Synlait

SYNLAIT MILK HALF YEAR INVESTOR PRESENTATION

For the six months ended 31 January 2021

FINANCIAL PERFORMANCE

▲ 19%

$664.2M

REVENUE

▽ 16%

18,085MT

CONSUMER-PACKAGED INFANT FORMULA SALES

Infant Formula Base Powder production down 61%

▽ 29%

$47.7M

EBITDA

▲ 16%

13.6MT

LACTOFERRIN PRODUCTION

▽ 76%

$6.4M

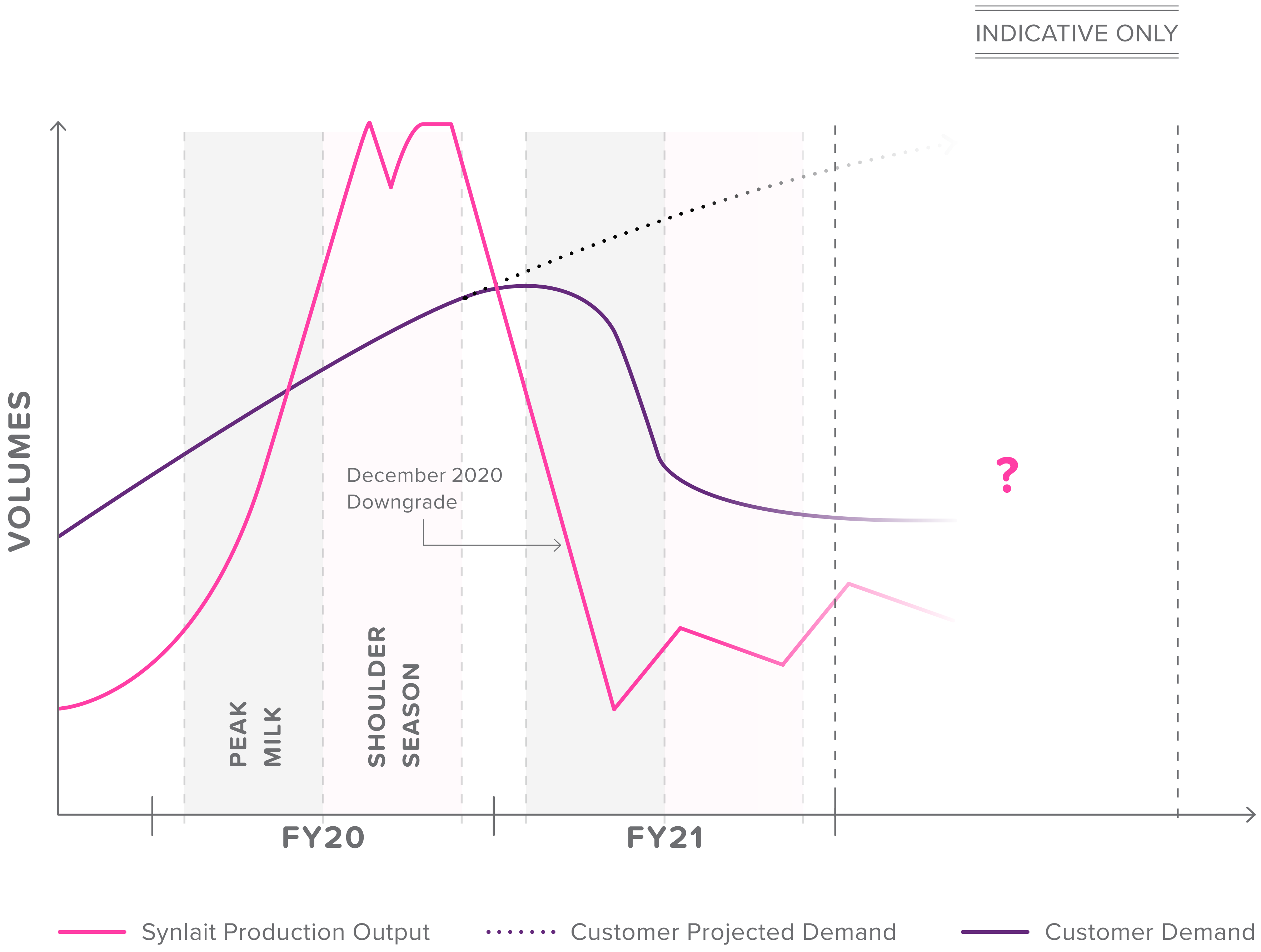
NPAT

$112.6M

DAIRYWORKS REVENUE

Comparisons are for the six months ended 31 January 2020 (HY20) unless stated otherwise.

WHAT IS HAPPENING IN OUR BUSINESS



- Synlait typically produces 45% to 50% of its infant base power during the 'shoulder season' as milk quality is high and manufacturing capacity is available.
- These infant base powder inventories are held to produce fully finished consumer-packaged infant formula volumes as customer demand formalises in future months.
- In the shoulder season of FY20, Synlait produced infant base powder inventories on a forward demand forecast that assumed ongoing growth of infant nutrition demand into FY21.
- The December 2020 downgrade was significant and sudden. It resulted in infant base powder production dropping significantly as we reset inventory levels to a new demand outlook.
- This dynamic has resulted in low utilisation of infant dryers throughout FY21, which materially impacts Synlait's profitability until a recovery occurs.

FINANCIAL PERFORMANCE

Angela Dixon
Chief Financial Officer

DAIRYWORKS

Dairyworks' performance continues to meet our expectations. The team expanded Dairyworks' footprint over the past 12 months launching finishing butters and protein yoghurts. This has been supported by strong EBITDA growth and an increased market share in Australia.

RESULTS AT A GLANCE*

The impact of COVID-19, and ongoing recovery of our key customer, had a significant impact on Synlait's production and profitability.

