TRANSCRIPTION

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[START OF TRANSCRIPT]

Operator: Thank you for standing by, and welcome to the Synlait Milk Full Year Results Call. All participants are in 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'd now like to hand the conference over to Synlait Milk. Please go ahead.

Hannah Lynch: Good morning, everybody, and welcome to Synlait's full year results conference call. It's great to have so many of you on today's call and a real pleasure to introduce you formally to our new CEO, Richard Wyeth, who joined Synlait earlier this year in May. He's joined of course today on the call by our CFO, Andy Liu, who many of you will now know.

Richard and Andy will speak today to our investor presentation released this morning and then we'll open the line for Q&A. Just a reminder, if you can keep your questions to two per person and we'll follow up with you later today as required. Richard over to you.

Richard Wyeth: Thanks, Hannah. Good morning to you all. Thank you for joining us on Synlait's full year 2025 results call. To indulge some sporting analogy, FY25 was a year of two halves of Synlait. We won the first half and celebrated a return to profitability, but the second half was challenging on a number of fronts and the impact of those will be clear in today's presentation. Andy and I will go over those in detail throughout the presentation, but before that we have some good news.

If you please turn to Slide 2. We have entered into a binding conditional agreement to sell our North Island assets to our valued customer and global health care leader Abbott. These consist primarily of our Pokeno factory and two Auckland sites in the blending and canning facility at Richard Pearse Drive and Jerry Green which is the warehouse.

The sale price of the transaction is US$178 million, which equates to approximately NZ$307 million. Abbott has confirmed it will onboard most of the people who work in these sites which is a fantastic outcome for both our people and also for the local community.

The targeted completion date for the transaction is 1 April 2026 and the sale will be subject to various conditions, including Synlait obtaining shareholder approval and Abbott receiving consent under the Overseas Investment Act 2005 and normal consents such as regulatory consents from the likes of MPI.

We released a notice of meeting with detailed information on the sale to inform shareholders before they vote on the transaction at Synlait's annual meeting on 21 November 2025 and also note Bright Dairy, our major shareholder has confirmed it will vote in favour of the transaction so the requirement for shareholder approval will be achieved.

That's a real step forward for Synlait. The proceeds of the sale will be used to pay down debt will mean that by the end of FY26, we are largely debt free with the exception of working capital facilities. In short, the sale will deliver a stronger, simpler and more secure Synlait.

We will have greater space to focus on our South Island operations and the ability to carefully and strategically review our strategy for Dunsandel. The goal is to release an updated strategy at our half-year result in March 2026. But in the meantime, we're certainly very excited and this is an outstanding win for both Synlait and Abbott.

Moving on to Slide 3. I've now been in the business for just over four months as CEO of Synlait. I was attracted to this role due to the company's strategic strengths. It has world-class assets and its foundations are strong. Dunsandel is located in the heart of Canterbury's dairy sector with good connectivity to global markets and the ability to produce goods at scale.

The company also enjoys strong demand from our global customers. I've now spent a short amount of time in the business, I've identified three immediate needs that we need to focus on. First and foremost, we need to improve our operational stability at Dunsandel so we can consistently deliver for our customers. I'll talk to you more about that in a moment.

Secondly, we need to reduce complexity to deliver a financial uplift. The North Island transactions will assist with that. And finally, there is a need to reset the high-performing culture within the business. Synlait is filled with some great people who have been through a huge amount of challenges over the last few years. My observation coming into the business is that it's very much a culture of reactivity driven some of those challenges. I want to reset the business so we can really focus on proactive performance.

To that end, our focus for FY26 will be very much targeted on operational stability. To assist with that, we are recruiting and onboarding a new Canterbury-based Chief Operating Officer who will be responsible for delivering a raft of improvements in that area, and also ensuring that we can deliver the North Island transaction by 1 April 2026.

We're also embedding our values framework, the Synlait Spirit, in the short term to allow us to improve our culture. Moving on to then focus into Slide 4, you will see focus areas internally that have been dubbed the Big 6 for '26. Top of that list is operational stability. That should come as no surprise to many of you.

