



TO:DAY

TO:MORROW



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# TO:DAY

- : CFO'S REMARKS
- : STRATEGIC UPDATE



Nigel Greenwood  
CHIEF FINANCIAL OFFICER



## CFO'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
- 0.8X LEVERAGE RATIO AND GEARING OF 20.9%
- STRONG BALANCE SHEET EQUIPPED TO SUPPORT CIRCA \$300 MILLION OF CAPITAL INVESTMENT IN FY19
- PROFITABILITY EXPECTED TO INCREASE IN FY19 BUT NOT AT THE SAME RATE AS FY18





## 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

INGREDIENTS



INFANT NUTRITION



EVERYDAY DAIRY



ADULT NUTRITION



## OUR CATEGORIES

# 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

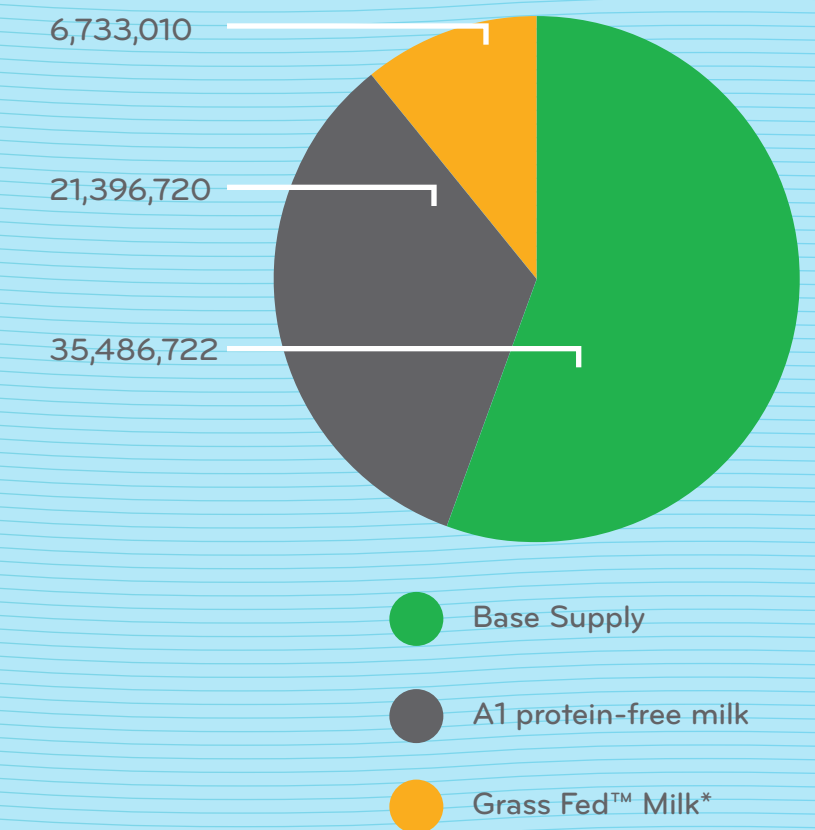
## PALMERSTON NORTH

- 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

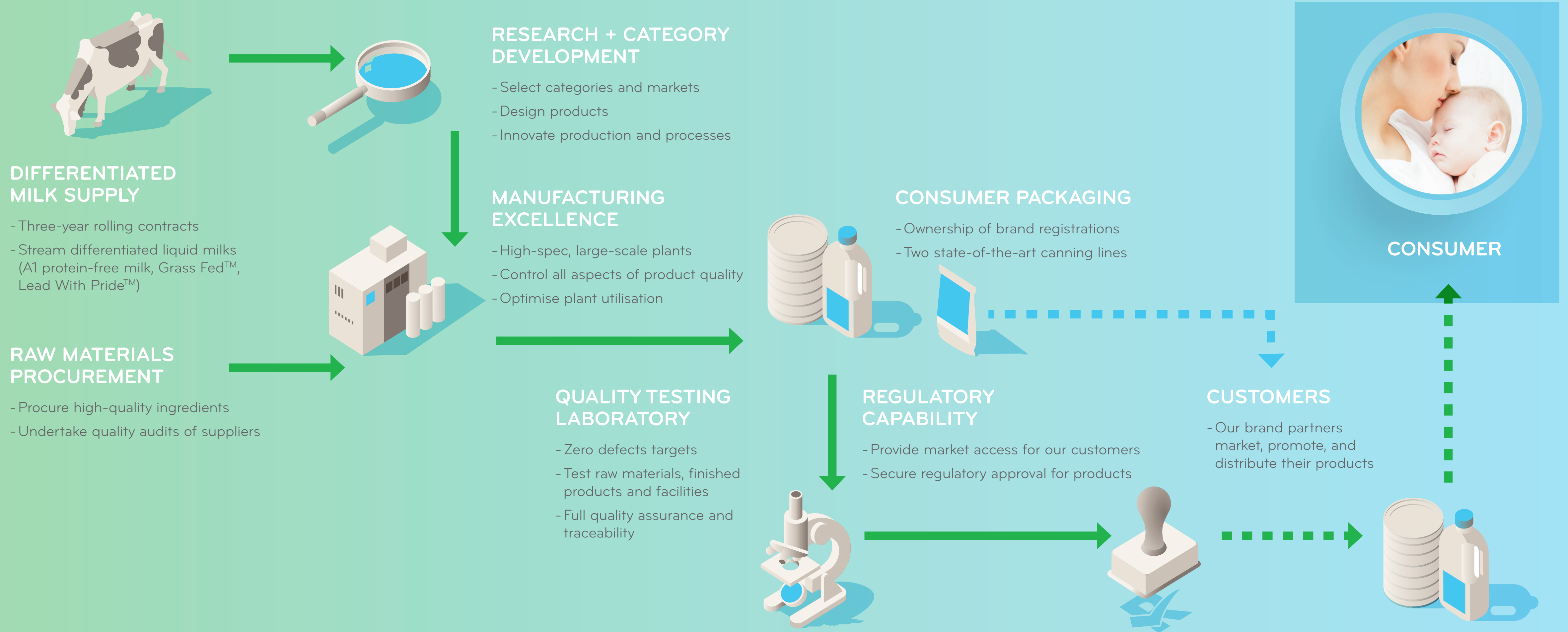
FY18 CONTRACTED MILK SUPPLY (kgMS)



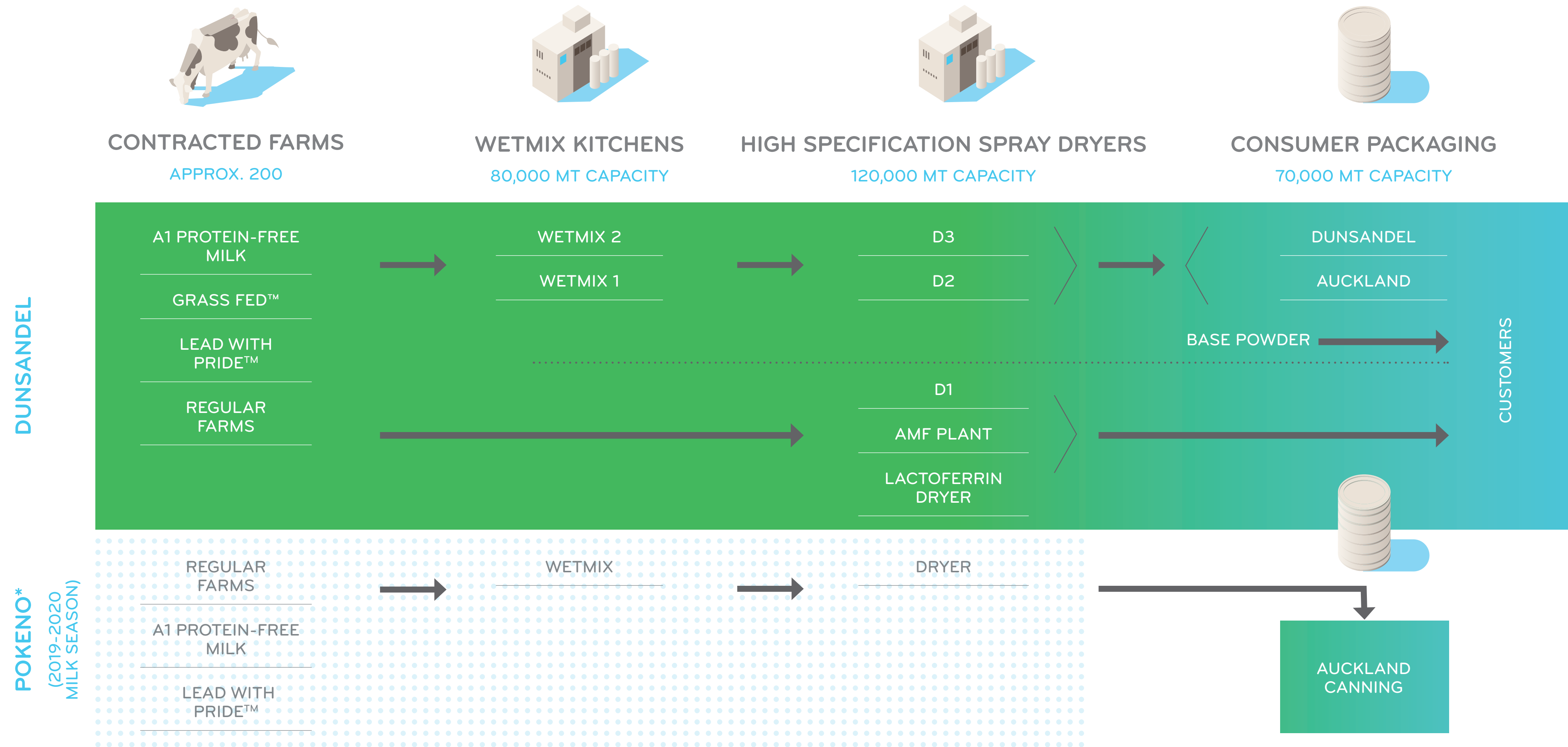
\*20,298,854 kgMS of Lead With Pride™ Milk were contracted in FY18



