



DELIVER.

INVEST.

CLARIFY.

SELECT EQUITIES CONFERENCE
FRIDAY 1 NOVEMBER

Synlait

STRATEGIC UPDATE

DELIVER. INVEST. CLARIFY

Our year in review

Delivering results

- Revenue exceed \$1 billion for the first time, increasing 17% to \$1,024.3 million
- Net profit increased 10% to \$82.2 million
- Operating cashflow increased 39% to \$136.7 million
- Sales volumes increased 21,087 MT or 16% to 149,709 MT*
- Consumer packaged infant formula sales continue to grow, up 21% to 42,907 MT
- Average milk price of \$6.58 per kgMS for the 2018/2019 season, made up of a base milk price of \$6.40 and an additional \$0.18 in incentive payments

Investing for the future

- \$18.9 million expansion to lactoferrin facility completed on time and budget, doubling manufacturing capacity
- \$260 million infant-capable manufacturing facility in Pokeno close to commissioning. Welcomed 56 farms and 77 employees
- \$134 million advanced liquid dairy packaging facility at Dunsandel designed, built and commissioned within 18 months
- Talbot Forest Cheese acquisition completed on 1 August 2019
- \$32 million investment to build Dry Store 4 announced today – 30,000m² warehouse at Dunsandel which will unlock further supply chain efficiencies and enable greater control of traceability, improve our sustainability footprint, and result in shorter lead-times for customers
- 218 capable, experienced and high-energy people hired to help run these facilities

Clarifying our direction

- Launched our new purpose and brand identity: Doing milk differently for a healthier world
- Delivered on our promise to clarify Synlait's focus, strategy and purpose for shareholders and staff
- Defined our formula for success. Aspirational goal to double our business: 2 + Zero
- New strategy has eight clear strategic paths to grow and enable our business
- This now underpins everything we do and will take Synlait through the next growth phase

*Excluding fresh milk and specialty ingredients

WHAT MAKES US DIFFERENT

Our unique capabilities underpin our sustainable competitive advantage

Established

Pioneered an ability to create a **differentiated milk supply**

- A1 protein free milk
- Grass Fed™
- Lead With Pride™

Developed an **integrated manufacturing chain**

- Operate high spec, large scale plants
- Integrated Work Systems (IWS) programme driving efficiencies

Navigated complex **regulatory environments**

- Strong track record at providing market access for customers, securing regulatory approvals for Synlait sites

Built in **quality testing standards** onsite

- Zero defects targets
- Test raw materials, finished products and facilities
- Full quality assurance and traceability

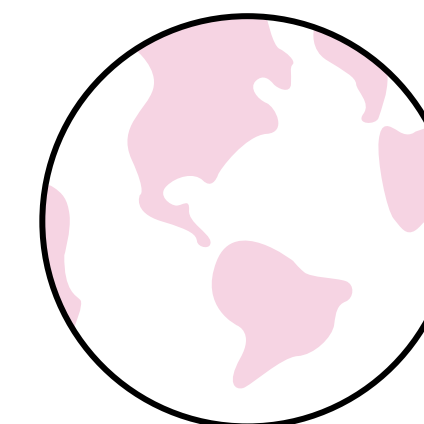
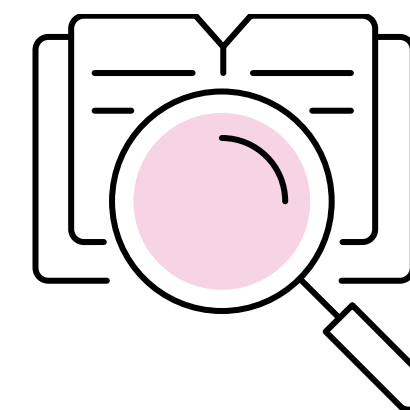
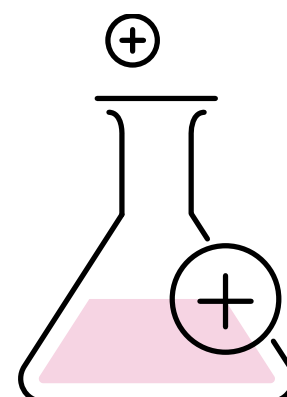
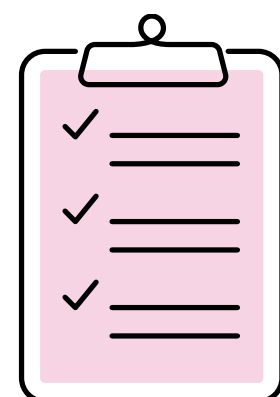
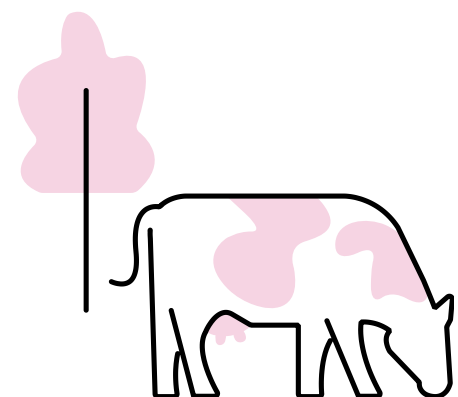
Building

