Synlait

HALF YEAR RESULTS INVESTOR PRESENTATION

For the six months ended 31 January 2024

KEY TAKEAWAYS FROM TODAY
RESET WELL PROGRESSED

MATERIAL UNCERTAINTIES EXIST

- Siginficant loan repayments will fall due over the next 12 months. $514m of debt at 31 January 2024 was classified as repayable within the next 12 months. This includes $180m of subordinated retail bonds and $334m of senior debt.
- Successful execution of deleveraging options will be required to meet repayment obligations. Without successful deleveraging, Synlait may not be able to meet financial obligations as they fall due.
- There will be material uncertainties associated with the timing and outcome of these deleveraging options.
- All stakeholders are encouraged to read note 2 of the financial statements for further information relating to material uncertainties and going concern.

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DELEVERAGING PLAN TO ADDRESS MATERIAL UNCERTAINTIES

- Banking syndicate remains supportive with recent amendments to banking faciliites.
- Letter of support received from Bright Dairy.
- North Island assets strategic review commenced.
- Equity raise preparations underway.
- Dairyworks sale process ongoing.
- Alternative financing options being considered.

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BUSINESS RECOVERY PLAN WELL PROGRESSED

- Initiatives split across balance sheet, volume growth and performance optimisation.
- Continued commitment to paying a competitive farmgate milk price.

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STRENGTHENED LEADERSHIP AND GOVERNANCE

- The search for a new Independent Director is complete with the appointment of George Adams in March 2024.
- Smaller Executive Leadership Team (ELT) will increase alignment, reduce costs, and accelerate growth.

DELEVERAGING PLAN IN PLACE

Synlait has a clear deleveraging plan to reduce total debt to a sustainable level.

Balance sheet options narrowed

1 North Island assets strategic review commenced

- Synlait will undertake a strategic review of its world-class North Island assets, including its manufacturing facility in Pokeno and its blending and canning facility in Auckland.
- The strategic review will explore the highest-value ownership structure of the assets to maximise value for all shareholders.
- The strategic review is expected to take several months, and there is no certainty that any transaction will result. No decisions will be made regarding any potential transaction or other outcomes until the completion of the strategic review.
- Synlait remains committed to its core strategic focus, producing world-class Advanced Nutrition products and growing its Foodservice cream business.

2 Equity raise

- Synlait is progressing with an equity raise as a key option alongside the outcome of the strategic review of the North Island assets.
- Given that Synlait's share price is trading at a significant discount to its net tangible asset value, the Board believes that asset realisation should be progressed to produce maximum value for shareholders. Equity raise remains an option under consideration by the Board in parallel to achieve deleveraging of Synlait's balance sheet.

3 Dairyworks sale process ongoing

- Synlait remains in discussions with potential purchasers, but no sale has been completed or is assured.
- This is a high value business and the Board will ensure the best possible return is achieved for shareholders.

Synlait well supported

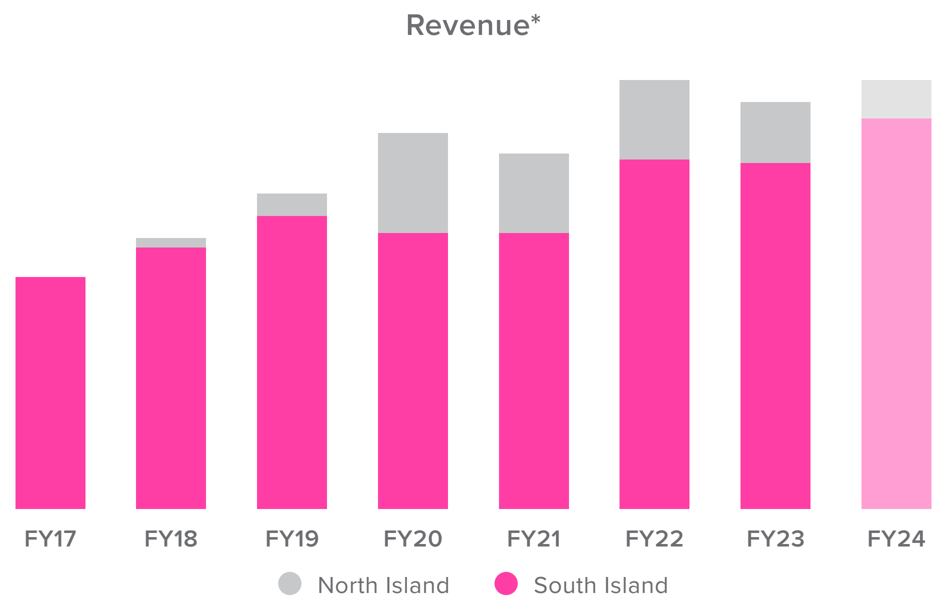
The banking syndicate remains supportive, with amendments confirmed:

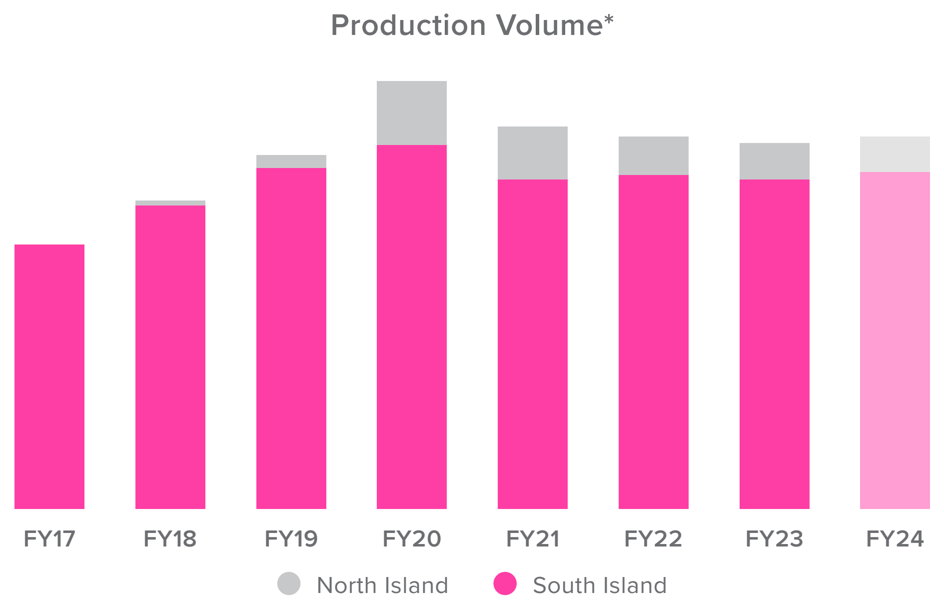
- Extension of the $130 million prepayment from 28 March 2024 to no later than 15 July 2024.
- An additional $30 million of short-term funding from 28 March 2024 to 27 June 2024.
- Amendment of the shareholders' funds covenant from $600 to $400 million (an 'at all times' covenant).
- Amendment of the interest cover ratio is reduced from 2.25x to 1.75x for FY24.

Bright Dairy letter of support received.

- The Board has received a letter of support from Bright Dairy, which owns 39.01% of Synlait, that reinforces its ongoing support for the company.
- The letter includes a commitment to participate in a future equity capital raising (if required) and to extend a loan at the request of Synlait, subject to Synlait and Bright receiving all necessary approvals.

STRONGER SITE CONTRIBUTION NEEDED
UNDERPINNING NORTH ISLAND ASSETS STRATEGIC REVIEW





* Revenue and production volume in the graphs represent the Synlait reportable segment only (i.e., excluding Dairyworks and eliminations).

A stronger contribution from Synlait's North Island assets is needed by filling capacity with new customers and/or increasing volumes from existing customers or by divesting (partially or fully) assets.

KEY FINANCIAL METRICS

Half Year Adjusted NPAT ($17.4) million, in line with guidance.