- **Net profit after tax** $6.4 million.
- **Revenue** up 19% predominately driven by Dairyworks, supported by strong Global Dairy Trade pricing, offset by consumer-packaged infant formula volumes.
- **Gross profit** down 28% reflected product mix moving away from consumer-packaged infant formula into powders and creams, and lost manufacturing recoveries for infant base powder production.
- **EBITDA** down 29% impacted by significant under recoveries due to a reduction in infant base powder production.
- Full impact of **depreciation and interest costs** from capacity build now flowing through (up 33% and 17% respectively).
- **Dairyworks** is on track to deliver full year EBITDA growth of $15 million - $20 million in line with expectations.

	HY20	HY21	% Change
Revenue	559.3	664.2	19%
Gross Profit	82.9	59.7	(28%)
EBITDA	67.6	47.7	(29%)
NPAT	26.2	6.4	(76%)
Depreciation Costs	(21.2)	(28.1)	33%
Financing Costs	(9.5)	(11.1)	17%

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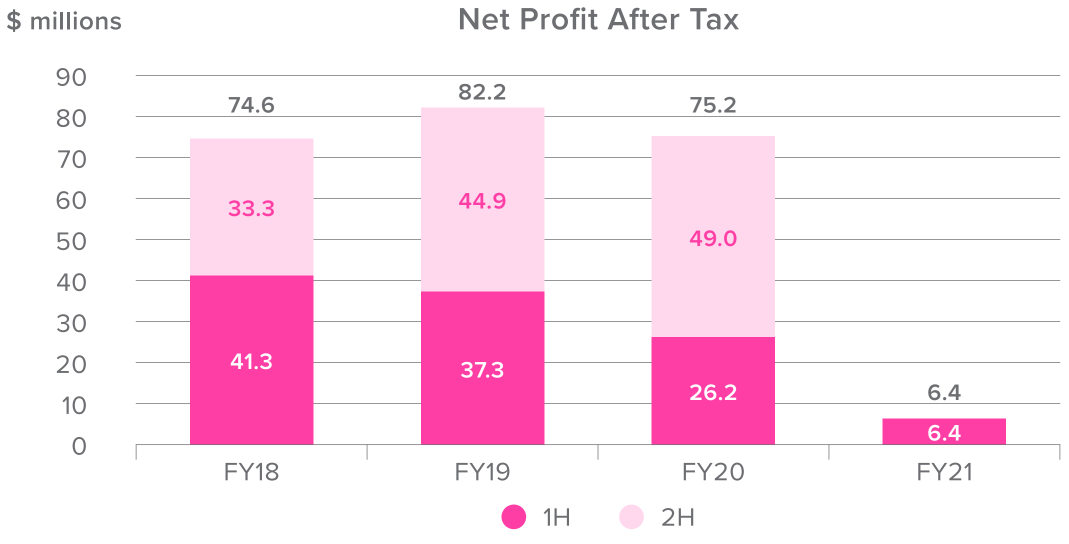
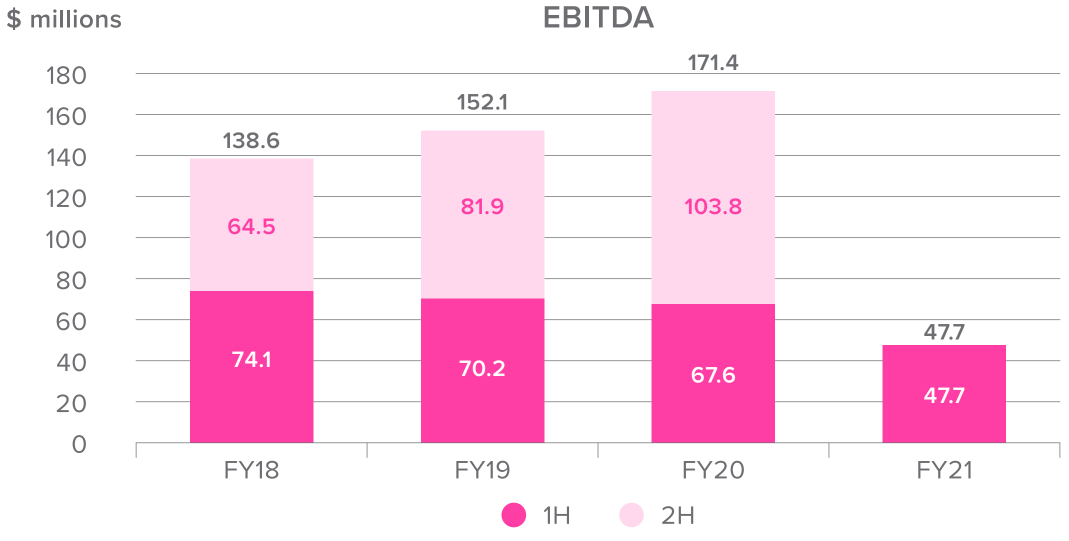