Relentless focus on **research, development and innovation**

- Dedicated research and development team
- Product development in attractive categories and markets a priority
- Capability to create custom dairy products for customers

Creating a **sustainable value chain**

- Value people and planet as much a profit
- Committed to ambitious 10-year targets
- GHG inventory and pathway to emissions reduction established



OUR STRATEGY

OUR GROWTH STRATEGY

DOING MILK
DIFFERENTLY



OUR ENABLING STRATEGY

FOR A HEALTHIER WORLD



DELIVERING AGAINST OUR GROWTH STRATEGY

DOING MILK
DIFFERENTLY

OUR GROWTH STRATEGY



Sports
Nutrition



Everyday
Dairy



Infant
Nutrition



Foodservice



Next
Big Thing

STRATEGY PROGRESSED

- Advanced liquid dairy packaging facility completed, servicing inaugural customer
- Talbot Forest Cheese acquired
- Evaluating opportunities

DELIVERY ONTRACK

- 21% growth in consumer packaged infant formula sales
- Awaiting registration of China brands
- Lactoferrin capacity doubled, operating in favourable environment

STRATEGY DEVELOPING

- Natural extension
- Market is large and growing, with strong demand for New Zealand provenance in Asia
- Optimise milk solids as we create a value stream from surplus fat

FOR A HEALTHIER WORLD

OUR ENABLING STRATEGY



Net Positive
for the Planet



Build a
Healthier
Synlait

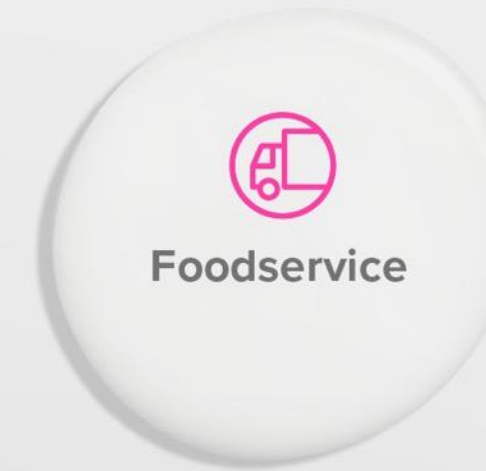
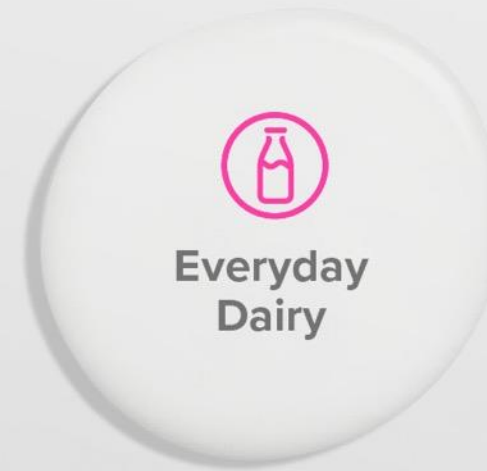


World Class
Value Chain

DELIVERING AGAINST OUR ENABLING STRATEGY

DOING MILK
DIFFERENTLY

OUR GROWTH STRATEGY



FOR A HEALTHIER WORLD

OUR ENABLING STRATEGY



- Published Greenhouse Gas (GHG) inventory
- Workplan towards 2028 climate and water targets established
- Commissioned New Zealand's first large scale electrode boiler

- Injury rate reduced 28%
- Launched programme to live our purpose: Whakapuāwai
- Launched Tāwariwari and Mātua policies
- Full reset of growth enabling processes and systems underway

- Built three world class facilities
- IWS generating impressive efficiencies and capacity increases
- Opened new China office to resource sales and regulatory capabilities
- 43 new Lead With Pride™ farms certified