As we announced to the market in July, Synlait has had manufacturing challenges earlier this year. The impact of those is clear in today's result, with one-off costs totaling 43.5 million. While the manufacturing challenges are largely behind us, operational stability must remain a core focus alongside quality, performance, and customer satisfaction.

And to those who focus on financial resilience, it was great to see the banking facility come through last week and include the North Island sale. Then strengthening our financial performance is largely complete. We now need to deliver on culture, operational stability, and quality, and that will lead to strong overall financial performance.

We'll move through now to Slide 5 to look at our results at a glance. We are reporting total group EBITDA of 50.7 million today, which is an increase of 54.8 million on FY24. Our bottom line is a net loss after tax of 39.8 million, which is an improvement of 78% year-on-year. As mentioned, this reflects costs associated with challenges at Dunsandel.

Just the bottom line is a net profit after tax of 0.8 million, which shows you Synlait's recovery was on track. Pleasingly, Synlait's debt level has decreased by 55% during FY25. Of course, most of this was courtesy of last October's equity raise, but an uplift in our trading performance has added to that with net debt now down at 250.7 million. As mentioned, the proceeds from the North Island transaction will largely bear this.

Group revenue increased to a record 1.8 billion, or 12%. Operating cash flow is up 451% to 165.5 million, and gross profit increased to 105.3 million. I'm delighted to confirm that our final milk price for the 2024-2025 season is a record $10.16 per kilo of milk solids.

Add to that Synlait's incentive programme, which averages out to $0.30 per kilo of milk solids, and our secured milk premium of $0.20 per kilo of milk solids for our South Island farmers, and you can see that our Synlait suppliers will be very happy. Our average milk price or payment to South Island farmers will sit $0.50 above the farm gate milk price. That should result, as I said, in some very good Christmas presents for many of our farming staff.

I'll now hand over to Andy Liu, our CFO, who will take you through some more detail on the financials.

Andy Liu: Thanks, Richard. Good morning, everyone. Let me take you through Synlait's financial results for the year '25. This year's results show a very strong improvement and a fresh sense of progress across our main business areas, even though we faced some manufacturing challenges at Dunsandel.

Let me begin by outlining the key highlights on Slide 7. The advanced nutrition segment experienced robust customer demand and demonstrated strong growth in new product development. This success translated into a $21.1 million increase in underlying gross profit, underscoring the strength of our customer relations and our ability to innovate and bring new products to market.

Our ingredients business achieved a notable turnaround from FY24, recording a $26.6 million improvement. This was driven by effective foreign exchange management and a strategic shift to value over volume. Although stream return did not always favour our current product mix, our enhanced risk management approach proved beneficial.

The consumer and food service segment achieved a $9.3 million increase in gross margin. These were largely attributed to the outstanding performance of dairy works and ongoing growth in our UHT cream portfolio in existing and new markets.

We successfully reduced SG&A costs through disciplined cost control measures and a strong focus on eliminating wastage. Financing costs also reduced significantly, supported by better cash flow management and the recovery in trading performance.

On to Slide 8. In FY25, Synlait total revenue increased 12% to 1.8 billion after a flat FY24. Growth was broad-based. Advanced nutrition up 8% on high volumes and a new neutral-based powder successfully launched in Southeast Asia.

Ingredients revenue increased by 7% on pricing and favourable for exchange. Our consumer-based business unit reported a 12% revenue increase, with growth in export markets helping to offset ongoing pressures in the domestic market.

Revenue and volume from food service driven by UHT cream almost doubled compared to the prior year, with growth extending into Asia and the Pacific. Underlying gross profit increased to 142.5 million due to disciplined execution and strategic improvements company-wise.

On Slide 9, you can see that our focus on operation efficiency and working capital management has resulted in a remarkable recovery in cash flows. Our operating cash flows increased by $213 million, reflecting improved trading performance and optimised working capital management.

Capex investment remains at low level, a further 23% reduction compared with prior year, with a focus on business continuity, growth initiatives, and regulatory compliance, as well as strategic digitalisation, AI, cybersecurity to manage risk and opportunities.

