

TRANSCRIPTION

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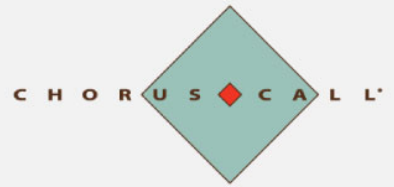
Operator: Thank you for standing by, and welcome to the Synlait Milk Full Year Results Call. All participants are in a listen only mode. There will be a presentation followed by a question-and-answer session. If you wish to ask a question via the phones, you will need to press the star key followed by the number one on your telephone keypad.

I would now like to hand the conference over to Hannah Lynch. Please go ahead.

Hannah Lynch: Good morning, everyone, and thanks for joining us today on Synlait's Full Year Results Conference Call. I'm Hannah Lynch, Synlait's Head of Strategy and Corporate Affairs. With me here at Dunsandel today presenting today's results is our CEO, Grant Watson; and Charles Fergusson, our Director of On-Farm Excellence, Business Sustainability and Corporate Affairs. Grant and Charles will shortly present today's results, and we'll then open the line up to questions.

A reminder to please keep your questions to two per person. Feel free to reach out to me directly following the call if you have any follow-ups. Otherwise, over to you, Grant.

Grant Watson: Morena. Good morning to you all. Thank you for joining us. Without question, FY24 has been the most challenging year for Synlait on record. We began the year with too much manufacturing capacity, unsustainably high debt levels, significantly higher interest rates and a continuation of declining demand for infant formula at a macro level. While we begin FY25 with strong momentum and stronger foundations than we've ever had before, given the complexity of our business today, the challenges we faced in FY24 are very evident in today's results.



As you will soon hear at a headline level, the financial results are extremely disappointing. However, the team's hard work over the past year means we've reset the balance sheet off the back of our successful equity raise and refreshed the banking syndicate, something that would not have been possible without our investor support and their belief in Synlait and its people.

I will shortly take you through our key achievements in this financial year, the plan we have announced to retain milk supply and a high-level overview of the financial results.

Charles Fergusson, who stepped in to fill the acting CFO role from April to September, will then present today's financial results in detail. Charles has done an outstanding job leading the finance team through an extremely challenging time and has now returned to his prior role of Director On-Farm Excellence and Business Sustainability and has played a critical role in bringing together the plan we have announced today to retain South Island milk.

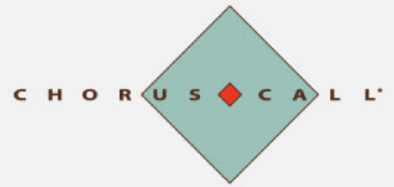
Andy Liu joined us several weeks ago as our permanent CFO. I look forward to introducing Andy to many of you in our upcoming one-on-one meetings during the days and weeks ahead. Andy has a strong dairy background joining us from Yili Oceania. Andy is here in the room today with Charles and myself and available to take any questions during our one-on-ones.

Our key achievements over the past 12 months will enable Synlait to lift performance and profitability in FY '25. We have started the year with solid momentum.

Notably, one, we have delivered a much-needed balance sheet reset, a 2-step plan underpinned by a sustainable bank refinancing package will see us officially achieve this tomorrow, Tuesday, 1 October. We delivered a \$130 million shareholder loan in July and two weeks ago, gained support from our shareholders to raise circa \$218 million in new equity.

Two, we have settled disputes with the a2 Milk Company, which has been an enormous distraction for both companies. We are very pleased to have this behind us and delighted to have the a2 Milk Company support in our equity raise.

Three, the North Island strategic review has concluded and delivers a pathway for our North Island operations to reach a cash flow breakeven position in circa



two years and sustainable profitable growth beyond that. And this was after an extremely tough decision to exit milk processing at Pokeno.

Four, customer growth continues. Advanced Nutrition and Foodservice continues to be a strategic focus area with strong volume growth in both business units forecast. Key achievements include our first full year of UHT whipping cream production, which launched into South East Asia. In addition, readying our new range of Nutrabase nutritional base powders for the market.

And finally, five, we are committed to retaining milk supply, which I will speak to in detail on the next slide.

Our loyal and dedicated Synlait team is just one group I need to thank today for delivering these achievements. I'm also grateful to our retail shareholders and major shareholders, Bright Dairy and the a2 Milk Company for making our equity raise a reality, and also to those who guided the process.

Turning to Slide 3, our plan to retain milk. Without secure milk supply, our business recovery will be near impossible. So giving farmer suppliers compelling reasons to remove cessation notices is a top priority for us. Our future success depends on having a strong, stable and competitive farmer base. We remain committed to achieving this.