▲ 3%
$793.5M
TOTAL GROUP REVENUE

▽ $101.0M
($96.2M)
TOTAL GROUP NPAT

→

▽ $31.7M
($17.4M)
ADJUSTED/UNDERLYING TOTAL GROUP NPAT[1]

▽ $31.6M
$19.9M
TOTAL GROUP EBITDA

→

▽ $26.4M
$36.1M
ADJUSTED/UNDERLYING TOTAL GROUP EBITDA[1]

▽ 5%
$7.80kgMS
FORECAST BASE MILK PRICE FOR 2023/2024 SEASON

→

▽ 5%
$8.09kgMS
FORECAST AVERAGE MILK PRICE FOR 2023/2024 SEASON

▲ $26.5M
($98.1M)
OPERATING CASHFLOW

▽ 48%
$17.5M
CAPITAL EXPENDITURE[2]

▲ 8%
$559.0M
NET DEBT

▽ 47%
$43.6M
TOTAL GROSS PROFIT

All comparisons are against HY23 (except for milk price which is against FY23) and include the results of Dairyworks which has been treated as a discontinued operation.

[1] Refer to page 8 for a reconciliation of adjusted NPAT and EBITDA.

[2] Based on cash outflow for investing activities.

FINANCIAL PERFORMANCE

Robert Stowell
Chief Financial Officer

HY24 WAS SIGNIFICANTLY IMPACTED BY THREE NON-CASH ACCOUNTING ADJUSTMENTS

1 SYNLAIT IMPAIRMENT

Synlait has recognised an impairment charge of $50.3 million, which was ultimately driven by underutilisation of its North Island manufacturing facilities. This includes the Pokeno manufacturing facility, Auckland blending and canning facility, and related warehousing.

2 DAIRYWORKS FAIR VALUE WRITE DOWN

A $31.1 million adjustment was recorded to write-down the net assets of Dairyworks to fair value less costs of disposal. The write-down reflects the value of non-binding offers received.

3 PRODUCT COSTING IMPROVEMENTS

A significant change in the basis of inventory overhead allocation methodology was initially treated and forecasted as an accounting policy change based on external accounting advice received, however was revised to be reflected as a change in estimate based on a technical interpretation of the accounting standards by our auditors, resulting in HY24 NPAT experiencing a non-cash adverse impact of $8.4 million ($11.6 million pre-tax).

For the half year to 31 January 2024, Synlait reported a net loss after tax of ($96.2) million. The adjusted net loss after tax was ($17.4) million, which is inside the guidance range released in February 2024. HY24 was significantly impacted by these three non-cash accounting adjustments.

SYNLAIT'S HY24 RESULT

On an adjusted basis, the half-year result was impacted by a less favourable market environment for the ingredients business, unfavourable FX, lower Advanced Nutrition volumes, and higher inventory write-downs, operational expenditure, and financing costs. Key differences between reported and adjusted profit were the impairment of North Island facilities, Dairyworks fair value measurement adjustment, and the impact of an improved product costing methodology.

Ingredients

- Overall margin ($20.8m) adverse to HY23.
- Volumes up 22,426 MT (60%) as ERP stabilisation challenges from HY23 did not impact HY24, providing benefit of $5.7m.
- Margin down ($26.5m) due to significantly lower SMP/AMF lead bucket, adverse butter price differentials, unfavourable sales phasing, adverse FX and higher sales of downgrade product.

Advanced Nutrition

- Overall margin ($11.0m) adverse to HY23.
- Sales volumes down 1,541 MT due to demand and phasing changes resulting in an impact of ($9.4m).
- Margin down ($1.6m) on a net basis due to FX and a softening lactoferrin market.

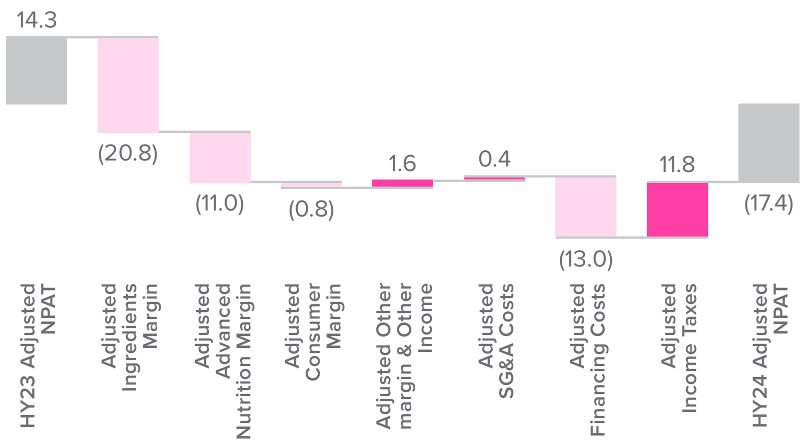
Consumer

- Overall margin ($0.8m) adverse to HY23.
- Volumes up 2,305 MT, driven by 1,635 MT increase in Dairyworks volumes due to higher market share.
- Absolute margin decreased slightly due to lower retail prices.

Financing Costs

- ($13.0m) increase in financing costs due to rising interest rates, higher average net debt balances, new North Island warehouse lease, and reduction in capitalised interest due to lower capital spend.

Adjusted NPAT movement ($ millions)



Reconciliation of reported to adjusted NPAT ($ millions)

	HY24	HY23[2]
Reported NPAT	(96.2)	4.8
Items affecting comparability[1]:		
Impairment of Synlait Milk Cash Generating Unit (CGU)	50.3	-
Loss on fair value measurement of Dairyworks disposal group	31.1	-
Impact of improved product costing methodology[2]	11.6	7.5
Depreciation savings due to classification of Dairyworks as held for sale	(2.6)	-
Customer contract dispute and transaction costs	1.9	-
Costs of Red Sea shipping disruption	0.4	-
Inventory losses resulting from ERP implementation	2.3	-
ERP implementation costs	-	5.9
Interest costs attributable to ERP implementation	-	2.2
Gain on ineffective hedges	-	(1.0)
Gain on sale of emissions trading scheme credits	-	(1.4)
Tax impact of above items	(16.2)	(3.7)
Total NPAT adjustment	78.8	9.5
Adjusted NPAT	(17.4)	14.3
Reported EBITDA	19.9	51.5
Adjusted EBITDA	36.1	62.5

[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 Synlait's operating performance.

[2] HY23 adjusted NPAT has been restated as if the product costing methodology had been applied consistently for both periods. This has resulted in HY23 adjusted NPAT increasing to $14.3m from $8.9m. Refer to page 33 for further information.

INGREDIENTS PERFORMANCE

Ingredients sales volumes returned to normal levels after ERP stabilisation challenges impacted HY23 volumes. Profitability was down due to less favourable market conditions and FX, reduced lead bucket advantage, and higher volumes of downgrade product and operational costs.

Sales Performance

Revenue up 16% (HY24: $293m, HY23: $252m) driven by:

- Volumes up 60% (HY24: 59,661 MT, HY23: 37,234 MT) as HY23 was impacted by ERP stabilisation challenges.
- Revenue per MT reduced (HY24: $4,908/MT, HY23: $6,777/MT) due to lower commodity prices, which drove a lower milk price.
- Product mix mainly comprised of SMP/AMF (HY24: 81%, HY23: 90%). The SMP/AMF mix outperformed WMP, but was significantly lower than HY23 resulting in lower revenue per MT.

Gross Profit Performance

Gross Profit down 94% or $20.8m (HY24: $1.4m, HY23: $22.2m) driven by:

- Lead bucket advantage reducing half-on-half.
- Butter differential vs our AMF product mix. Synlait does not produce butter.
- Unfavourable FX performance compared to the prior year.
- Higher sales volumes of downgrade product.