Net debt decreased by $300.9 million, or 55%, due to capital injection and improved cash flow performance. Financing costs contributed $48 million to net debt. That is a $7 million improvement on FY24. These costs are expected to reduce further in FY26, with the completion of our refinancing. Our balance sheet is much stronger, and we are targeting a net senior leverage ratio below 2.5x in FY26.

In summary, Synlait's FY25 results reflect a company regaining its strength, simplifying its operations and establishing a platform for sustainable and profitable growth. The sale of North Island assets marks an improved turning point, significantly strengthening our balance sheet by reducing net debt, improving leverage ratios, and restoring our credit worthiness.

With a streamlined business model and a solid financial foundation, Synlait is well-positioned to invest in strategic growth, pursue new opportunities, and deliver sustainable value to our shareholders.

Financially, Synlait is now equipped to support and execute a new future strategy with confidence and resilience. Thank you. I will hand you back to Richard now.

Richard Wyeth: Thanks, Andy. We'll now go through an update on each of our business units. If you turn to Slide 11, first the advanced nutrition. For FY24, we saw an overall uplift in volumes due to strong customer demand. Our achievements for that year include an expansion of our customer base.

We also had a new record in lactoferrin sales volumes, which were up 12 metric tonnes. We also had the successful launch of our Nutrabase powders, which has secured multiple customers in Southeast Asia.

Our focus going forward for this financial year will include working with the a2 Milk Company to support growth in China, further expanding the Nutrabase range, and looking to deepen relationships with our ingredients customers so they're more aware of our advanced nutrition capability, and exploring new sales channels and value-add products to uplift returns on lactoferrin.

So that's advanced nutrition. Moving through to Slide 14 in the ingredients business. To those who know the Synlait story, you will recall we strategically moved away from fresh milk processing at the North Island Assets last year.

This obviously impacted our ingredients overall volume, which decreased to 108,000 metric tonnes. However, offsetting that was improved premiums over the last 12 months, which was an outstanding achievement, and obviously we had increased revenue due to strong ingredient pricing.

We also saw progress in customer and market diversification with expansion into the Middle East. Looking ahead, our focus areas for ingredients will be further uplifting the premiums we achieved last year, continued expansion of our ingredients portfolio, and amplifying market awareness of our high level of quality and consistency.

Moving now to Slide 13, you will see an overview of our food service business performance. This is UHT cream, obviously a very popular product, certainly in China. FY25 saw us successfully launch our second generation cream, which has further increased product stability in market.

To deliver record volume last year, 8.4 1 litre bottles manufactured at our Dunsandel site, every single one of these was sold. We had demand remains exceptionally strong for this product in multiple global markets, and our focus will be to continue to grow that into next year.

We're looking to grow margins, although that has been challenging. The real unlocker for our Foodservice business is to continue to drive volume, and it's really pleasing to see we've picked up a new distributor, which is sending products into Fiji, and we're working more broadly to increase that volume overall for that Foodservice business.

Moving on to Slide 14, the consumer business. FY25 was another outstanding year for Dairyworks, which drives our consumer business. I would just like to acknowledge Tim, who is the CEO of that business, who was acting CEO for Synlait, and also Aaron, who stepped into his shoes for a period of time. They've done an outstanding job once again for FY25.

The solid performance was driven by offshore markets, which stopped the growth in New Zealand due to, obviously, cost of living pressures and increased milk prices.

Overall gross profit for our consumer business was 39 million, up from 30.6 million in the prior year. Offshore, Dairyworks saw a 53% growth in cheese export volumes, with a lot of success across the Tasman. Dairyworks is now the fastest growing cheese brand in Woolworths, Australia.

The Alpine brand was also launched in Foodservice there, and both Alpine and Dairyworks products ranges are now in Costco, Australia. The focus for FY26 is to continue delivering value and new product lines to domestic companies and further growing our export volumes. So a real standout for this year.

Moving now to Slide 15, which is milk supply. As I mentioned earlier today, we have confirmed a record milk price, which is significantly up on the season's opening forecast. This should deliver some very happy farmers, which has been an important focus to assimilate across FY25.