To recognize the value of milk to us, we are offering a one-off \$0.20 per kilogram of milk solids payment to all South Island farmers that do not have a cessation notice in place on 31 May 2025 and supplying milk to Synlait in the 2025-2026 season and remain unceased as at 31 August 2025. This one-off \$0.20 per kilogram payment is also available for new farmer suppliers.

Our North Island farmer suppliers will receive a one-off \$0.05 per kilogram of milk solids payment. This reflects a different set of circumstances, namely that our financial position prevented us from meeting accelerated market advance rates in FY24 and our discontinuation of processing raw milk at Pokeno.

Farmers have been clear in their expectations of us to improve Synlait's debt levels and offer competitive advance rates. We are listening and we've acted on their concerns and expect that this program will lift their confidence in us.

Looking at Slide 4. In terms of our financial results for the full year to 31 July 2024, Synlait reported an adjusted EBITDA of \$45.2 million and a total EBITDA

loss of \$4.1 million on a non-adjusted basis. The adjusted net loss after tax was \$60.4 million and a total net loss after tax of \$182.1 million on a non-adjusted basis. We will pay our farmer suppliers a market farm gate milk price of \$7.83 per kilogram of milk solids and on average, pay a further \$0.28 per kg, paying an average milk price of \$8.11 per kilogram.

Net debt at balance date was \$559 million. But as referenced earlier, that will change when the equity raise completes tomorrow, 1 October. These results are extremely disappointing for a range of reasons that we'll cover off during this call. I'll now hand over to Charles Fergusson, who will speak to the financial results in detail.

Charles Fergusson:

Good morning everyone, and good to be talking to you today from out here in Dunsandel. So, look, I'll give you a bit of an overview of all the moving parts in the financials. I'll primarily focus on the operational aspects and then cover off the one-offs towards the end. You should have had these slides already via our release. And look, I'll probably skim over the first slide because there is detail that comes on each of the following ones after that.

I'm just getting the tech working. I didn't mean to skip that quickly. So look team, this is our high-level result. We always give you a view of the adjusted NPAT. So we adjust the non-recurring items. So, you've seen a lot of pressure in our business over the last 12 months, which has been reflected in a variety of communications.

So, our Ingredients business has been impacted by being uncompetitive in foreign exchange, having a weaker lead bucket in the prior year related to skim. And also, when it comes to AMF, we had quite a difference in phasing between our sales and the pricing of AMF, which had a significant impact in the second half of the year on Ingredients.

In the Advanced Nutrition business, we were able to grow volume. However, weakening lactoferrin prices overshadowed that and put pressure on margins throughout the year. Dairyworks has had a really strong year. So continued momentum both in New Zealand, but probably more pleasing is that we're really starting to see the export portfolio start to lift. I'll talk to costs in a bit more detail on a couple of slides, but I'll just call out the financing block on this page.

So a significant step-up in our debt servicing. So, we carried a higher debt balance throughout the year than the prior year and also had to cope with rising interest rates. So that had quite a significant impact on our financing costs. So moving it up to some \$55 million relative to a number in the mid-30s in the prior year. So that's what drove a significant step back in performance from last year's NPAT. There's a table there. We've had a lot of non-recurring items this year. And so we want to just sort of strip those out so we can get a better understanding of what our real result is.

So I'll just step through each of the units in turn now. Okay. So from an Ingredients perspective we're able to get more -- a bit back on track as far as sales and production goes. So prior year, we had negative impacts from deploying SAP, and that made it real hard getting volume out the door in the first quarter of the year. In addition to that, we made some calls to push harder on China label base powder production in advance of the SAMR registration, and that displaced some Ingredients production and thus sales.

So we got little back on track from a volume perspective. But as you can see on the bottom right hand of the chart there, our margin was under significant pressure. So that's both in absolute terms but also relative to last year. So look, the first thing, as you'll know from following us, we actually had a skim milk powder lead bucket in FY24, but it was significantly weaker than the prior year.

Also, when it comes to lead bucket, butter has been a lot stronger as far as its use of cream in AMF. We don't make butter. We make AMF, and that's given us a margin squeeze. For foreign exchange, an area where Synlait has historically performed quite well, we've had a poor year from a performance perspective. So this goes back quite a way to hedging decisions that we made up to 24 months ago based on forecast at that point of time.

So effectively, we've locked in a stronger Kiwi relative to higher expectations of U.S. dollars, and those have not come into fruition. And we've kind of had to carry the impact of that through FY24 relative to the market rate in terms of what impacts the price of milk. And the final one, and this is a little bit new for us is that the way that we price and sell AMF is slightly different to the notional producer.