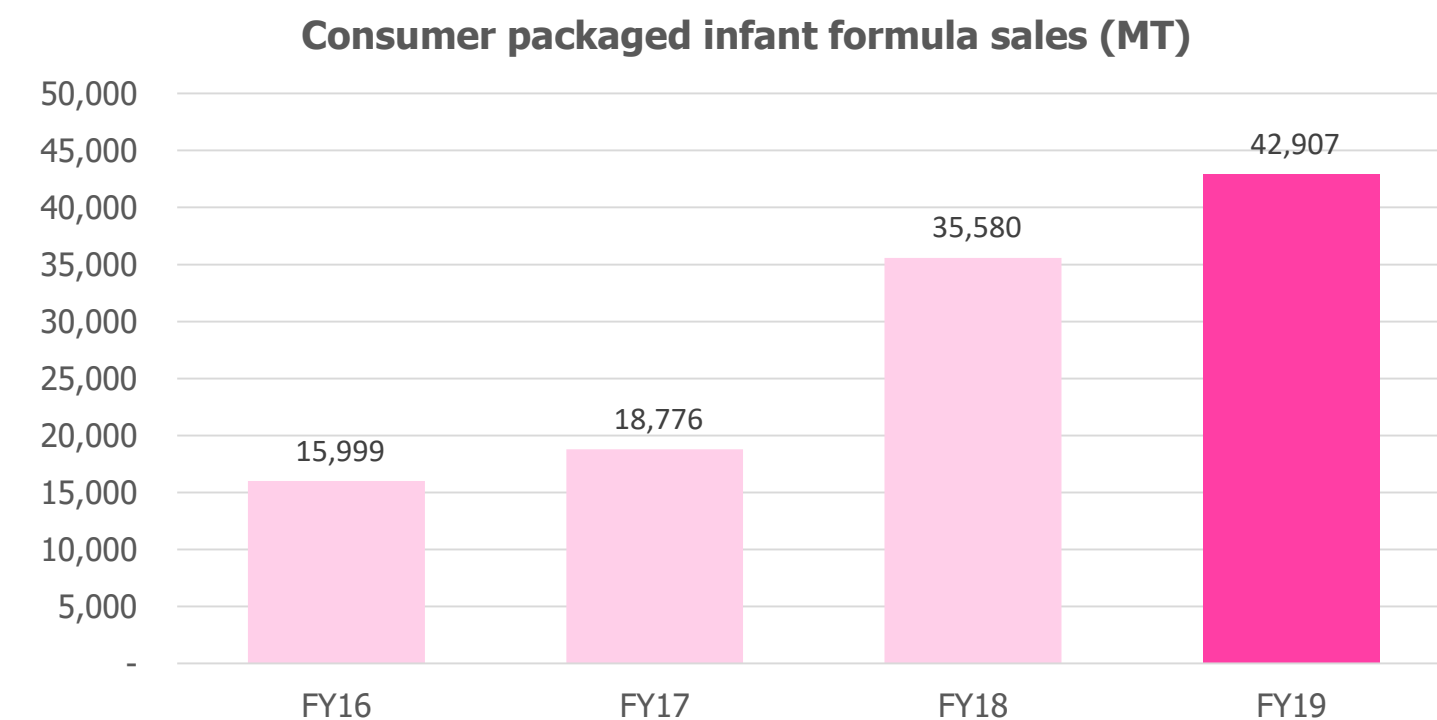
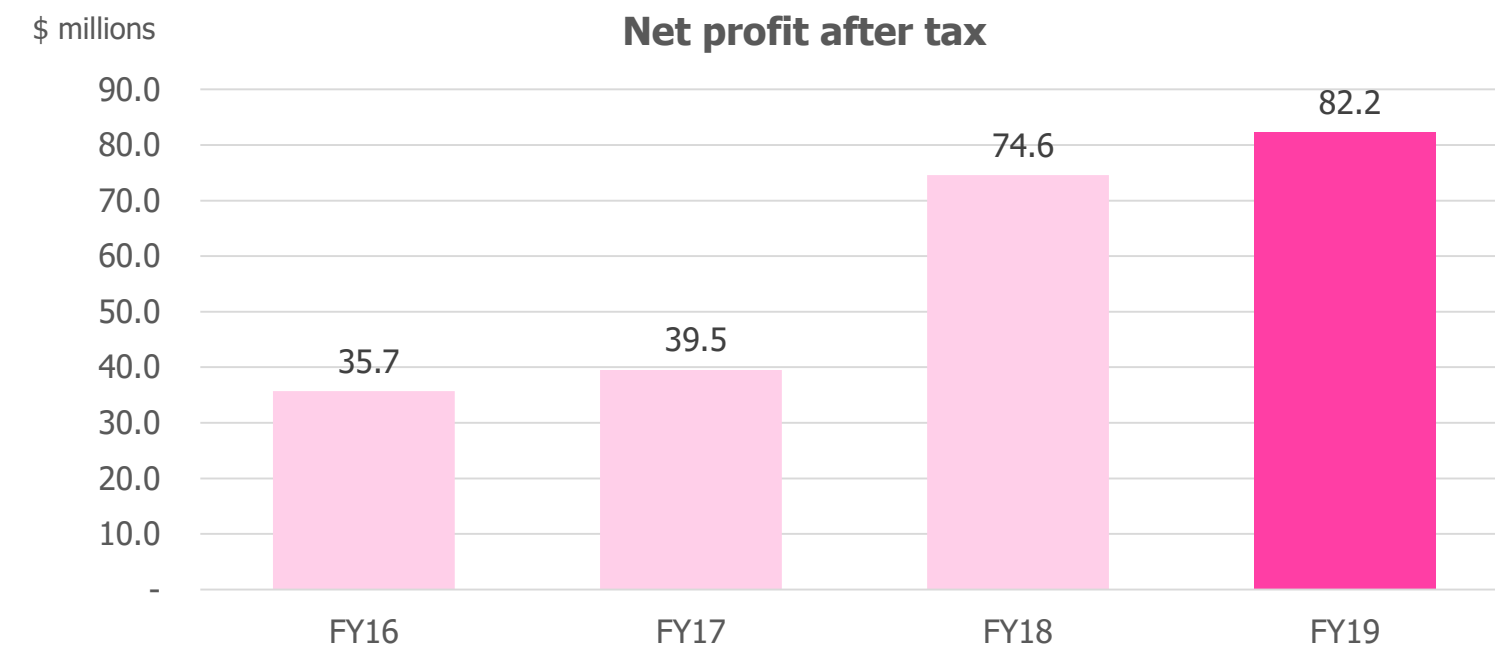
OUR FINANCIAL RESULTS