Earlier in the year, our on-farm team did an excellent job of securing our milk supplies for the current season after, working to encourage farmers to withdraw their cease and onboarding 11 new farms. This was helped by additional secured milk premiums, along with new guarantees around the milk price and advance rates.

We'll continue to focus on finding new ways to add value on-farm. One of the focus areas will be improving our digital offering and continuing to support our on-farm through Whakapuāwai programme, which helps with riparian planting on-farm. We will also look to launch our fixed milk price offering in FY26.

Now on to Slide 16. FY26 presents a valuable reset facility, as you well know. As we've already said, the sale of our North Island assets will strengthen Synlait's financial position considerably with the proceeds used to significantly reduce debt.

Given the scale of the strategic reset, we will not provide further financial guidance for FY26. Our focus is on executing the North Island sale and building a simpler and more focused Synlait in Canterbury. We are committed to making the most of this opportunity and aim to have an updated strategic plan in place by March 2026.

So moving through to Slide 17, key takeaways from today. As noted, the sale of our North Island assets will see Synlait become a stronger, simpler and more secure business.

Financially, we will deliver a full and final balance sheet reset, ending the company's survival phase. And strategically, it simplifies our focus and opens the door for us to explore new opportunities here at Dunsandel. Andy and I will now take questions.

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 your question.

Your first question comes from Sean Xu with CLSA. Please go ahead.

Sean Xu: Sorry. My first one is around your manufacturing challenge in our central facility. It seems to be a reoccurring issue now. I'm just very interested to know what specific process improvement can be in parallel to FY26 to prevent this kind of operational disruption going forward? Thank you.

Richard Wyeth: I just didn't quite hear the second part of the question.

Hannah Lynch: Prioritise this in FY26 to prevent this happening going forward.

Richard Wyeth: Yes, so I appreciate there has been a number of manufacturing challenges for a period of time and certainly coming in and being relatively new to the business is a focus for me. So as I mentioned, for our Big 6 for '26, that focus on operational stability is key. What I can say is that there are a number of one-off issues and we just need to work through those systematically, recourse analysis and fix those issues.

I'm now comfortable with we're largely through that, but as I say, the next six months is very important for us.

Sean Xu: Thank you. My second question is around a2, the China-labelled digital production. Mind this, it's requiring new registration to renew in calendar year 2027. I know that might be an early stage, but if I remember the last time registration with SAMR takes a long time. I'm just curious to know if your team can give us some indication on the timeline of when to start prep for this process? Thank you.

Richard Wyeth: Yes, so we've already started that process. You're quite right, FY27 is key. And so we've been working on that already for a fairly long period of time. There's a bit of capital required going forward and we're working with both a2 and SAMR quite closely to make sure we're ready for this.

Sean Xu: Thank you. If I may just quick check in, a very quick question. Last one, with Bright being your largest shareholder, I'm just curious to know if any full collaboration can leverage their connection distribution channel in China to expand your market there?

Richard Wyeth: Yes, I mean, Bright are obviously a very supportive shareholder of us and we are working with them. And I think there's good opportunities. I mean, we've got a very strong working relationship with Bright. So I think as part of our strategy

	reset, we'll certainly be looking at what opportunities we have to work with Bright.
Sean Xu:	Cool, thank you for that update. I appreciate that.
Management:	Appreciate it.
Operator:	Your next question comes from Stephen Ridgewell with Craig's Investment Partners. Please go ahead.
Stephen Ridgewell:	Yes, good morning. And first of all, congratulations on the sale of Pokeno. That's a big one for shareholders. With that and the clear rise a year ago, two of the big three challenges that have been facing similar you've been overcome. So well done on progress. My first question is on the use of proceeds from the North Island asset sales. And it could either be for management or potentially for the chair. You know, if you use the proceeds, $370 million proceeds to pay back debt, you know, it could be in a position where it's got $74 million thereabouts of debt on the balance sheet. But the comments say also talk to the proceeds providing an opportunity to strategically diversify. And I realise it's an early stage, but I'm just interested in the early thoughts the company has on the extent to which those proceeds will be used to pay down debt. And the extent to which somebody thinks it's got capacity to make acquisitions or other growth investments that might be more organic. And then related question is, your post or post the sale proceeds for the company and to operate a lower net debt EBITDA ratio than the 2.5x conflict today. Thanks.
Richard Wyeth:	Yes, thanks. I'll take probably the first part, and Andy you may chip in on that. So certainly initially we'd look to obviously pay down as much debt as is sensible. In terms of the long term, that'll be clearer through the strategic review that we can update in March. And just, I guess my final comments, personal perspective, which I'll share with the board is that, I mean, I'd like to see our debt to debt equity ratio sitting at about 20% to 25%. I think that's prudent. We're seeing that as a good balance. When it gets to 45, 50, it doesn't really work. So that would be my intention going forward. Andy, do you want to add anything further?