Manufacturing Performance

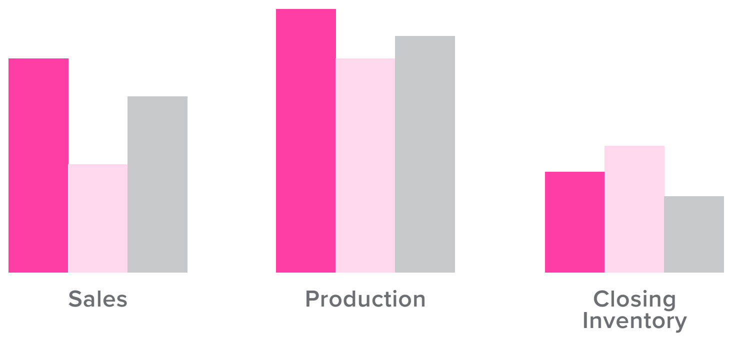
Production volumes up 11% (HY24: 79,724 MT, HY23: 71,882 MT) driven by:

- Lower Advanced Nutrition base powder production in HY24, providing higher capacity for production of Ingredients products.
- Costs of sales decreased (HY24: $4,885/MT, HY23: $6,180/MT) due to the lower milk price, partially offset by higher manufacturing costs.

Balance Sheet

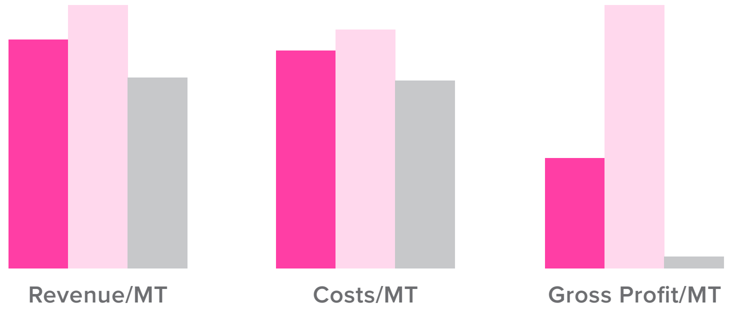
Closing inventory decreased 40% (HY24: 25,543 MT, HY23: 42,368 MT) due to HY23 being impacted by shipping delays brought on by ERP stabilisation challenges and improved sales delivery management.

Volumes (MT)



	Sales	Production	Closing Inventory
HY22	72,028	87,812	34,656
HY23	37,234	71,882	42,368
HY24	59,661	79,724	25,543

Performance ($)



	Revenue/MT	Costs/MT	Gross Profit/MT
HY22	5,882	5,633	249
HY23	6,777	6,180	597
HY24	4,908	4,885	23

Due to the change in product costing methodology, historical and current performance has been normalised to ensure comparability and consistency of performance measures. This has resulted in a decrease to gross profit of ($1.1m) for HY24, ($10.3m) for HY23 and ($16.8m) for HY22. Refer to page 33 for further information.

ADVANCED NUTRITION PERFORMANCE

Volumes and profitability have been phased towards the second half. Margins are down on lower lactoferrin volumes and a softening lactoferrin market, higher operational costs, and unfavourable FX performance.

Sales Performance

Revenue was flat half-on-half (HY24: $229m, HY23: $231m); while sales volumes reduced.

- Increase in revenue per MT driven by updated pricing which reflects recent significant increases in raw materials and packaging prices, offset by overall reduction in volume.
- Sales volumes are down due to reductions and deferrals in demand.

Gross Profit Performance

Decrease in gross profit performance of 25% or $11.1m (HY24: $32.7m, HY23 $43.8m) driven by:

- Reduction in overall sales volumes in HY24, falling 1,541 MT on reductions and deferrals of demand.
- Lactoferrin sales volumes deferred to the second half and impacted by a softer market (HY24: 3 MT, HY23: 7 MT).
- FX headwinds in a falling market, which resulted in lower margins.
- Higher fixed cost base established to support production at the North Island manufacturing facilities. The cost base is designed to support significantly higher production than current levels and is contributing to significant under-recoveries of overhead costs.

Manufacturing Performance

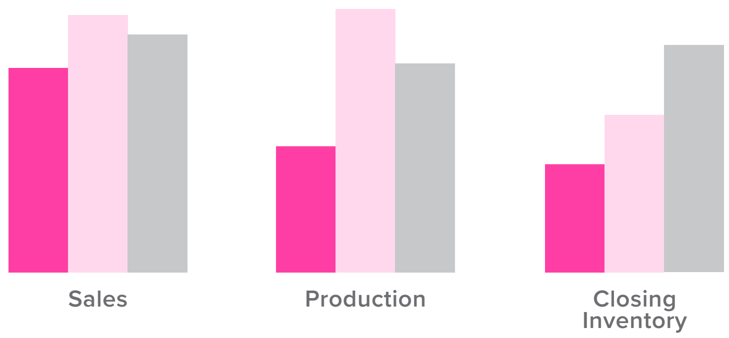
Production volumes down 22% (HY24: 13,936 MT, HY23: 17,795 MT) driven by:

- HY23 included Advanced Nutrition base powder production required to accommodate the State Administration for Market Regulation (SAMR) license re-registration.
- Additionally, HY23 opened with lower Advanced Nutrition base powder inventories and therefore required additional production to meet ongoing demand.
- Cost of sales increases due to significant increases in raw materials and packaging prices, product mix, and higher operational costs.

Balance Sheet

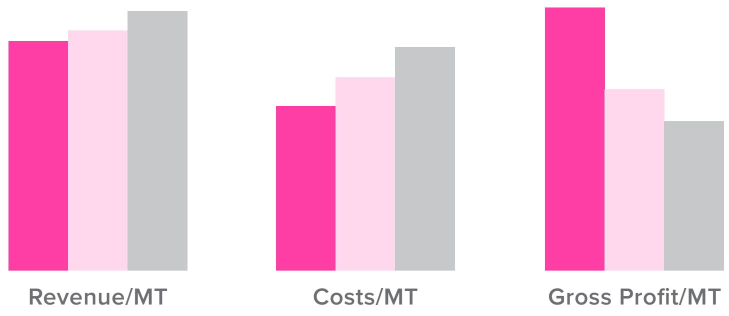
Closing inventory increased 46% (HY24: 15,362 MT, HY23: 10,545 MT), and is comprised mostly of work in process Advanced Nutrition base powder which will be consumed into finished goods over the balance of the year. HY23 balances were lower than normal as we ran down closing stock balances prior to the SAMR re-registration.

Volumes (MT)



	Sales	Production	Closing Inventory
HY22	13,774	8,475	7,259
HY23	17,415	17,795	10,545
HY24	15,874	13,936	15,362

Performance ($)



	Revenue/MT	Costs/MT	Gross Profit/MT
HY22	12,693	9,061	3,632
HY23	13,267	10,754	2,512
HY24	14,402	12,339	2,063

Due to the change in product costing methodology, historical and current performance has been normalised to ensure comparability and consistency of performance measures. This results in an increase to gross profit of $12.8m in HY24, $17.6m in HY23 and $22.6m in HY22. Refer to page 33 for further information.

CONSUMER FOODS PERFORMANCE

Performance was largely consistent with a slight volume increase offset by lower prices and costs rising at a faster rate than revenues.

Sales Performance

Revenue flat half-on-half (HY24: $165m, HY23: $164m) driven by:

- Increased volumes up 8% (HY24: 30,543 MT, HY23: 28,238 MT) on improved market share and customer demand.
- Offset by falling commodity prices resulting in lower revenue per MT.

Gross Profit Performance

Decrease in gross profit performance of 4% (HY24: $16.5m, HY23 $17.2m).

