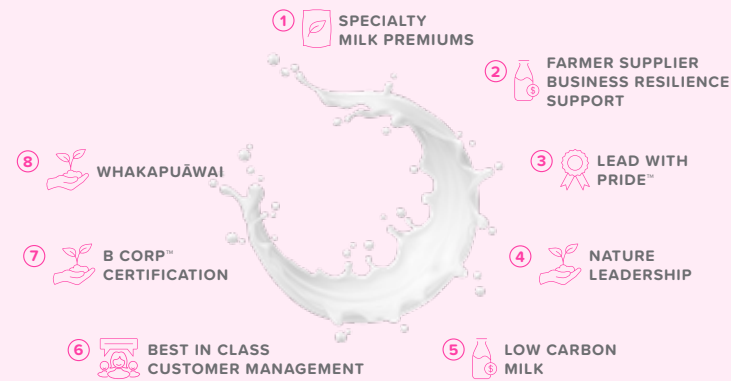


B Corp™



Value chain collaboration

## RIGHT TO WIN OUR COMPETITIVE ADVANTAGE MODELS



## KEY ENABLERS OF EXECUTION



Business commitment



Lead With Pride™



Customer relationships



Integrated sustainability throughout all Synlait functions



Whakapuāwai



World-class manufacturing and supply chain

# OUTLOOK UPDATE

**Grant Watson**  
Chief Executive Officer



# BUSINESS RECOVERY | AREAS OF FOCUS



\* Assumes no change in underlying business from current strategy.

# FULL YEAR 2025 GUIDANCE

Synlait's business recovery plan focuses on three key areas:

1. Deleveraging and improving working capital.
2. Retaining milk supply and accelerating volume growth.
3. Improving trading and operational performance.

At the end of the full-year 2024 (FY24) and the start of the full-year 2025 (FY25), the Board and Management took a number of steps to deliver a much-needed balance sheet reset for Synlait and reduced debt to more manageable levels. Shareholders voted to approve a \$130 million shareholder loan from Bright Dairy and the issuance of approximately \$217.8 million of new equity capital.

As the company enters FY25, the Board and Management are focused on accelerating volume growth in Synlait's Advanced Nutrition and Foodservice businesses and optimising operational performance. Synlait's ability to achieve a successful refinance of its banking facilities one year from now will require a marked improvement in trading performance and retained milk supply (through a reduction in farmer supplier cessations).

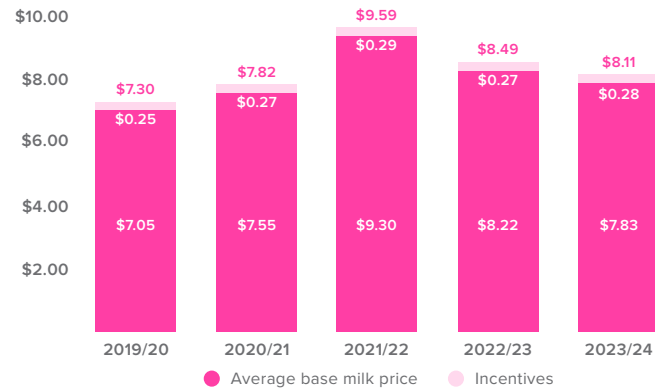
The Board and Management are committed to further resetting Synlait and are focused on continuing to deliver the next steps of the company's business recovery plan. Given that this is Synlait's immediate priority, the Board and Management will not provide a FY25 guidance statement at this time.