Andy Liu: No, as I said, actually that for our refinancing, we just finished it last Friday. That's why I was using the two early stages just to talk about regarding when we get the funds, what we will do. But as Richard already mentioned, yes, principally definitely that's to just reduce our debt in order to just to keep it at the very reasonable levels and also seeking for the opportunities. So this is a key point. And Stephen just to try to make sure, what's your second question regarding the debt to EBITDA level.

Stephen Ridgewell: Yes, just to ask whether the company would like to operate at a lower net debt to EBITDA ratio, lower than 2.5x going forward in particular. If we kind of look through a2 Milk's English label volumes migrating to their Pokeno site in the next year or two?

Andy Liu: Yes, let's say that for the moment we still think that 2.5x is still a reasonable one. That's why we don't think that we will change it for the moment.

Stephen Ridgewell: Okay, yes, like if you keep it at 2.5 x it does suggest potentially quite a lot of firepower for acquisitions. But as you say, maybe we need to wait a bit longer to see where we land there. Yes and then I guess as well, just on the -- in terms of the impact of the asset sales, we can see the proceeds 307 million coming through, which is great, but can you give us a -- can you hear me?

Richard Wyeth: Yes.

Hannah Lynch: Yes.

Stephen Ridgewell: Yes, great. Can you just give us a sense of the kind of EBITDA being generated from those assets in the -- I feel like on a normalised basis in the year just gone? You know, my understanding was Pokeno was kind of burning $35 million a year at EBITDA level, but just can you give a rough steer as to the EBITDA loss that those assets generated in the year just gone?

Andy Liu: Yes, so I can quickly jump to this question. Based on our FY25 numbers that they said once we get rid of the North Island. We are thinking about 5 to 10 million kind of the EBITDA to be improved. Because definitely the FY25 that the plant is more filled, have more demand. That's why the level is not as high as that what we said before. So 5 million to 10 million EBITDA impact.

Stephen Ridgewell: Okay, that's helpful, thank you. And then just one last one from me. Just on the impact of a2 Milk's planned migration of English Label volume, from Dunsandel to its soon to be acquired Pokeno plant. Can you give us a rough estimate of the EBITDA impact that Synlait's kind of planning for?

Is it reasonable simply to take the gross margin per ton by the volume or are there other things to consider? For example, is there cost out the company connection or other factors such as the diseconomies of scale at lower production volumes formula?

So I think that is obviously a key issue as the market kind of looks into the FY27 and beyond time period. I mean, some thoughts on that would be quite helpful. How what the impact is and then the mitigation factors or the ways that you can mitigate that impact?

Andy Liu: Yes, so Stephen, sorry, that's because these kind of numbers can be really very commercial sensitivity. So yes, can't answer that very directly.

Stephen Ridgewell: Okay, well, I guess just there's an opportunity to make some comments. I guess analysts will have to take a view in their own numbers.

Andy Liu: Maybe let me take it offline and just think about which kind of information we can provide it.

Stephen Ridgewell: Okay, thanks, that's all for me.

Operator: Your next question comes from Adrian Allbon with Jarden. Please go ahead.

Adrian Allbon: Good morning, team. Maybe just a follow on from Stephen's question. What sort of cost opportunity do you want to see in the Dunsandel asset going forward. So initially and yes as you sort of deal with the transition of acres and recycle volumes?