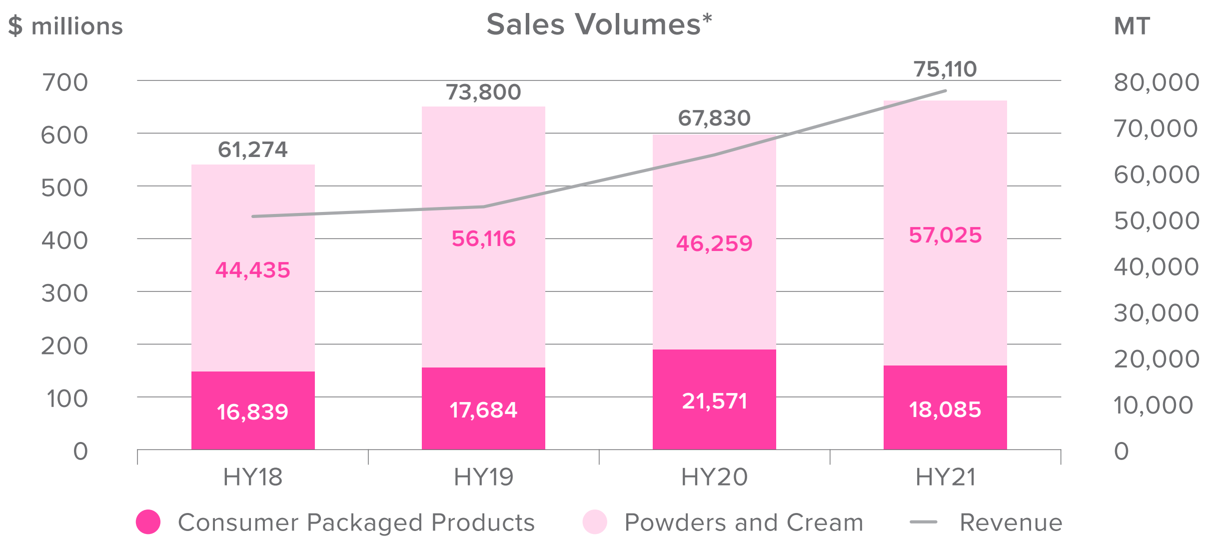


REVENUE AND SALES VOLUMES

Total revenue up 19% to $664.2 million.

Key highlights:

- Dairyworks revenue contribution $112.6 million as its Australian market share continued to increase.
- Global Dairy Trade pricing increased due to strong prices globally.
- Powders and creams sales increased due to a reduction in consumer-packaged infant formula demand.
- Global shipping delays had an adverse impact on the volume of product shipped and invoiced.



** Sales volume numbers exclude Dairyworks and Liquid Milk*

Consumer-packaged infant formula

- Volumes down 3,486 MT as our key customer's demand profile resets.
- China-label volumes continued to grow. English-label sales fell as our key customer responds to the impact of COVID-19 on the CBEC and daigou channels.
- As a result of this, infant formula base powder production is down 61%.

Powders and creams

- Volumes up 10,766 MT as milk that had been planned for consumer-packaged infant formula was switched into powders and creams towards the end of the half.

Lactoferrin

- Sales remain strong up 21%, offset by softer pricing as global capacity increases.

Liquid milk

- Volumes are stable and remain below expectations. We continue to work in collaboration with Foodstuffs South Island to grow this partnership.

Cheese and Butter (Dairyworks)

- Strong domestic in-home demand, supported by increase in Australian market share.

PRODUCTION VOLUMES

Lactoferrin

- Production increased 1.9 MT or 16%.
- We continued to optimise lactoferrin extraction methods and our facilities.

Milk

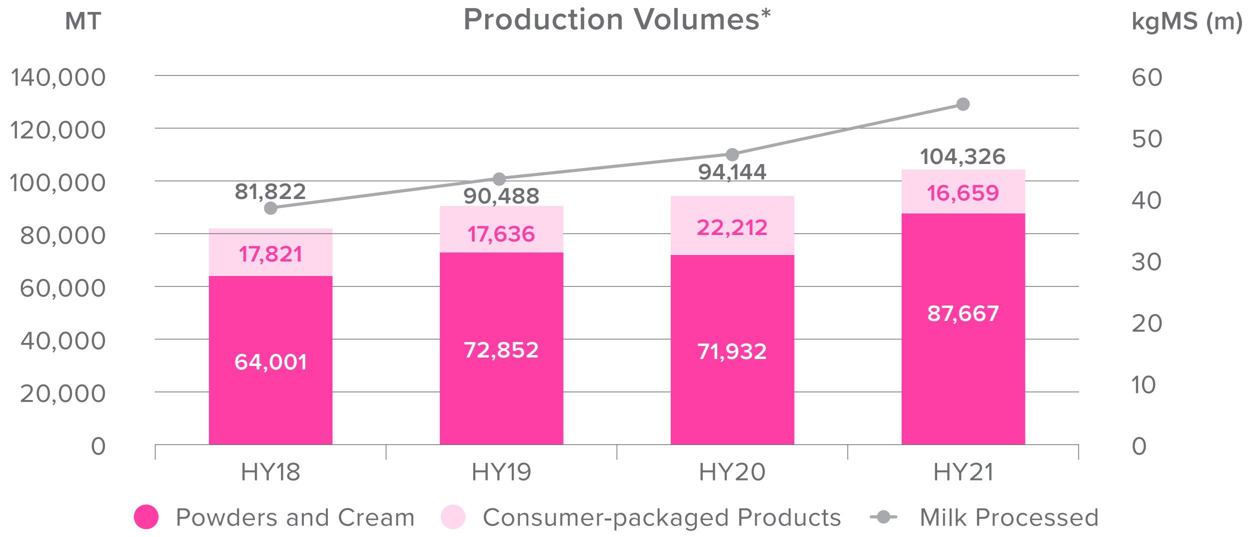
- Milk processed up 17.8% to 56 million kgMS as the North Island milk pool increased.

