

TO:DAY

TO:MORROW

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TO:DAY

- : CHAIRMAN'S REMARKS
- : STRATEGIC UPDATE
- : OUR FINANCIAL RESULTS



Graeme Milne
CHAIRMAN



CHAIRMAN'S REMARKS

- RECORD FULL-YEAR PROFIT OF \$74.6 MILLION, UP 89% ON FY17 PRIMARILY DUE TO INCREASED CONSUMER PACKAGED INFANT FORMULA SALES VOLUMES
- GROSS PROFIT PER METRIC TONNE UP 63% TO \$1,294, DRIVEN BY CONSUMER PACKAGED INFANT FORMULA SALES INCREASING TO 28% OF TOTAL SALES (FY17 13%)
- ANNOUNCED APPOINTMENT OF LEON CLEMENT AS CEO
- COMMITTED TO MEETING BOLD SUSTAINABILITY TARGETS BY 2028
- PROFITABILITY EXPECTED TO INCREASE IN FY19 BUT NOT AT THE SAME RATE AS FY18



Leon Clement
CHIEF EXECUTIVE OFFICER



STRATEGIC UPDATE

- STRENGTHENED RELATIONSHIP WITH THE A2 MILK COMPANY™ WITH ANNOUNCEMENT OF EXTENDED SUPPLY AGREEMENT
- MANUFACTURING DIVERSIFICATION BEGUN WITH GROUND BREAKING ON SYNLAIT POKENO
- EVERYDAY DAIRY CATEGORY EXPANSION BEGUN WITH:
 - ADVANCED LIQUID DAIRY PACKAGING FACILITY PROGRESS, SUPPORTED BY FOODSTUFFS SOUTH ISLAND CONTRACT
 - CONDITIONAL AGREEMENT TO ENTER THE CHEESE CATEGORY THROUGH ACQUISITION OF TALBOT FOREST CHEESE ASSETS (EFFECTIVE 1 AUGUST 2019)
- BEGAN CONSTRUCTION TO DOUBLE LACTOFERRIN CAPACITY, UNDERPINNED BY SUPPLY AGREEMENT
- MOMENTUM CREATED FOR NEXT STAGE OF GROWTH, UNDERPINNED BY SUSTAINABILITY FOCUS

OUR CATEGORIES

INGREDIENTS



INFANT NUTRITION



EVERYDAY DAIRY



ADULT NUTRITION



TO:SUCCEED

WE WILL LEVERAGE OUR UNIQUE SUSTAINABLE VALUE CHAIN
IN EACH CATEGORY TO BUILD SUCCESSFUL BUSINESSES
THAT CONTRIBUTE TO OUR LONG-TERM SUCCESS

SUSTAINABLE VALUE CHAIN

ENVIRONMENT



PEOPLE



ENTERPRISE



ENVIRONMENT



2028 REDUCTIONS PER KGMS:

- 35% less on-farm greenhouse gas (GHG) emissions
- 50% less off-farm GHG emissions
- 20% reduction in on-farm and off-farm water use
- 45% reduction in nitrogen loss to waterways

\$1.3 million budgeted for PKE-free incentives in FY19

Installation of New Zealand’s first large scale electrode boiler at Synlait Dunsandel

Increasing number of certified Lead With Pride™ suppliers, Australasia’s only internationally accredited ISO/IEC 17065 dairy farm assurance system



PEOPLE

HEALTH, SAFETY AND WELLNESS

- Total Recordable Injury Frequency Rate (TRIFR) decreased from 25.1 to 18.1 per million hours worked, a **28% improvement**
- **Critical Risk Projects** to manage health, safety and wellness priorities throughout organisation

TALENT ATTRACTION + DEVELOPMENT

- Gallup Q12 employee engagement score improved from **31st to 61st** percentile of peer group

DIVERSITY

- Launched Diversity and Inclusion Policy to attract, equip and empower talented leaders
- Three key appointments to Senior Leadership Team in FY18
- Will continue to build a diverse and inclusive community of great people throughout Synlait, at all levels of the organisation
- The Policy is available to view on our website

ENTERPRISE



INVESTMENT IN INNOVATION

- Targeting R+D spend in FY19 equal to 1.5% of revenue

FOOD SAFETY AND QUALITY

- Uphold highest quality and safety standards, the **cornerstone** of Synlait's business

SUSTAINABLE SUPPLY

- Partner with farmers, suppliers and customers who **share our philosophy**

ACCOUNTABILITY AND TRANSPARENCY

- Aiming to become first NZX-listed B Corp. in 2019

OUR GEOGRAPHIC FOOTPRINT

AUCKLAND

- 35,000 MT infant formula canning capacity
- CNCA and SAMR registration in progress

POKENO

- Plant on schedule for 2019 / 2020 milk season commission
- A1 protein-free and Lead With Pride™ milk pools being formed

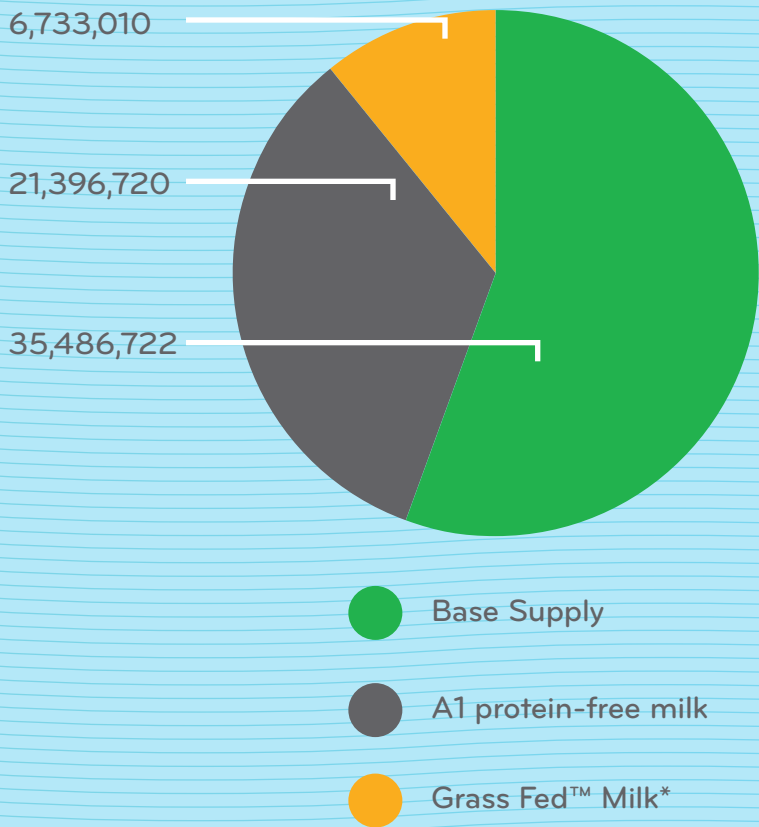
PALMERSTON NORTH

- R+D staff to grow from seven to 15 by the end of FY19
- Overall R+D spend targeted to reach 1.5% of revenue in FY19

