



29 March 2021

## Synlait publishes HY21 result

Kia ora shareholder

Synlait Milk Limited (Synlait) today published its financial result for the six months ended 31 January 2021.

Our first half was challenging, and we continue to find ourselves in a period of significant uncertainty and volatility as Synlait faces into several headwinds. This is impacting our short-term operations and will impact our full year 2021 financial result (FY21).

We cannot control COVID-19 but we can control our response. This includes how we execute on our strategy. A strategy which was already positioning Synlait well for a sustainable, diverse, and recurring revenue base that comes from multiple customers, sites, markets, and categories in the future.

Our focus is now to mitigate the impact COVID-19 has had on our customers as we manage costs and capacity and pull forward value creation initiatives to accelerate the execution of our strategy.

We will need time to get through this, but we remain confident about our future. Our investment phase is complete. We have the capacity, capability, and customer base to generate significant value. COVID-19 hit us late, but we will emerge from the pandemic a stronger, more sustainable Synlait.

### Financial performance

- Revenue up 19% to \$664.2 million
- EBITDA down 29% to \$47.7 million
- NPAT down 76% to \$6.4 million
- Consumer-packaged infant formula sales down 16% to 18,085 MT
- Infant formula base powder production down 61%
- Lactoferrin production up 16% to 13.6 MT
- Dairyworks revenue \$112.6 million

### FY21 guidance update

As signalled earlier this month, Synlait is continuing to experience significant uncertainty and volatility within its business. This is due to:

- Ongoing uncertainty in The a2 Milk Company's expected demand for the remainder of FY21 and FY22. Synlait does not currently have sufficient confidence to forecast when this recovery will occur. The resulting impact of this on Synlait's business is two-fold: demand for consumer-packaged infant formula remains uncertain, which in turn impacts forward infant base powder production and asset use.
- Synlait's ingredients business. The sudden drop in consumer-packaged infant formula demand, combined with rapidly rising Global Dairy Trade prices, foreign exchange, and a changing product mix, creates volatility which limits returns.
- Our expectation is that global shipping delays will continue and further impact the FY21 result.



Board and management have considered the above factors and how they will impact Synlait's FY21 profitability. There is still a range of scenarios contributing to the company's profitability, and our current outlook suggests a broadly breakeven FY21 NPAT result.

While all banking covenant ratios were met during HY21, Synlait has proactively engaged with its banking syndicate to increase its leverage ratios to manage any risk at the end of FY21. The company's FY21 business plan is fully funded by its current banking syndicate.

More information

Please click on the hyperlinks below to access the information Synlait released alongside this result today:

- [Synlait HY21 Chair & CEO Review](#)
- [Synlait HY21 Financial Statements](#)
- [Synlait HY21 Investor Presentation](#)

Despite the adversity, we remain committed to being open and honest with you. Our belief and commitment to *Doing Milk Differently For A Healthier World* remains unchanged and is helping us navigate through these challenges.

Thanks for your loyalty, patience, and on-going belief in Synlait's long-term ambitions and strategy.

Ngā manaakitanga.

Graeme Milne ONZM  
Synlait Chair

Leon Clement  
Synlait CEO