- Fresh milk, UHT, and cream margin down ($2.2m), driven by lag pricing mechanisms. In a rising milk price environment margins are temporarily reduced as the cost of milk rises before pricing updates. This reverses in a falling milk price environment.
- Dairyworks margin, excluding held-for-sale accounting adjustments, is up $1.5m on increased market share and growth into Australian and South East Asian markets.

Manufacturing Performance

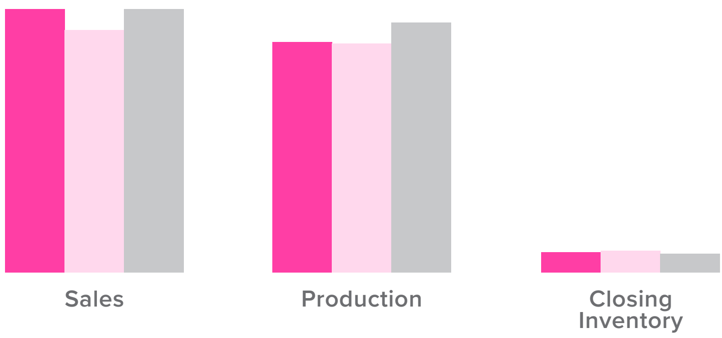
Production volumes up 9% (HY24: 28,964 MT, HY23: 26,551 MT) driven by:

- Increased demand for fresh milk and cream in the first half.
- Dairyworks increase in production following increase in market share.

Balance Sheet

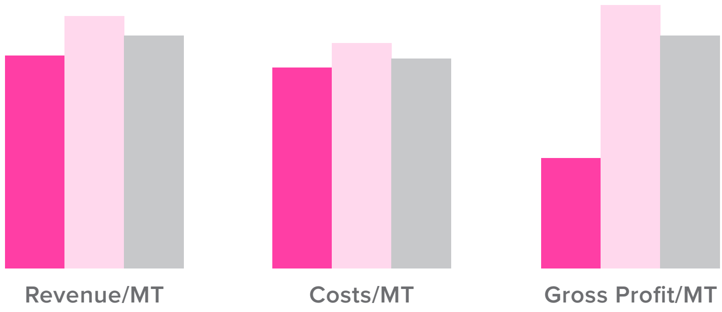
Closing inventory reduced slightly. Note that bulk cheese which is held as a raw material in Dairyworks did increase half-on-half due to holding requirements to support capital works initiatives across the Christmas period (HY24: $55.7m, HY23 $33.6m).

Volumes (MT)



	Sales	Production	Closing Inventory
HY22	30,400	26,564	2,388
HY23	28,238	26,551	2,555
HY24	30,543	28,964	2,215

Performance ($)



	Revenue/MT	Costs/MT	Gross Profit/MT
HY22	4,894	4,637	257
HY23	5,813	5,204	610
HY24	5,393	4,854	539

Due to the change in product costing methodology, historical and current performance has been normalised to ensure comparability and consistency of performance measures. This does not result in a material change to gross margins. Refer to page 33 for further information.

FOODSERVICE PERFORMANCE

The first six months of commercial production of UHT cream is complete. While higher than expected start-up costs have impacted financial performance, Synlait expects future volume growth to drive profitability.

Sales Performance

- Revenue per MT remained stable, while overall revenue rose from significant growth in volumes on commercialisation of initial volumes (HY24: $9.0m, HY23: $1.1m).

Gross Profit Performance

- Positive gross profit due to first six months of commercial sales.
- Underlying profitability rises to $829/MT after excluding the $1.4m of start-up costs, production trials and downgrades, which aligns with expectations.
- Profitability expected to grow with scale of volumes, capability building, alongside manufacturing efficiencies.

Manufacturing Performance

- Production volumes up 402% (HY24: 1,648 MT, HY23: 328 MT) due to product commercialisation.
- Cost per MT fell as economies of scale improved.

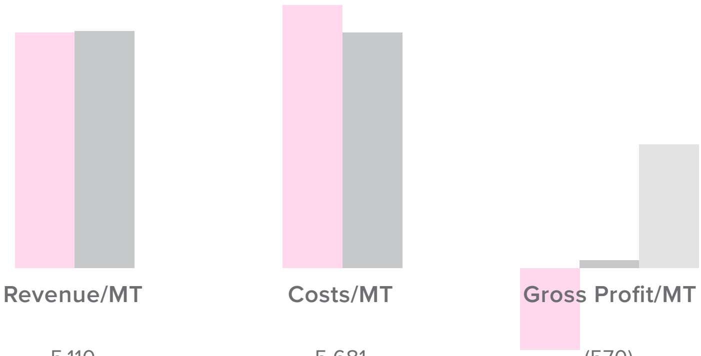
Balance Sheet

- Closing inventory increased slightly and remained low due to the product's fast turnover.

Volumes (MT)

	Sales	Production	Closing Inventory
HY23	218	328	202
HY24	1,744	1,648	263

Performance ($)



	Revenue/MT	Costs/MT	Gross Profit/MT
HY23	5,110	5,681	(570)
HY24	5,151	5,105	47
HY24 normalised for start-up costs			829

Due to the change in product costing methodology, historical and current performance has been normalised to ensure comparability and consistency of performance measures. This results in a decrease to gross profit of ($0.1m) in HY24 and an increase of $0.2m in HY23. Refer to page 33 for further information.

SG&A AND MANUFACTURING COSTS

SG&A costs reduced $5.0m driven by the resolution of ERP stabilisation challenges, which impacted HY23. Manufacturing costs, which increased $13.7m, continued to be a challenging area driven by higher energy and employee costs as well as continued inflationary cost pressures.

SG&A and ERP Costs

Movements compared to HY23 include:

- Rent and depreciation up $2.4m driven by the new North Island warehouse lease and one-off storage costs relating to North Island facility upgrades.
- Legal up $1.4m driven by an ongoing dispute with a key customer.
- Distribution costs were lower by $1.5m and consultancy lower by $3.9m due to HY23 including significant one-off costs in relation to challenges encountered with the go-live of the ERP system.
- Consultancy spend also benefited from ongoing efforts to reduce reliance on costly external consultants.
- Other cost reductions of $3.9m across the entire SG&A cost base resulted from the first phase of our cost-out programme and the resolution of ERP stabilisation challenges encountered in HY23.
- Dairyworks up $0.6m due mainly to wage inflation and higher volumes sold.

There will continue to be significant focus on achieving further SG&A cost reductions over the second half of FY24.

Manufacturing Costs

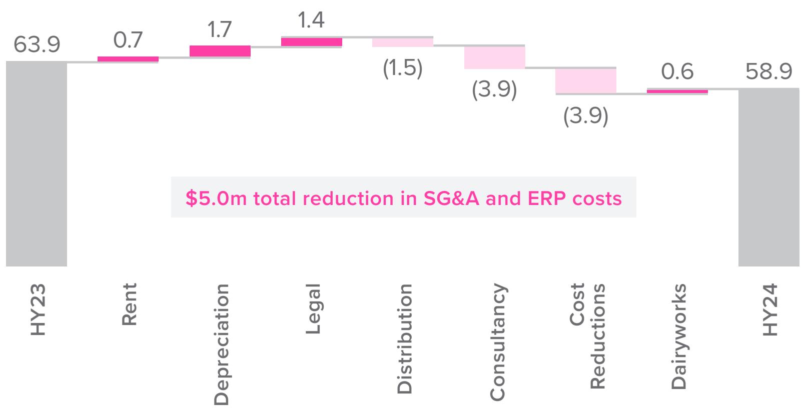
Increases compared to HY23 include:

- Milk supply costs up $1.1m due to higher milk transport costs and incentives.
- Energy costs up $2.0m due to higher energy prices and clean energy initiatives.
- Depreciation up $2.4m due to commissioning of North Island facility upgrades to enable production of plant-based Advanced Nutrition products.
- Employee costs (including independent contractors) up $3.9m, driven by impact of annual wage increases and higher staffing in the North Island to enable production.
- Other comprises several cost savings and cost increases which largely offset.
- Dairyworks costs up $3.2m because of costs to support facility upgrades and higher production and sales volumes.

