

Synlait FY 26 Results Call | September 28 2026

Primary Moderator: Good day, everyone. My name is Ronnie, and I will be your conference operator today. At this time, I would like to welcome you to the Synlait FY26 Results Call.

Primary Moderator: All lines have been placed on mute to prevent any background noise.

Primary Moderator: After the speaker's remarks, there will be a question and answer session. If you would like to ask a question during this time, and if you have joined via the webinar, please use the raise hand icon, which can be found at the bottom of your webinar application.

Primary Moderator: This time, I would like to turn the call over to George Adams, Synlait Chair.

-: Thank you. Good morning, everyone. I'm George Adams, Chair of Synlait, and it's my pleasure to welcome you to our FY26 Full Year Results Conference Call.

Joining me on the call is our acting CEO, Leon Fung, and our CFO, Andy Lu. They will take you through the results in detail shortly.

First, I want to acknowledge that financially, this has been another difficult year for Synlait, and I appreciate that for our shareholders, that is challenging news to hear.

However, we have delivered a major operational recovery in the second half.

And just like the repairs to the company's liquidity, milk supply and balance sheet over previous years, this is critical to our future.

Synlait is now stronger and more focused than before, and well-positioned to progress for recovery.

That is real progress, and I want to thank Synlait's team for delivering that, including Hendrik and Rueben, who you can see on the front of our investor presentation and annual report.

There have been many long hours worked, and the board and I are grateful for that.

I'll now hand you over to Leon and Andy.

And there will be Q&A after the presentation. Thank you.

Thank you, George. Good morning, everyone.

Thank you for joining us for Synlait's Full Year 2026 Results Call.

FY26 was a difficult year, financially. was also a year of real progress in our recovery.

In the second half, Operations stabilized, and this resulted in a strong improvement in financial performance.

Today, Andy and I will cover the progress.

The work's still ahead.

And how we will work to ensure Synlait's recovery continues.

We will start by looking at our first half performance.

This is what has driven the overall result for FY26.

The first-half result was impacted by three main issues: manufacturing plan adjustments, lower ingredient returns, and deferred tax assets.

The financial impact was significant.

We posted a first half EBITDA loss of \$34.7 million.

We posted an overall net loss after tax of \$80.6 million.

Synlait responded with a clear recovery roadmap.

It has three interconnected horizons.

Stabilize the business by fixing the fundamentals.

Simplify by focusing on Dunsandel.

And finally, scale.

Creating a strategy to drive future growth.

I'm pleased to say we have made real progress on the first two horizons.

Stabilize and simplify.

These slides show some of the work we have done.

This is the deep work that has involved resetting the fundamentals across four areas.

Operations and assets Quality.

People and revenue.

In operations.

We strengthened frontline leadership.

We are investing in our assets, have improved production planning, and completed major projects to support long-term stability.

In quality.

We strengthened protocols and processes to align with new regulatory expectations in the key markets, including China.

We also introduced the new product checks and improvements.

And embedded a company-wide food safety culture.

For people.

We developed our frontline and senior leaders.

Uplifted engagement.

Drove a new performance framework.

And launched a new health, safety, and well-being strategy.

We reset our revenue function with a strengthened business development team.

Broadened our infant formula customer base.

Progressed adult nutrition opportunities.

A tightened pricing discipline.

Together, these actions have built a strong foundation for recovery.

Our key achievement for the year has been operational recovery. Manufactured in spec improved from 88% in FY25 to 93% in FY26.

Production plan attainment rose year on year from nearly 92% to 95.5%.

That is a huge achievement. Thanks to our frontline teams.

I'm pleased to say that manufactured inspect was 99% for August.

We are focused on delivering that consistently.

To reach that level of operational excellence we are aiming for.

You can see on slide 5 that operational improvement translated into a much stronger second half financial performance.

Reported EBITDA improved by \$77.5 million.

Underlying EBITDA improved by \$38.1 million.

Reported net profit after tax improved by \$85.8 million, and underlying net profit after tax improved by 33 million dollars.

These results show the benefit of a more stable business.

However, the full year result reflects the difficult first half.

My final slide for you shows the overall results.

The total group revenue for the year has increased to 1.93 billion dollars.

Reported group EBITDA was \$8.1 million.

Underlying group EBITDA was \$46.3 million.

We have reported a net loss after tax of \$75.4 million.

With an underlying net loss after tax of \$21.6 million.

Net debt reduced by 14% to \$215 million.

Operating cash flow was negative \$183.3 million.

This reflects weaker operating performance and higher working capital needs.