And what that means is when you have a significant differential in the Q4 of each year, that can give you a margin squeeze. AMF historically has been

reasonably stable, but you would have seen it nearly doubled from the first half of the season to the latter part of the season. And that gave us a significant margin squeeze in the final quarter of the year. So look, a lot of those are market circumstances that we expect to revert in FY25, but we had to carry a significant squeeze on margin in FY24.

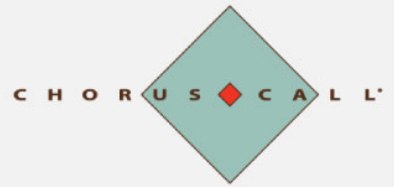
In the Advanced Nutrition space, you're seeing our strategy take hold here. So the growth in volume, which is a step-up from what we've seen for a number of years now has been driven by our plant-based portfolio coming out of the North Island. First year that we're selling our product to our multinational customer up there. And whilst that has strong margins at a gross profit level, overall earnings from Advanced Nutrition stepped back.

So, our lactoferrin portfolio, which is something we're really, really proud of here at Synlait. We're one of the -- that's one of the strengths of our businesses, actually was subjected to a weakening in the lactoferrin price. So, it stepped back a couple of hundred dollars a kilo. I'll just repeat that - a kilo. And once you scale that up to between 30 tons and 40 tons, it can have a significant impact on your performance.

So that's both in terms of lactoferrin that we sell or lactoferrin that we consume. We've also had some operational challenges in terms of the ramp-up of our new product in the North Island. And as you'd expect, some teething issues in terms of aged product and use of raw materials, which has weighed on margin somewhat.

I mentioned Dairyworks upfront. So this is the segment that we refer to as Consumer Foods. So, this includes Dairyworks and also our fresh milk portfolio here in Dunsandel. So Dairyworks continued its strong performance. So stepped up to a record EBITDA and maintained strong market shares in New Zealand and was also actually able to capitalize on a step-up in consumption, relaunch some brands, which you'll hear about from Grant a little bit later. But the team there is really focused on growing export.

And so what we're seeing is that we're able to grow exports at higher margin, and that's where we see incremental earnings coming from in the Consumer Foods section of our business. The fresh milk side still continues to be challenging, especially with lagged pricing. So as prices steepen towards the



end of the year, that gives us a bit of a margin squeeze given the lag pricing. We expect to recover that as we roll forward through those contracts.

Our foodservice business is another example of our strategy taking hold. So for a significant period of time now, you've heard us talking about going harder in Advanced Nutrition and going harder in foodservice. Foodservice products produced in New Zealand are incredibly highly demanded in China and other parts of Asia, and it's an area where Synlait is underweight and that we're going to significantly increase our exposure.

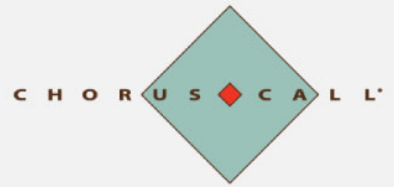
So look, it's still low volumes. What you are kind of seeing here is the first year of full-year sales. So thus the production and sales are up significantly. From a profit perspective, it kind of reflects the low volumes. I'd also just highlight that we're pricing -- the pricing for cream in this portfolio is largely based off fat, which has been historically high, and we're trying to get a toehold in the market.

So we're pricing what the market can bear, and we would expect to see a significant step-up in profit as we move into the future, both in terms of pricing, but also in terms of volume efficiencies that we can create here in Dunsandel.

From a cost perspective, I might just deal with the manufacturing cost to start with. So like all businesses, we've been subject to a chunk of inflation year-on-year. So, employees, energy and milk supply down the bottom there are all largely driven by broader inflationary impacts, but we have managed to make some savings. So we've phased R&M out. We've been really, really tight on what we're doing in that space. And from a freight perspective, the prior year, the freight lines were, I guess, really looking to maximize the disruption in terms of pricing. And so, we're able to recover a significant chunk of that in FY24.

I'll just call out Dairyworks here. So Dairyworks, just like ourselves were subject to inflation, increasing costs. They're also carrying a little bit more from some capital expenditure that they've invested in recently. But despite those two increased cost bars there, they were more than able to offset that through their performance.

Moving to the SG&A perspective. You'll recall from last year; we stepped up our investment in our business significantly. A lot of that was to do with deploying SAP and also readying the North Island for the future. And you've seen a more stable SG&A perspective as we compare year-on-year. So, some inflation here,



some savings, but also a significant number of costs in connection to some of the activity we've been doing regarding recapitalization. So, we've also had some arbitration costs, recapitalization costs, Dairyworks sale, all rolling through that line as well.

Grant mentioned the debt upfront. So we have had cash outflow this year. You can see from the chart in the kind of middle there, a trend which we needed to halt. And as of tomorrow, you'll see a significant reduction in our net debt bar, and we're targeting between 200 and 250 by the end of the year. Obviously, our weak earnings was a contributor to our cash outflow, but we also weren't able to be as aggressive with our working capital management as we have in the past.

