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Synlait executes documentation for new bank refinancing

Synlait Milk Limited (Synlait) has entered into definitive documentation to implement a refinancing of its banking facilities.

As stated in prior market announcements relating to Synlait's deleveraging plans, and its recent notice of meeting dated 20 August 2024, the company has been in discussions with proposed lenders over recent months. The new facilities have been executed by Synlait and the new banking syndicate.

Implementation of the refinancing is subject to the satisfaction of several conditions including receipt of equity raise proceeds, The a2 Milk Company settlement becoming unconditional, and other customary financing conditions. Synlait is working with the banking syndicate to satisfy these conditions on Tuesday 1 October 2024, concurrently with completion of the equity raise.

The new banking syndicate will include ANZ, Bank of China, Bank of Communications, China Construction Bank, HSBC, Industrial and Commercial Bank of China, Kiwibank, and Rabobank.

Synlait CEO Grant Watson commented: "The new bank refinancing is another positive step forward in Synlait's business recovery plan and actions to deleverage our company. We are pleased to provide certainty around our bank refinancing plans for our shareholders, customers, suppliers, and staff ahead of this week's special shareholders' meeting."

The new funding arrangements total \$450 million and are made up of:

1. A working capital facility with a peak of \$160 million (together with a \$10 million on demand bilateral facility).
2. A revolving credit facility of \$205 million.
3. A term loan facility of \$75 million.

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 will have key financial covenants in place with its banking syndicate. These are:

1. A net leverage ratio of 2.5x for FY25. This covenant only applies on senior debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) for FY25 and applies at balance date.
2. A working capital ratio of 1.20x for the period from 1 August 2024 to 31 March 2025 and 1.5x from 1 April 2025 to 31 July 2025. This is an "at all times" covenant.



3. An interest cover ratio (ICR) of 2.5x for FY25. This covenant applies quarterly and is based on actual EBITDA for the completed applicable period and forecast for the remaining part of the financial year, (based on the lower of the minimum EBITDA event of review levels and updated forecasts at the relevant time).
4. Shareholders' Funds to always exceed \$500 million. This is an "at all times" covenant.

The new facilities will replace the existing bank facilities in full and be in addition to the \$130 million shareholder loan Synlait drew down in full in July 2024 following approval of that transaction by shareholders at a special shareholders' meeting that same month.

The completion of the bank refinancing is a condition of The a2 Milk Company supporting Synlait's recapitalisation, which all shareholders will have the opportunity to vote on at a special shareholders' meeting on Wednesday 18 September 2024.

In addition to the syndicated bank facilities, Synlait has \$180 million of five-year unsecured subordinated fixed-rate bonds quoted on the NZX Debt Market. These are subject to bondholder early redemption rights triggered by the proposed equity raise being considered by shareholders at the special shareholder meeting. Proceeds from the equity raise and certain tranches of the new facilities will be used to repay the outstanding bank debt and the bonds.

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