DUNSANDEL

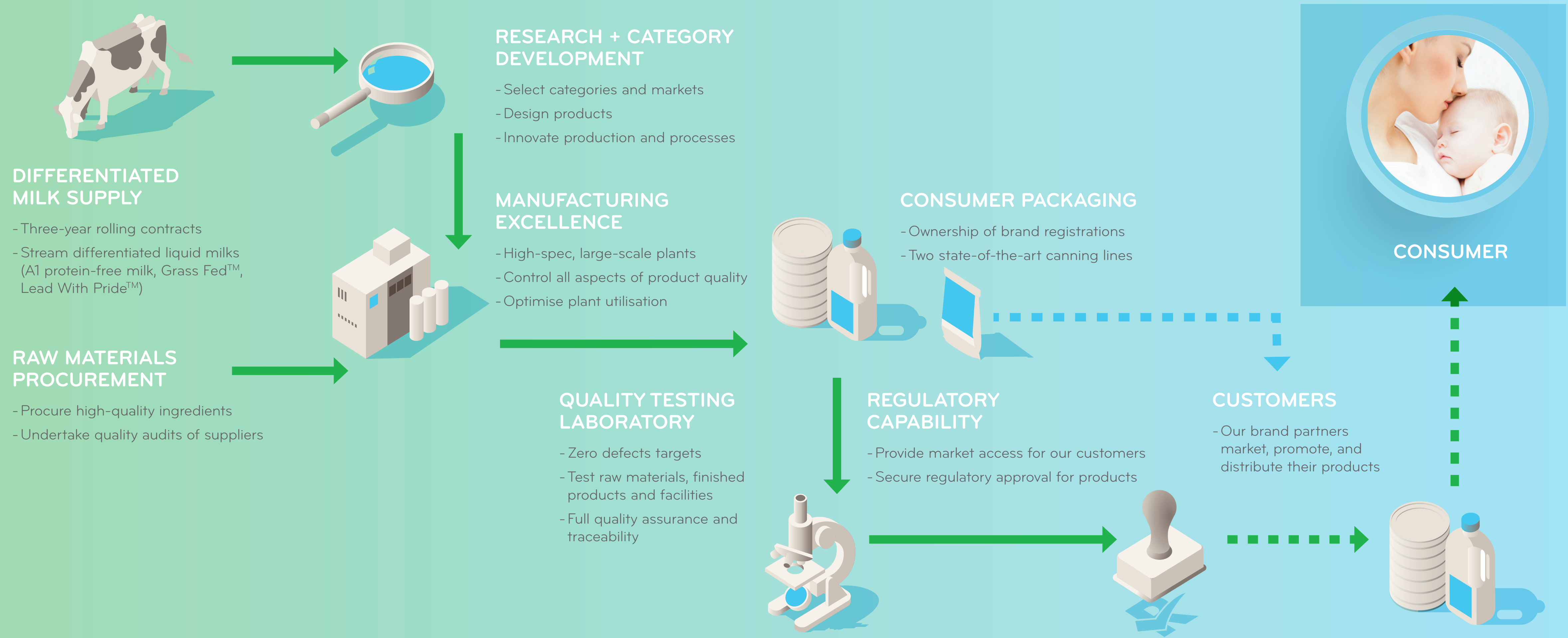
- Advanced Liquid Dairy Packaging Facility on track for March 2019 commission
- Lactoferrin expansion on track for November 2018 commission

FY18 CONTRACTED MILK SUPPLY (kgMS)

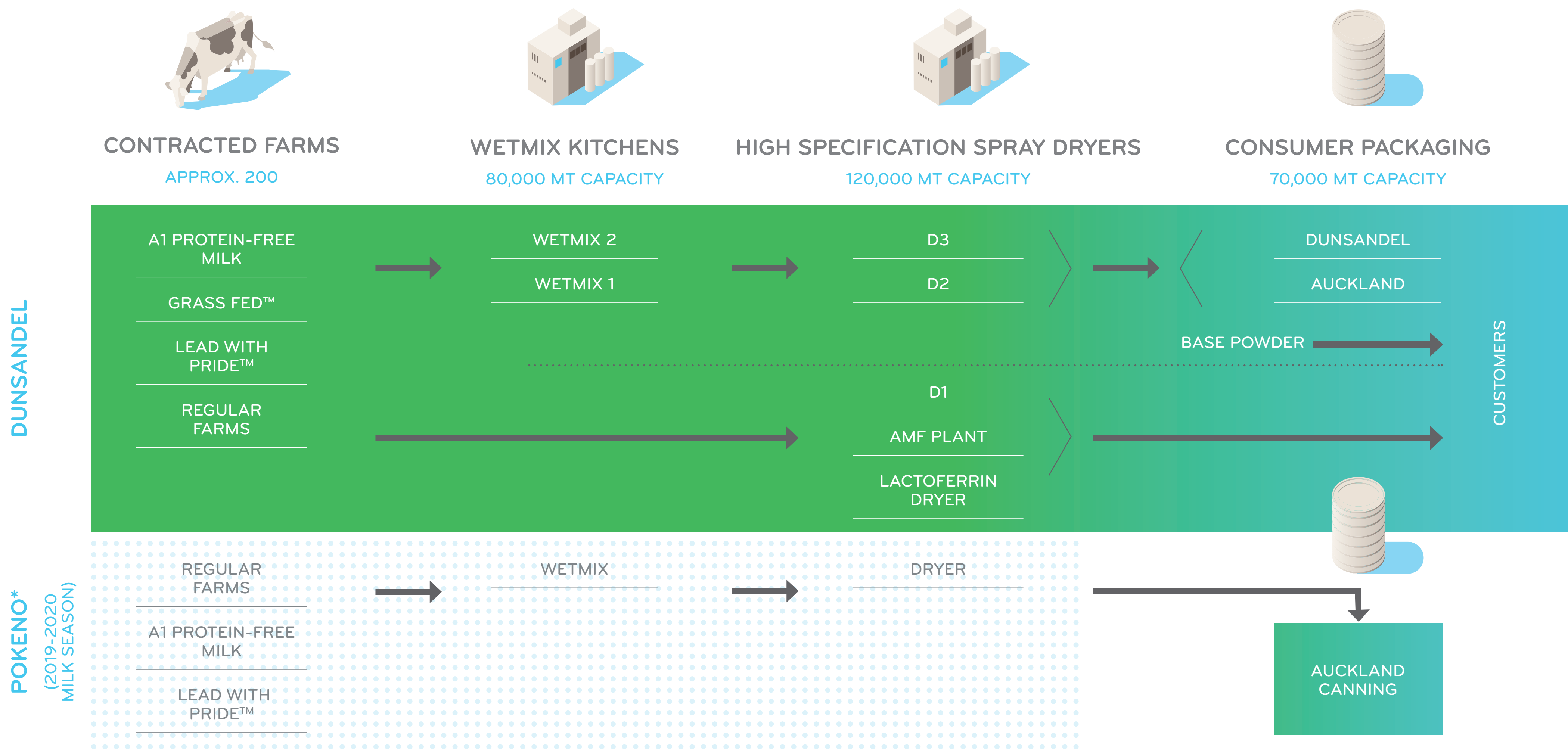


*20,298,854 kgMS of Lead With Pride™ Milk were contracted in FY18

SYNLAIT'S INTEGRATED VALUE CHAIN



MANUFACTURING EXCELLENCE



This diagram shows capacity across our core categories of powders and infant formula. It does not include the conditional acquisition of Talbot Forest Cheese assets or the Advanced Liquid Dairy Packaging Facility

* Not shown in headline capacities

A PORTFOLIO OF INFANT FORMULA CUSTOMER PARTNERSHIPS

- Registration with State Administration for Market Regulation (SAMR - the replacement organisation for CFDA) received in FY18
- Exclusive supplier of the a2 Milk Company's™ infant formula to China and Australasia markets



- Five-year supply agreement signed in February 2018
- SAMR registration application submitted



- Sold in Australia and New Zealand
- Pending U.S. Food and Drug Administration (FDA) review
- Exclusive supplier of Munchkin's 100% Grass Fed™ infant formula