So, we have incurred some prepayments this year and also some of our programs with the bank haven't been as achievable as we would have liked them to be. Again, all things that we see reverting to normal as of tomorrow.

Significant decrease in capex, but we still need to spend close to \$20 million a year in terms of maintenance capex, and there's some very small high payback IRR spends in this number and the significant step-up in interest, which I mentioned up the front as well.

From a banking perspective, we have just been through a refinance that will crystallize tomorrow in parallel with the capital raise. We've been joined by three new banks into the syndicate. So, two offshore banks and Kiwibank as well. Delighted to have Kiwibank on board, a Kiwi-owned bank for Kiwi businesses, and they were really keen to get some exposure to us.

Look, our covenants down the bottom there are about what you'd expect, and we feel that we've got a high level of comfort of sitting within those both at year-end and throughout the year. Our banking syndicate has been quite clear that they expect quarterly progress. And so that's something we'll be focused on as we move throughout the year.

Obviously, just for those of you who are not aware, we achieved a shareholder loan with Bright earlier this year. And look, there'll be -- the bonds will be repaid over the course of the next few months. We're expecting early repayment of that, and that will be subject to further announcements.

And my final slide, it's more from a transparency perspective. But -- in our accounts, we make some callouts as far as material uncertainties goes. These were noted -- or some of these were noted in the accounts at half year. But it's just our independent directors and in combination with our auditors wanting readers to be clear that a few things need to fall in place in the future to ensure going concern. So, number one, improve performance, number two, retain milk supply, and number three, ensuring that we can refinance in 12 months' time.

From an accounting perspective, we have taken a further impairment on our North Island assets. At half year, that was in the region of \$50 million, and we've increased that by another \$65 million. We had an independent valuation done of our North Island business, and that was standard process of kind of looking at a whole variety of different indicators of value, but primarily based on our forecast future cash flow discounted back, and we've had to make an adjustment there.

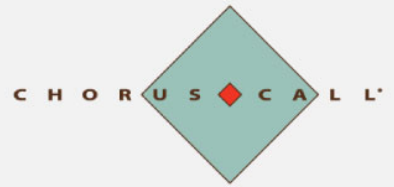
And then, look, just the full year impact of a change in product costing methodology that we spoke about at half year. That's a decision that we made to effectively allocate more costs to the ingredients and foodservice parts of our business to better reflect where those costs sit. We recognized some profit previously in connection to those decisions, and we kind of have to have a bit of a catch-up in this year, and that's why it's isolated as a one-off.

So, I'm going to hand back to Grant for a bit more of an update on the wider business.

Grant Watson:

Thank you, Charles. I'll now cover off a brief overview of our business' broader performance. In summarizing the highlights in our Advanced Nutrition business on Slide 14, I want to draw your attention to Nutrabase. This is a new range of nutritional base powders, which Synlait has developed. This is a step change for us. It is NPD based on an opportunity that we've identified in the market as opposed to a product developed in response to a specific customer request.

The Nutrabase range consists of Early Life and Adult Nutrition base powders in 25 kilogram bags, which expands Synlait's market offering to accelerate customer growth in South East Asia and China. Discussion with prospective customers are progressing positively, and we are on track to commercialize these products in FY25.



As already noted, we're extremely pleased to have the disputes with the a2 Milk Company behind us. They are a highly valued customer, and our focus is very much to support their growth ambitions to the benefit of their business and ours. As also noted earlier, the completion of the North Island strategic review heightens our focus on continuing to export a range of dairy and non-dairy hybrid nutrition products to Asia Pacific markets in a range of packaging formats.

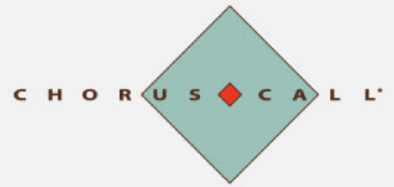
The performance of our Ingredients business is explained on Slide 15. There are two key highlights for me. One, the 5-year co-investment partnership announced with Nestle, which supports our farmer suppliers on-farm sustainability activities, along, of course, with business opportunities for Synlait. And two, the launch onto an online sales platform, Nui Market, which has provided the opportunity for continued growth in connection with a broad range of Ingredients customers.

Our Ingredients business is now driven by Chief Revenue Officer, Naiche Nogueira. Combining the reporting lines of the Advanced Nutrition and Ingredients teams has reduced complexity for our customers and improved the overall efficiency of our customer-facing teams.

