



## Q&A DOCUMENT

### Further information about Synlait's acquisition of Dairyworks

25 October 2019

#### ABOUT DAIRYWORKS

**Q What is Dairyworks?**

A Dairyworks specialises in the processing, packaging and marketing of dairy products including cheese, butter, ice cream and milk powder. It initially launched cheese products under the Alpine brand in 2001 and has subsequently broadened its product range to include a variety of dairy products under four key brands.

Dairyworks has well established channels to market across New Zealand grocery, with a strong and trusted relationship with New Zealand's two supermarket chains (more than 15 years) and a growing relationship with Woolworths in Australia. It has also built lasting and strategic customers in the foodservice, Quick Service Restaurants and export channels.

**Q Where is Dairyworks based?**

Dairyworks is based in Hornby, Christchurch, New Zealand. It is approximately 37 kilometres from Synlait's Dunsandel site.

**Q What is Dairyworks market position?**

A Dairyworks is one of the larger companies operating in New Zealand's Everyday Dairy category. Its market position in the New Zealand market (Dairyworks and Private Label) are: number one in cheese, number two in butter, number four in ice cream and number four in milk powder.

**Q How many staff does Dairyworks have?**

A Dairyworks has 240 staff, across cheese processing, ice cream production and administration. This will take Synlait's total headcount to approximately 1,200.

#### ABOUT THE ACQUISITION

**Q How much will Synlait pay for Dairyworks?**

A Subject to approval from the Overseas Investment Office (OIO), Synlait will pay circa \$112 million for Dairyworks.

**Q What is the OIO process?**

A Because Synlait is listed on the NZX and the ASX we have investors who are overseas, and this means we must seek OIO approval for the purchase.

The Overseas Investment Office administers New Zealand's overseas investment laws. Proposed investments must meet criteria set out in the Overseas Investment Act 2005 (for high value businesses). This will usually require investors to establish their business experience, that they are



of good character and, for sensitive land, demonstrate the benefits to New Zealand of their investment.

**Q How does Synlait intend to fund this acquisition?**

A Synlait has sufficient bank facilities in place to fund this acquisition. Payment of the purchase price is subject to OIO approval and therefore is not expected until approximately sometime in the first quarter of 2020.

**Q When does the transaction settle?**

A The transaction is subject to approval from the OIO. Synlait will provide a further update to the market when this occurs some time in 2020.

#### SYNLAIT AND ITS STRATEGY

**Q How does this align with Synlait's strategy?**

A Dairyworks is a good strategic fit for Synlait. It is an important step in helping Synlait to deliver on our Everyday Dairy strategy.

We recently completed the purchase of Talbot Forest Cheese and opportunities exist in both businesses to streamline supply chains. It gives us the ability to optimise how we process milk solids and get the most value from our bucket of milk. Dairyworks also provides us with access into Australia where their presence is growing.

Dairyworks will fit well with Synlait. It's a quick, nimble and innovative company, which is similar to Synlait. The acquisition allows us to continue to get closer to consumers, a key part of our long-term strategy.

**Q How will Dairyworks fit into the Synlait structure?**

A Dairyworks will operate as a stand-alone business unit within the Synlait organisation. Tim Carter (Dairyworks CEO) will report in to Leon Clement (Synlait CEO).