# APPENDICES

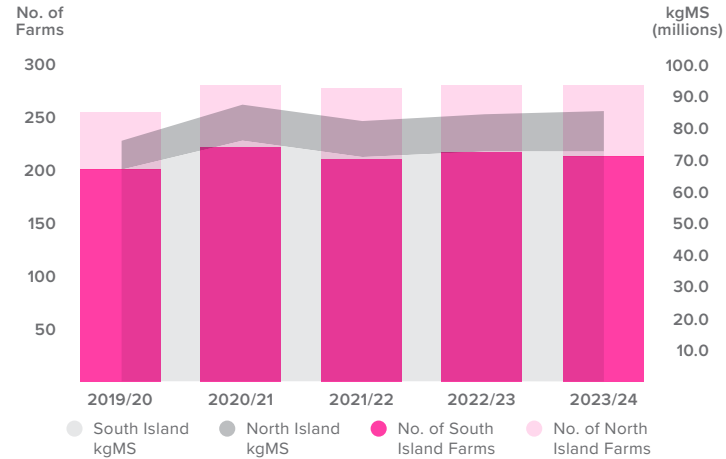


## MILK PRICE



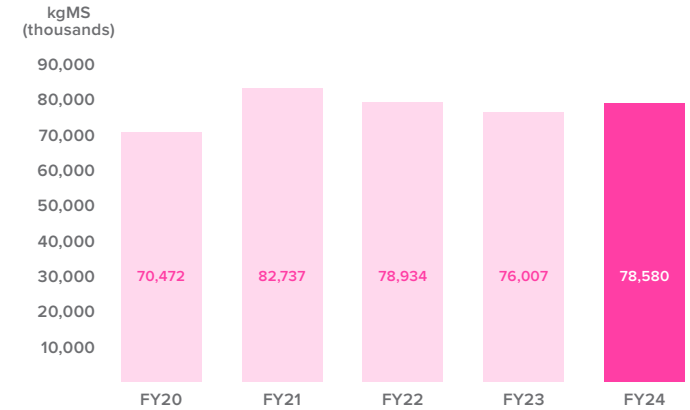
- Total average milk payment of \$8.11 per kgMS.
- Average base milk price for 2023/24 season is \$7.83 per kgMS.
- Average incentive payment paid per kgMS for the season was 28 cents per kgMS (2022/23: 27 cents per kgMS) made up of incentives and winter milk payments.