Slide 16, foodservice. Foodservice remains a strategic focus for Synlait. FY24 was our first full year of Joyhana UHT whipping cream production. Joyhana's distribution network has grown to more than 300 customers in China after it won the prestigious New Product Innovation Award at the China International Bakery Exhibition.

A new partnership with global food company, Uhrenholt saw us launch UHT Cream under the Emborg Professional brand into South East Asia and Greater China. Product has been exported to Taiwan, Singapore and Thailand with strong demand forecast looking forward. FY25 will see the launch of our next-generation whipping cream.

The next slide, Dairyworks. Recognition must go to the Dairyworks team who attained a record EBITDA result of 22.8 million in the midst of an extended strategic review process. This was off the back of strong sales growth, very much enabled by operational stability and low staff turnover. This was underpinned by the relaunch of the Rolling Meadow brand, increased demand



from Woolworths Australia and new supply agreements with other Australian partners.

Other key achievements included entry into Thailand and capital investments delivering enhanced food quality and production efficiencies. In addition, 85% of Dairyworks packaging is now recyclable. The remaining 15% will transition in FY25.

Growth is earmarked to continue in FY25 for 10% volume increase delivered through new Australian agreements, additional product lines for Woolworths Australia, the onboarding of a major trans-Tasman retailer and entry into Vietnam and Philippines.

I will skip over On-Farm Excellence as we've already spoken to our plans to retain milk and move on to slide 19. FY24 saw us refresh our sustainability strategy. After canvassing a wide set of stakeholders, we honed our focus to climate, nature and well-being, well-being for both people and animals.

Key achievements in FY24 included becoming recertified as B Corp. Whakapuawai, our biodiversity program, has now distributed quarter of a million native plants to farms and community projects across Canterbury. We will update you on other progress when we release our first integrated climate report in November.

Finally, before we move to Q&A, I would like to confirm that as per the text on Slide 24 that 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, we will not provide an FY25 guidance statement at this time. I will now ask the operator to open the lines up for question time.

Operator:

Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speakerphone, please pick up the handset to ask a question. Your first question comes from Rob Morrison with Craigs Investment Partners. Please go ahead.

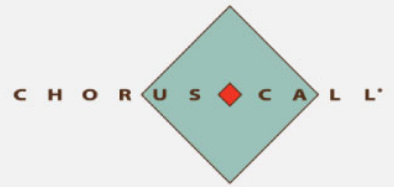
Rob Morrison:

Good morning guys. Can you hear me?

Charles Fergusson:

We can.

- Rob Morrison: All right. Great job on getting the recapitalisation it's very difficult. So, first question, I know you haven't really mentioned the June, July production issue. I'd like to hear more on that, obviously, but failing that, could you let me know where it was localised, I mean is it an issue with ingredients or manufacturing or transport? And then maybe you could give me how much product that impacted in gross tons? Thank you.
- Grant Watson: Yes. Thanks for that question. Look throughout FY24, we've had a range of challenges that have related to supply chain and certainly to operations. Giving you a couple of examples, an obvious one would be around Red Sea, the availability of ingredients to produce product. Another operational one would be around lab turnaround times.
- Look, I won't get into the specifics of the a2 element, other than to say that there were impacts on June, July and August around supply. September we've made great progress and we're back on track. And certainly, from a Synlait perspective in FY25, we're not expecting there to be any material financial impacts.
- Rob Morrison: Okay. Thank you. And then next up. So for the bank facilities, it looks like in order to refinance them that is next year you need to achieve a market improvement in trading performance and retained milk supply. Could you put some numbers around that, please?
- Charles Fergusson: Look given you've just heard from Grant that we aren't going to issue guidance, we probably won't get that specific in terms of numbers. I think that to summarise, we do require a significant improvement on our FY24 EBITDA approaching sort of levels that we've seen in the past.
- And from a milk perspective look I mean I think it will be really important that we have certainty over our near-term milk supply by the time we come to that next refinance. So we do have the majority of milk under cease and our goal is to have the majority of that overturned by 31 May.
- Rob Morrison: Okay. Thank you all.
- Operator: The next question comes from Sean Xu with CLSA. Please go ahead.
- Sean Xu: Well, hi. Morning, Grant, Charles and team. I appreciate you will not be able to provide FY25 guidance at this stage. I guess just a follow-up on that refinance



facility. If this is not going to happen in 12 months' time, what's your alternative approach of leverage? Is another capital raising or more asset sale required, please?

Charles Fergusson: Yes. Look maybe Sean I think the start is we're really confident on refinancing in 12 months and that's really important for you to hear that from Synlait. That was a factor in a lot of our conversations with the banks during that time that we intend to be extending this. I think our preference actually would have been for two year money.