- Five-year supply agreement signed in August 2017
- SAMR registration application submitted for Akara; e-Akara to be submitted in 2018

DIFFERENTIATED

CHINA DOMESTIC

EVERYDAY DAIRY EXPANSION THROUGH TALBOT FOREST CHEESE ACQUISITION

- Conditional agreement made to acquire selected Talbot Forest Cheese assets, including:
 - Property, plant and equipment at their new 12,000 MT Temuka site
 - Consumer cheese brand (Talbot Forest Cheese)
- Builds on existing portfolio of high-quality, flexible dairy manufacturing capabilities that can be tailored to meet customer needs, while diversifying revenue streams
- Contributes to growth within Everyday Dairy category in New Zealand, which is a notable \$2 billion market
- The Temuka site is a specialised cheese manufacturing facility, with high degree of product customisation, gives Synlait ability to manufacture a variety of products to meet demand across local and international markets and channels
- Estimated investment of \$30 - \$40 million
- The proposed acquisition is structured in two parts:
 1. Conditional ten-month period, including a competitive \$18 million loan facility from Synlait for Talbot to complete capital works programme and satisfy conditions
 2. Settlement is expected in August 2019 once conditions have been met, Synlait assumes management and operational control



TO:DAY

OUR FINANCIAL RESULTS



Nigel Greenwood

CHIEF FINANCIAL OFFICER

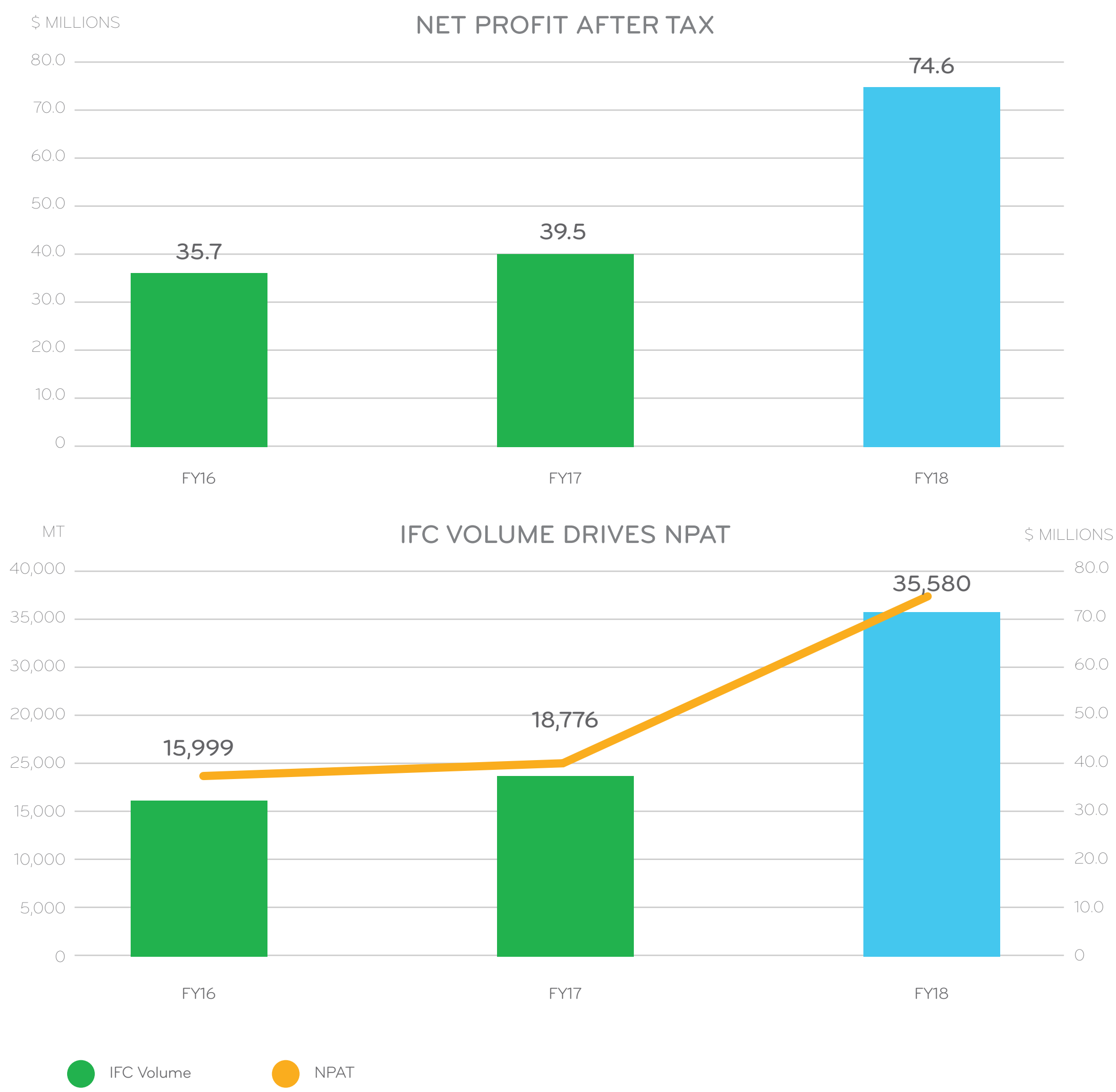


OVERVIEW

- Full-year profit up 89% year-on-year to \$74.6 million, ahead of all previous results
- Profit growth primarily driven by 89% increase in consumer packaged infant formula sales volumes
- Earnings before interest, tax, depreciation and amortization (EBITDA) increased 56% to \$138.6 million