- Forecast base milk price for the 2024/25 season is at \$8.60 per kgMS.

## MILK POOL

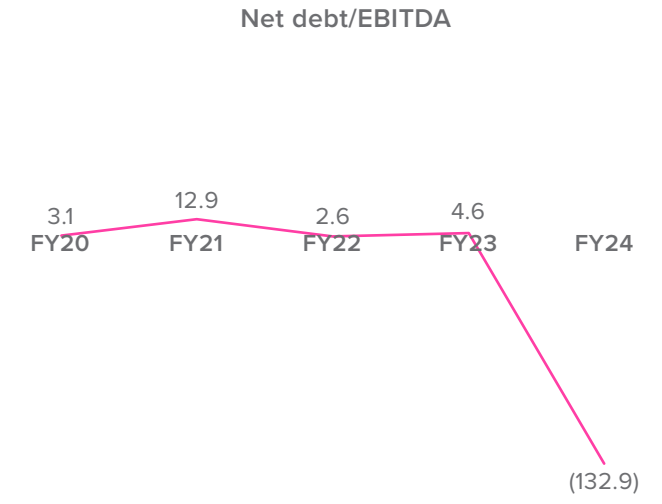
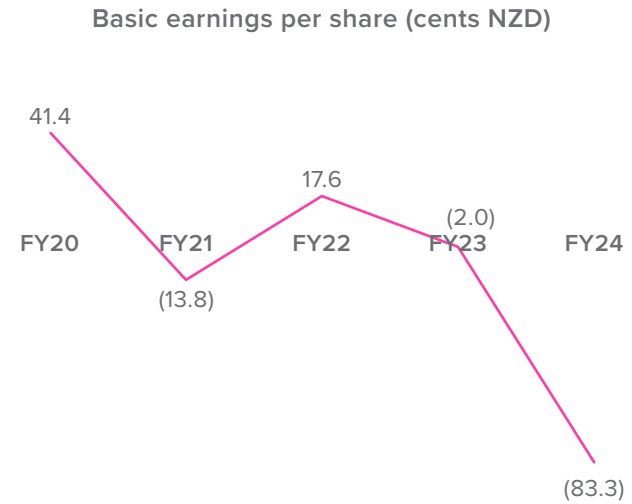
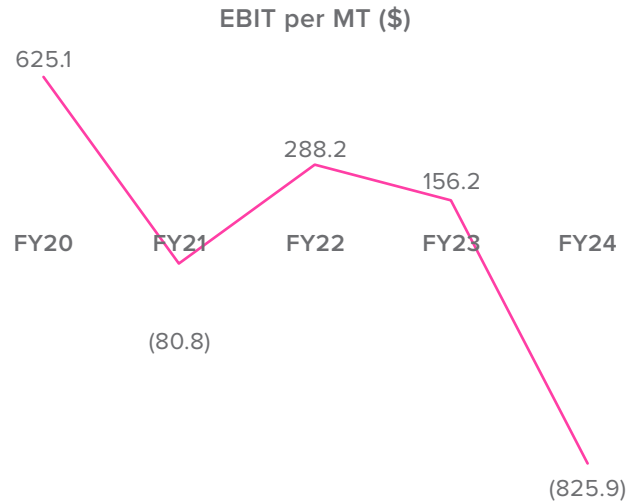
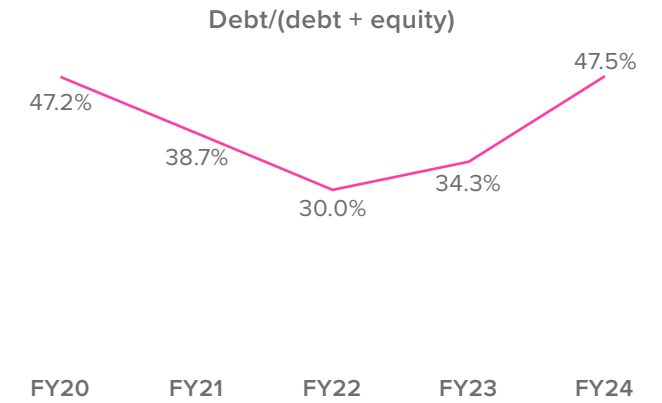
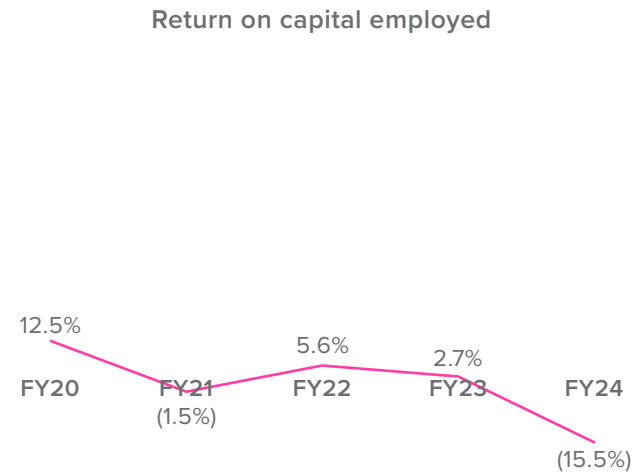
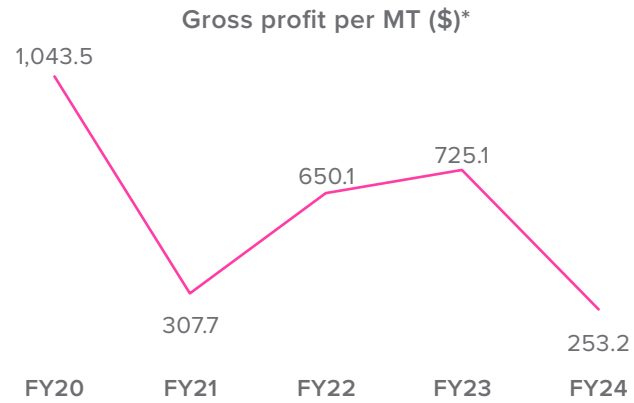