And I think that would have given everyone a greater sense of stability. But just given the year we've had, we're there with one year. So look, we don't really want to get drawn on our backup plans, so to speak. I'd like to think that future capital raises will be linked to growth rather than debt. And look, as you can see from this year, we do have assets available, but actually we want to maximise the value for those in terms of earnings and value creation for Synlait in the short term.

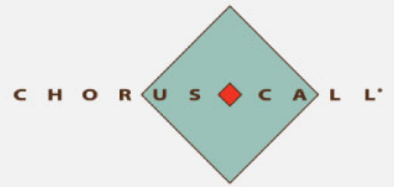
Sean Xu: That's fair. Maybe another question around Bright. So post the capital raising, Bright will own approximately 65% of your company. I'm just curious to understand what kind of strategic support Bright will be able to support Synlait in terms of new product development or leverage its distribution channel in China to help Synlait explore new opportunities there?

Grant Watson: Yes. Let me pick that one up, Sean. A couple of really good examples there. Obviously, they're very, very tapped into the local and large market of China. And so offering any form of support around sales development, category development would be one example. As a dairy company in their own right, they've got their own manufacturing capabilities and certainly comparing notes in that space would be another example. So very, very committed to supporting Synlait returning to profitability in any way they can.

Sean Xu: Thank you.

Operator: Your next question comes from Matt Montgomerie with Forsyth Barr. Please go ahead.

Matt Montgomerie: Hi, guys. Good morning. Just on the milk supply piece. I was just wondering if you could talk to, firstly, if you've seen any farmers withdraw cessation notices post the recapitalisation. And secondly how confident are you that the \$0.20



additional payment down south will be enough, particularly against the backdrop of Fonterra's relative strength at the present time?

Charles Fergusson: Yes. Good question there, Matt. Look, we had indicated to our farmer base that a program would be coming out. So, no surprise that the farmers have been sitting tight and waiting for it. Now they've got it. We've tested the program with a number of farmers and the feedback that we've received is that it will be well received. It is a compelling offer.

Look, I think if you take a step back from that really loyal base of farmers. They've been very clear with us around get your balance sheet sorted out and pay competitive advance rates. And we've done both of those things or certainly the balance sheet as at tomorrow. Also worth noting, if you look at that average farm gate milk price, the market is sitting at 7.83 for the '24 season, we'll pay an average of 8.11.

Matt Montgomerie: Okay. And then secondly, Grant, just on Pokeno, I'd be keen if you could please quantify the loss or the drag on earnings in the year. And then, I guess, the timelines we should be thinking about to returning to profitability as per your announcement a couple of weeks ago. And the assumptions within that around new customers or if it's solely your current customer there today?

Grant Watson: Yes. A few parts to that. Matt, the drag last year was circa \$1 million a week at an EBIT level. The cost-out initiative through exiting the processing of fresh milk next year, not this year, will be circa 7 million. So therefore, the balance for us between the current position and getting to cash flow breakeven will be driving up volume. And a majority of that will come through our large strategic customer in the North Island, albeit we have got other volumes literally coming on board to help lift up performance and get us there maybe a bit quicker.

Matt Montgomerie: And sorry, Grant, just the timelines around breakeven/profitability?

Grant Watson: Breakeven at a cash flow level in about two years.

Matt Montgomerie: Thanks.

Operator: Your next question comes from Nick Mar with Macquarie. Please go ahead.

Nick Mar: Good morning, guys. Just in terms of the net debt target for FY25, could you just talk through the key buckets that will get you down to that 200 million to 250 million range?

Charles Fergusson: Yes, sure, Nick. So obviously, the most significant is the capital inflow that will be happening tomorrow, I should say. And then look, what we're expecting is significant improvement in EBITDA, right? But probably the thing that's not as obvious is the working capital unlock that we're looking for off the back of our refinance. So, some of our prepayments that we've been making will revert to normal trading conditions. We expect to get a couple more things done with the bank in terms of our receivable's assignment, so some off-balance sheet financing as well as further work on inventory levels. So, kind of the combination as the three big buckets is the equity, improved earnings and a significant improvement in working capital.

Nick Mar: No, that's great. When we look at the earnings profile, you talked about the \$45 million improvement by end of FY26, which is consistent with your view at the half-year, but obviously, earnings came in at the bottom of the range. Can you just talk about how you think about that improvement? And is that the absolute improvement for the business? Or are there other assets behind that, that are not included in that volume and performance initiatives that you call out there?

Charles Fergusson: Yes. No look, it's a fair question. The way I think about that 45 million is that is kind of incremental over a business-as-usual perspective, yes. So those are new initiatives from where we are today. Our FY24, which we've talked to you about today has got a significant number of market conditions, which we expect to change, and also one-off expenditure. So the way I think about it is I expect those to revert to normal, that we will reduce our one-off expenditure. And then that 45 million would come on top of a more normal position.

