

TRANSCRIPTION

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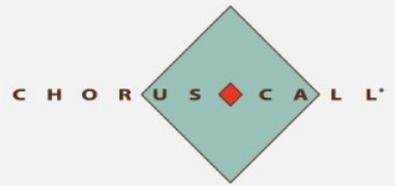
Hannah Lynch: Good morning everybody and welcome to Synlait Limited's Half Year Results Conference Call. My name is Hannah Lynch and I'm the Head of Milk Supply Strategy and Corporate Affairs. I'll hand over shortly to our CEO, Richard Wyeth and our CFO, Andy Liu, who will provide a short overview of today's results. We'll then open the line for Q&A. If you've got any follow-ups following today's call, please do feel free to reach out to me directly. Otherwise, over to you Richard.

Richard Wyeth: Thank you, Hannah. Welcome everyone to our half year results investor presentation. I have two words to describe this result: frustratingly disappointing. At a macro level, the result has been impacted by three core issues: the need to adjust our manufacturing plant to meet advanced nutrition requirements, lower returns from our ingredients business, and a decision on tax assets.

Points one and two delivered a dairy processor's perfect storm and we will go into that shortly. The third point is simply that Synlait has taken a conservative approach in not recognising further deferred tax assets arising from unused tax losses beyond those recorded at 31 July, 2025.

Our headline results are a reported EBITDA loss of \$34.7 million, an overall net loss after tax of \$80.6 million, and an 88% increase in debt to \$472.1 million. The good news is that, those numbers do not reflect Synlait's future.

Today, we are presenting you with our roadmap to recovery: Stabilise, Simplify and Scale, which is designed to return the company to success. It begins next week with a sale of our North Island assets, which is on track for 1st of April. That will deliver a smaller, stronger and simpler Synlait.



Moving to Slide 3 gives you a closer look at this recovery plan; it has three interconnected horizons that will deliver at pace. The first horizon, stabilise, will position Synlait for future growth through delivering operational stability that meets customer expectations, strengthens financial resilience and builds greater optimality.

Our second horizon; Simplify, is where we action transformation through aligning priorities, sharpening our capability and growing high margin products from our existing assets to lift profitability. Our third horizon; Scale, will see growth accelerated with the expansion of markets, channels and customers, and the execution of future growth opportunities.

Moving to Slide 4 provides an overview of Synlait's strategic direction. Stabilise, Simplify and Scale is where we're going and how we're going to get there. Our big six focus areas remain: Operational Stability, Quality Performance, Customer Satisfaction, Financial Resilience, Strengthening Culture and Financial Performance. We are making progress in each of these areas and I will share some of that shortly.

Synlait Safe and Synlait Care are fundamental to our success; we do not compromise on safety, food safety or quality. The Synlait Spirit is our relatively new value set that is strategically designed to deliver behavior that will move the business forward. These are now embedded in our performance framework.

Onto Slide 5. Here you can see that horizon one, stabilise, is already activated across Synlait. There is a long list of actions that have been delivered to uplift our operational stability and we are making progress. We've taken some big steps forward in the quality space with a new quality strategy, food safety and quality policy and company-wide quality commitment called Synlait Care.

The combined result has been an uplift in key quality metrics. The focus now is on deepening our operational talent, so we can further uplift our operational stability. There has also been significant progress in our revenue team with some reshaping to remove costs from the business. This has included closing the Palmerston North office which will lead to over \$2 million in savings per annum.

Time now to look at the result in more detail. On Slide 6, you'll see our headline results. So you are aware, the results in the investor presentation include the



North Island operations, unless otherwise stated. The financial statements include both continuing and discontinued operations with appropriate classification and disclosure. Therefore, there will be difference in the figures presented.

In summary though, today we are reporting an EBITDA loss of \$34.7 million with underlying EBITDA of \$4.1 million, a net loss after tax of \$80.6 million with an underlying net loss after tax of \$27.3 million, net debt of \$472.1 million which is increased by 88%, revenue of \$949 million and increase of \$32.3 million. Operating cash flow is a net outflow of \$183.4 million and total group gross profit of \$3.1 million, a decrease of \$83.9 million.

The only numbers we're celebrating unfortunately in this pack is the milk price which is great news for farmers. Synlait's forecast base milk price for the '25-'26 season is \$9.50, seen to go to \$9.70 based on this morning's news, with additional premium payments taking a total forecast milk price to \$10.10 in the future.