# 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



# TO:MORROW

- : CEO'S INITIAL OBSERVATIONS
- : OUTLOOK - GROWTH AND CAPABILITIES
- : F19 OUTLOOK



# CEO'S INITIAL OBSERVATIONS

## 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:

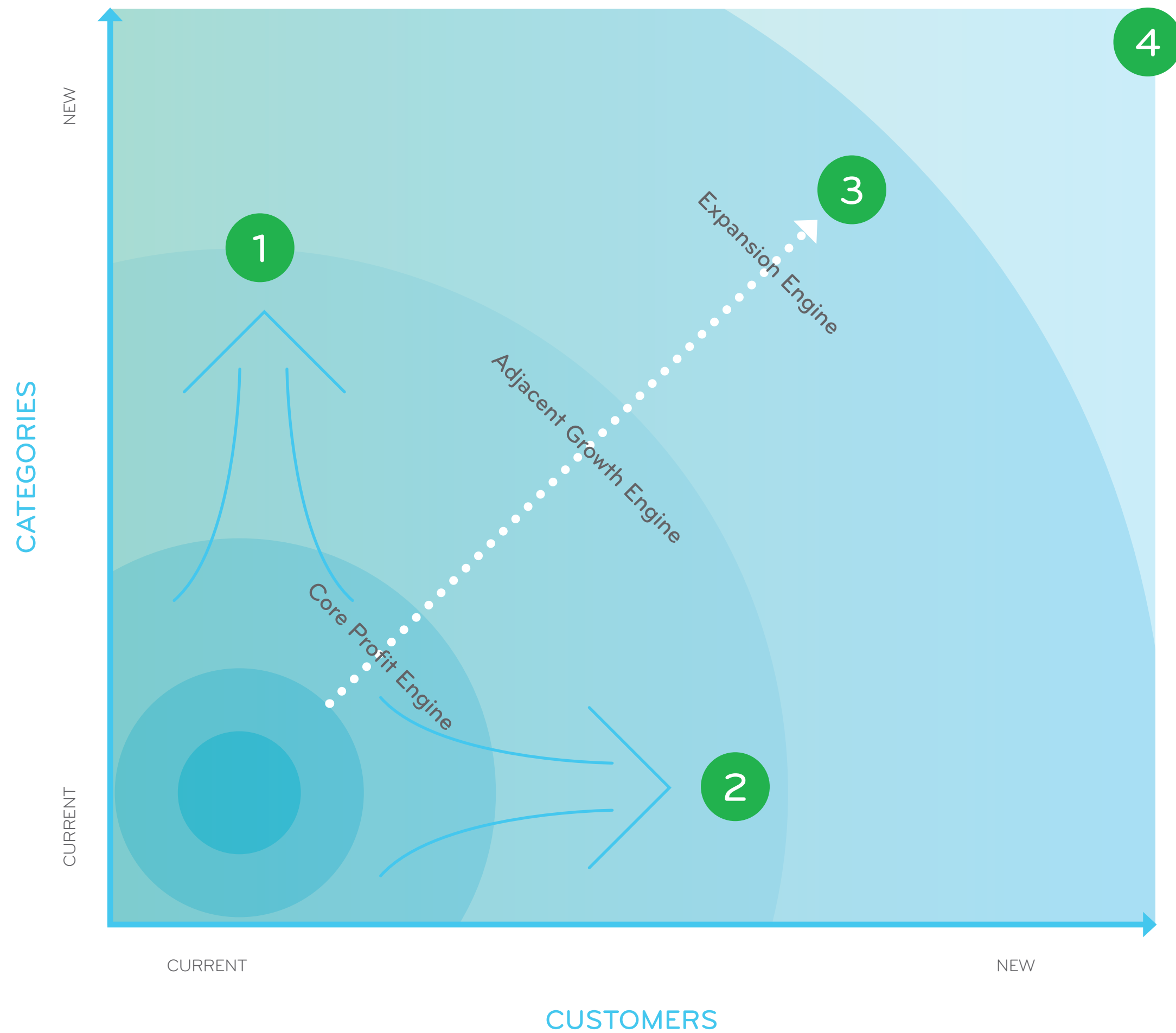
- Shore up our existing profit engine whilst we broaden into new profit pools