Nick Mar: Okay. Just to clarify for everyone, you've obviously normalised some stuff out already to get to the 45 million. Can you just talk about how much those other market conditions and one-offs you talked about in first instance and then what we add the 45 on to essentially after that?

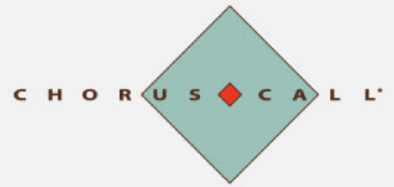
Grant Watson: Yes. I think a good example is you've seen a significant backward step in the ingredient's earnings in the year, yes. And that's driven by foreign exchange, AMF reductions in lead bucket. So I would expect that, for example, to reverse in the future. So what you've got, we've normalised our non-recurring, and that's why we've called them out. But then we've also had impacts in this year, which we don't see repeating primarily based on market circumstances.

Nick Mar: And just in aggregate, what's the quantum of that?

- Charles Fergusson: We might come back to you on that.
- Nick Mar: Okay. That's fine. And then nutritional volumes for FY25, where are you thinking in terms of growth there, taking into account the outlook for Abbott and a2? And then on top of that, anything from the new base product?
- Charles Fergusson: Yes. Maybe I'll deal with your last one first. I don't think we'll see significant new volumes in Advanced Nutrition in FY25, but I expect to see more the following year. And on our broader portfolio, continued uplift from what you've seen FY23 to FY24, we'd expect for FY25.
- Nick Mar: Okay. Thanks a lot.
- Operator: Once again, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. Your next question comes from Marcus Curley with UBS. Please go ahead.
- Marcus Curley: Good morning. I just wondered if you could just explain a little bit on that last question that Nick had. Like are you suggesting that the continued uplift is a similar style of volume increase than what you saw last year? Or are you just saying it's going to go up?
- Grant Watson: To put an estimate around it, Marcus, you're certainly talking about less than 10% growth in the Advanced Nutrition space, FY25 over FY24.
- Marcus Curley: Okay, thanks. Are you able to give any -- while we're on that topic, any breakdown of the FY24 Advanced Nutrition, like in particular, obviously, people are keen on understanding what volume you did through Pokeno and also what your lactoferrin volumes were?
- Grant Watson: Yes. Look, we're not prepared to give a split on Advanced Nutrition volumes. Effectively, we're talking two customers there, so we start to get into customer-sensitive information. From a lactoferrin perspective, inventory levels were high globally. Demand was soft, pricing was soft. We certainly didn't clear through all of the volume we would have liked in the year, albeit the market has firmed up quite nicely heading into FY25.
- Marcus Curley: Okay. So lactoferrin sales completed in '24 down on '23?
- Grant Watson: Correct.

- Marcus Curley: Okay. Obviously, people are keen to get any colour they can on the guidance or lack of it. Maybe I can ask the question in a different way. Can you give us a feel of what the minimum level of EBITDA needs to be in FY25 to meet the debt covenants?
- Charles Fergusson: I'm just trying to think about that one on the fly, Marcus. Yes, we'll follow up with you on that. Look, for the call, a significant turnaround on this year and something approaching what we've seen in the past, albeit that we do see it's probably a 2 to 3 year picture to reach earnings profiles of what you've seen in longer-term history.
- Marcus Curley: When do you think you'll be in a position to give EBITDA guidance for this year?
- Grant Watson: We don't have a clear time frame on that, Marcus. The likely timing for us to at least provide a further update would be at the Annual Shareholders' Meeting later in the year.
- Marcus Curley: Okay. You had another one-off cost with regard to the ERP and the inventory. Can you just talk a little bit about what happened there?
- Charles Fergusson: Yes. So look, that's -- what that kind of reflects is that we -- I'll just get the page up, so I'm looking at the right thing, Marcus. So effectively, we've had significant inventory write-offs across the business in connection to ERP deployment. Now the way I think about this is that ERP has given us much greater insight with regards to inventory management, and we've had to take some adjustments and write-offs for a bit of a tidy up. What we kind of worked through in FY24 was more of that.
- And the reason we've called that one out year is that a lot of that actually relates really to the prior year, but we've taken the impact of it in FY24 as we've found out more about it. So, we thought it was reasonable to kind of call that out as a one-off that it wasn't from our FY24 performance. It was more of a tidy-up from the ERP deployment.
- Grant Watson: Maybe one further build on inventory. You can imagine as we've learned our way into cream and ramped that up. We've done something similar for our North Island customer. And of course, we've on-boarded the new GB standard China label for a2. Cost of quality as you enter these new products will always increase initially. And I think it's fair to say that we underestimated heading into FY24, how much that might be.