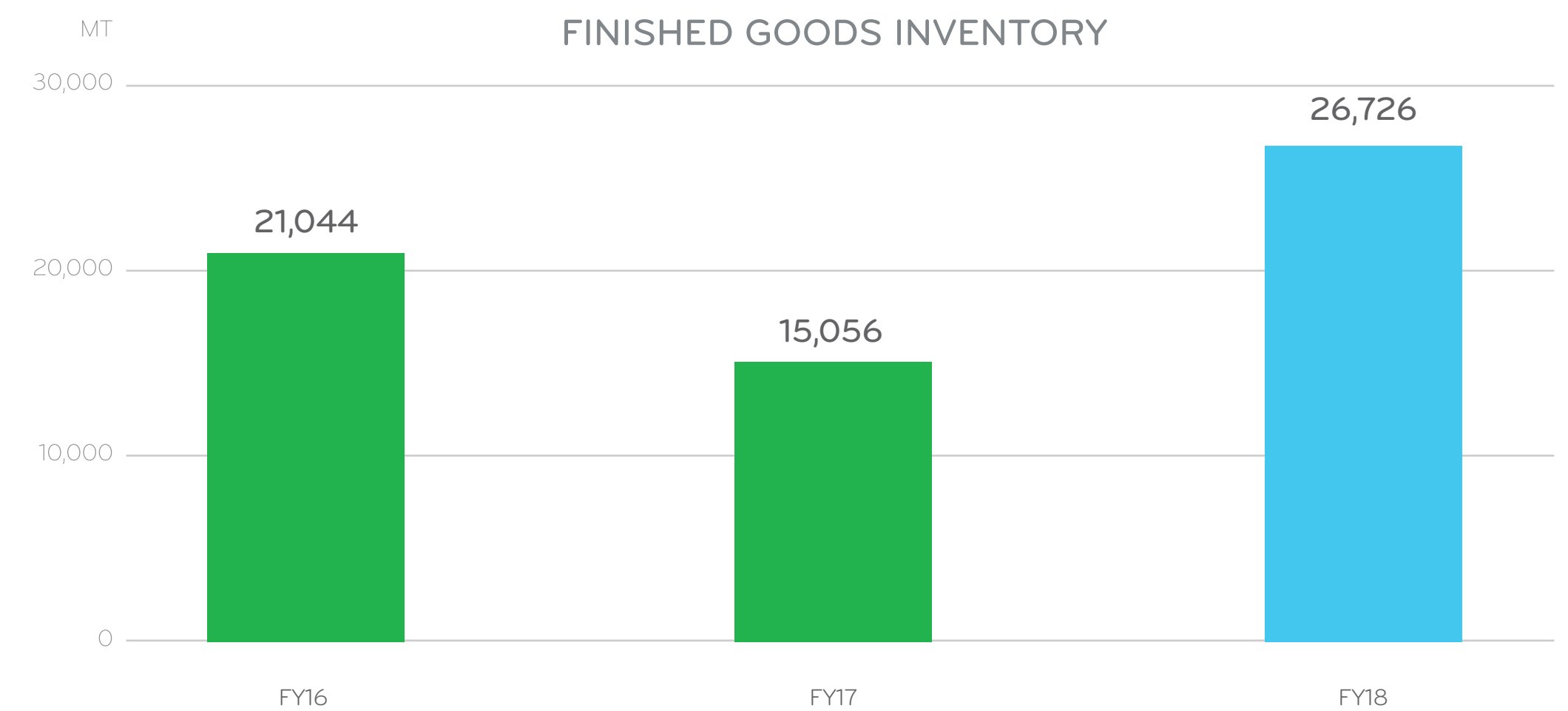
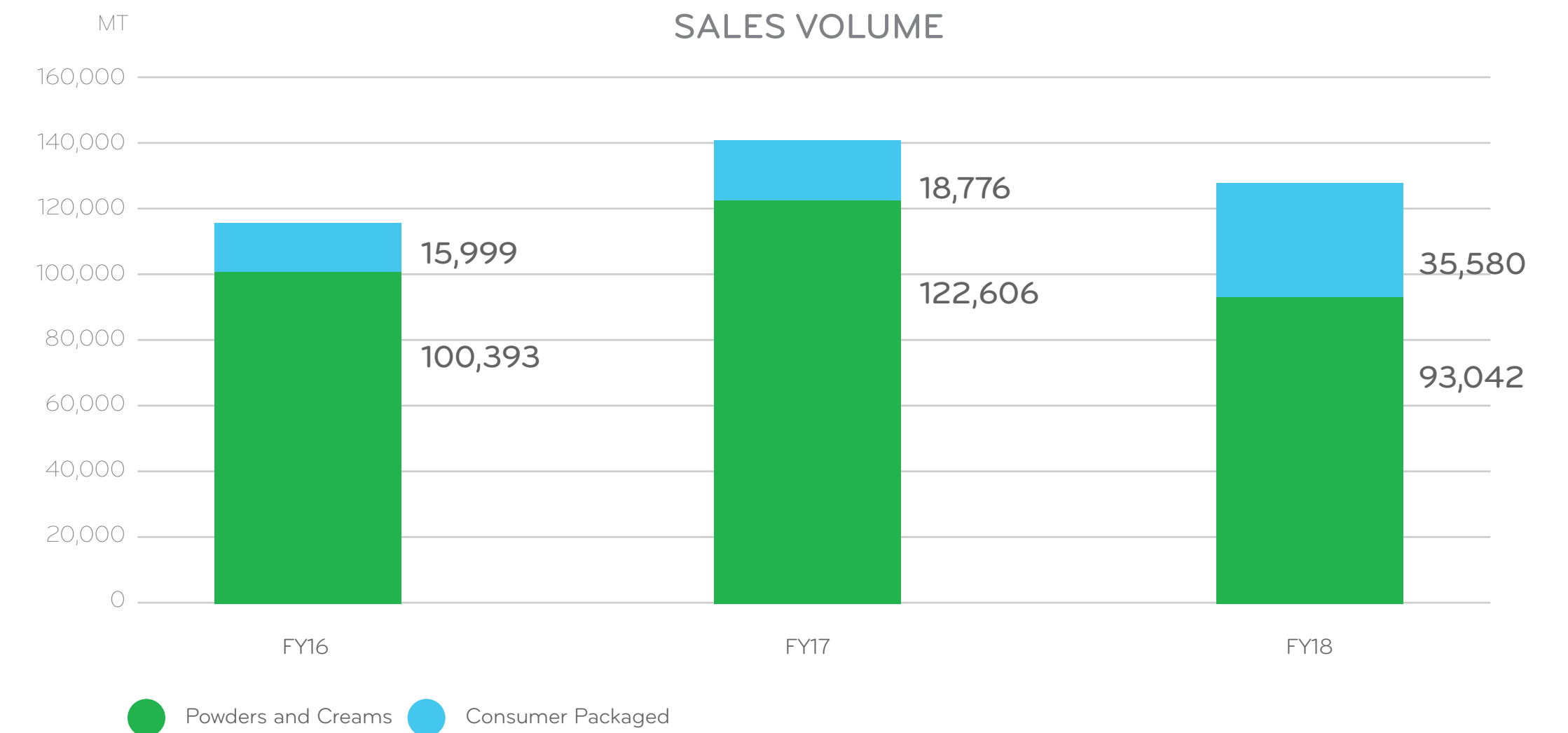
EBITDA INCREASED TO
\$138.6m
(FY17: \$88.8m)

CONSUMER PACKAGED
INFANT FORMULA
**SALES OF
35,580 MT**



SALES VOLUME

- Revenue increase of \$120.0 million to \$879.0 in FY18 is due to a combination of higher value consumer packaged infant formula sales and an uplift in dairy commodity prices
- Total sales volumes down 9.0% over FY17 to 128,637 MT, due to shift toward consumer packaged products that restricts the amount of milk we can process in peak production months
 - Powders and Cream sales down 24% to 93,042 MT, in line with H1 FY18 guidance
- Finished goods inventory increased by \$55.1 million to \$122.6 million, the majority of which is due to a buildup of bulk infant formula manufactured to meet forecast FY19 consumer packaged infant formula sales



Sales volumes for specialty ingredients are not shown on the graph.

PRODUCTION VOLUME

- Milk purchases remain our most significant cost when determining gross profit, with a final milk price paid in FY18 of \$6.65 per kgMS, compared to \$6.16 per kgMS in FY17
- Shift toward consumer packaged products led total milk processed to fall from 65.0 million kgMS in FY17 to 60.8 million kgMS



Sales volumes for specialty ingredients are not shown on the graph.