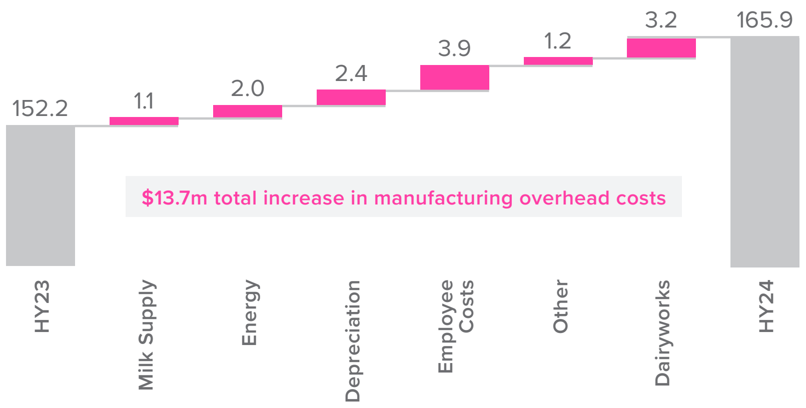
First half costs increased ahead of demand, which has been slow to materialise due to reductions and deferrals in Advanced Nutrition demand and production delays which impacted UHT cream sales.

The forward-looking business recovery plan is well progressed and includes a range of performance optimisation initiatives which will reduce costs and lift manufacturing and quality performance.

SG&A and ERP cost movement ($ millions)



Manufacturing cost movement ($ millions)



CASH FLOW AND NET DEBT

Net debt ended at $559.0, or $145.5m higher than FY23, due to seasonal inventory build, challenging operational performance, and higher financing costs.

Operating Cash Flows

Operating cash flows improved by $26.5m (HY24: ($98.1m), HY23: ($124.7m)) driven by:

- HY24 not being impacted by the ERP stabilisation challenges which resulted in significantly higher than normal inventory levels in HY23.
- This was offset by Synlait's challenging operational performance.

Capital Expenditure

CAPEX down 48% (HY24: $17.5m, HY23: $33.5m) driven by:

- Completion of the Synlait Pokeno upgrade which was commissioned over August and September 2023.
- A return to normal levels of operational capital expenditure. Operational capex is being closely monitored with a significant focus on ensuring cash is invested only in essential or high-return projects.

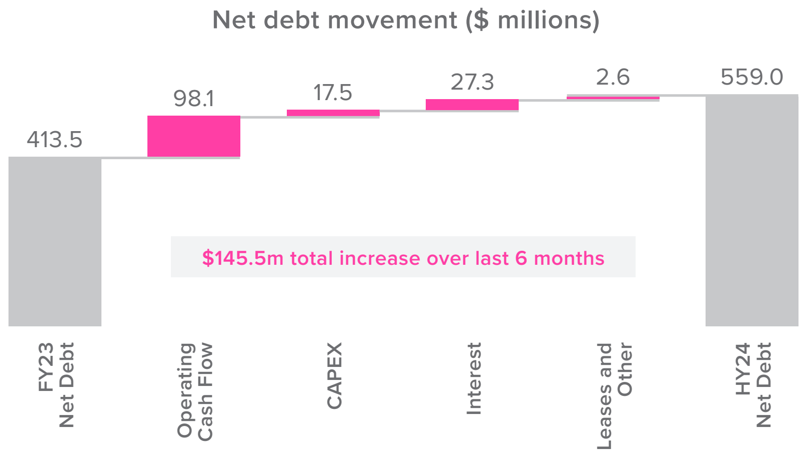
Financing Costs

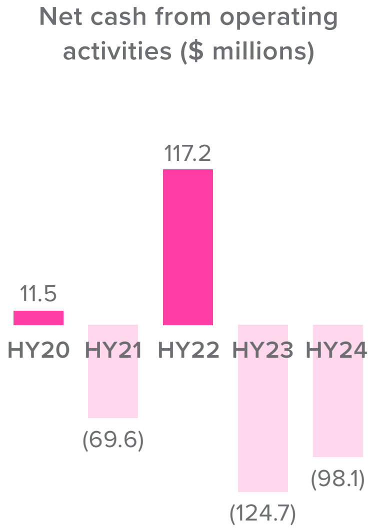
Higher interest costs adversely impacted net debt by $27.3m. This is up by $8.4m on HY23 due to:

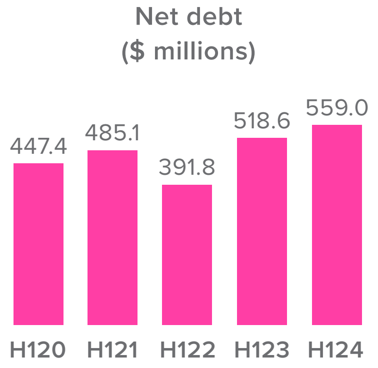
- Higher interest rates (impact of $4.1m).
- Higher debt load (impact of $3.0m) due to poor operational performance and seasonal build of inventories.
- Higher interest costs on newly entered leases (impact of $1.3m).

Net Debt

Net debt is $145.5m higher than FY23 due to poor operational performance, seasonal inventory build and higher financing costs.







DEBT FACILITIES AND BANKING COVENANTS

Synlait's banking syndicate remains supportive through what has been a challenging period of financial performance and divestment of assets, as reflected in recent amendments to key financial covenants and extension of the prepayment of at least $130m from no later than 28 March 2024 to 15 July 2024.

Synlait has syndicated bank facilities with ANZ Bank, Bank of China, China Construction Bank, HSBC and Rabobank. ANZ Bank are Syndicate Lead.

The syndicated banking facilities were amended on 28 March 2024 reflecting recent underperformance of the business and delays in deleveraging. The amended facilities reflect the syndicate's ongoing support for Synlait.

The secured facilities are summarised as follows:

1. Working capital facility of $270m, maturing 1 October 2024, together with a $10m on-demand bilateral facility. The facility is seasonal where the facility limit changes at several times during the term of the facility.
2. Revolving credit facilities of $230m. These facilities also step down over time with maturity dates between 31 July 2024 and 1 October 2025.

In addition, the Group is required to make a repayment of at least $130m by no later than 15 July 2024 (previously no later than 28 March 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.

Synlait has key financial covenants in place with its banking syndicate. Covenants for the facilities as recently amended are:

1. Total shareholder funds of no less than NZD $400m at all times (previously $600m).
2. Working capital ratio of no less than 1.5x at all times.
3. Interest coverage ratio of no less than 1.75x for the 31 July 2024 reporting date (previously 2.25x), increasing to 3.0x for the 31 July 2025 reporting date.
4. Leverage ratio of no greater than 3.5x for the 31 July 2024 reporting date, decreasing to no greater than 3.25x on and from the 31 July 2025 reporting date.
5. Senior leverage ratio of no greater than 2.25x for 31 July 2024.

ANZ 中国银行 BANK OF CHINA CCB 中国建设银行 China Construction Bank HSBC Rabobank

BUSINESS UPDATE

Grant Watson
Chief Executive Officer

ADVANCED NUTRITION

Leadership

- New Chief Revenue Officer (CRO) role has been established. Naiche Nogueira, previously the Director of Advanced Nutrition, has been appointed to this role.
- Naiche is responsible for the Advanced Nutrition and Ingredient businesses, Innovation, New Product Development, Programme Management and Regulatory teams.
- The CRO role will reduce complexity through a single point of customer contact across the Advanced Nutrition and Ingredients business units.