## 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

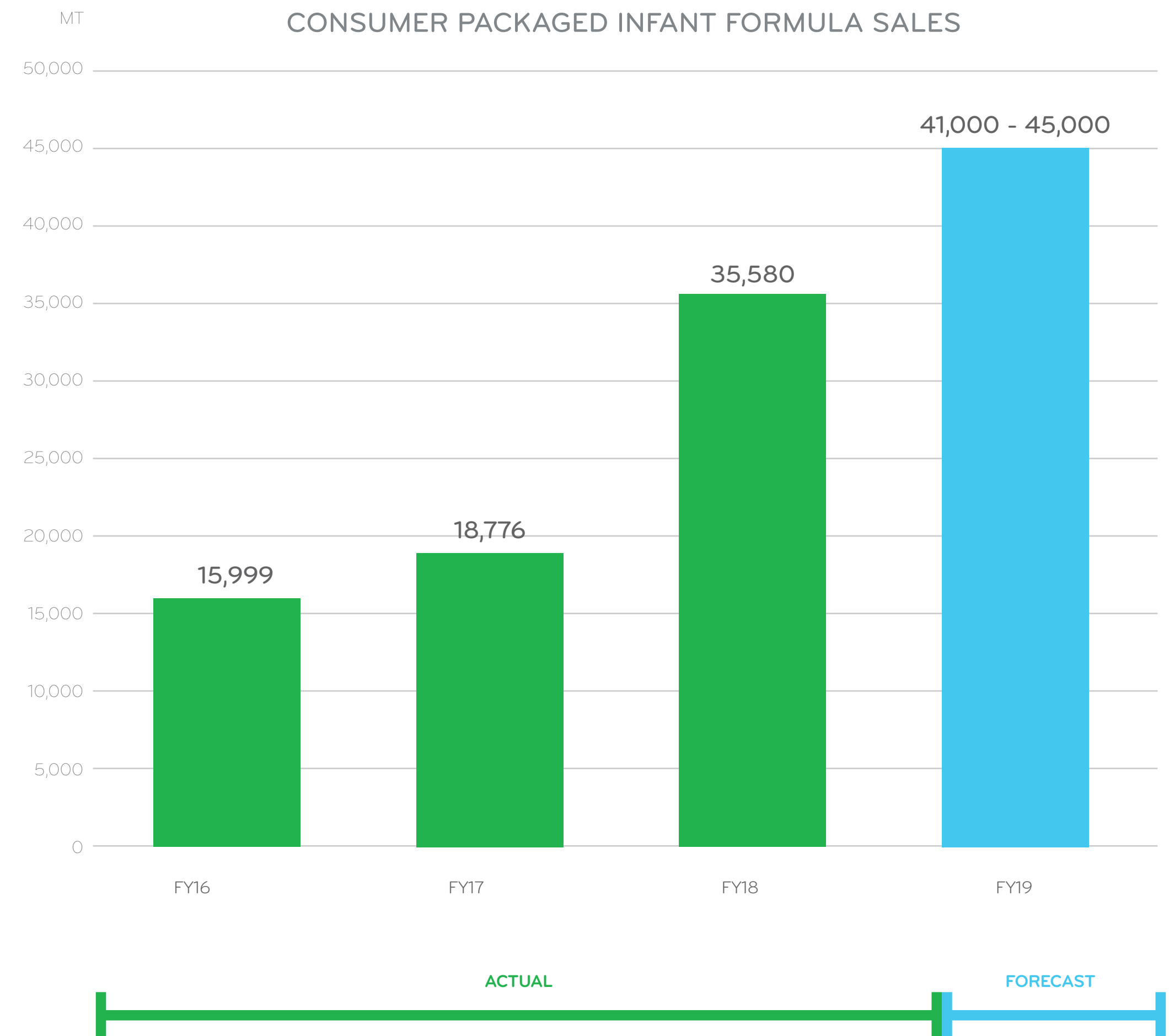
- 1 Deepen relationships with existing customers and build into new categories
- 2 Broaden customer base in core categories
- 3 Accelerate development of new profit pools with new customers and categories

## 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







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