Richard Wyeth: Sorry Adrian, it's just a bit hard to hear. Can you have another go at that please?

Adrian Allbon: Sure, is that better?

Richard Wyeth: Yes, that's a little bit better, yes.

Adrian Allbon: I was just, as a follow on to Stephen's question, I was just wondering what the cost out opportunity – is it better?

Richard Wyeth: Yes, that’s great. Yes.

Adrian Allbon: Just as a follow on to Stephen's question, I was just wondering what the opportunity you see for cost out at Dunsandel actually is?

Richard Wyeth: Yeah, look, I think, as I say, when we reset the business with a focus just on Dunsandel there will be some opportunity, and that's again too early to get into the specifics unfortunately. But certainly we'll be able to provide more of an update at the March announcement.

Adrian Allbon: Okay. Would it be useful as a starting point for us to kind of look to sort of FY18 as a sort of as some sort of benchmark?

Richard Wyeth: Andy, I don't know whether you want to comment on that. I haven't got any numbers in my head at the moment so.

Andy Liu: Yes. So Andrew, that's regarding FY18. It's really from times ago. So, what I can propose is that let me work out some numbers and try to provide you some, let's say, some reasonable figures.

For example, based on FY25, we said that we are saving about 10 million just we're still increasing on North Island. That's why we think about definitely the number should be higher than 10 million. But let me just work out some numbers, come back to you regarding how you can simulate it. Yeah, focus on South Island.

Richard Wyeth: Yeah, what I can say in terms, I'm not sure what year to look back. But what I do know given I've only been in the business a short time is what happened sort of even two or three, four years ago in terms of throughput on the dryers at Dunsandel was that we won't get as much throughput.

So, as we're focused on higher quality, it means we have to de-rate the dryers somewhat now in terms of the specifics I haven't got those in front of me today. But it does mean we can't just go look at the past as a precursor to the future necessarily because as the standards have improved and China's requirements continually to improve and all of those things mean we have to it does take some capacity out not a lot, but it does take some capacity out of the dryers.

Adrian Allbon: Okay. Just related to that then, can you kind of go with us here on what your sort of milk pool or what your contracted milk pool is for next year?

Management: Circa 70.

Adrian Allbon: Okay.

Management: Yes.

Adrian Allbon: Okay. And then I guess like in a broad question like are you expecting -- are you actually expecting like EBITDA to be higher this year and I'm presuming that the net debt is probably going to go higher as well because you've got all these premium payments the farmers coming up shortly.

Richard Wyeth: Andy?

Andy Liu: So, let's say for this year compared with FY25, yes you are right that we will pay some additional incentive to the farmers. It can be some challenge for the EBITDA. But as said, regarding the FY26, that we are more focused on selling in North Ireland.

We will try our best firstly to focus on product -- production state stability and that that's why that we didn't share any kind of the our targets for the moment.

Adrian Allbon: Just if you assume that the North Island business was in the numbers, which is probably what most of us are going to have to do like would you expect the net debt to be higher this year like given your farmer incentive payments are due?

Andy Liu: I should say about the similar level than this year because yes farmers payment, but also do remember we have the EBITDA to generate the cash so that's why just do things and net debt should be a bit better than this year theoretically.

Adrian Allbon: Okay. Thank you.

Management: Thank you.

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

Matt Montgomerie: Hi, guys. Good morning. Maybe just start on manufacturing issues, Richard, I suspect it's unlikely you'll provide detail on what they were, but there's sort of a footnote around them being largely resolved. It'd be interesting if you could just maybe talk to that what largely means what you need to see to get them resolved and yeah just any further colour I guess give us confidence that you know they have been isolated to the period that you've outlined previously.

Richard Wyeth: Yeah. Thanks, Matt. Good question. That was my fault. You know look I said that to Hannah, look the nature of these businesses is that they're very complex right making a vast nutrition. For example, you've got ingredients from 10 to 40 different ingredients you've got complex processing. So, I'm relatively conservative by nature.

