DELIVERING ON 2018

Annual Meeting of Shareholders 28 November 2018
AGENDA

- WELCOME AND INTRODUCTIONS
- CHAIRMAN’S ADDRESS
- CHIEF EXECUTIVE OFFICER’S ADDRESS
- CHIEF FINANCIAL OFFICER’S ADDRESS
- OUR FUTURE
- OUR PURPOSE AND IDENTITY
- QUESTIONS
- FORMAL RESOLUTIONS
- ANY OTHER BUSINESS
- ANNUAL MEETING CONCLUDES
CHAIRMAN'S ADDRESS

Graeme Milne
CHAIRMAN
FY18 HIGHLIGHTS

- Celebrated Synlait’s first decade at our staff and supplier conferences
- Sales increased from $759.0 million to $879.0 million
- Profit increased from $39.5 million to $74.6 million
- Infant Nutrition sales almost doubled, to 35,580 MT
- Announced appointment of Leon Clement as CEO
- Joined the MSCI Global Small Cap and FTSE Asia ex-Japan Small Cap Indexes
- Strong share price return of 148% in FY18 but has weakened in FY19
- Strengthened relationship with The a2 Milk Company™ with extended supply agreement
- Infant Nutrition strategy has created concentration risk, hence investment in Everyday Dairy
- Manufacturing diversification begun with ground breaking on Synlait Pokeno
- Future focus around new Infant Nutrition and Everyday Dairy customers
- Bold sustainability targets announced
REGULATORY UPDATE

- The ASCIO, CNCA, and CFDA have now been integrated into the China State Administered Market Authority (SAMR)

- Dunsandel site inspected in September and expecting approval soon

- SAMR is focused on renewal of existing sites, hence delay on Auckland site approval

- Brand approvals for Akara and Pure Canterbury hopeful of being received in FY19

- Munchkin currently selling Stage 2 Grass Fed™ formula in United States and resubmitting USFDA application for Stage 1 to include additional supporting evidence
CAPITAL PROJECTS

- $450 million of growth capital expenditure under construction to be funded through cash flow and existing debt facilities:
  - Pokeno site to be commissioned for 2019/2020 milk season
  - Advanced Liquid Dairy Facility on track for March 2019 commissioning
  - Lactoferrin expansion commissioned in November 2018
  - Talbot Forest Cheese conditional acquisition to be completed August 2019
- No need to raise capital, but no dividend while on strong growth trajectory
- Guidance for FY19 remains an increase in profit but not as substantial as this year’s increase
WE WILL LEVERAGE OUR UNIQUE SUSTAINABLE VALUE CHAIN IN EACH CATEGORY TO BUILD SUCCESSFUL BUSINESSES THAT CONTRIBUTE TO OUR LONG-TERM SUCCESS.
ENVIRONMENT

**Our Ambition:** Synlait’s net business impact is positive for the planet. Restorative and regenerative agriculture, manufacturing and supply chain

- **Sustainability commitments established,** including:
  - On-farm GHG emissions down 35% per kgMS by 2028
  - Off-farm GHG emissions down 50% per kgMS by 2028
  - Water use down 20% per kgMS by 2028
  - Nitrogen loss down 45% per kgMS by 2028

- Joined as a Founding Partner of the Aotearoa Circle

- New Lead With Pride™ incentive programme is in place, which includes a PKE-free incentive

- 38 new farms currently undergoing Lead With Pride™ certification

- **Methane inhibitor programme** is underway with encouraging early results

- **New Zealand’s first electrode boiler is in place,** due for commissioning ahead of schedule in January 2019
PEOPLE

**Our Ambition:** To build a better Synlait – a world class organisation aligned around a common purpose, executing with excellence, driven by innovation and creative thinking

**CULTURE AND ENGAGEMENT**
- Gallup Q12 Engagement Score continues to improve, from 31st to 60th percentile of peer group in the previous twelve months

**SYSTEMS AND PROCESSES**
- Enterprise resource planning system partner selected

**HEALTH, SAFETY AND WELLNESS**
- Total Recordable Injury Frequency Rate (TRIFR) decreased by 44%, reporting is increasing, and severity is reducing
- Critical risks project is progressing

**DIVERSITY AND INCLUSION**
- Action Plan launched to attract, equip, and empower talented leaders
Our Ambition: To establish a world class value chain. With our heart in New Zealand and our head in the world, we’re returning an economic glow for New Zealand

- Lactoferrin expansion completed on schedule in November
- Advanced Liquid Dairy Facility structure is near completion as we begin installing manufacturing lines
- Pokeno site is on schedule, with milk supplier recruitment progressing well and key operations staff appointed
- Integrated Work System (IWS) Programme has been in place for a year and is enabling considerable improvements in asset utilisation and efficiency
- Dunsandel quality team is midway through FSSC22000 accreditation
- 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**
- Revenue increase of $120.0 million to $879.0 million 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.
- 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.*
- 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.
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 million, 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
OUR FUTURE
**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
- Continued growth in a2MC volumes
- Brand approvals for Akara and Pure Canterbury hopeful of being received in FY19
- Expect future growth in Munchkin’s Grass Fed™ ANZ sales through both domestic and cross-border channels
OUR PURPOSE AND IDENTITY
The power of purpose
“To be truly successful, companies need to have corporate mission that is bigger than making a profit.” Marc Benihoff, Salesforce

“Make meaning, not money.” Brian Scudamore, O2E Brands

“We have to bring this world back to sanity and put the greater good ahead of self-interest.” Paul Polman, Unilever

“When you’re surrounded by people who share a passionate commitment around a common purpose, anything is possible.” Howard Schultz, Starbucks
Doing milk differently for a healthier world.
Doing milk differently

The market in which we operate:
We are the 21st century milk nutrition company
Our approach: We were born disruptive, it’s in our DNA
Doing milk differently for

It's our attitude
The benefit our products bring: essential nutrition
for a healthier world.

It's our belief: Net positive for the planet
Opportunities for all to thrive
Our focus: Heart in NZ, head in the world
Doing milk differently for a healthier world.
Pink = Disruptive, Modern

Font = Food, Milk

Word Mark = Straightforward no nonsense
Synlait
QUESTIONS?
FORMAL RESOLUTIONS

Graeme Milne
CHAIRMAN
RESOLUTION 1: AUDITOR’S REMUNERATION

To consider and, if thought fit, pass the following as an ordinary resolution:

“That the Board be authorised to determine the auditor’s fees and expenses for the 2019 financial year.”
FORMAL RESOLUTIONS

RESOLUTION 2: RE-ELECTION OF DIRECTOR

To consider and, if thought fit, pass the following as an ordinary resolution:

“That Graeme Milne be re-elected as a Director.”
RESOLUTION 3: DIRECTORS’ REMUNERATION

To consider and, if thought fit, pass the following as an ordinary resolution:

“That the annual fee for each Director be $85,000, except for the annual fees of each of the two Committee Chairs, which will be $97,000 and the Chairman of the Board, which will be $169,000. All these increases apply from 1 April 2019.”
RESOLUTION 4:
CONSTITUTION AMENDMENT

To consider and, if thought fit, pass the following as an ordinary resolution:

“That Synlait Milk Limited’s Constitution be amended, with effect from the close of the Annual Meeting, as set out in Appendix 1 to the Notice of the Annual Meeting.”
RESOLUTION 5:  
JOHN PENNO’S BOARD APPOINTMENT

To consider and, if thought fit, pass the following as an ordinary resolution:

“That John Penno be re-elected as a Director, and, if Resolution 4 is passed, that John Penno is elected as the Board Appointed Director.”
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