RESULTS AT A GLANCE

Net profit after tax increased 10.2% to \$82.2 million in FY19 from \$74.6 million in FY18, with momentum in the second half of FY19 to be carried into FY20

- Strong growth in consumer packaged infant formula sales with volumes up 21% to 42,907 MT, including 24,932 MT in the second half
- Powders and cream sales increased 15% to 106,802 MT
- Lactoferrin sales increased 33% to 21 MT from 16 MT, with a favourable pricing environment driving margin gains
- Manufacturing efficiencies enabled 8.7% more milk to be processed
- Operating cash flow increased by \$38.3 million to \$136.7 million from \$98.4 million
- Minor gross margin per MT contraction, impacted by:
 - Consumer packaged infant formula sales being at lower margins as a result of the renegotiation of our supply agreement with The a2 Milk Company™
 - Changes to customer mix with China brands sales not repeating in FY19 as they await SAMR registration
 - Increases to fixed overheads in preparation for production facilities coming on-line

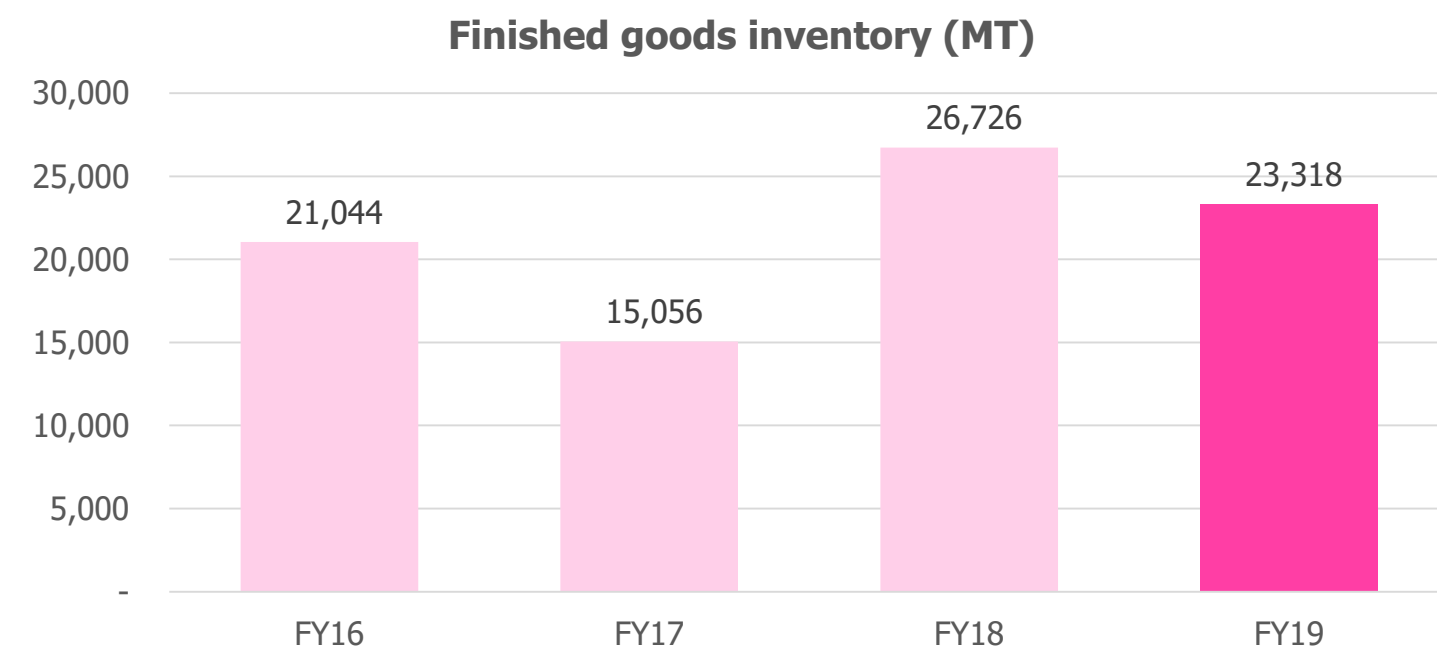
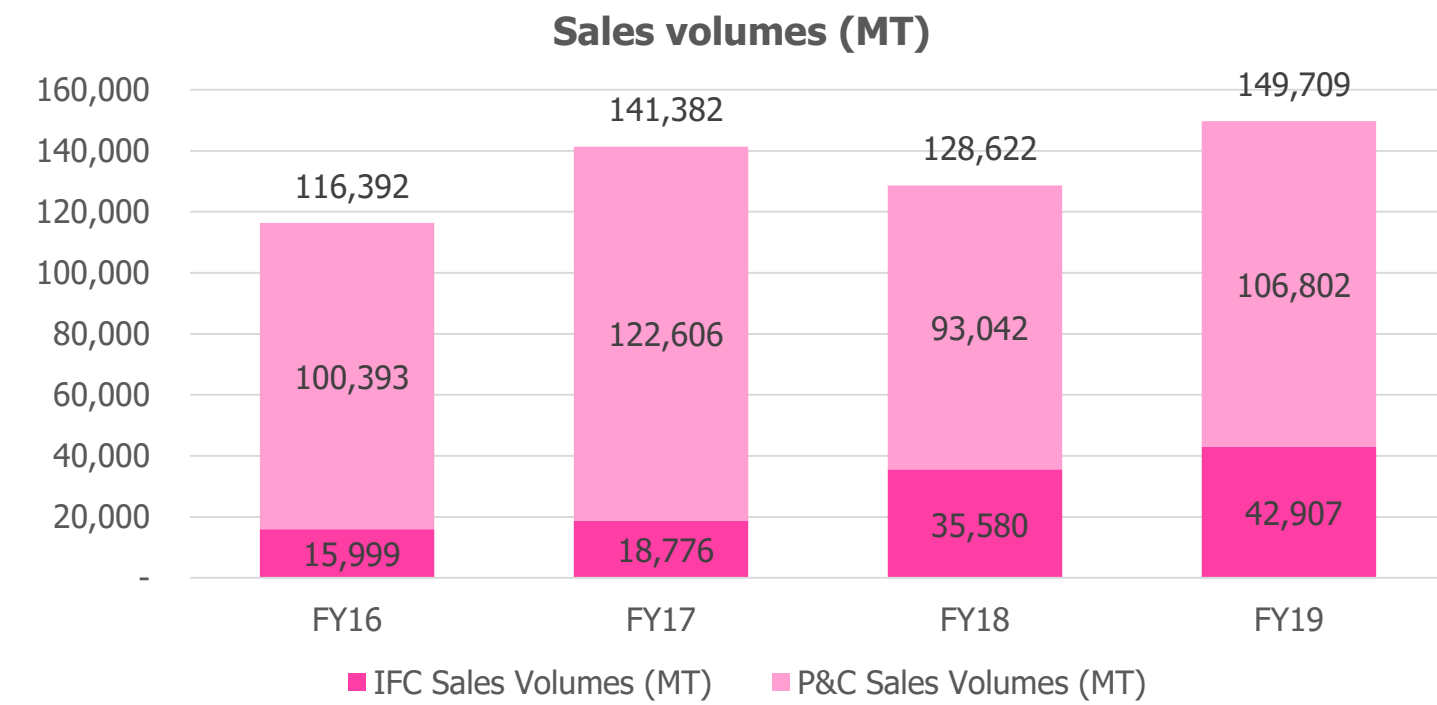
NZ\$ millions	FY19	FY18
EBITDA	\$152.1	\$138.6
EBIT	\$124.5	\$113.1
Earnings Per Share (basic and diluted)	45.89 cents	41.60 cents