Now moving on to Slide 7. Now the important thing in Slide 7 it gives you an overview of the series of challenges and tells the story as to how we got into this position. It is important to us that you understand what has contributed to this poor result.

Most importantly we want to show you that we had little optionality as to how to deal with these challenges. We began the season with the need to rebuild our advanced nutrition inventory as a result of manufacturing challenges experienced in Dunsandel, which were reported to the market in July 2025. That advanced nutrition shortfall required catch-up production, so we adjusted our manufacturing plan to enable that.

The revised plan meant that we had surplus raw milk particularly over the peak season. When we looked through the numbers it became clearly evident that the only option was to sell that milk through peak.

As we progressed through the half, some of those milk sales didn't go to plan and we had milk directed back to Dunsandel which meant our teams had to pause the catch-up on advanced nutrition and process it into whole milk powder.

Whole milk powder is the only ingredient that can be made at short notice without creating significant downtime on the dryer, up to 48 hours to change. To create the perfect storm whole milk powder prices decreased sharply at the end of 2025, which impacted the returns on that ingredient portfolio.

This was one of the most frustrating seasons I've experienced in my 18 years in the industry. We faced multiple headwinds and had very little choice as to how we could deal with them. At each juncture we carefully costed and analysed the options even with the benefit of hindsight there is very little, we would have done differently that would have improved this result. Suffice to say ensuring Synlait has better commercial optionality is a core focus for the future.

Before we move on it is worth noting that Synlait is still rebuilding customer inventory and we expect an insurance claim will help recover a portion of the losses we've seen through this period in relation to those FY25 manufacturing challenges.

I'll now hand over to our CFO, Andy Liu.

Andy Liu:

Thanks Richard and good morning, everyone. I will focus on how the challenges of the last six months showed up in the P&L, cash flow and balance sheet and what that tells us as we move into the reset phase. I won't go back over the operational story. I will focus on the margin movement, the working capital impact and the actions already reflected in the numbers.

Start by breaking down the P&L impact on Slide 9. From a financial perspective the HY26 result was driven mainly by margin and product mix effects with several one-off and non-recurring items. In advanced nutrition margin was pressured by lower throughput efficiency and higher unit costs, while operating under tighter controls.

The largest impact was in ingredients where capacity constraints during catch-up production led to a less favourable mix with more whole milk powder produced at a time of weak global pricing.

That compressed contribution and limited fixed cost recovery. By contrast consumer and also food service performed strongly delivering both volume growth and margin improvement. Food service saw ongoing margin improvement from FY25 reflecting pricing increase and cost reduction initiatives.

On SG&A cost it is remaining well controlled. We've been disciplined on overhead while continuing to invest selectively where it supports growth and recovery. This gives us a more efficient cost basis as the business stabilised.

Importantly HY26 includes several non-recurring items including \$33.2 million of tactical raw milk sale losses, \$1.4 million of last financial year manufacturing related costs, \$3.2 million one-off milk incentives, as well as \$2.7 million North Island discontinued operations. After adjusting for these, we put underlying number which reflects the better understanding for the business.

Now turn to Slide 10 and walk through how this translated into revenue and gross profit in a bit more detail. I would like to start with nutrition because it's very important context. Historically, nutrition has been one of Synlait's largest profit contributors. It has delivered strong margin over many years and remains a core part of the portfolio. That's why the HY26 nutrition performance was disappointing.

A combination of manufacturing disruption, tighter operating controls, and the need of rebuild inventory reduced throughput efficiency, as well as increased unit cost during the half. These factors weighted on margins and created a flow-on effect across the business.

Outside of nutrition, consumer and foodservice continued to perform well. Consumer revenue increased 51% and foodservice revenue increased 48%, supported by pricing actions, cost disciplines, and continued momentum in key markets. The decline in ingredients revenue was deliberate. Volumes were reduced to release capacity and support the nutrition recovery, which led to lower volume and a less favourable product mix in a short term.

Overall, Group revenue increased to \$949 million, confirming customer demand remained strong through the period, where we saw pressures was in gross profit, which stepped down significantly reflecting recovery phase constraints and reduced flexibility, rather than structural margin deteriorations. As nutrition stabilises, the underlying strength of the portfolio becomes clearer.