The good news is for our farmers.

Synlait is confirming its second highest milk price in our history at \$10.07 per kilo of milk solids.

I will now hand over to Andy.

Good morning, everyone. Thanks for joining us. I will begin with the main drivers of FY26 result followed with business unit performance.

The North Island discontinued operations, cash flow, and net debt.

Let me start with the main drivers.

Improved second half operations kept seamless recovery on track.

Although the four-year results still reflected significant first-half impacts.

The main point on the bridge is that that volume was not the issue.

Consumer and food service growth contributed 2.3 million into bottom line.

But that benefit was more than offset by price, mix, and cost price and mix reduced impact by 7.3 million.

reflecting higher portion of relatively lower margin products in advanced nutrition.

And an unfavorable ingredients product mix.

Partly offset by stronger food service and butter price.

Costs were the biggest challenge.

reducing impact by 39.8 million.

Operational disruption reduced fixed cost recovery and increased manufacturing, quality, and milk transport costs.

Milk premiums also increase the costs.

These impacts moderated in the second half.

Other margin and income were mainly affected by unrealized foreign exchange losses at year end.

This was partly offset by Abbott TSA income.

SG&A provided a 1.6 million benefit.

This comes from closing Palmerston North office. Lean our leadership and commercial structure. And the tighter spending controls.

We achieved these savings despite inflation and oil-related cost pressures.

At the same time, We continued to invest in our people, systems, and core capabilities.

Financing was a clear benefit.

Despite negative operating cash flow, Financing costs improved by \$22.2 million.

This reflected improved bank pricing, lower base rates, debt reduction following the North Island sale, and more cost-effective CNH funding.

After adjusting for one-off items, the underlying result was a \$21.6 million loss in FY26.

I will show how these drivers came through across business units.

The portfolio result was mixed.

Consumer and food service delivered growth and stronger margins.

While advanced nutrition and ingredients were affected by operation disruption, capacity constraints, and weaker stream returns.

Advanced nutrition revenue was broadly flat.

But gross profit declined 78%.

The key issue was manufacturing efficiency with operational disruption.

Product plan changes and increase the cost from production catch-up.

Lower lactoferrin sales also reduce the contribution.

Ingredients revenue declined 15% with gross profit down 26%.

Lower volumes and the constraint product mix force us to produce more whole milk powder.

And sold into lower-priced markets in the first half.

The mix improved later in the year. especially through skin milk powder and AMF.

Consumer revenue increased 32%.

With gross profit at \$51.7 million.

This reflected growth across export and private label channels, good butter price achievement, improved manufacturing recovery, and inventory management.

Food service revenue increased 62%.

With gross profit improving by \$15.6 million to \$11 million.

The first four years of positive gross profit.

This was driven by 43% volume growth.

Improve the pricing, lower Fed costs.

New China contracts and expansion across Southeast Asia.

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∴ Other revenue increased 32%.

Reflected tactical milk sales in order to manage surplus milk volumes and manufacturing capacity constraints.

Next page, page 10.

This page separates the North Island discontinued operations from the continuing business.

The North Island sale is complete.

Making Synlait simpler and more efficient.

The table shows the continuing business we are taking forward.

The North Island result, including the gain on sale.

Without the gain and related tax benefit.

The North Island operations were still in loss making in FY26.

Continuing operations generated 1.68 billion of revenue and underlying EBITDA of 46.3 million.

This is the relevant baseline for assessing future performance.

chrisitani: Now we have a clearer operating base.

With our focus and investment centered on Dunsandel and Dairyworks.

page 11.

It shows how operating performance translated into cash flow and net debt.

Cash remains the biggest financial challenge in FY26.

Operating cash flow was negative.

Reflecting weaker operating performance and significant working capital build.

Which was mainly affected by higher receivables and inventory.

Against that, the North Island sale generated roughly 296 million of cash proceeds and materially strengthened the balance sheet.

After operating cash outflows, capital investment, interest, and other movements. Net debt finished the year at 215 million.

In summary.

The second half showed clear improvements in operating stability and financial performance.

The next step is to translate that progress into stronger margins and cash generation, while continuing to reduce debt through disciplined execution and capital allocation.

I will now hand back to Leon for the business update.

Thank you, Andy.

I will now cover off the performance and the priorities of our business units advanced in nutrition, Ingredients, Food service, Consumer and milk supply, Advanced Nutrition makes high-value products for early life and adult nutrition.

In FY26, we secured purchase orders from a new Middle East infant nutrition customer for commercial supply commencing in 2027.

This is a significant win for the team, as we seek to onboard new customers.