SALES VOLUME AND INVENTORY

Exceeded \$1 billion in revenue for the first time, with consumer packaged infant formula sales of 42,907 MT in the middle of the guidance range

- **Total powder sales volumes increased 16.4% to 149,709 MT** enabled by manufacturing efficiencies
- Overall product mix consistent with FY18, as consumer packaged infant formula sales comprised 29% of total powder sales (28% in FY18)
- **Finished goods inventory reduced 12.7% to 23,318 MT** following successful delivery of inventory management initiatives
- **Sales of lactoferrin increased to 21 MT from 16 MT in FY18**
 - Lactoferrin sales exclude volume used internally



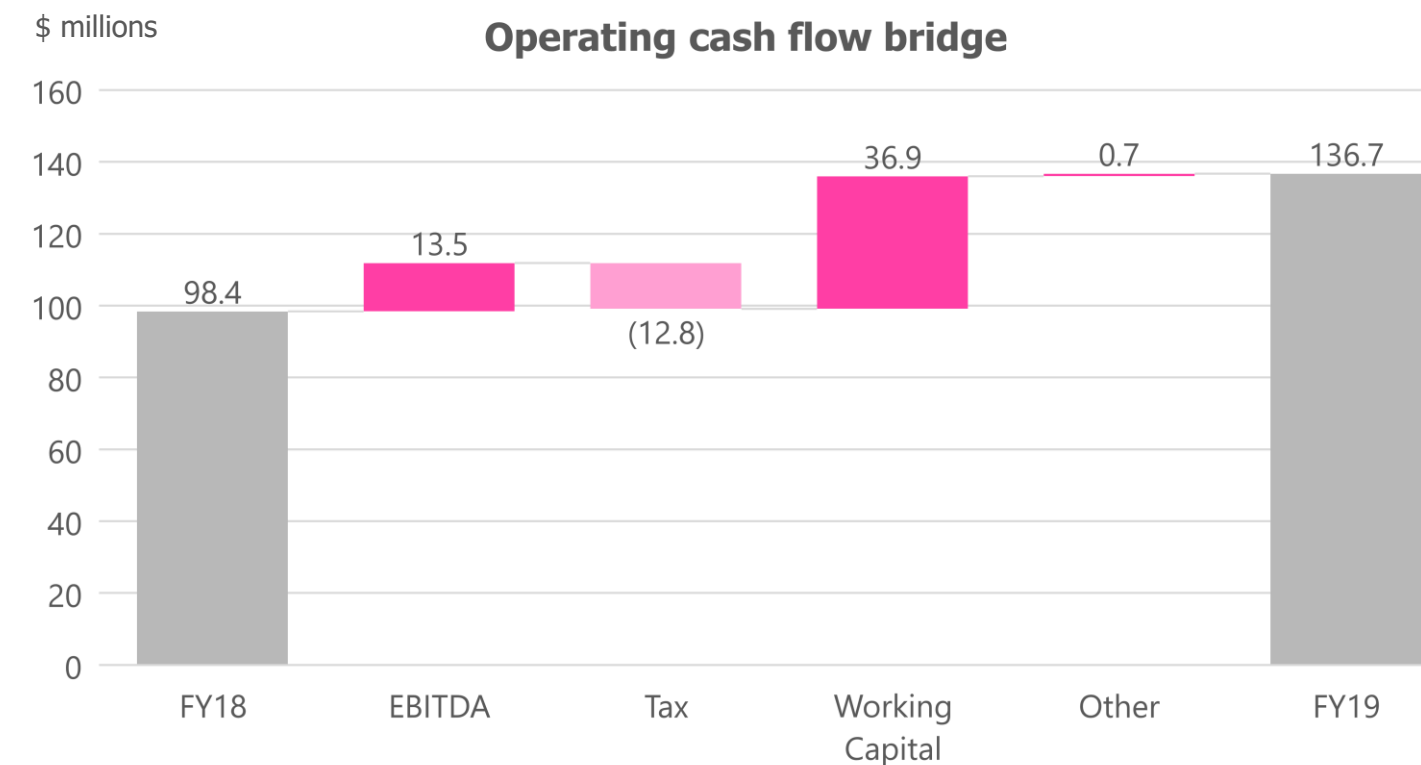