- South Island farmer suppliers account for 87% of Synlait's 2023/24 milk collections, with North Island farmer suppliers making up the remaining 13%.
- The South Island milk pool grew by 0.9 million kgMS in the 2023/24 season despite having five fewer farms contracted. Average production per farm was up 3.6% due to favourable climate conditions. 2022/23: 220 South Island farms, 2023/24: 215 South Island farms. South Island supply pool has decreased to 202 farms for the 2024/25 season.
- The North Island milk pool contracted by 0.4 million kgMS due to four farms leaving the pool, partially offset by 2.7% higher average production per farm. 2022/23: 63 North Island farms, 2023/24: 59 North Island farms. North Island supply pool has decreased to 54 farms for the 2024/25 season.
- Lead With Pride™ certified farms grew to 213 in 2023/24 (2022/23: 210 farms). 78% of Synlait's milk suppliers are certified.

## RAW MILK PROCESSED



# KEY FINANCIAL METRICS



The above amounts have not been normalised.

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

# GROSS PROFIT PERFORMANCE BY CATEGORY

	FY20	FY21	FY22	FY23	FY24
<b>Sales Volume (MT)</b>					
Ingredients	97,561	125,914	132,481	108,856	120,714
Advanced Nutrition	52,871	34,362	33,506	31,971	34,316
Consumer	44,818	58,483	59,786	56,999	61,524
Foodservice	-	-	-	757	4,686
<b>Subtotal</b>	<b>195,250</b>	<b>218,759</b>	<b>225,773</b>	<b>198,583</b>	<b>221,240</b>
<b>Gross Profit (\$M)</b>					
Ingredients	11.4	(21.4)	28.8	26.4	(13.5)
Advanced Nutrition	182.7	99.6	108.8	80.8	67.5
Consumer	(1.5)	8.9	19.9	27.6	30.6
Foodservice	-	-	-	(4.3)	(5.4)
<b>Subtotal</b>	<b>192.6</b>	<b>87.1</b>	<b>157.5</b>	<b>130.5</b>	<b>79.2</b>
<b>Gross Profit (\$/MT)</b>					
Ingredients	116	(170)	217	243	(112)
Advanced Nutrition	3,455	2,898	3,246	2,527	1,968
Consumer	(33)	152	333	484	497
Foodservice	-	-	-	(5,665)	(1,158)
<b>Subtotal</b>	<b>986</b>	<b>398</b>	<b>698</b>	<b>657</b>	<b>358</b>
<b>Revenue (\$M)</b>					
Ingredients	510	635	826	661	634
Advanced Nutrition	594	406	416	440	488
Consumer	132	266	309	329	337
Foodservice	-	-	-	4	24
<b>Subtotal</b>	<b>1,236</b>	<b>1,307</b>	<b>1,551</b>	<b>1,434</b>	<b>1,483</b>

Historical and current performance has been restated to reflect performance as if the change in product costing methodology was applied consistently across all periods.

Note: Amounts not attributable to business units are not included in the above table.

# EXPLANATION AND NORMALISATION OF PRODUCT COSTING

To improve comparability and consistency the following table presents gross profit by Business Unit normalised as if the new product costing methodology had been applied consistently across all periods.

During the period, the Group adopted a new improved product costing methodology which has been determined to be a change in accounting estimate in accordance with NZ IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” and accounted for prospectively.

The previous methodology applied a level of overhead costs to ingredients products based on what it would cost Synlait if it were a theoretical ingredient-only producer. Historically this level of overhead cost was determined with reference to the cost structure in place in FY11 when Synlait was a single dryer, ingredients-only operation, with adjustments applied for inflation and other direct cost increases.

The previous methodology also applied an underlying principle that most costs, outside of what it would otherwise cost to produce ingredients, were introduced into the business to maximise output and profitability of advanced nutrition products. Costs that would not be incurred as an ingredients-only operation were mostly treated as existing for the purpose of producing advanced nutrition products. Consequently, a significant portion of costs introduced to the business since 2011 were allocated to advanced nutrition products.

The new methodology has been designed to reflect a cost of production specific to the cost base of the asset used in that production. This has resulted in an increase in overhead costs attributed to ingredient products (with a trivial change in costs attributed to consumer food and foodservice products), reflecting Synlait utilising nutritional-grade facilities for ingredients production.

The primary aim of the new methodology is to support better decision making around product mix and asset utilisation, thereby discouraging production of lower margin products.

The change in estimate has resulted in a significant one-off impact in the current financial period due to a significantly higher level of overhead costs attributed to opening work-in-progress inventories of Advanced Nutrition base powders. Moving forward the change in methodology will result in higher margins attributed to Advanced Nutrition products, and lower margins attributed to ingredients products.

Because the change results in gross profit for reported current and prior periods being presented on an inconsistent basis, gross profit and cost of sales amounts in this presentation have been normalised to ensure performance is comparable.

Gross profit	FY20	FY21	FY22	FY23	FY24
<b>As previously presented</b>					
Ingredients	31.3	14.5	57.5	54.6	(12.2)
Advanced Nutrition	172.8	45.0	73.8	57.0	49.0
Consumer	0.0	10.5	21.3	29.0	30.6
Foodservice	-	-	-	(0.2)	(5.3)
<b>Total</b>	<b>204.1</b>	<b>70.0</b>	<b>152.6</b>	<b>140.4</b>	<b>62.1</b>
<b>Normalised as if applied retrospectively</b>					
Ingredients	11.4	(21.4)	28.8	26.4	(13.5)
Advanced Nutrition	182.7	99.6	108.8	80.8	67.5
Consumer	(1.5)	8.9	19.9	27.6	30.6
Foodservice	-	-	-	(4.3)	(5.4)
<b>Total</b>	<b>192.6</b>	<b>87.1</b>	<b>157.5</b>	<b>130.5</b>	<b>79.2</b>
<b>Normalisation adjustment</b>					
Ingredients	(19.9)	(35.9)	(28.7)	(28.2)	(1.3)
Advanced Nutrition	9.9	54.6	35.0	23.8	18.5
Consumer	(1.5)	(1.5)	(1.4)	(1.4)	-
Foodservice	-	-	-	(4.1)	(0.1)
<b>Total</b>	<b>(11.5)</b>	<b>17.1</b>	<b>4.9</b>	<b>(9.9)</b>	<b>17.1</b>

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

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Annie McLaren Area Manager on farm at Dunsandel