Business Development

- Dairy/non-dairy hybrid nutrition products now being exported to a range of Asia Pacific markets in various can and flexible packaging formats.
- Trials and audits underway to produce infant formula base powder for South East Asian markets, following signing of Memorandum of Understanding with a new prospective customer.
- Continuing to diversify markets and categories in the lactoferrin business (e.g. adult, general food) to reduce Synlait exposure to price volatility and address greater demand.
- Expanding portfolio into Essential Nutrition, addressing customer and consumer needs within strategic markets.

FY24 and FY25 Strategic Priorities

- Deliver compelling value to two cornerstone strategic customers.
- Grow Early Life and Adult Nutrition business in China and South East Asia.
- Diversify specialty ingredient product categories and customers.

ADVANCED NUTRITION – LIFE STAGE NUTRITION

ADVANCED INGREDIENTS

- Lactoferrin and specialty ingredients

EARLY LIFE NUTRITION → **ADULT NUTRITION**

- Maternal nutrition
- Infant nutrition
- Child nutrition
- Essential nutrition
- Active nutrition
- Sport nutrition
- Healthy ageing
- Clinical nutrition

FOODSERVICE

Business Development

- Joyhana China sales volumes delivering against growth expectations. This partnership with Sinodis has achieved strong market recognition in China.
- Global food company Uhrenholt confirmed the first UHT cream order for April 2024 production under its Emborg brand (see photo below). Uhrenholt launches into South East Asia in May 2024.
- South East Asia is a key growth region for Synlait due to its economic growth, urbanisation, and the expansion of China brands and route to market partners.
- An innovation pipeline is underway to bring the second generation of Joyhana to market in December 2024.

Joyhana Market Recognition

- Joyhana has been showcased across a wide range of local food shows and demonstrations in China and has been well received.
- The Synlait and Joyhana stand received the Excellent Exhibitor award at the China International Import Expo (October 2023).

FY24 and FY25 Strategic Priorities

- Grow market share and distribution in China and South East Asia.
- Expand innovation pipeline (beverage cream and other functional creams).
- Category expansion (partnering approach in medium-to-long term).

Joyhana UHT cream, manufactured by Synlait for Sinodis (bottle 1). Urhenholt branded cream, Emborg, manufactured by Synlait (bottle 2).

Synlait on display during the sixth annual China International Import Expo in Shanghai (top). Joyhana cream on display (bottom).

INGREDIENTS

Leadership

- Ingredients business now reports to Chief Revenue Officer (see page 17 for further detail).

Business Development

- New five-year co-investment partnership with Nestlé announced via Lead With Pride™ to support Synlait farmer suppliers with on-farm sustainability, by providing investment in new emissions reduction tools.
- Significant increase in higher margin, multi-year contracts with multinational customers.

FY24 and FY25 Strategic Priorities

The ingredient strategy is unchanged and is delivering to plan. It remains focused on:

- Optimising product mix, delivering premiums above Global Dairy Trade, sales phasing, and growing its value-added portfolio.
- Further reducing operational complexity and continuing to optimise cost base.
- Commercialising Synlait's sustainability credentials.

Synlait CEO Grant Watson and Nestlé Global Chief Procurement Officer Patricia Stroup launching the unique three-way partnership between Nestlé, Synlait, and its farmer suppliers to help fund innovative on-farm emissions reduction tools.

CONSUMER

Dairyworks Sale Ongoing

- Synlait remains in discussions with purchasers, but no sale has been completed or is assured.
- This is a high value business and the Synlait Board will ensure the best possible return for shareholders.
- Dairyworks EBITDA performance continues to track positively towards budget expectations, this will be materially higher than FY23.

Capital Improvements

- Capital improvements made to enable greater labour efficiencies, health and safety improvements, and quality at the Dairyworks processing facility are ongoing and support overall optimising efficiencies for future productivity.

Business Development – Local

- Focus has been on sustainable packaging development for Dairyworks' offerings and other customers' brands. Examples include New Zealand domestic private label (i.e., recyclable and reduced plastic use packaging) and changes to the New Zealand regulatory landscape via the new Plain English Allergen Labelling (PEAL) rules.
- The Rolling Meadow brand positioning and visual identity has been refreshed after 15 years in the market (photo on right). Selected national media will support the rebrand.

Business Development – International

- New customer opportunities for snacking, slicing, and grating products in the retail and foodservice segments have come online in Australia and South East Asia. These opportunities remain in the early stages and will continue to progress into the second half of FY24.
- Dairyworks' positioning in Woolworths Australia is driving incremental volume increases in slice, grate, and snacking cheese due to changing market conditions in Australia.
- South East Asia and Australian markets continue to be a significant growth engine for Dairyworks, focusing on retail (brand) and partnership opportunities (i.e., co-packing) with commercial delivery to be realised in FY25.

New Rolling Meadow branding launched in 2024.

ON-FARM EXCELLENCE AND SUSTAINABILITY

On-Farm Excellence Update

Strategy

- Retention of our high-quality milk supply remains a critical priority.
- As the balance sheet has come under continued pressure, cessation notices from farmer suppliers have increased compared to previous years. The cessation notice period is two-years, which means Synlait's current financial performance is not impacted. Synlait is confident, given the progression of the reset plan, that there is currently limited material risk to future financial performance.
- Strong competitive farmer supplier offering remains in place.

Enhancements to farmer suppliers' competitive advantage model

- New partnership with Farmlands will provide better value for farmer suppliers by leveraging collective buying power to gain improved pricing on-farm.
- Ongoing work to improve digital and financial tools.

Lead With Pride™ incentive changes

- The Lead With Pride™ incentive changes came after reviewing key stakeholders' feedback.
- Changes increase the greenhouse gas (GHG), somatic cell count, and milk quality incentives. The new incentives will encourage use of feeds that have a lower impact on GHG emissions.
- Continuous GHG improvements over time will be recognised within the incentive payments for the first time, further encouraging farmers to reduce their GHG footprint profitably.

Synlait farms (Dunsandel)

- Progressing with Lead with Pride™ certification after a period of significant improvements following the purchase of these properties in May 2020.

Sustainability Update

B Corporation™ recertification

Synlait achieved B Corporation™ recertification, the global gold standard accreditation for sustainability. Synlait's score increased by 21.5% and remains the largest New Zealand company with the accreditation. Score improvements came from:

- Governance: New social and environmental performance metrics are now linked to ELT compensation and job descriptions, and the Board also reviews the company's social and environmental performance. Synlait also added Purpose and Stakeholder Consideration clauses to its constitution to maintain its certification.
- Environment: Improved measurement and management of Synlait's greenhouse gas footprint across the company's value chain.

Gary Michael from the Synlait Farmer Leadership Team on-farm in Rakaia.

FORWARD-LOOKING BUSINESS RECOVERY PLAN IS WELL PROGRESSED

It has been a challenging half-year for Synlait as it continues to reset the company to better achieve strategic objectives, while working on a plan to significantly reduce elevated debt levels. The forward-looking business recovery plan is progressing across three key areas:

1 DELEVERAGING AND CASH FLOW IMPROVEMENTS

Synlait's balance sheet must be deleveraged. Working capital management has improved, however, significant opportunity still exists.

2 ACCELERATING VOLUME GROWTH

Synlait has excess production capacity relative to softening global demand. Accelerating Advanced Nutrition and Foodservice business development remains a key priority.

3 OPTIMISING PERFORMANCE

Optimising manufacturing, quality and supply chain cost performance is critical to getting Synlait back to profitability.

Targeting Net debt below $200 million by the end of FY25.

Target EBITDA improvement from volume and performance initiatives $45 million per annum by the end of FY26.*

Targeting over 20,000 MT of volume growth in Synlait value add products by the end of FY26.*

* Assumes no change in underlying business from current strategy.

