



Dear Shareholders

### Synlait Publishes Full Year 2022 Result and Refreshed Strategy

Synlait today announced its financial result for the 12 months ended 31 July 2022 and published its refreshed strategy, which has a greater focus on the company's core business opportunities: Advanced Nutrition, Ingredients, Consumer and Foodservice.

The past year has been an important period of refocusing. We have ensured Synlait has the right team, is focused on the right opportunities, and has the right resources to succeed. While rebuilding revenue, reducing unnecessary costs, releasing working capital, and decreasing capital expenditure, we have focused on building scale and capability in the highest returning segments available to the New Zealand dairy industry. Our Ingredients business returned to its historical profitability, and our Nutritionals business returned to growth while we continued to invest in customer development across all business units.

The Board and I are pleased to deliver the Full Year 2022 (FY22) result on a much-improved year. I hope you find our progress encouraging.

#### KEY TAKEAWAYS FROM TODAY

- Return to robust profitability on track – EBITDA up \$91.8m to \$129.1m.
- Balance sheet returned to normal metrics (net debt to EBITDA ratio of 2.6x) enabled by strong operating cashflows and inventory reduction.
- Review of Synlait strategy and Executive Leadership Team structure completed.
- SAP successfully implemented in August.
- Commercial production to start in early 2023 for Synlait Pokeno's multinational customer.
- Launch of Foodservice cream in China under JOYHANA brand in partnership with SAVENCIA Group.

#### KEY FINANCIAL HIGHLIGHTS<sup>1</sup>

- Revenue up 21% to \$1.66 billion.
- Net Profit After Tax (NPAT) up \$67.0 million to \$38.5 million.
- Adjusted NPAT up \$62.4 million to \$34.0 million.
- Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) up \$91.8 million to \$129.1 million.
- Adjusted EBITDA up \$79.8 million to \$117.2 million.
- Net debt down 29% to \$341.9 million.
- Operating cash flows up \$214.5 million to \$232.9 million.
- Impairment charge of \$12.2 million due to continued idling of Temuka cheese plant.
- Gain on sale and leaseback of Auckland land and building of \$11.9 million.

A final average base milk price of \$9.30 for the 2021 / 2022 season was also announced – the highest base milk price Synlait has paid. In addition, an average of \$0.29 was paid for incentives, taking the total average milk payment to \$9.59 for the 2021 / 2022 season. The record milk price resulted from constrained global milk supplies and consistent global demand for dairy products, along with strength in the US dollar against the New Zealand dollar.

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<sup>1</sup> Comparisons are to the 12 months ended 31 July 2021 unless stated otherwise.



## REFRESHED STRATEGY

Our strategy refresh process ran from March to June and included a bottom-up review across our four business units. These business unit strategies have formed our consolidated Synlait strategy, which can be found on page 19 of the Annual Report and page 23 of the Investor Presentation.

Our refreshed strategy clearly articulates what success looks like in FY27, what our right-to-play is (the strength of our foundations), how we gain competitive advantage (customer and farmer supplier right-to-win models), and most importantly, how we deliver executional excellence across our entire business (six key enablers). Our focus across channels, categories and geographies will ensure we reduce concentration risk and deliver diversified growth. In addition, we have increased our strategic focus across Milk Supply, Foodservice, and the China market.

Our strategy refresh is key to creating greater focus and accountability across Synlait. Now that we have a clear strategy and the right structure, our focus turns to delivering a far greater level of execution.

## FULL YEAR 2023 GUIDANCE

- Disciplined management of the Ingredients business will continue without some of the one-off foreign exchange gains experienced in FY22. Milk will be diverted to produce higher-margin products in the Advanced Nutrition and Foodservice businesses.
- The performance of the Advanced Nutrition business will continue to build.
- Synlait's new multinational customers will start to lift margins and improve asset utilisation at Pokeno and Dunsandel (Liquids facility).
- The Consumer business will deliver a steady contribution as it maintains growth but navigates high cheese commodity prices and continues to expand into overseas markets.
- Operational cash flows will continue to be robust but softer than FY22 due to the rebalancing of opening and closing finished and raw material inventory levels.
- Costs will increase modestly due to higher sales volumes, SAP stabilisation activities, inflation and supply chain pressures, and key enabler activities within the refreshed strategy.
- A debt to EBITDA ratio of 2.0x to 2.5x is being targeted.
- At the end of FY23, Synlait will have completed its two-year recovery plan. As previously indicated, Synlait intends to exit FY23 and enter FY24 with a similar level of profitability experienced before FY21. However, Synlait is managing several risks, including, but not limited to, the SAMR registration timeline, a tight labour market, high inflation, and supply chain pressures. All of which could materially impact the company's current FY23 guidance.

A summary of our complete financial performance is in the Investor Presentation and Annual Report.

## ANNUAL MEETING

Our Annual Meeting will be held on Friday 2 December 2022 at 1.00pm. It will be held online and in person in Christchurch. Presentation materials will include further refreshed strategy updates on Synlait's core business units. The Notice of Meeting will be released in late October 2022.

The past year has been an important period of refocusing and ensuring we have the right team, are focused on the right opportunities, and have the right resources to succeed. I look forward to your continued support as we work together to make our contribution to healthier people and a healthier planet. See you in December at the Annual Meeting.

Dr John Penno  
Co-Founder and Chair