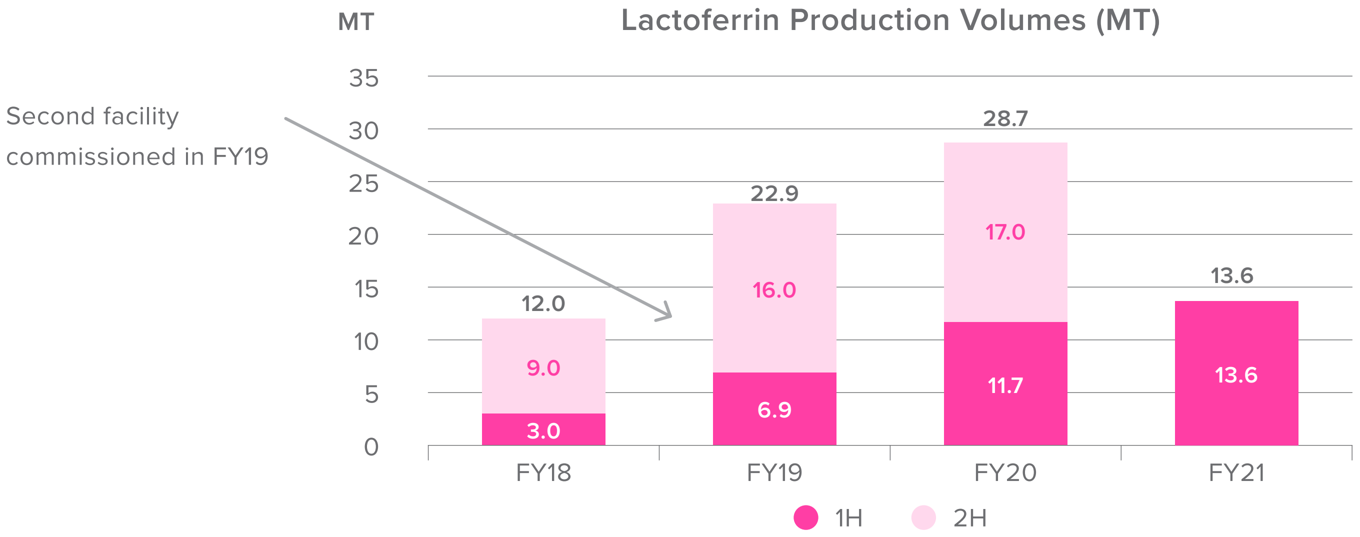
Powders and creams

- First half powders and creams production up 15,735 MT or 22% as sales mix changed.
- Infant formula base powder production reduced 61%.

Liquid milk

- Liquid milk volumes remain consistent at 15.5 million litres.

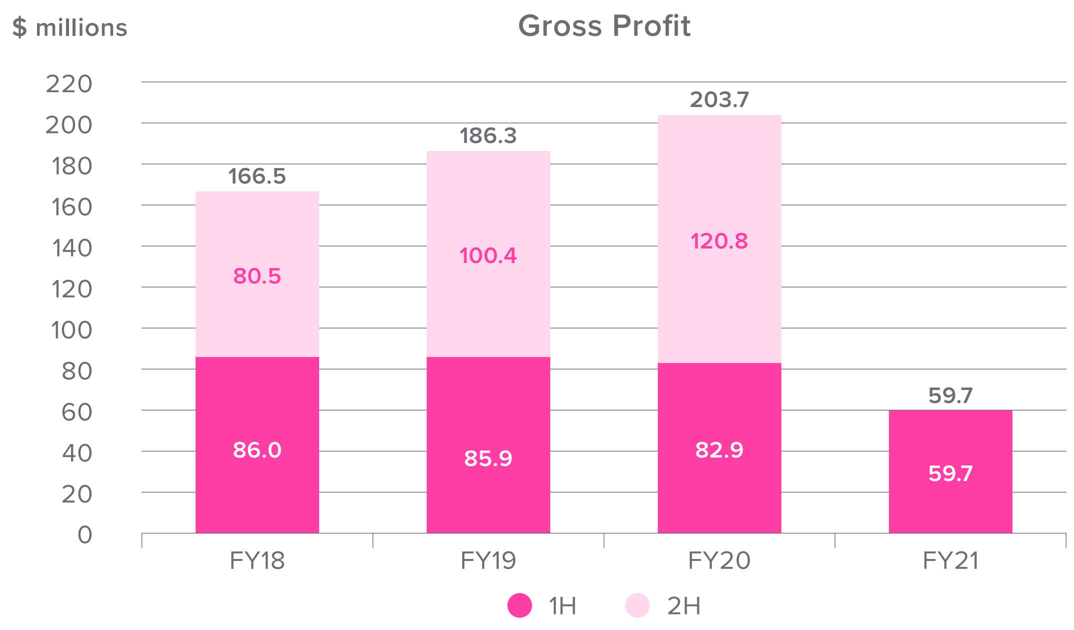




*Excludes Dairyworks and Liquid Milk

GROSS PROFIT PERFORMANCE

- Gross profit reduced 28% to $59.7 million.
- This was driven by lower consumer-packaged infant formula sales as our key customer reset its demand profile and rebalanced inventories. As a consequence the need for infant base powder reduced significantly as existing inventory was used to satisfy customer demand.
- Gross Profit / kgMS sold was impacted as product mix was switched to lower margin commodity products due to decreased demand of consumer-packaged infant formula and infant formula base powder.
- The sudden switch from NZD to USD sales mix resulted in unfavourable FX.