PROFITABILITY

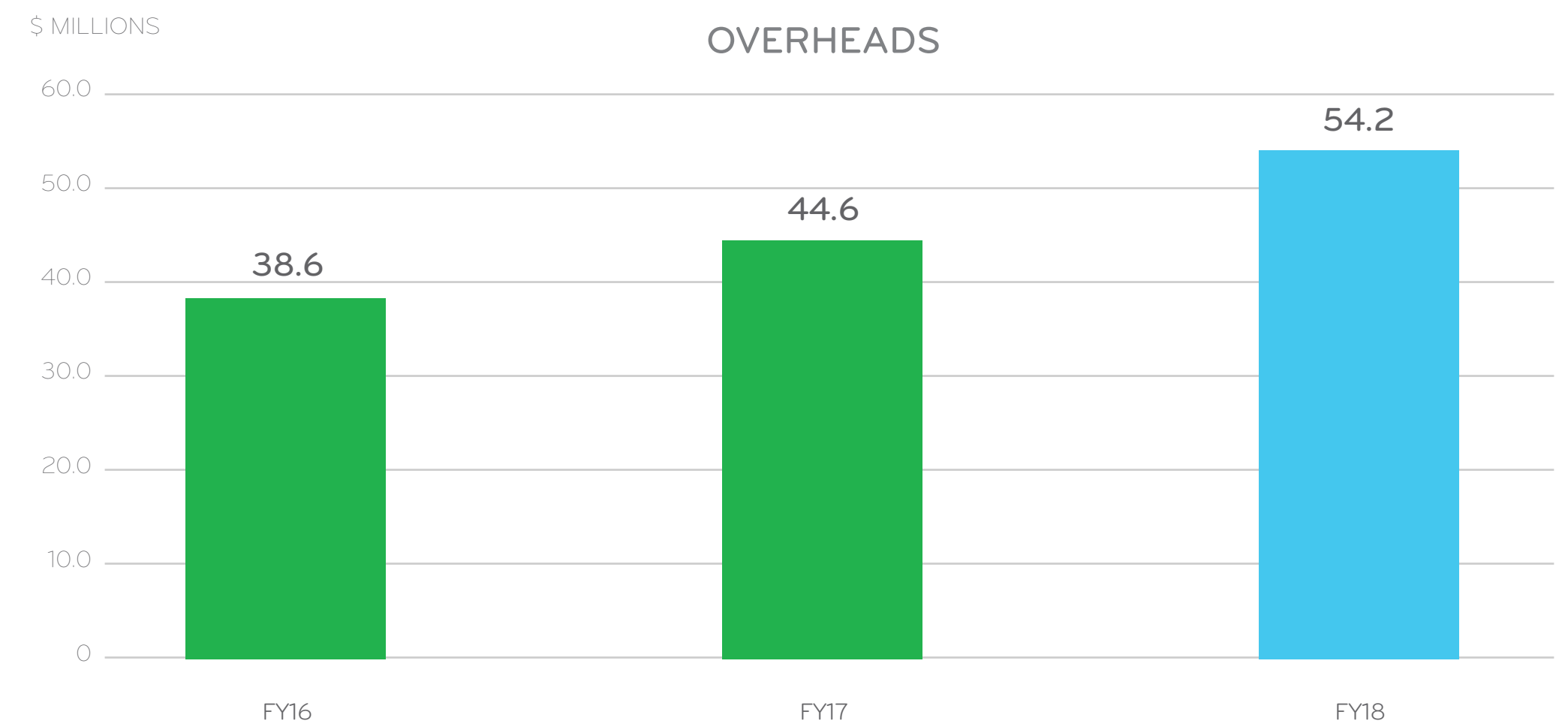
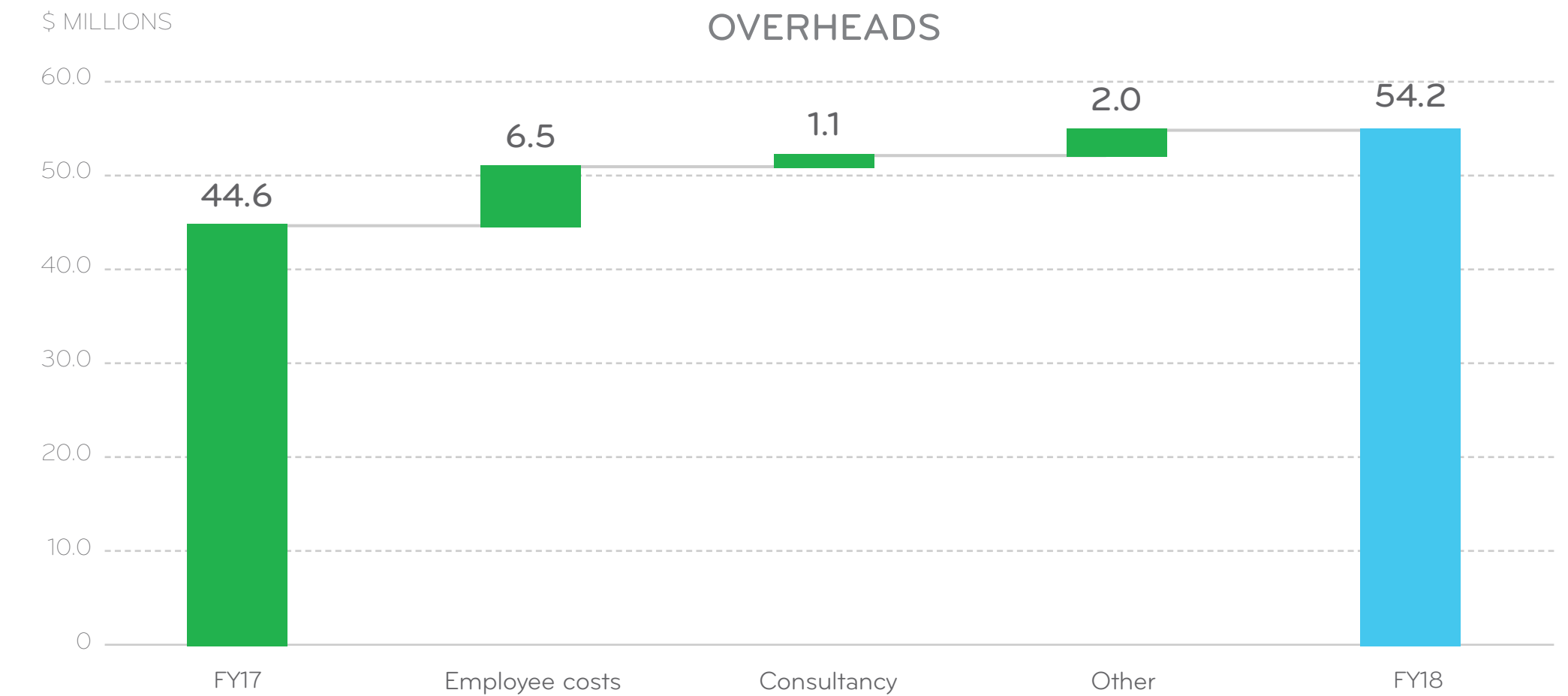
- Total gross profit per MT up \$502 to \$1,294, primarily due to consumer packaged infant formula volumes as a percentage of total product sales growing from 13% in FY17 to 28% in FY18
- We also achieved an improved gross margin performance on our ingredients products
- Consumer packaged gross profit per MT improved by \$44, on a combination of higher utilisation of the Dunsandel canning facility that was largely offset by the costs of commissioning the Auckland canning facility
- Lactoferrin sales increased by 44% over FY17 to 16 MT, while margin per MT increased to \$285,757, contributing \$4.4 million to gross profit