Now move to Slide 11 and cover the North Island from a finance perspective. The North Island assets are structurally earning negative. While HY26 showing a temporary improvement from one-off utilisation during the inventory rebuild, losses persist at both EBIT and EBITDA level and the assets remains capital



intensive. Divesting the North Island therefore eliminates an ongoing EBITDA drag, lifts group margin mechanically, and simplifies capital allocation. This is a permanent structural change, not a clinical adjustment.

Next Slide, cash flow and leverage. Operating cash flow was an outflow of \$183 million roughly, driven mainly by weaker operating performance and a working capital build, particularly high ingredients inventory. Financing costs improved, reduced \$13.2 million, reflecting refinancing benefits, lower base rates, and the lower cost R&D funding aligned with our R&D earnings.

Net debt closed at \$472.1 million, elevated ahead of the North Island sale, which is expected to reduce bank debt on completion. In short, HY26 reflects largely non-recurring impacts and recovery phase constraints. The North Island sale will remove the key structural issue and balance sheet actions imminent. Our focus now is cash, margins, and disciplined capital allocation.

Thank you, I will now hand you back to Richard for an update on business unit performance.

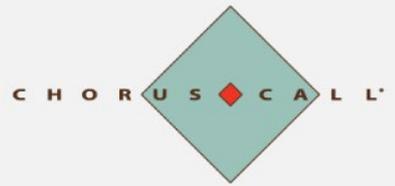
Richard Wyeth:

Thanks, Andy. I'll start with talking to Slide 14 and updating you on the performance of the Advanced Nutrition business. This remains an important category for Synlait and we're poised to activate new customer partnership as the a2 Milk Company transitions their English-label a2 Platinum production in-house.

It has been a challenging period for the infant formula sector globally due to the world publicised ARA issue and we've had to implement enhanced ARA testing which is extending release times and impacting our working capital. We've also actively managed our supply chain impacts through this.

We have strengthened our business development team and moved from a key account manager to a customer-centric culture. We have trials underway for a new customer in the Middle East and new products in development utilising our existing assets.

Focus areas for the rest of the year include market validation for a new white label supplement range and targeting the Asia Pacific region. Our bigger, better, faster project to expand our customer offering and streamline onboarding is underway and continued business development for our Nutrabase range.



Moving now to Slide 15 for a look at our ingredients business unit. I'm delighted to report that Synlait's milk supply has now been certified as grass-fed by MPI, providing a valuable competitive advantage for us. We've also covered how this business unit's performance in the half year was impacted by our inability to chase positive stream returns.

Looking ahead our focus areas are on achieving stability in the supply and product mix while also expanding customers and markets to improve optionality. Some good news on Slide 16, our UHT cream business has achieved profitability and is well positioned to double volume growth in the FY27.

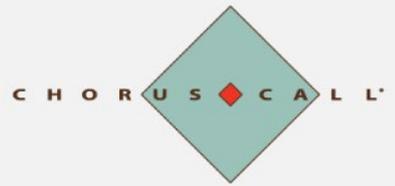
The cream has continued to perform strongly in China and Southeast Asia and our margins have lifted due to a lower input cost and price increases in those key markets. We expanded our Shanghai office this half and further formalised a plan for FY27 to support that growth.

Focus areas for the immediate future include accelerating market penetration and volume growth across China and Southeast Asia, maintaining strong margin by close monitoring of competitor pricing, supporting our customers' marketing and engagement and advancing new product development including a cleaner label recipe.

Onto Slide 17 the highlight for this part of the presentation, you can see another strong half for Dairyworks. Key highlights include a re-entry into private label butter driving an increase in butter volume, export volumes growing off the back of new customer development in selected markets. We have had strong growth in the Australia business through Woolworths and Costco and Dairyworks is also working to strengthen ties with Vietnam currently.

Priorities for the second half include working on a partnership with Bright Dairy to test launch a range of Dairyworks products into China. We've got continued increase investment in advertising and promotion and more recently the launch of US butter into food stuffs which has been successful.

Moving now onto Slide 18; an update on the activity on farm, in terms of on-farm excellence and sustainability. We've got 82% of our farmers are now Lead with Pride certified, meaning they are achieving best practice in dairy. Our on



farm offering is continuing to improve with enhancements to our app and we are also currently piloting a new fixed milk price tool.