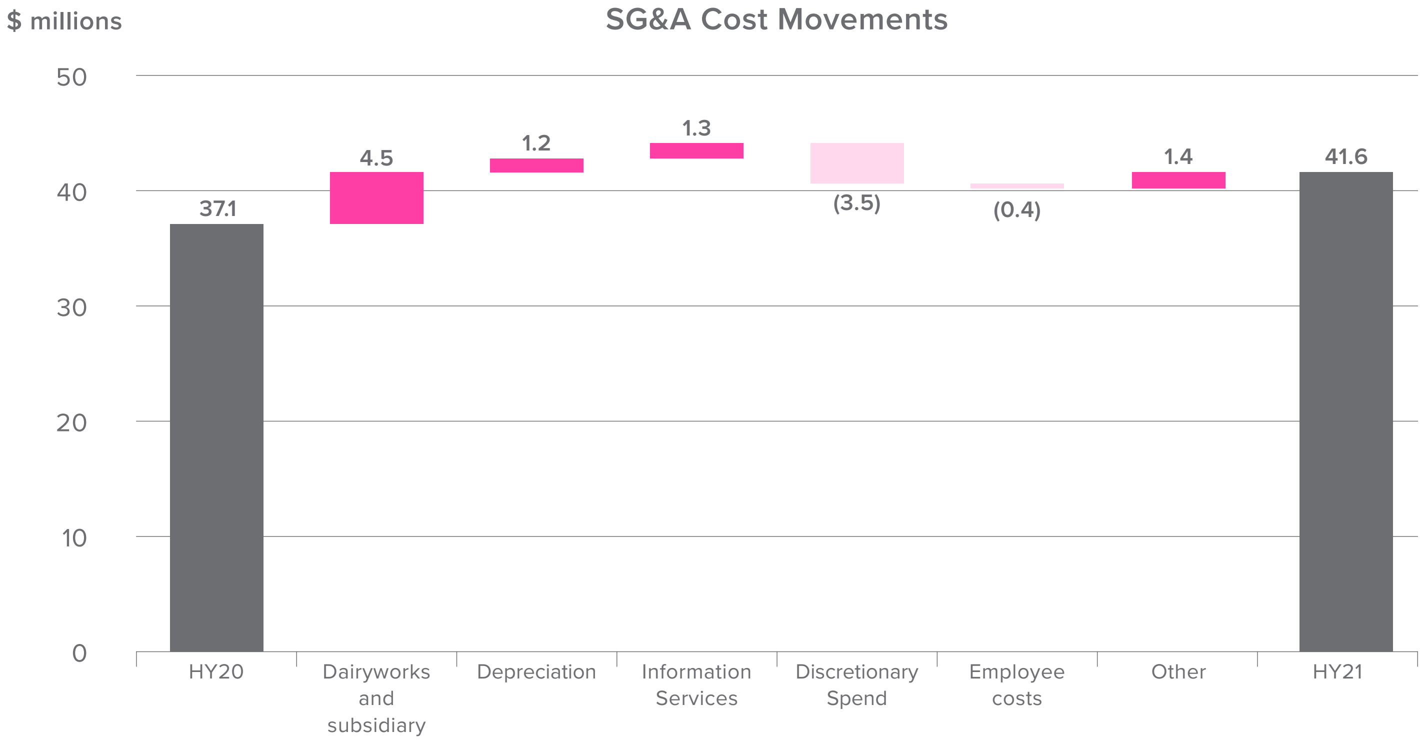
SG&A COSTS

Costs are a strong focus:

- Discretionary costs (consultancy, travel, entertainment) down $3.5 million.
- A reset of our organisational structure reduced salary costs. This is starting to flow though with more savings to be realised in the second half. We continue to right size our business structure for expected volumes in the near term.

These savings are offset by:

- A full year of Dairyworks costs resulting in $4.5 million more costs than in HY20.
- Depreciation continue to roll through from previous upgrades to administration spaces.
- Higher technology costs relating to licencing and cyber protection costs.
- Other relates to asset impairments and bad debt write offs.



CASH FLOW

Operating

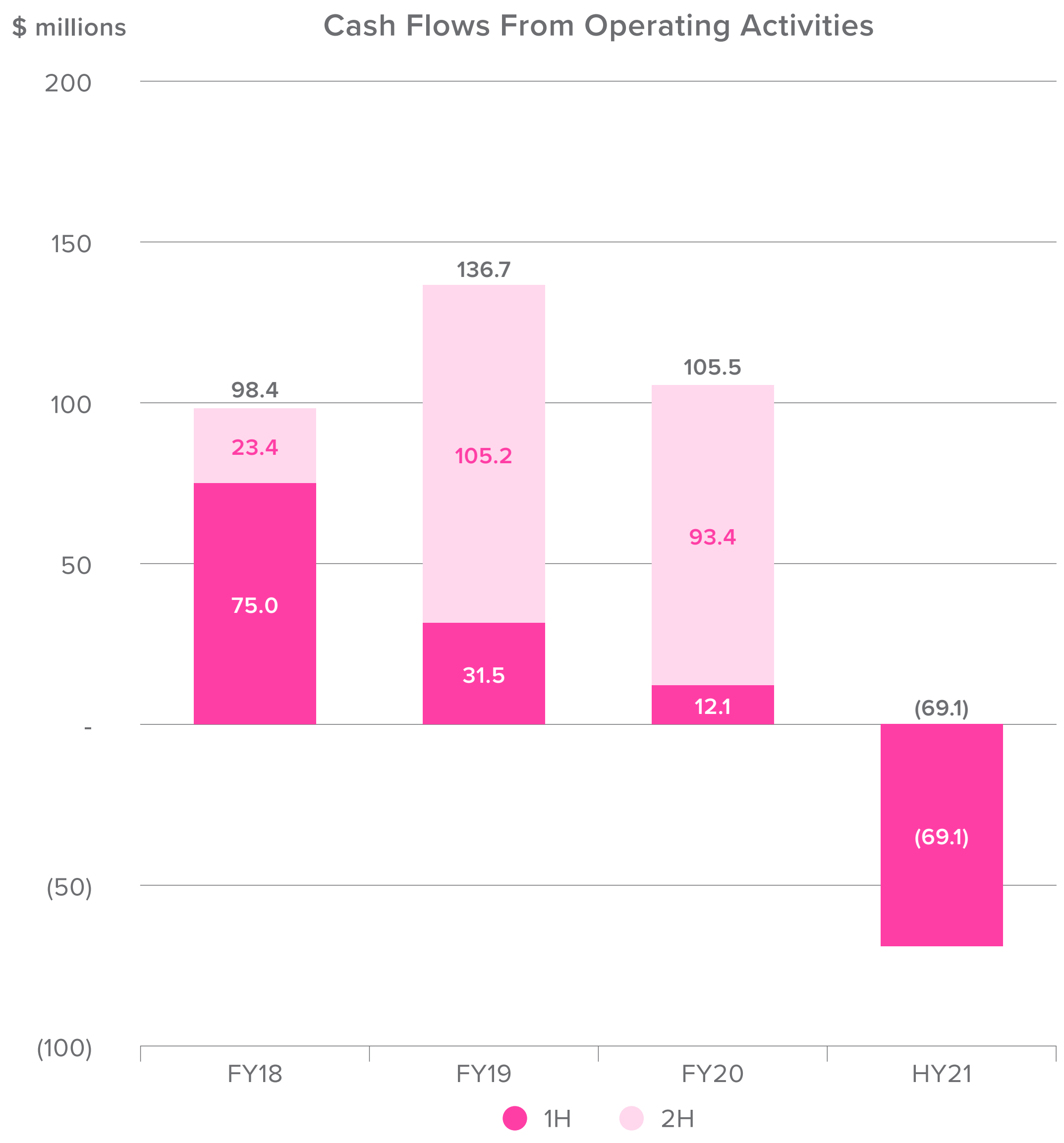
- Synlait typically experiences seasonality in cash flows due to the milk production curve.
- Higher Global Dairy Trade pricing for milk has also impacted cash flow.
- HY21 operating cash flow $(69.1) million is down (HY20: $12.1 million) as a result of lower product margin mix and an increase in receivables.
- This includes a full half year of Dairyworks receivables in HY21.
- Shipping delays impact timing of cash collections.