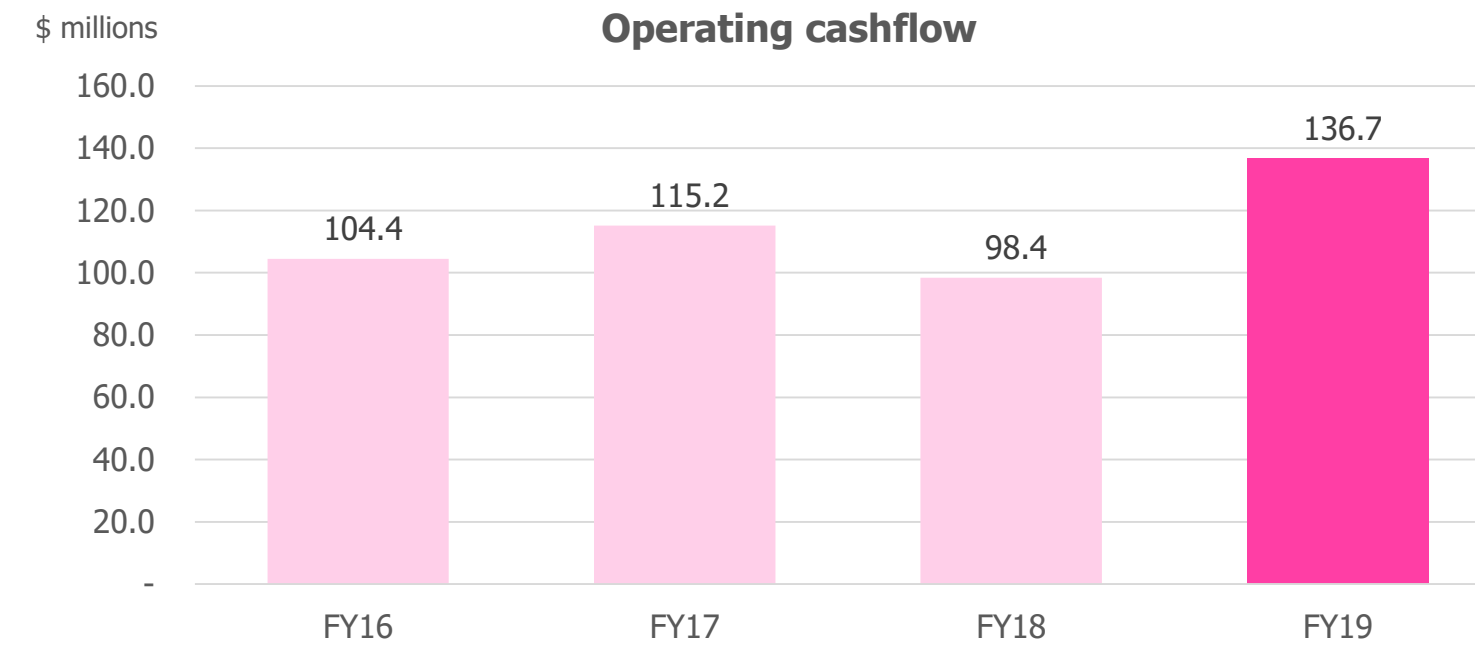
*Sales volumes does not include specialty ingredients and fresh milk

* Finished goods inventory does not include fresh milk

OPERATING CASH FLOW

Strong cashflow generation with operating cash flows increasing by \$38.3 million to \$136.7 million from \$98.4 million last year

- Cashflow generation driven by an increase in operating profit and a favourable movement in working capital
- Working capital movement a function of:
 - Inventory management efficiencies
 - Continued benefits from receivables assignment programme, with the year end balance increasing to \$109 million from \$69 million in FY18, including adding Nestle to the programme