1 DELEVERAGING AND CASH FLOW IMPROVEMENTS

CLEAR DELEVERAGING PLAN IN PLACE

- Banking syndicate remains supportive, and amendments to banking facilities have been recently executed.
- Letter of support received from Bright Dairy.
- North Island assets strategic review commenced.
- Equity raise preparations in progress.
- Dairyworks sale process ongoing.
- Alternative financing options being considered.

WORKING CAPITAL AND CAPEX IMPROVEMENTS

- Continued reduction in inventory, particularly in base powders, raw materials, and packaging.
- Continued reduction in CAPEX.
- Continued management of receivables and payables.

2 ACCELERATING VOLUME GROWTH

GROW ADVANCED NUTRITION VOLUMES

- Grow Early Life and Adult Nutrition businesses in China and South East Asia.
- Develop a compelling product portfolio that meets the various target markets' needs.
- Expand portfolio into Essential Nutrition to support growth plan.

GROW FOODSERVICE VOLUMES

- Accelerate growth of UHT cream through product innovation.
- Grow with current distributor in China to achieve channel and geographic expansion.
- Develop new distributor partnerships in South East Asia and the Middle East.
- Category expansion (butter and cream cheese) to be considered from FY27 onwards.

ACCELERATE CHINA GROWTH

- Leverage strong and committed partnership with Bright Dairy in China.
- Accelerate volume and value growth of Advanced Nutrition, Foodservice and Ingredients businesses in China.

3 OPTIMISING PERFORMANCE

IMPROVE MANUFACTURING PERFORMANCE

- SKU rationalisation and more efficient production.
- Continued leverage of continuous improvement processes.
- Yield improvement through reduced milk losses.
- Improve asset stability.

IMPROVE QUALITY PERFORMANCE

- Continued reduction in product turnaround time.
- Improvement in product quality systems to improve efficiency.

OPTIMISE SUPPLY CHAIN

- Further process and system efficiencies.
- Undertake container utilisation improvements.
- Implement new and improved purchasing systems.
- Further improved inventory management.
- Optimise ERP supply chain module.

COST REDUCTION INITIATIVES

- Reduce labour and consultancy costs through tighter controls on contractor spend and professional services.
- Targeted manufacturing cost reductions, including greater plant automation.
- Further exploration of energy cost optimisations.
- Additional optimisation in laboratory services and testing costs.

STRENGTHENED LEADERSHIP STRUCTURE | BOARD OF DIRECTORS

The search for a new Independent Director is complete with the appointment of George Adams in March 2024.

Acting Chair

Paul McGilvary

- Audit & Risk Committee Member
- People, Environment & Governance Committee Member

Independent Director, elected Acting Chair in October 2023.

Independent Directors

Paul Washer

- Audit & Risk Committee Chair
- People, Environment & Governance Committee Member

George Adams

- People, Environment & Governance Chair

Appointed as an Independent Director effective 21 March 2024. George's appointment means Synlait returns to having three Independent Directors as required under its constitution. George will formally stand for election by Synlait shareholders at the company's Annual Meeting in December 2024.

Board Appointed Director

John Penno

- Co-founder of Synlait, former CEO, former Chair
- Chair of Dairyworks Advisory Board

Bright Dairy Appointed Directors

Ruth Richardson

- People, Environment & Governance Committee Member

Edward Yang

- People, Environment & Governance Committee Member

Julia Zhu

- Audit & Risk Committee Member

Tao Zhang

The Deputy Finance Director of Bright Dairy & Food Co.. was elected as a Bright Dairy Appointed Director in February 2024.

STRENGTHENED LEADERSHIP STRUCTURE | ELT

Direct reports to the CEO reduced to increase business unit alignment, accelerate growth, and reduce costs.

Grant Watson
Chief Executive Officer

Naiche Nogueira
Chief Revenue Officer

Abby Ye
President China and Director of Foodservice

Charles Fergusson
Director of On-Farm Excellence, Business Sustainability and Corporate Affairs

Advanced Nutrition and Ingredients | Foodservice | On-Farm Excellence

Rob Stowell
Chief Financial Officer

Paul Mallard
Chief Operating Officer

Cathy Gamlen
Director of People and Culture

Enablers

The key changes include:

- Established a Chief Revenue Officer (CRO) role to oversee all Advanced Nutrition and Ingredients customer interactions and reduce complexity through a single point of customer contact. Naiche Nogueira, previously the Director of Advanced Nutrition, has been appointed to this role. Naiche is now responsible for our Advanced Nutrition and Ingredient businesses, Innovation, New Product Development, Programme Management and Regulatory teams.
- Disestablished the Director of Quality, Regulatory & Laboratory Services role. Paul Mallard, Synlait's Chief Operating Officer, is now responsible for Synlait's end-to-end operations, including Demand Planning, Manufacturing, Quality, Laboratory, and Supply Chain functions.
- Expanded the Director of On-Farm Excellence and Business Sustainability role held by Charles Fergusson to include Corporate Affairs and Strategy functions.
- Dairyworks CEO Tim Carter will continue to report to Synlait CEO Grant Watson until the business is sold.

FULL YEAR 2024 (FY24) GUIDANCE STATEMENT

Synlait has updated its FY24 guidance.

The previously announced guidance stated that EBITDA performance was expected to be broadly flat or down compared to FY23. Synlait's FY23 EBITDA was $90.7 million.

Synlait now expects the FY24 EBITDA result to be significantly down on FY23 within the range of $45 million to $60 million, excluding a non-cash adjustment for the product costing method change of approximately $17 million.

The FY24 EBITDA result is impacted by:

- Softening demand and/or margins across all business units.
- Adverse foreign exchange and product mix.
- Increased operating expenses e.g., legal costs, inventory management, and a range of other costs.

In addition to the above, Synlait is facing material uncertainties in respect of the timings and outcomes of various deleveraging options which are currently progressing. The deleveraging options include an equity raise, a North Island strategic asset review, and the sale of Dairyworks.

The half-year financial statements further detail these material uncertainties. All shareholders are encouraged to review this disclosure in detail.

The Board and Management remain fully committed to deleveraging Synlait's balance sheet and continuing the focus on improving profitability for the balance of 2024.

The FY24 EBITDA guidance excludes all current and future impairments relating to Synlait and Dairyworks.

WHAT TO EXPECT FROM SYNLAIT IN THE SECOND HALF OF FY24

1 DELEVERAGING AND CASHFLOW IMPROVEMENTS

- Progression of North Island assets strategic review, Dairyworks sale, and equity raising to deleverage the balance sheet.
- Working capital and CAPEX improvements.

2 ACCELERATING VOLUME GROWTH

- Grow Advanced Nutrition volumes.
- Grow Foodservice volumes.
- Accelerate China growth.

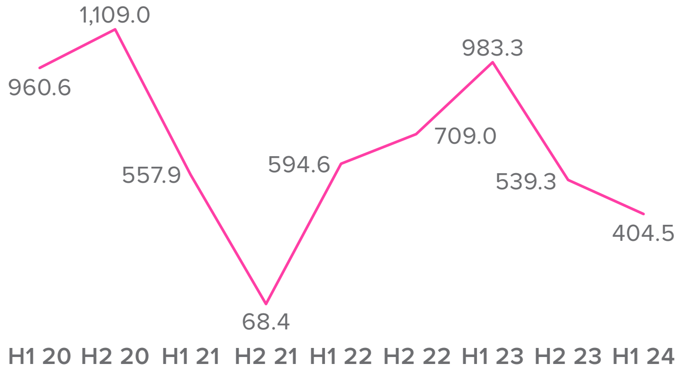
3 OPTIMISING PERFORMANCE

- Improve manufacturing performance.
- Improve quality performance.
- Optimise supply chain.
- Cost reduction initiatives.