Investing

- Capital expenditure on property, plant and equipment was $62.6 million.

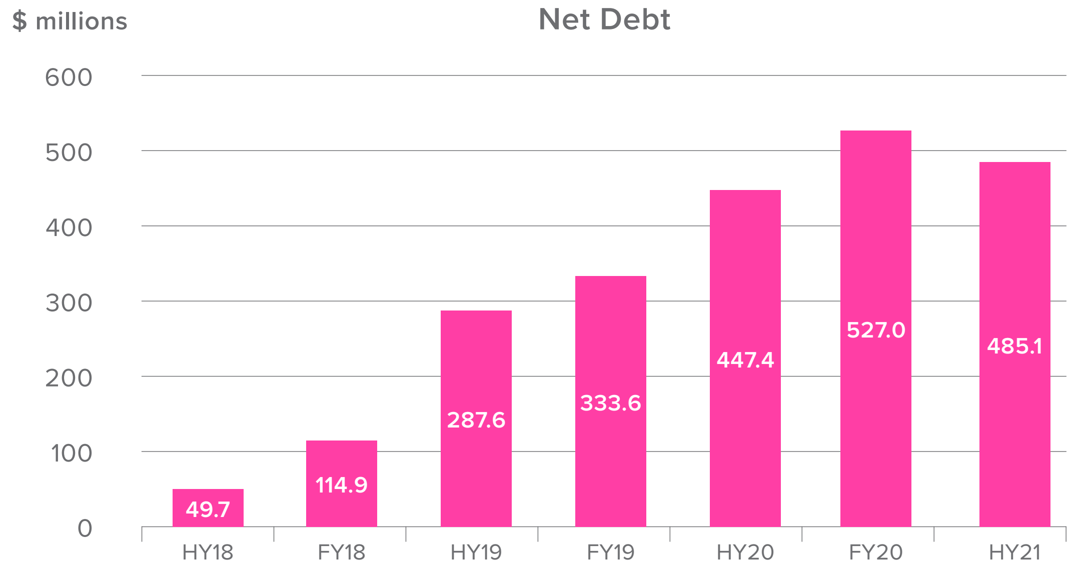
Financing

- Interest and fees paid up slightly from $11.2 million to $11.8 million with an increase average debt levels partly offset by lower interest rates.



NET DEBT

- Net debt (excluding lease liabilities) decreased to $485.1 million.
- $200 million equity raise completed. Reduced debt by $196.1 million (net of transaction costs).
- Funds raised used to complete strategic investment phase, facility modifications for Synlait's new multinational customer, and to strengthen the balance sheet. Funds raised are also being used to provide more financial headroom as Synlait navigates COVID-19.
- Dairyworks acquisition increased debt by $95.9 million between HY20 and HY21, with consideration transferred (net cash) of $52.7 million and $43.2 million loan acquired and repaid.
- 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.



STRATEGY & OUTLOOK UPDATE

Leon Clement
Chief Executive Officer

DUNSANDEL RAIL

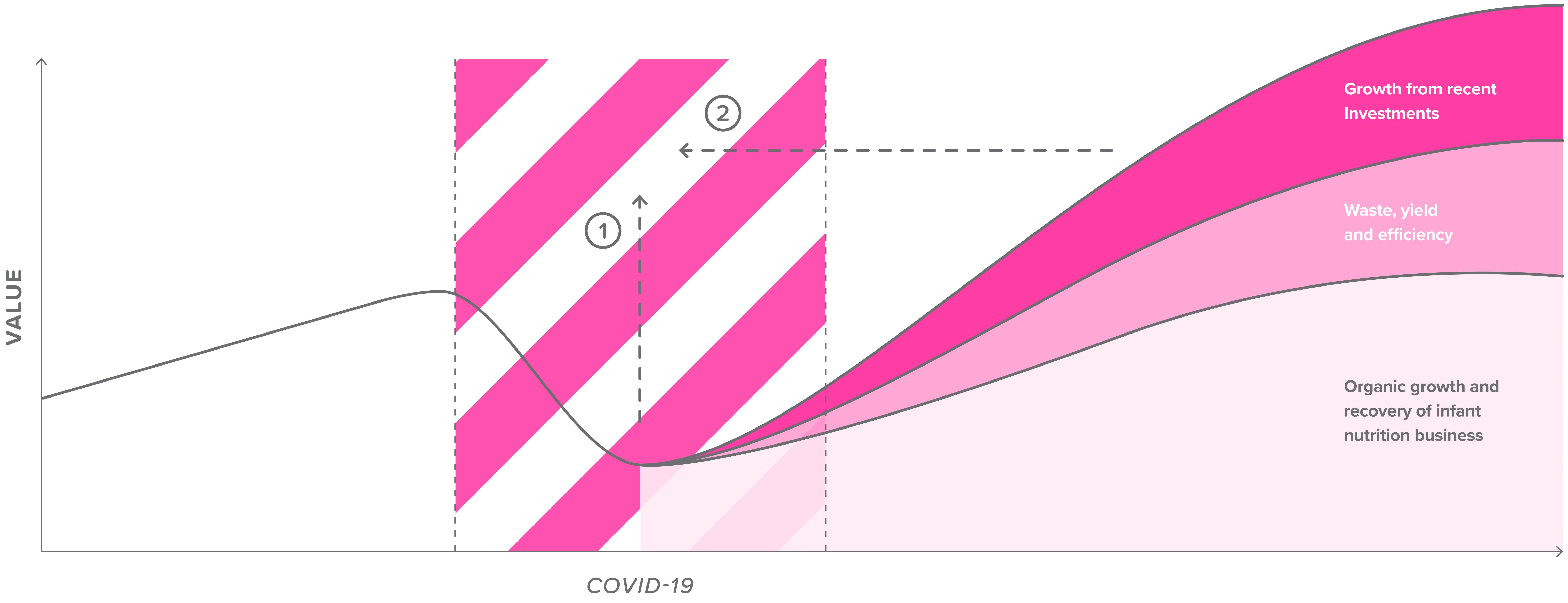
The 30-wagon rail siding at Synlait Dunsandel will be complete in May. It will extend our highly integrated manufacturing facility from farm-to-can to farm-to-port with containerised goods transported by rail between Synlait Dunsandel and Lyttelton Port.

