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## Synlait Publishes FY21 Result; Appoints CEO; and Proposes Governance Changes

Synlait Milk Limited (Synlait) today published its financial result for the 12 months ended 31 July 2021 and announced the appointment of Grant Watson as the company's next CEO.

Synlait CEO John Penno commented: "Today's financial result illustrates that the last financial year has been very challenging for Synlait. We have always had the enormous advantage of starting fresh some 13 years ago as a small part of a large, successful, and well-established global industry. Our strategy fundamentally plays to this competitive advantage and is driven by our purpose: *Doing Milk Differently For A Healthier World*. We have fallen short of delivering on this advantage. The opportunity to pause, learn, change, and then double down on delivering the potential Synlait's Board and Management firmly believe is there is being approached with fresh energy and is our number one priority. Today marks the start of a new chapter as we set out a clear plan to return to robust profitability."

"During the last quarter of FY21, the Board and Management team built a clear and accurate picture of Synlait's current performance in the context of change over the last five years. We have begun to execute a plan to rebuild:

1. We have reviewed and remain confident in our strategy. However, execution clearly needs to improve.
2. We have aligned structure to strategy, appointed a CEO, and are proposing Governance changes to shareholders.
3. We have reset our banking arrangements.
4. We are making changes to release cash from inventory and improve working capital management.
5. We have built a plan to return to robust profitability."

Grant Watson appointed as Synlait CEO

The Board has appointed Grant Watson as CEO. Grant will join the Synlait team in January 2022.

Grant is currently CEO of dairy company, Miraka. Prior to Miraka, he spent 10 years at Fonterra where he held several senior roles including Director of Global Foodservice, Acting Director of Sales Fonterra Brands New Zealand, Managing Director of Tip Top, and Director of Route and Foodservice Fonterra Brands New Zealand. Prior to Fonterra, Grant built his executive career at McDonalds New Zealand to become Chief Operating Officer. He has also held several governance and directorship roles for private and publicly listed companies.

Synlait Chair Graeme Milne commented: "Grant has a track record of materially transforming and accelerating businesses by setting clear strategies, surrounding himself with diverse and talented people, and relentlessly driving execution to deliver strong sustainable results."



“Prior to Miraka, Grant led the significant growth of Fonterra's Global Foodservice business and has overseen the successful commercialisation of numerous value-added dairy products. This is a key part of Synlait’s strategy going forward and we look forward to benefiting from his skills and experience.”

Grant Watson commented: “I have watched the Synlait story with interest for many years and am excited to join the team in 2022. I’m a passionate New Zealander and believe our country has an important role to play in taking our high-quality products to the world. I look forward to continuing this journey with the Synlait team.”

Grant will be joined by Robert Stowell who has been appointed CFO after acting in the role for the last five months.

#### Proposed Governance changes to be voted on by shareholders

As previously signalled, Graeme Milne stated his intention to retire by rotation at Synlait’s Annual Meeting in December. However, considering Synlait’s recent challenges the Board is keen to maintain Graeme’s knowledge given his 17 years with Synlait. When Grant starts as CEO, Graeme will retire as Chair and be appointed as a Board Advisor for one year.

John Penno will be appointed Chair when Graeme retires. As John is a Board Appointed Director the Board will seek ratification from shareholders at the Annual Meeting in December via a change to Synlait’s constitution. The constitution will be amended to remove the requirement for the Chair to be an Independent Director. This will be a temporary measure as the Board is aware it is best practice to have an Independent Chair.

When Graeme retires in 2022 the Board will appoint Paul McGilvary as an Independent Director. Paul’s appointment will be ratified by shareholders at the 2022 Annual Meeting. Paul has extensive dairy sector experience. He is currently Deputy Chair of AsureQuality, Chair of BVAQ Australia, and a Non-Executive Director of Waikato Milking Systems. Paul previously held several executive roles including, CEO of Tatua Co-operative Dairy Company Limited, CEO of HortResearch, and Managing Director, Fonterra (Europe).

Graeme commented: “John has been the chief architect of Synlait’s recovery plan and is in the best position to Chair the Board and guide Grant through his induction and establishment. The Board believe retaining the experience of John and myself alongside the rest of Board, while bringing in the new talent of Paul and Grant is the optimal choice.”

Synlait’s Annual Meeting will be held in Christchurch on Wednesday 1 December 2021. Further details will be included in the Notice of Meeting.

#### Synlait’s FY21 financial performance

Key financial metrics in today’s result included:<sup>1</sup>

- Revenue up 5% to \$1,367.3 million.
- EBITDA down 78% to \$37.3 million.
- NPAT down 138% to (\$28.5) million.
- Nutritionals sales down 35% to 34,362 MT.
- Ingredient sales up 29% to 125,914 MT.
- Dairyworks revenue was \$229 million.

A full summary of Synlait’s financial performance can be found in the investor presentation and annual report released with this announcement.

<sup>1</sup> Comparisons are to the 12 months to 31 July 2020 (FY20) unless stated otherwise.



Final 2020/2021 total average milk price of \$7.82 per kgMS

The total average milk payment for the 2020/2021 season is \$7.82 per kgMS. This is made up of a base milk price of \$7.55 per kgMS and \$0.27 of incentives (including Lead With Pride™). This is the second highest milk price Synlait has paid and is a result of strong and consistent demand for dairy products, especially from Southeast Asia.

Strong demand continues for dairy and has resulted in our forecast milk price remaining at \$8.00 per kgMS for the current 2021/2022 season.

FY22 guidance

Synlait expects its Net Profit After Tax result to return to robust profitability in FY22 based on:

- a return to normal trading conditions and tighter management of its Ingredient business;
- improved infant base powder volumes;
- a growing contribution from its Liquids and Consumer Foods business units; and
- targeted and significant cost savings from Synlait, Dairyworks and Talbot Forest Cheese.

FY22 will also include a one-off gain on sale of approximately \$17 million from the sale and leaseback of the land and building at Synlait Auckland.

Synlait's performance will build into FY23 as its new multinational customer at Synlait Pokeno ramps up, and its Liquids and Consumer Foods businesses continue to grow.

Planned reductions in inventory at Synlait and Dairyworks will generate operating cashflows in excess of earnings. These strong cashflows will enable Synlait to complete its capital expenditure programme and reduce debt to comfortable levels over the next two years.

By the end of FY23, the recovery plan will have seen Synlait return to similar levels of profitability, operating cash flows, and debt ratios as the years leading into FY21.

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