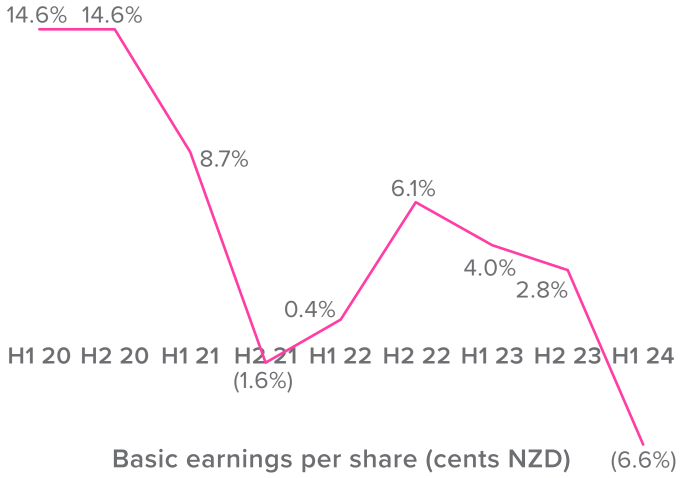
APPENDICES

KEY FINANCIAL METRICS

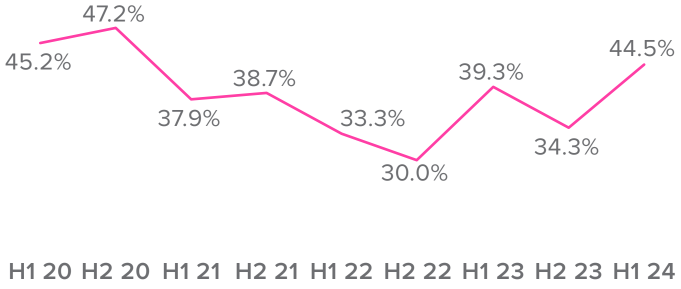
Gross profit per MT ($)*



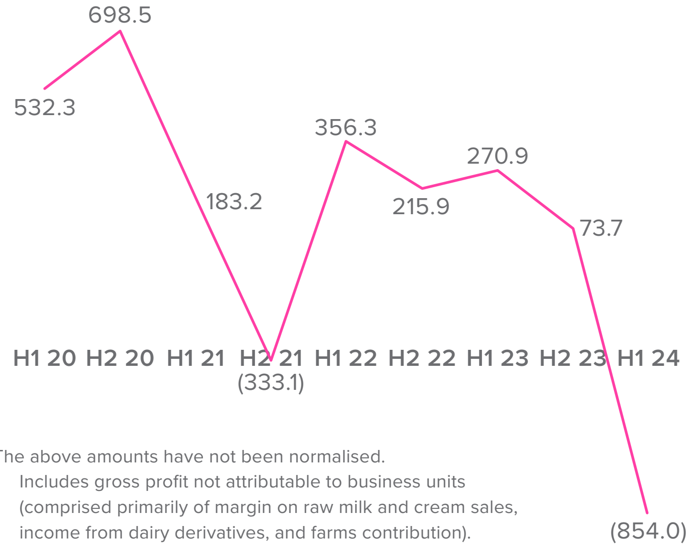
Return on net operating assets (12 month trailing)



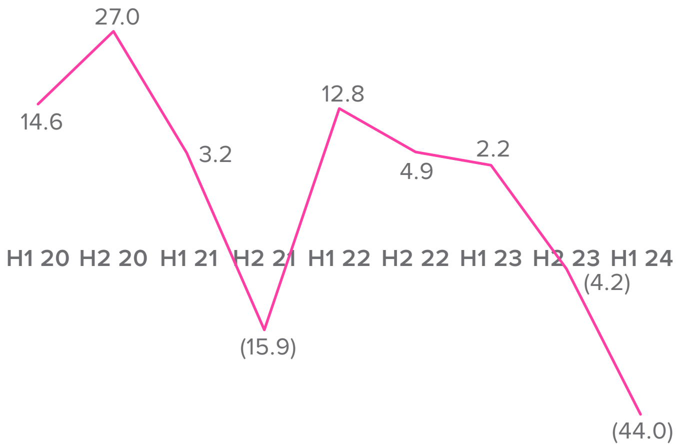
Debt/debt + equity



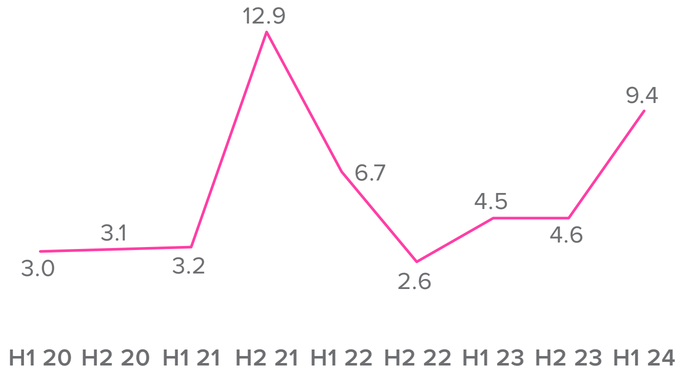
EBIT per MT ($)



Basic earnings per share (cents NZD)



Net debt/EBITDA (12 month trailing)



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 farms contribution).

GROSS PROFIT PERFORMANCE BY CATEGORY

	HY20	HY21	HY22	HY23	HY24
Sales Volume (MT)					
Ingredients	45,673	56,971	72,028	37,234	**59,661**
Advanced Nutrition	23,657	19,679	13,774	17,415	**15,874**
Consumer	16,942	30,270	30,400	28,238	**30,543**
Foodservice	-	-	-	218	**1,744**
Subtotal	**86,272**	**106,920**	**116,202**	**83,105**	**107,822**
Gross Profit ($M)					
Ingredients	5.9	(13.6)	17.9	22.2	**1.4**
Advanced Nutrition	75.5	67.6	50.0	43.8	**32.7**
Consumer	(2.3)	8.4	7.8	17.2	**16.5**
Foodservice	-	-	-	(0.1)	**0.1**
Subtotal	**79.1**	**62.4**	**75.8**	**83.1**	**50.7**
Gross Profit ($/MT)					
Ingredients	130	(240)	249	597	**23**
Advanced Nutrition	3,190	3,437	3,632	2,512	**2,063**
Consumer	(137)	277	257	610	**539**
Foodservice	-	-	-	(570)	**47**
Subtotal	**917**	**583**	**652**	**1,000**	**470**
Revenue ($M)					
Ingredients	238	275	424	252	**293**
Advanced Nutrition	252	224	175	231	**229**
Consumer	28	131	149	164	**165**
Foodservice	-	-	-	1	**9**
Subtotal	**518**	**630**	**748**	**648**	**695**

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

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	HY20	HY21	HY22	HY23	HY24
As previously presented					
Ingredients	16.7	19.0	34.7	32.5	2.5
Advanced Nutrition	70.8	33.6	27.4	26.2	19.9
Consumer	(2.2)	8.4	7.8	17.2	16.5
Foodservice	-	-	-	(0.3)	0.2
Total	**85.3**	**61.0**	**69.9**	**75.6**	**39.1**
Normalised as if applied retrospectively					
Ingredients	5.9	(13.6)	17.9	22.2	1.4
Advanced Nutrition	75.5	67.6	50.0	43.8	32.7
Consumer	(2.3)	8.4	7.8	17.2	16.5
Foodservice	-	-	-	(0.1)	0.1
Total	**79.1**	**62.4**	**75.8**	**83.1**	**50.7**
Normalisation adjustment					
Ingredients	(10.8)	(32.6)	(16.8)	(10.3)	(1.1)
Advanced Nutrition	4.7	34.0	22.6	17.6	12.8
Consumer	(0.1)	-	-	-	-
Foodservice	-	-	-	0.2	(0.1)
Total	**(6.2)**	**1.4**	**5.8**	**7.5**	**11.6**

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