OUR FOCUS NOW...

INDICATIVE ONLY

1 SHORT-TERM: MITIGATE COVID-19 COSTS AND CAPACITY CHANGES

2 LONG-TERM: PULL FORWARD VALUE AND ACCELERATE STRATEGY



1 SHORT-TERM FOCUS: MITIGATING COVID-19 COST AND CAPACITY CHANGES

OPERATING COST SAVINGS (~$10.8 MILLION)

• Organisational structure reset to reduce salary costs and ensure capabilities better aligned with strategy.	*$1.9M*
• Production approach reviewed to ensure facilities resourced and optimised efficiently: • Synlait Pokeno now manufactures ingredients only as it focuses on preparation for our new multinational customer. • Staff shift levels reduced at Synlait Auckland and Dunsandel blending and canning facilities. • Dundandel dryers optimised again new product mix.	*$5.4M*
• Year-to-date discretionary spend (consultancy, travel, entertainment) reduced. Focus continues on cost control across the business to help offset unavoidable spend.	*$3.5M*
	$10.8M

Finished ingredients ready to ship from the newly-opened Dry Store 4 at Synlait Dunsandel

1 SHORT-TERM FOCUS: MITIGATING COVID-19: COST AND CAPACITY CHANGES

VALUE CHAIN COST SAVINGS (~$11 MILLION ANNUALISED)

Dry Store 4 and rail siding

- Dry Store 4 to be complemented by a 30-wagon rail siding in May.
- This will extend Synlait's highly integrated manufacturing facility from farm-to-can to farm-to-port with containerised goods trained between Synlait Dunsandel and Lyttelton Port.
- Generates a permanent annualised EBITDA contribution of $8 million from FY22 onwards.

Efficiency initiatives

- Waste reduction and yield improvement initiatives have a annualised benefit of $3 million.
- Further improvements on quality and right-first-time production reducing rework and waste.

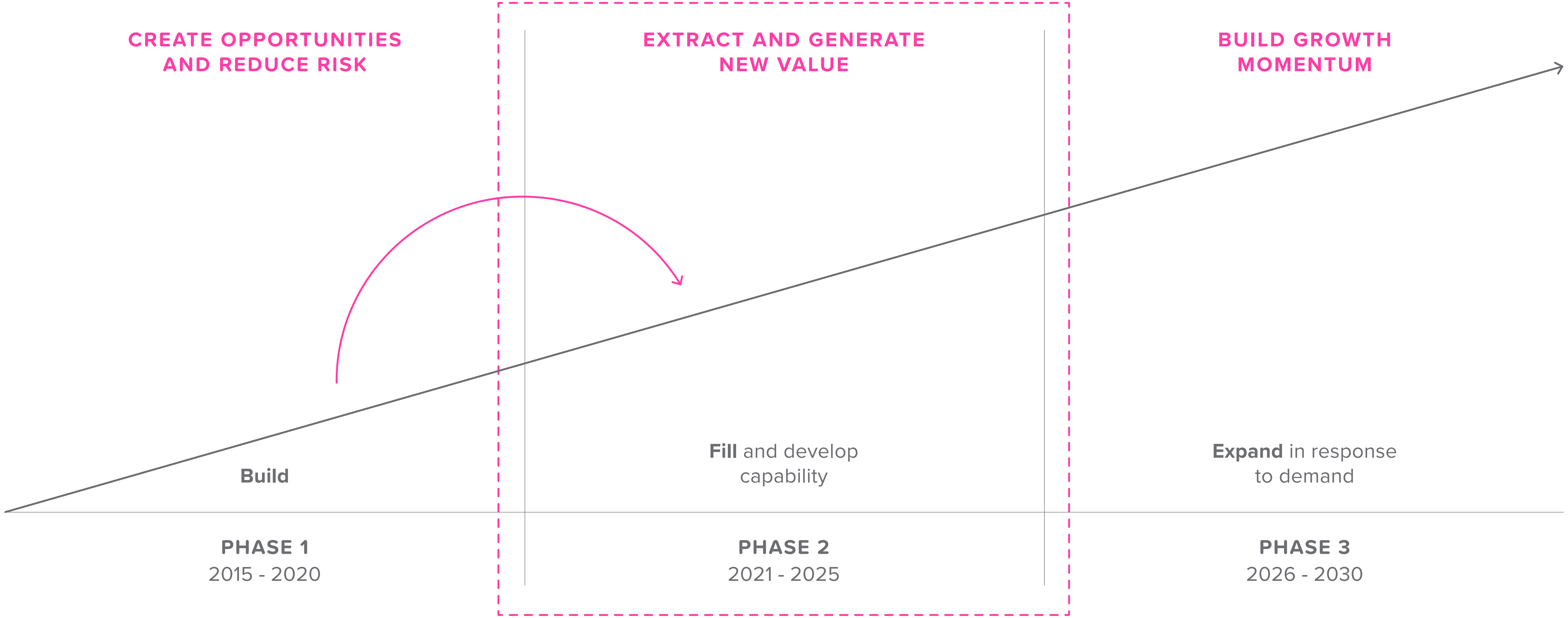
An estimated 3,400 sleepers were laid along 2,500m railway tracks for Synlait's rail siding.