So, I said largely because while the issues we had from January to July are largely behind us to say they're gone forever is you just can't do that. And look in terms of the nature of those things they're a combination. You know we've got people process systems, engineering, there's a whole raft of things that can go wrong. A rotary valve can be put in some and, it might be an ingredient issue or a supply incorrectly. So there's so many things that can go wrong in making this advanced nutrition.

So the issues we've had in the first half of the calendar year are largely behind us, but that's why I'm tuning up the focus on operational stability going forward. So I am very comfortable with the issues we had in the first half of the year. We have largely dealt with all of those, but you just never know what can be around the corner.

So the way you deal with that in a processing operation like we are, is you have very good systems processes and you have well-trained people. So that is the area that I'm focused on at the moment.

Matt Montgomerie: Awesome, that's very clear. Just on Dairyworks, I think EBITDA of around 23, clearly it's been a good business, over the last five, six years since you've owned it. And I think from memory at the time, I think the target was around 20 of EBITDA.

So yes, maybe just from you Richard, how you think about that business going forward, maybe anything where you see it, say three to five years from an earnings point of view?

Richard Wyeth: Yes, thanks Matt. Andy might be able to put some numbers around it. In a general comment, I'd say I think it's got massive opportunity. I think the team there are fantastic. Tim and his leadership team have done a great job. So I think there's a real opportunity.

The thing about that business is that you can just continue to scale it up, there's no sort of restrictions on growth. And I think that's what's exciting. They can procure a product, they can add value to it and they can put it into different markets.

So I've got good markets here in New Zealand now targeting Australia and I'd like to get into look even beyond that. So that's sort of my general comment in terms of the numbers around that.

Andy, I don't know if you've got any more favour to add to that.

Andy Liu: Yes, so let's say for FY25, our revenue for the dairy works is about 12% increase, but growth profit is about 28. So it's a really show that other than the sporting growth, it's also internally they said from their focus in always their strength for the efficiencies, productivity, also supporting these numbers. That's why we still said it's a very good business that's in a good trend and also expected to have a further growth.

Matt Montgomerie: And one more, just a small one. Andy, the depreciation associated with North Island assets, what's the EBIT drag?

Andy Liu: Sorry, can you repeat your question? What do you mean the EBIT drag?

Matt Montgomerie: So, just following up from Stephen's question, what's the DNA sitting over the North Island assets in FY25?

Andy Liu: It's around about a million per month.

Matt Montgomerie: Thanks.

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 Nick Mar with Macquarie. Please go ahead.

Nick Mar: Good morning. Could you just talk through the net debt number? I think the trading update right at the end of your financial year, you were sort of guiding towards 300 and you came in at 250. How did that change so much?

Andy Liu: Yes, sure. I can just take this question. So what has changed is mostly because we have higher customer demand and the customer demand also triggers some additional deposits. So this is how it comes, regarding one of the reasons.

Another reason is that, as you know, Nick, we also have the receivable assignment. So at the end of the month, there is some kind of additional kind of deliveries, which we get the receivable assignment earlier. That's why this is mostly the two kinds of the main driven for the 15 million just reduced.

Nick Mar: That's good. And in terms of what you're selling with the North Island investment, you mentioned the kind of lease warehouse as well. Does that sort of line up to what the North Island CGU was when it was impaired at the end of FY24, just trying to work out the price relative to the holding value and also, do you have any sort of breakdown of the value by PP&E versus net working capital?

Andy Liu: Yes, so to answer your question, yes, it's roughly the same regarding our CGU for North Island the last year when we share the numbers. So what I can propose you is that you can take the last year annual report to the numbers. And yes, this is kind of the baseline regarding the CGU, the net asset value for the moment.

Nick Mar: Yes, and the sort of mix between sort of PP&E and net working capital?

Andy Liu: So working capital one, because here what we said is regarding the total $178 million, it's $170 million for the PP&E and $80 million for the working capital, let's say, just inventory.

Nick Mar: Thank you.

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

Richard Wyeth: Thanks everyone for joining the call today. I look forward to meeting with many of you over the coming days. And in the meantime, if you've got any questions, you can just follow those up with Hannah. And that concludes our call for today.

Operator: Thank you. That concludes the conference for today. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]