Includes product internally transferred to blending and consumer packaging



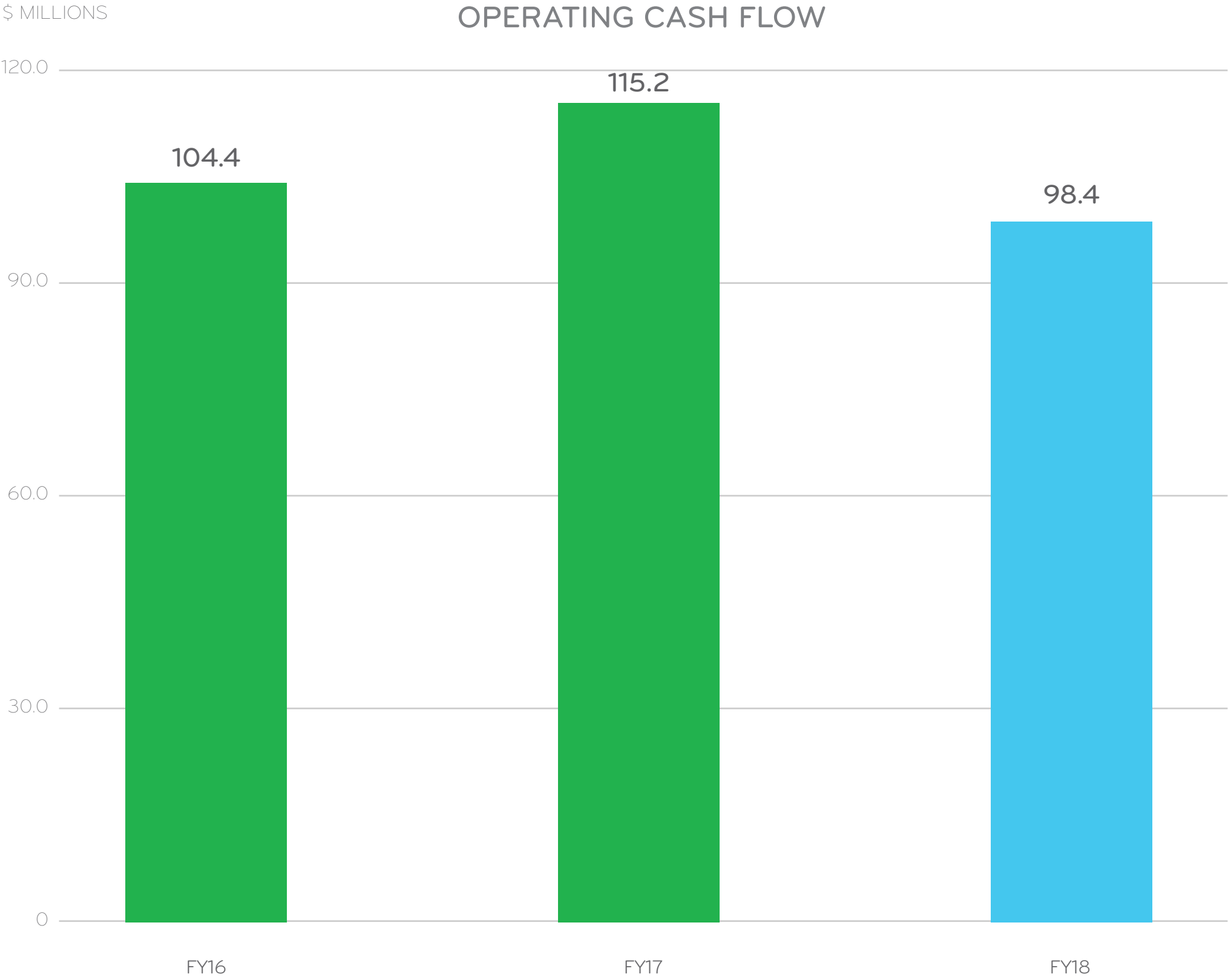
OVERHEADS

- Total overhead expenses for FY18 were up \$9.7 million on FY17 to \$54.2 million, the most notable aspects of this increase being:
 - Employee costs of \$6.5 million
 - Consultancy expenses of \$1.1 million
- These increases in overhead expenditure reflect accelerated investment into research and development, business development, and leadership capabilities, as key aspects of our long-term strategy of continued growth and diversification



OPERATING CASH FLOW

- Operating cash flows at \$98.4 million were \$16.8 million down on FY17 at \$115.2 million
- Primarily due to increase in closing inventory (finished goods and raw materials) year-on-year of \$62.7 million noted earlier