- Marcus Curley: Okay. And then -- sorry, just one more from me. I think you were sort of saying that the reason the foodservice gross margin or gross profit was negative, was because the pricing of the product was below cost. Has that been a reflection of the fact that butter prices or cream prices have gone up during the year. How quickly is it going to correct? Obviously, growing a business with a negative gross margin is something clearly you want to sort of avoid?
- Charles Fergusson: I'm definitely trying to avoid that situation, Marcus. I think, look, we brought that product to market this year, right, at a moment where cream prices are high. So that's been a factor. But then just reflecting on some of Grant's comments, we had some operational challenges in the early part of the year, just kind of getting ourselves to ramp up to commercial production.
- So look, we'd expect a revision on the profit per ton as we move forward, both in terms of pricing that we can pass on, but also a bit of that operational performance. And we see this as a high-value stream in the future.
- Marcus Curley: Okay. So would you say the issue really relates to the size of the business and effectively manufacturing overhead recovery as opposed to the cost -- the raw material cost of the product?
- Charles Fergusson: Yes. Look, I think it's all of the above. I think it's size. I think it's the fact that it's our first year. And then I think it's also a market cream price a bit tough on volumes of that level. And we're obviously trying to get this off the ground, and that means you have to work with your customer pretty hard.
- Marcus Curley: And just as a reference point here, if we look at it relative to Fonterra, are you having to price at a discount to their like-for-like products to encourage people in? Or is it just it's a similar price and the cost of you making it higher?
- Grant Watson: In terms of market pricing, effectively, we look at all product on the market, look at their value propositions and ours and effectively price accordingly.
- Marcus Curley: So it's not -- you're not pricing at a discount to peers.
- Grant Watson: Price reflects functionality. We've got very high functionality. We get a very good price in the market.
- Marcus Curley: Okay, thank you.



Operator: The next question comes from Jonathan Snape with Bell Potter. Please go ahead.

Jonathan Snape: Yes, hi guys, can you hear me okay?

Grant Watson: We can.

Jonathan Snape: Great. Can I ask just a couple of questions? First of all, around the deleveraging the targets of thing. In the reduction in prepayments, I assume, are you talking about that number in your balance sheet that jumped from like 10 million last year up to 28 million this year? Are you talking about that coming back down?

Charles Fergusson: Yes. I'll have to check back specifically on what you're referring to there, but long story short...

Jonathan Snape: Yes, prepayments in current assets.

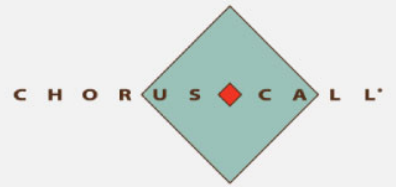
Charles Fergusson: Yes. Long story short, yes. So, we don't typically have prepayments with our suppliers. But some of the key ones insisted on those in the back half of this year. And we -- as of tomorrow, we'll be stepping into conversations with each of them for that to revert to normal payment terms.

Jonathan Snape: Okay. And look, if I go to Slide 12, I think it says that you're targeting net leverage ratio, obviously, shareholder debt to EBITDA below 2.5x. I think you said you want an exit rate of 200 million to 250 million of net debt. So I'm guessing the 130 million-odd shareholder loan is excluded from that. Is that the correct way of thinking about these targets that it's only going to be on the bank debt?

Charles Fergusson: Yes, only on bank debt. That's the way to look at them.

Jonathan Snape: Okay. So that imply -- this comes back to, I guess, the guidance bit is, that would imply a fairly low level of EBITDA. Like if you got 250 million, you rip out 130 million, you're testing at 2.5x below that. It's a pretty low number. I think in your independent expert report, there's a range of numbers that were put out there. And I think one of them was an internal projection of around about \$85 million. But it's quite a wide range.

And I think this is where people are getting a bit jaded or mixed up on what where you guys are kind of expecting to land. Has anything fundamentally



changed, since that independent expert report went out, because there's clearly numbers in there and projections for 2025 that, I think people kind of looked at? And I would assume if it had changed, you would have to have made some comment by now.

Grant Watson: Nothing has materially changed, John.

Jonathan Snape: Okay, great. All right, thank you.

Operator: There are no further questions at this time. I'll now hand back for closing remarks.

Grant Watson: Thanks for your engagement on the call today, team. We'll now draw the questions to a close. Synlait's business recovery is well progressed with several material distractions behind us, our team is focused on business growth and executional excellence to ensure we deliver strong returns again to our shareholders.

If you have any further follow-up questions, as always, feel free to reach out to Hannah. Charles, Andy, Hannah and I look forward to connecting with many of you over the coming days and weeks ahead to discuss the result in more detail.

[END OF TRANSCRIPT]