NET DEBT

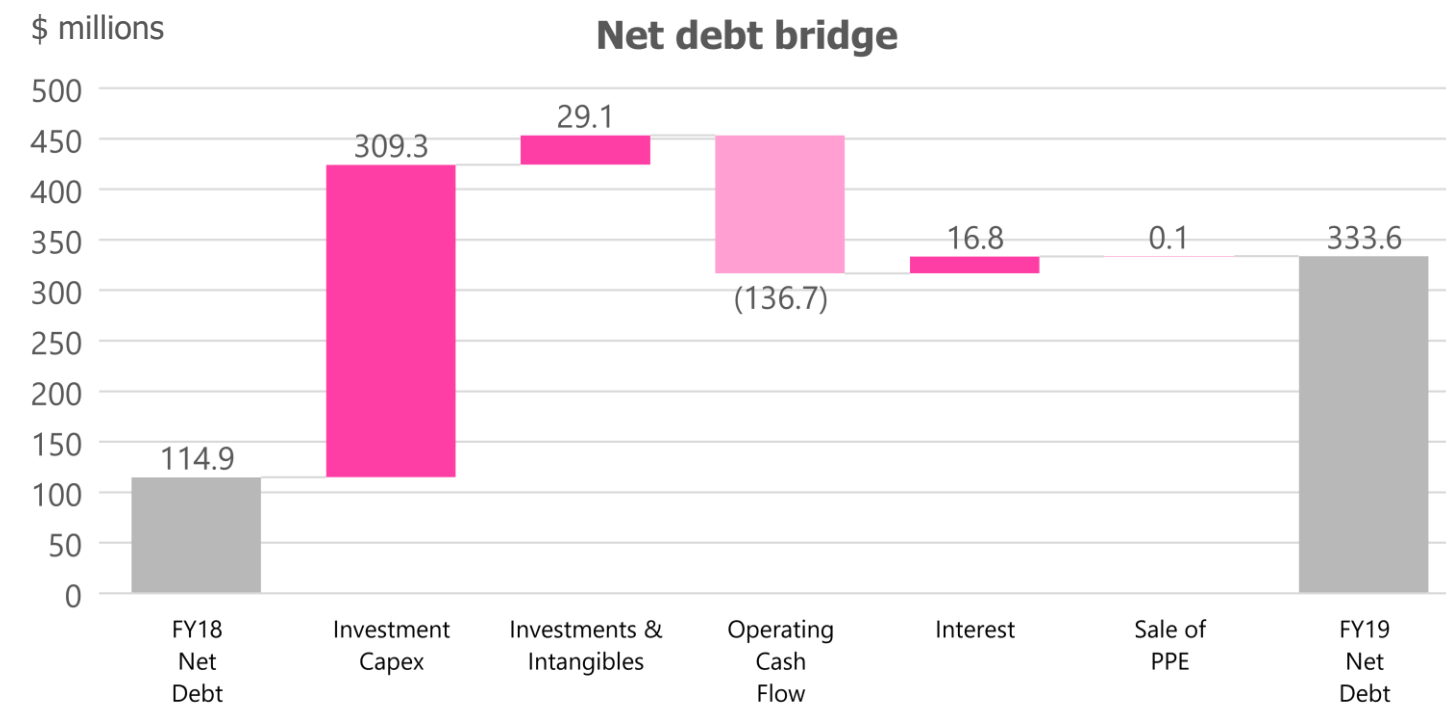
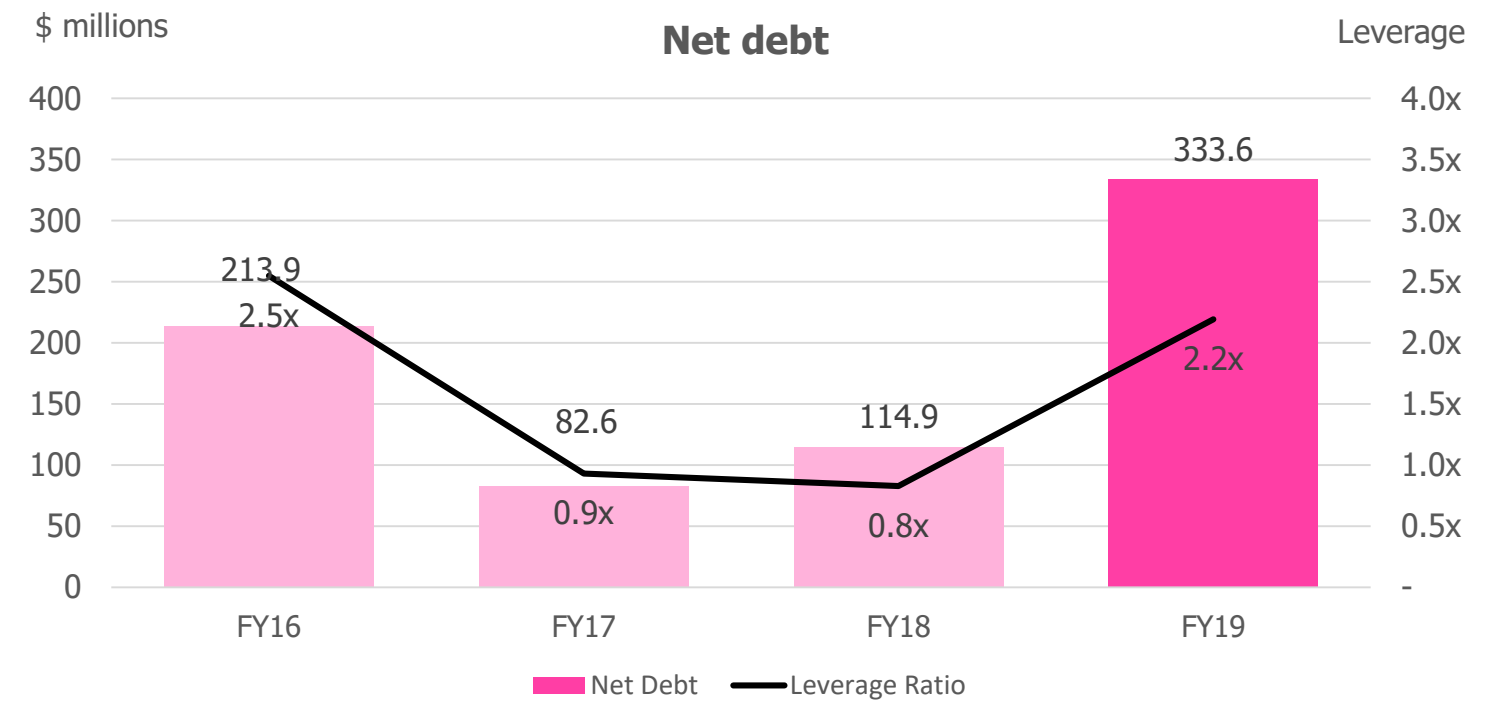
Net debt increased by \$218.7 million to \$333.6 million at year end from \$114.9 million last year