2 LONG-TERM FOCUS: PULL FORWARD VALUE AND ACCELERATE STRATEGY

We narrowed our strategic focus having completed a phase of significant investment to create new growth opportunities. It therefore made sense to refine and focus our growth strategy.

HEART OUR PURPOSE	**HEAD** OUR AMBITION	**HANDS** OUR STRATEGY
DOING MILK DIFFERENTLY FOR A HEALTHIER WORLD	**2** $2 billion in revenue **+** Net +ve impact on planet and communities +ve place to grow with 100% engagement **ZERO** Zero injuries Zero defects Zero losses	**DOING MILK DIFFERENTLY:** Nutrition, Food Service and Ingredients Consumer Foods **FOR A HEALTHIER WORLD:** Net Positive for the Planet A Healthier Synlait World Class Value Chain

2 OUR FOCUS HAS MOVED TO EXTRACTING VALUE FROM INVESTMENTS WE HAVE ALREADY MADE



2 THE VALUE WE CAN SEE COMES FROM LEVERAGING OUR ASSETS: CUSTOMERS, CATEGORIES, AND FACILITIES

CUSTOMERS

NEW ZEALAND / AUSTRALIA

MULTINATIONAL

CHINA

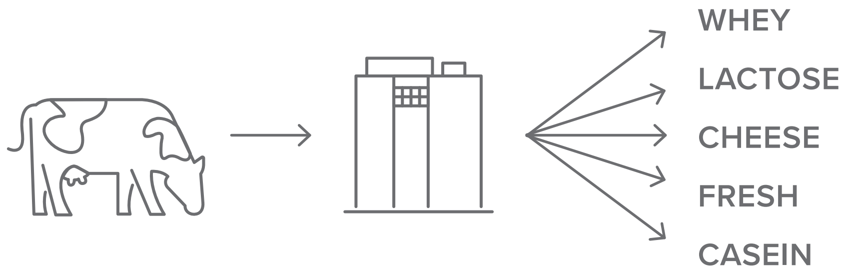
CATEGORIES

- INFANT NUTRITION
- LACTOFERRIN
- FRESH MILK AND CREAM
- CHEESE
- BUTTER
- PLANT-BASED PRODUCT
- AMBIENT DAIRY DRINKS
- FOOD SERVICE CREAMS

FACILITIES

- DUNSANDEL
- POKENO
- AUCKLAND
- PALMERSTON NORTH
- HORNBY
- TEMUKA

2 ... AND WE ARE CHASING ~$200 MILLION WORTH OF VALUE

	SHORT-TERM (Next 12 Months)	**MEDIUM-TERM** (Next 12 - 24 Months)	**LONG-TERM** (24 Months Plus)
BUSINESS TO BUSINESS	 **LAUNCH MADE WITH BETTER MILK (DIFFERENTIATED INGREDIENTS)**	 **NEW MULTINATIONAL CUSTOMER AT POKENO**	 **CAPTURE VALUE OF MILK COMPONENTS**
BUSINESS TO CONSUMER	 **FOODSERVICE CREAMS**	 **SYNLAIT BRANDED CONSUMER PRODUCTS**	 **FORMULATED LIQUID NUTRITION**

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.

APPENDICES

DUNSANDEL CAFE

Our in-house staff cafeteria at Synlait Dunsandel brings teams together from across the business on a daily basis.

GROSS PROFIT PERFORMANCE BY CATEGORY

SALES VOLUME (MT)					
	HY19	FY19	HY20	FY20	HY21
Powders and Cream	56,116	106,802	46,259	101,222	57,025
Consumer-Packaged Powders	17,684	42,907	21,571	49,180	18,085
Lactoferrin	6	21	8	30	9
Subtotal	**73,806**	**149,730**	**67,838**	**150,432**	**75,119**

GROSS PROFIT ($m)					
	HY19	FY19	HY20	FY20	HY21
Powders and Cream	69.6	142.2	59.6	134.4	29
Consumer-Packaged Powders	14.0	34.3	17.8	40.5	15.4
Lactoferrin	2.3	13.3	6.3	28.4	7.4
Subtotal	**85.9**	**189.8**	**83.7**	**203.3**	**51.8**

GP/MT					
	HY19	FY19	HY20	FY20	HY21
Powders and Cream	959	969	899	914*	393
Consumer-Packaged Powders	789	800	824	824	849
Lactoferrin	397,938	646,099	823,492	943,074	798,575
Subtotal	**949**	**1,268**	**1,234**	**1,352**	**690**

** Please note this number has been amended from the FY20 investor presentation as it was incorrectly calculated*

BANK FACILITIES, COVENANTS AND BOND ISSUE

Synlait currently has four syndicated bank facilities in place with ANZ and BNZ

1. Working capital facility (multi-currency) – facility limit of $250 million and reviewed annually
2. Revolving credit facility (Facility A) – facility limit of $100 million maturing 1 October 2021
3. Revolving credit facility (Facility B) – facility limit of $50 million maturing on 1 August 2023
4. Revolving credit facility (Facility C) – facility limit of $50 million maturing on 1 August 2023

Bond issue

- $180 million of five-year unsecured subordinated fixed rate bonds listed on the NZX Debt Market in December 2019

We have five key covenants in place with our bank syndicate

These are:

1. Interest cover ratio – EBITDA to interest expense of no less than 3.00x based on full year forecast result
2. Minimum shareholders funds – no less than $400.0 million
3. Working capital ratio – inventory and debtors to working capital facility outstanding of no less than 1.5:1

These final two covenants have been temporarily reset:

4. Leverage ratio 7.5x – total debt to EBITDA
5. Senior leverage ratio 4.75x – total debt excluding Subordinate Bond to EBITDA

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