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Synlait Publishes FY24 Result; Deleveraging Delivered; \$0.20c / kgMS Payment To Retain Milk Supply

Synlait Milk Limited (Synlait) has announced its financial results for the 12 months ended 31 July 2024.

Synlait Chair George Adams commented: "Synlait's story over the past 12 months has been unprecedented, with the financial year best summarised by one word – deleveraging."

"The Board's decisions, and the changes implemented as a result, were driven by the need to reduce Synlait's debt to more manageable levels. A two-step plan, underpinned by a substantial bank refinancing package, will see us achieve that tomorrow – Tuesday 1 October 2024."

"FY24 had a long list of urgent challenges for Synlait. We can now confidently draw a line under several of the difficulties faced and move onto the more important matters concerning running a growing and viable business."

Synlait CEO Grant Watson commented: "Synlait began FY24 with too much production capacity, unsustainably high levels of debt, significantly higher interest rates, and sharply declining demand for infant formula at a macro level. Although those challenges are evident in the year's result, we begin FY25 with new momentum and a stronger financial foundation."

"Our future success depends on a strong, stable and competitive farmer base. Providing farmer suppliers with compelling reasons to remove cessation notices is a top priority, ensuring we have the secure milk supply to underpin our business recovery."

"We have announced additional payments for our farmer suppliers to recognise how critical their milk supply is to Synlait's future. We hope these combined actions will accelerate cease notice withdrawals."

Retaining milk supply: one-off \$0.20c / kg MS payment offered to South Island farmer suppliers

While Synlait has historically enjoyed a trusted relationship with its farmer suppliers, the company acknowledges it now needs to work hard to regain confidence.

A significant majority of farmer suppliers issued cessation notices ahead of 31 May 2024. Submitting a cessation notice provides an option, rather than a clear intention, to sign with other processors.

Farmers have been clear in their expectations of Synlait to reduce its debt levels while paying a competitive milk price and strong advance rates.

To recognise the value of South Island farmers' milk to the company's future, Synlait is offering a one-off \$0.20c / kg MS payment to all South Island farms that:

- do not have a cessation notice in place on 31 May 2025; and
- are supplying milk to Synlait in the 2025 / 2026 season; and
- remain un-ceased until 31 August 2025.



The one-off payment will be based on milk solids supplied in the 2024 / 2025 season and will also be made available to new suppliers.

North Island farmer suppliers will receive a one-off \$0.05c / kg MS payment. This reflects a different set of circumstances, namely that our prior period financial position prevented us from meeting accelerated market advance rates and our discontinuation of processing raw milk at Pōkeno.

Synlait Director of On-Farm Excellence, Business Sustainability & Corporate Affairs Charles Fergusson commented: “We are confident Synlait can return to a position of leadership in our industry – this payment represents our commitment to farmers on that. We are energised to keep bringing our farmers industry-leading value initiatives, while restoring our committed farmer base who want to share in that future.”

FY24 key achievements

Material progress in FY24 will enable Synlait to focus on further lifting performance and returning to profitability.

- **Much-needed balance sheet reset delivered**
Two-step plan (shareholder loan and equity raise) delivered underpinned by bank refinancing.
- **Synlait and The a2 Milk Company settle disputes**
Resolved all disputes subject to arbitration, including those regarding exclusivity, pricing, and other issues.
- **North Island strategic review completed**
Operations to solely focus on producing Advanced nutrition products which do not require raw milk.
- **Customer growth continues**
Expansion into South East Asia in Advanced Nutrition, Foodservice and Consumer business units.
- **Retaining milk supply**
Balance sheet reset enables competitive advance rates and additional one-off milk price payments.

FY24 key financials¹

During the year, Synlait recognised a total non-cash impairment charge of \$114.6 million against its long-term assets. The impairment charge has been driven by a revised view of future demand phasing and continued underutilisation of the North Island facilities.²

- Total Group revenue up 2% to \$1.64 billion.
- Earnings before interest, taxes, depreciation, and amortisation (EBITDA) was (\$4.1 million). Adjusted EBITDA was \$45.2 million.
- Net loss after tax was (\$182.1 million). Adjusted net loss after tax was (\$60.4 million).
- Total Group gross profit down 61% to \$56.0 million.
- Operating cashflow down 221% to (\$47.2 million).

¹ All comparisons are to FY23 and include Dairyworks.

² Refer to note 1 of the FY24 financial statements for further information.



- Capital expenditure down 53% to \$30.5 million.
- Net debt up 33% to \$551.6 million.
- Base milk price is \$7.83 per kgMS for the 2023 / 2024 season. In addition, an average of \$0.28 per kgMS was paid for incentives, taking the total average milk payment to \$8.11 per kgMS.

Full Year 2025 guidance

Synlait's business recovery plan focuses on three key areas:

1. Deleveraging and improving working capital
2. Retaining milk supply and accelerating volume growth
3. Improving trading and operational performance

At the end of the full-year 2024 (FY24) and the start of the full-year 2025 (FY25), the Board and Management took a number of steps to deliver a much-needed balance sheet reset for Synlait and reduced debt to more manageable levels. Shareholders voted to approve a \$130 million shareholder loan from Bright Dairy and the issuance of approximately \$217.8 million of new equity capital.

As the company enters FY25, the Board and Management are focused on accelerating volume growth in Synlait's Advanced Nutrition and Foodservice businesses and optimising operational performance. Synlait's ability to achieve a successful refinance of its banking facilities one year from now will require a marked improvement in trading performance and retained milk supply (through a reduction in farmer supplier cessations).

The Board and Management are committed to further resetting Synlait and are focused on continuing to deliver the next steps of the company's business recovery plan. Given that this is Synlait's immediate priority, the Board and Management will not provide an FY25 guidance statement at this time.

For more information contact:

Media

Jo Scott

Corporate Communications Lead

P: +64 21 883 123

E: jo.scott@synlait.com

Investors

Hannah Lynch

Head of Strategy & Corporate Affairs

P: +64 21 252 8990

E: hannah.lynch@synlait.com