Significant investment in major growth projects and operational projects continued with **\$309.3 million of spend on capital expenditure:**

- Second infant-capable manufacturing facility in Pokeno \$181.1 million, with cumulative total spend of \$193.8 million of \$260 million
- Advanced liquid dairy packaging facility \$71.1 million with cumulative total spend of \$115 million of \$134 million (including \$4 million for the electrode boiler upgrade)
- Lactoferrin plant \$12.2m of cumulative total of \$18.9 million

In addition, **\$29.1m deployed in investments and intangibles**, including a \$18 million secured loan to Talbot Forest Cheese

- Loan settled on 1 August 2019 with a final purchase price of \$37.8 million



OUR CHINA BUSINESS

INFANT NUTRITION – CURRENT STATE



FY19 consumer packaged infant formula volumes of 42,907 MT up 21% on FY18 and in line with guidance range of 41,000 - 45,000 MT

- Continued commitment to support strong partnership with The a2 Milk Company™ as it continues to grow in the China infant formula market
- Other brands are taking longer than expected to achieve regulatory approval in China. Synlait has dedicated regulatory staff in Beijing and Shanghai working through the registrations with SAMR
 - The Akara and Pure Canterbury formulation registrations have been accepted subject to a site audit
 - Continue to work through the registration process for e-Akara
- Pokeno site adds 45,000 MT of infant base powder manufacturing capacity
- Synlait Auckland achieved GACC dairy registration and has submitted its application for GACC IF
- Advanced liquid dairy packaging facility provides options for expanding the infant nutrition offering, including ready-to-drink formulated nutritional products



OUR CHINA BUSINESS

OVERVIEW

- Synlait sells products throughout the world, however China remains our most important market.
- We have built a very strong business focused on infant formula, primarily, into this market.
- Our strategic direction is to continue to grow and develop our customer and product opportunities into this market, while also investing into our categories to diversify our concentration risks over time.
- We have a well proven track record to navigate the regulatory market within China.
- We are very well positioned to respond to the China market policy directions and believe that these will create more significant growth opportunities for Synlait over time.

OUR CHINA BUSINESS

FUTURE OPPORTUNITIES

- Synlait is very well placed to take advantage of the “Healthy China 2030” policy guidelines recently announced.
- Our announced strategic direction in not only infant nutrition, but also adult nutrition, and both are well aligned to this policy direction.
- We have the appropriate plant and people capability to ensure that, together with our existing customers, we create the right products and opportunities to capitalise on this.
- In addition we believe that we are well placed to benefit from the recently updated NDRC policy direction to shift more infant nutrition sales to China based companies.
- We as stated earlier, we are in process to have both of our China infant customers brands approved. While timing remains uncertain, we remain confident of achieving approval of these brands in due course.

OUR CHINA BUSINESS

CHINA MARKET ENVIRONMENT

- The factory and brand approval process while demanding, is well understood by Synlait and we work well with the regulators within their guidelines.
- Further consolidation of brands and manufacturers remains an important and ongoing process for China, in order to establish better assurances of food safety and support domestic suppliers.
- Following a period of limited progress across the industry, the restructure of the China regulatory organisation is now complete, and we are observing progress in factory and brand approvals across the industry.
- Regulatory requirements continue to evolve, and we continue to keep abreast of these changes as they occur and ensure we are able to respond appropriately.

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INVESTORS

Hannah Lynch, Corporate Affairs Manager

+64 21 252 8990

Hannah.Lynch@Synlait.com

MEDIA

Linda Chalmers, Senior Communications Advisor

+64 21 951 347

Linda.Chalmers@synlait.com

Synlait