NET DEBT

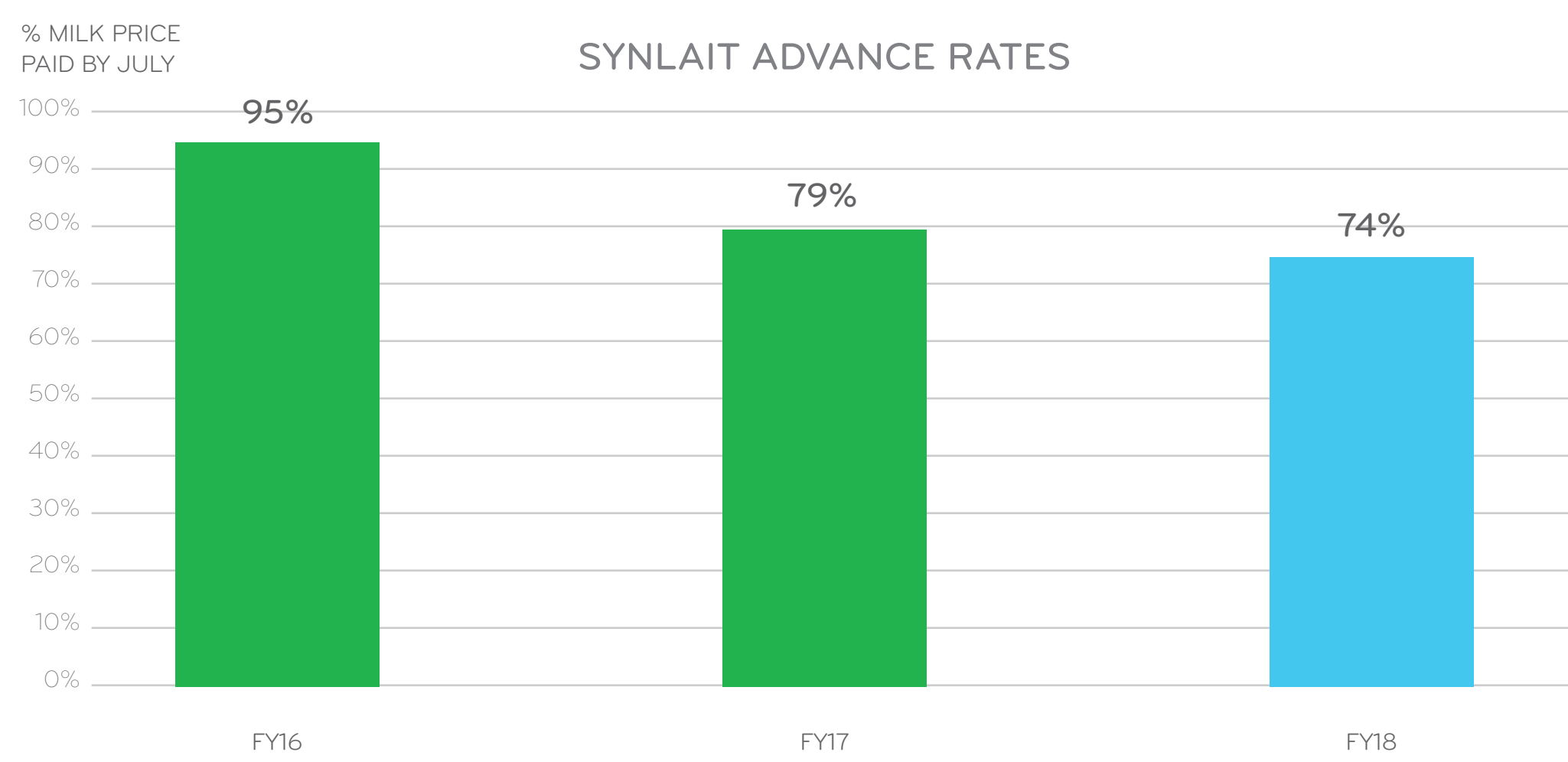
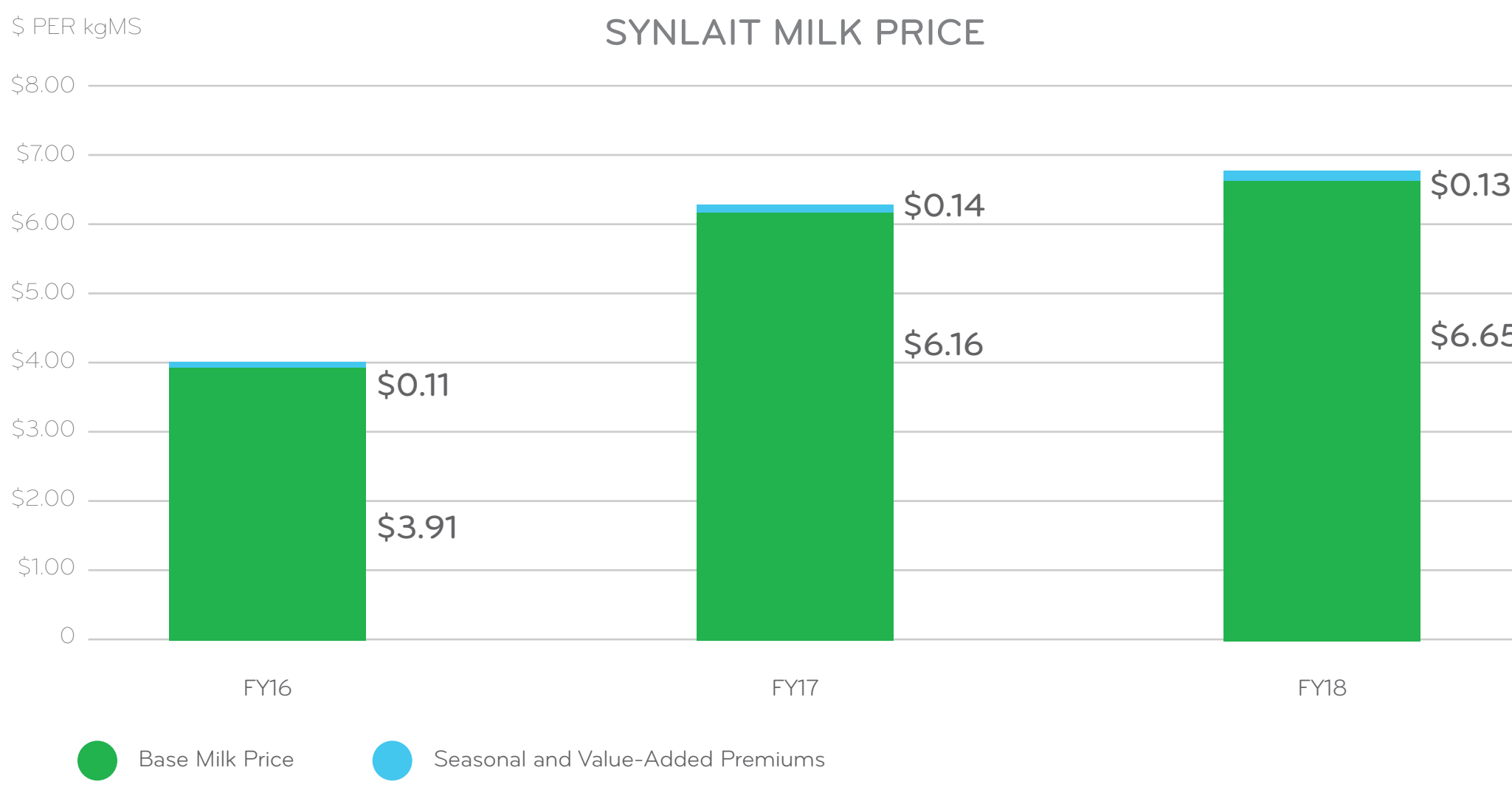
- Total net debt increased by \$32.3 million to \$114.9 at year end from \$82.6 million last year
- \$103.8 million was deployed into five growth initiative projects financed through a combination of operating cash flow and debt facilities
- Despite these significant expenditures Synlait has maintained a low ratio of net debt to EBITDA of 0.8x (0.9x in FY17), leaving the balance sheet well equipped to fund further growth

¹ Based on trailing 12 month EBITDA



MILK PRICE

- Total average milk price of \$6.78 per kgMS including premiums in FY18
- International dairy commodity prices lifted by 10% over FY17, supporting a \$0.49 per kgMS increase in our base milk price over FY17, to \$6.65 per kgMS
- An additional \$0.13 per kgMS related to seasonal and value-added premiums was paid to milk suppliers. This is a total of \$8.2 million
- Advance payments made to milk suppliers decreased to 74% in FY18, compared to 79% in FY17



TO:MORROW



Leon Clement

CHIEF EXECUTIVE OFFICER



TO:DAY

INITIAL OBSERVATIONS

SYNLAIT IS FAST

SYNLAIT IS STRONG

SYNLAIT IS STRATEGIC

TO:DO

WHAT ARE WE TRYING TO ACHIEVE

WHAT:

- Maintain growth and rapidly diversify

HOW:

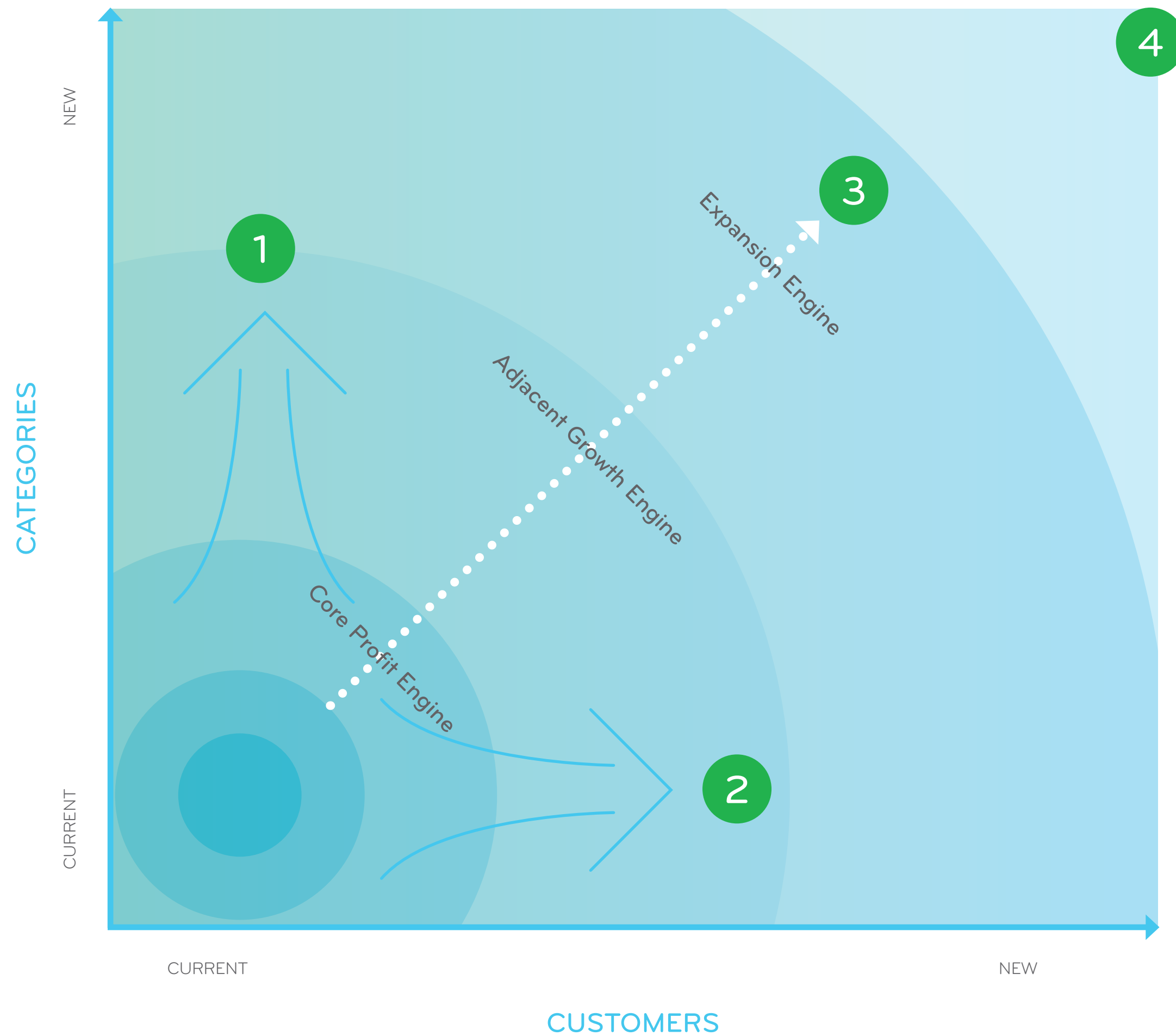
- Shore up our existing profit engine whilst we broaden into new profit pools

