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Synlait Publishes Full Year 2023 Results

Synlait Milk Limited (Synlait) has announced its financial results for the 12 months ended 31 July 2023.

Key takeaways from today:

- Joyhana (UHT cream) launched, commercial sales underway.
- State Administration for Market Regulation (SAMR) re-registration achieved.
- TRIFR¹ reduced more than 30% since Synlait Safe launch in November 2022.
- ELT renewal completed.
- Strategy refresh completed, creation of a more focused Synlait.

Synlait Chair Simon Robertson commented: "Our financial results are challenging and not where we need them to be, but tactically, we are building the foundations for a stronger Synlait, playing to our strengths while continuing to diversify our products, markets, and customers. Our refreshed strategy leverages Synlait's strengths in our world-class capabilities and experience in partnering to produce high-value Advanced Nutrition and Foodservice products."

"Over the coming 12 months, we will address our balance sheet (through the intended divestment of Dairyworks and Temuka cheese assets); right size our cost base to current activities and near-term growth opportunities; deliver and build on our current and prospective Advanced Nutrition and Foodservice customer opportunities; and lift our operational performance."

Synlait CEO Grant Watson commented: "It was an extremely challenging year for Synlait. Various factors contributed to our poor financial performance, including material reductions in customer demand, CO2 shortages, extreme weather events, the COVID-19 pandemic, inflationary impacts on our cost base, and costs associated with the launch and stabilisation of our enterprise resource planning (ERP) system. Some factors were outside our control, and others were within our control."

"Thank you to our shareholders, staff, farmer suppliers, and customers for your support. We are focused on getting the basics right, lifting our performance, and returning to profitability, as we look ahead to a new and exciting era in Synlait."

Financial highlights²:

- Total Group revenue down 3% to \$1.60 billion
- Total Group net profit after tax (NPAT) down 111% to loss of (\$4.3) million
- Total Group earnings before interest, taxes, depreciation, and amortization (EBITDA) down 31% to \$90.7 million
- Total Group gross profit down 2% to \$144.0 million
- Operating cashflow down 83% to \$39.0 million
- Capital expenditure down 32% to \$65.1 million
- Net debt up 21% to \$413.5 million

¹ Total Recordable Injury Frequency Rate (TRIFR), reduced to 10.6 at the end of FY 23.

² Includes Dairyworks which has been classified as a discontinued operation.



Final 2022 / 2023 milk price:

The final average base milk price is \$8.22 per kgMS for the 2022 / 2023 season. In addition, an average of \$0.27 per kgMS was paid for incentives, taking the total average milk payment to \$8.49 per kgMS. The base milk price is down from Synlait's highest payout, \$9.30/kgMS, in the prior season. Commodity prices corrected downwards across the 2022 / 2023 season in response to recovering global supplies and softening demand.

Increases in the last two Global Dairy Trade events, after a period of significant downward pressure, means Synlait can confirm that its base milk price forecast for the 2023 / 2024 season will remain at \$7.00 per kgMS.

Full Year 2024 (FY 24) Outlook:

FY 23 was highly challenging for Synlait with material reductions in customer demand, CO2 shortages, extreme weather events, the COVID-19 pandemic, inflationary impacts, ongoing investments in new product workstreams (i.e., UHT cream and Advanced Nutrition customer growth), and the launch and stabilisation of the company's new enterprise resource planning (ERP) system.

Looking ahead to the 2024 financial year, Synlait could still face challenging China market dynamics, softening global conditions more generally, and continued inflationary pressures across its cost base, which could impact future customer demand and the company's overall profitability. Synlait does, however, expect Advanced Nutrition volumes to continue to grow at the Pokeno site in FY 24, and the company's overall EBITDA performance is also expected to improve in FY 24, compared to FY 23.

The a2 Milk Company's purported cancellation of the exclusivity arrangements under the Nutritional Powders Manufacturing and Supply Agreement (NPMSA) for the a2 Platinum® and other nutritional products is not expected to impact Synlait's FY 24 results. Synlait disputes that The a2 Milk Company has the right to cancel the exclusivity arrangements.

While Synlait is confident in its strategy to right-size its cost base to current activities and its near-term Advanced Nutrition and Foodservice growth opportunities, the uncertainty of broader macroeconomic factors means the company will not provide guidance at this time.

Synlait is committed to its refreshed strategy to create a more focused company and remains largely on track to meet its five-year (FY 28) strategic ambitions.

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