The greatest takeaway from today's results is that it does not reflect Synlait's future. Our business is about to undergo a wholesale reset with our North Island asset sale on track to be completed on 1 April 2026. The sale to global healthcare leader Abbott will deliver Synlait circa \$307 million which will reduce our debt significantly.

A third-party manufacturing agreement has also been agreed with Abbott for the production of certain base powders after the completion date of the transaction. The transaction not only helps Synlait's balance sheet it removes a loss-making asset from our financial performance and will deliver a simpler Synlait.

From there our Stabilise, Simplify and Scale strategy provides a solid roadmap to return Synlait to success. Looking ahead into the second half and as noted in our full year results in September 2025, the company will not provide FY26 financial guidance, withdrawing guidance for the remainder of the financial year.

As we have said in our letter to shareholders today, Synlait's leadership is committed to ensuring we look back at the next 12 to 24 months and recognise it has been a period where Synlait under-promised and over-delivered. Today's result does not recognise the effort that is going into the business at the moment. I would now like to open the call up to questions.

Hannah Lynch:

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. And if you're on a speakerphone, please pick up the handset to ask your question.

Your first question comes from Matt Montgomerie from Forsyth Barr. Please go ahead.

Matt Montgomerie:

Hi guys. Good morning. I might just start on sort of operationally and I guess where we are in the context of getting back to stability. I think Richard you made a comment around you're still rebuilding customer inventory. So maybe I'd be keen just to understand there, how much you've got to go because

obviously you don't, you're probably not going to have the North Island to lean back on pretty shortly.

And then also just -- how close to stabilisation are we, have you seen any signs of improvement? I know you're not wanting to give guidance, but just I guess bit more colour around where we are at an operational level to I guess try underpin some confidence looking forward.

Richard Wyeth:

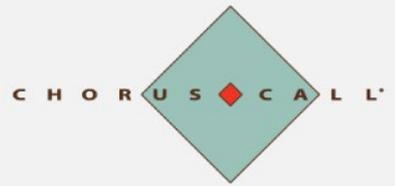
Yes thanks Matt. All fair questions obviously won't go into specifics on the volumes but in terms of the actual improvement. So, there's a couple of key points. So we're at a period of time in the dairy season where we don't have the peak milk pressure. So in terms of from a Dunsandel site perspective, very little excuse in terms of -- we've got the capacity to run the dryers hard on advanced nutrition so that's one positive that we didn't have in the first half results.

Secondly post the sale to Abbott we have signed up a manufacturing agreement with them so that will assist us with additional base powder that will help that recovery as well. And we're just working on canning at the same time. So we've got a number of things in place contractually that create a plan that where we will catch up. As I say a lot more comfortable now than I was -- six months ago heading into peak.

So that's positive but we've got to deliver, right? So we're budgeting on about a 90% attainment rate which I think is, okay but there's times where over the last six months we haven't quite achieved even 90%. So there's still a small amount of risk but not a high amount of risk. I've got a plan that I am comfortable we can deliver but the next four to five months is really important for us. We need to execute that.

Matt Montgomerie:

Yes. And then just on Dunsandel, there's a couple of comments in there around activating new customers, obviously talking about Abbott here as well. Like is there been any notable change I suppose in terms of diversifying the business, as we look forward versus six months ago, particularly, I think there's not too much commentary in here around I guess strategic plans from milk supply or volume allocation point of view as we look to I guess '27, '28 and beyond for ultimately planning for the volume shift that's impending from your biggest customer?



Richard Wyeth: Yes thanks for that. So we've got we're working with two or three significant offshore customers to help replace some of that English label volume that will obviously go to the North Island. In terms of our internal measure of milk balance to customers we're spot on. So the amount of milk we'll have going into next year balances perfectly.

So we're not looking for new milk and we're not looking to lose any, which might sound ironic but we're well balanced there. So that's good but I also wouldn't discount, we're still working with a2 on a couple of good opportunities outside of the China market too. So I mean nothing we can go into detail on, but there is good opportunities not just with new customers, but we're still looking to work with a2, as much as we can.

Matt Montgomerie: Yes. Thank you.

Hannah Lynch: Thank you. Once again if you wish to ask a question please press star one and wait for your name to be announced. We'll pause a moment for any further questions to register. Once again to ask a question please press star one.

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

Richard Wyeth: Thank you everyone for attending the call. And we'll look forward to catching up in due course.

Hannah Lynch: That does conclude our conference for today. Thank you for participating. You may now disconnect.

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