TO:MORROW

WHAT ARE OUR CHALLENGES

- Concentration risk
- Focus and implementation risk
- Need for inorganic growth
- Unpredictable environment and regulatory climate

OUTLOOK



GROWTH: DEEPER AND BROADER = CHASE PROFIT POOLS

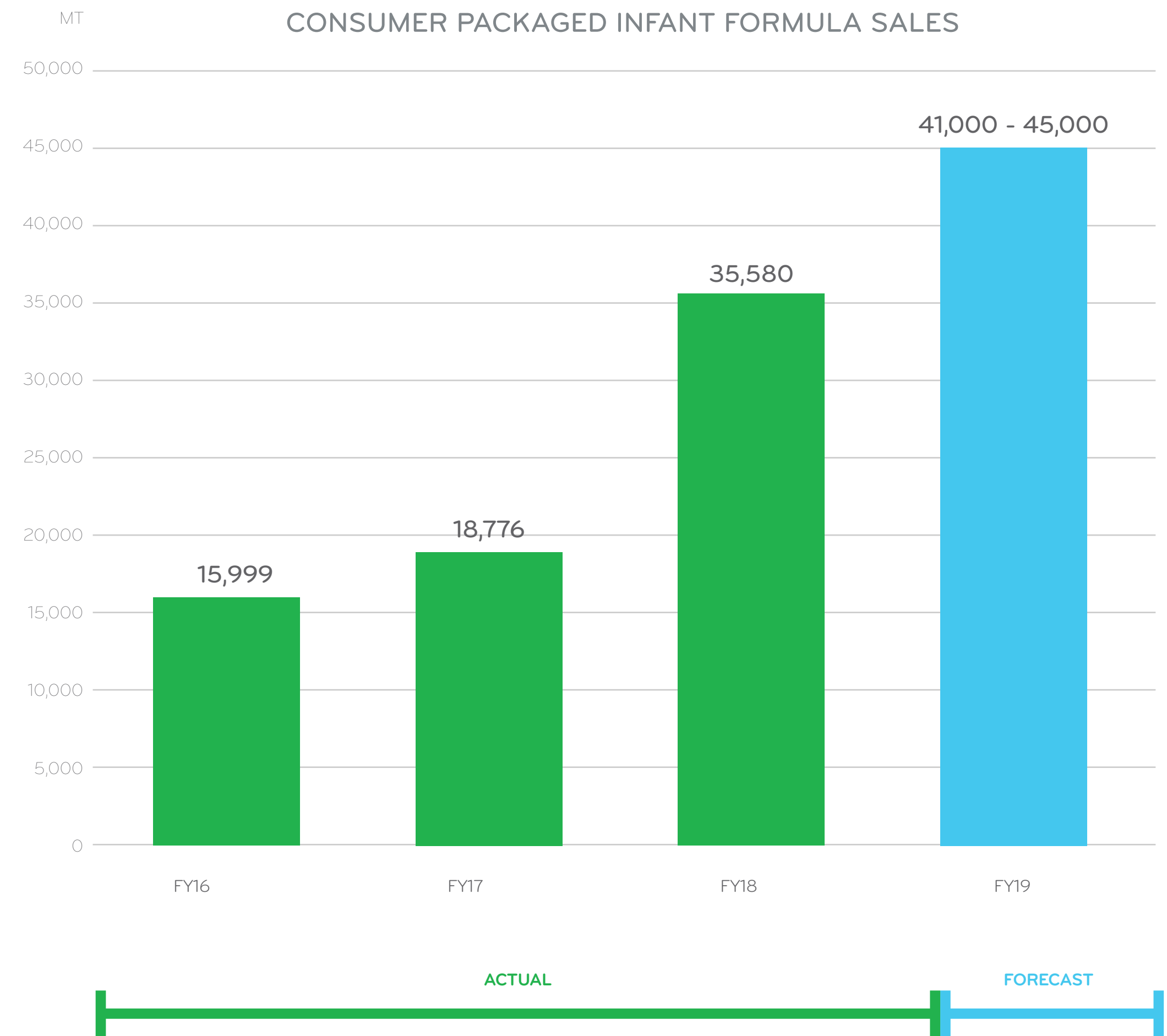
- 1 Deepen relationships with existing customers and build into new categories
- 2 Broaden customer base in core categories
- 3 Accelerate development of new profit pools with new customers and categories

CAPABILITIES: LEAPFROG = CREATE LONG TERM VALUE

- 4
 - Research and development + innovation
 - Sustainability as a purpose-led differentiator
 - World class quality
 - Low-cost manufacture (IWS)
 - Continue to differentiate milk supply
 - Great place to grow - engagement, talent, strategic capabilities

FY19 OUTLOOK

- Continued growth in a2MC volumes
- Expect SAMR approval for New Hope's Akara brand and Bright Dairy's Pure Canterbury brand
- Expect future growth in Munchkin's Grass Fed™ ANZ sales through both domestic and cross-border channels





APPENDICES

ABOUT TALBOT FOREST CHEESE

- Talbot Forest Cheese is a specialty cheese manufacturer founded by Paul Fitzsimons in 2000 and based in Temuka and Geraldine, Canterbury
- Under their Talbot Forest Cheese brand, they now produce and sell a range of cheeses
- Talbot's Temuka plant, commissioned in September 2017, has a capacity of 12,000 MT per annum and produces:
 - **Brine salt cheese:** gouda, edam, swiss, maasdam, feta, mozzarella
 - **Dry-salt:** cheddar, colby, parmesan, dry-salt gouda / edam
 - **Open vat:** halloumi and flavoured cheeses
- The proposed acquisition does not include Talbot's smaller specialty Geraldine facility



GROSS PROFIT BY CATEGORY

	Sales Volume (MT)		Gross Profit (\$m)		Gross Profit / MT	
	FY18	FY17	FY18	FY17	FY18	FY17
Powders and Cream ¹	93,042	122,606	134.4	97.4	1,065	696
Consumer Packaged	35,580	18,776	27.6	13.8	777	733
Lactoferrin	16	11	4.4	0.8	285,757	76,666
Total	128,637	141,393	166.5	112.1	1,294	792

¹Gross profit per MT includes both external sales volumes and internal transfers of bulk infant formula to blending and consumer packaging.



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