And we are confident this partnership will scale up quickly.

I'm pleased to report we have a pipeline of customers keen to work with Synlait

This means we are confident we will fill the capacity created by the A2 Milk Company moving its English label production.

We have also commercialized Nutrabase, creating a platform for adult nutrition products and multiple private label opportunities in Southeast Asia.

We also strengthened our dedicated business development function, a structured opportunity pipeline, and the project launches.

This project focuses on specialty nutrition using high-value ingredients, including Lactoferrin

Looking ahead, Our priorities are to grow the Middle East contract.

Onboard new customers from Southeast Asia, expand higher value consumer ready solutions, commercialized specialty supplements, and reduce exposure to any one customer or market.

Our ingredients portfolio includes milk powders.

Milk fat.

Specialty ingredients for global customers during FY26.

We focus strongly on value over volume.

This includes tighter pricing decisions, Customer profitability modeling, and stronger sales controls.

We advanced diversification across Southeast Asia and the Middle East.

Simplified product specifications, And strengthened sales facing.

Hedging and risk management.

With manufacturing stability materially improved, Our future focus is to extract greater value from available milk.

That means! Disciplined pricing.

Stronger product mix.

Greater use of our infant formula grade capability, customer-led technical solutions. and growth in higher value applications.

Food service delivered its 1st materially profitable year.

Supported by 43% volume growth.

Improved pricing and wider geographic reach.

We expanded across Southeast Asia.

strengthened our Shanghai presence.

And launched Synlait branded UHT whipping cream in China.

A new customer-owned brand partnership broadened our routes to market.

Well, changes to the sales and marketing team.

Strengthened distributor and end user management.

We will now grow volume and market share while protecting returns.

We will expand through our distributor network, Built on our China launch, And product quality, Grass-fed certification and New Zealand origin to stand out.

Our consumer business delivered strong growth through their works and its portfolio of brands.

More than 5,000 additional metric tons of cheese was shipped to Australia compared with FY25.

The Dairyworks brand delivered 11% volume growth and 17% value growth in the latest annual total.

Value-added, graded, sliced, and snacking formats generated more than 55% of Dairy Works' growth.

Innovation remained important.

Dairyworks protein.

Launched in June.

Contributed 50% of natural cheese snacking segment growth.

Talbot Forest brand continue to grow strongly.

And Costco sales increased 133% year on year.

Our focus on Project Hedgehog is to improve plant efficiency.

Further growth in Australia and Southeast Asia.

New product development and supply chain optimization.

Strong farmer relationships remain fundamental to Synlait success.

We have almost 200 farmer suppliers was mentioned earlier.

We are confirming the second highest milk price in Synlait's history today.

\$10.07 per kg of milk solid, including incentives for the 25 to 26 season.

During FY26, We introduced a new customer-founded

Sustainability incentive of 2 cents per kg of milk solid.

This is focused on reducing greenhouse gas emission and expected to double in the future.

We also delivered a new tool.

To provide real-time tanker arrival information.

And Whakapuāwai Biodiversity Program.

Have now distributed more than 385,000 native trees across Canterbury.

Our future focus is to grow customer sustainability partnership and improve the digital offer.

And continue our market-leading on-farm support.

We will look to the future now, and explain how we will maintain the momentum we achieved

In the second half.

We are continuing to focus on our recovery roadmap.

In operations.

We have created a production plan.

To make the most of every drop of our farmer's milk.

We will retain our focus on stability.

Strengthening our assets and deepen our talent pool.

In quality.

We are recruiting the chief quality officer.

Continuing to reduce cost of quality.

And progressing asset investment to maintain access to the key markets and reduce regulatory risk.

For our people.

We will continue leadership development.

Target critical capability. Refresh onboarding.

Embed Synlait Safe Mindsets and Critical Control Assurance.

We are focused on diversifying our revenue streams while aligning the product portfolio with plant capability, milk supply and returns.

As mentioned earlier, we will also deliver the strategy to scale our

Of our success and share with you in 2027.

We remain clear about the risks ahead and have active plans in place to manage them.

Operational excellence.

We will keep our focus on our plans and maximize returns from our transcendent assets.

leadership and strategy.

We have a strong executive team at Dunsandel.

And we'll go maintain that.

We will finalize CEO and Chief Quality Officer appointments and deliver a reset strategy in 2027.

A2 volume shift.

We have a new business pipeline, which means we are confident of backfilling this volume, contracted commitment from our new Middle East.

Customer have the opportunity to scale up quickly.

Revenue, as well as addressing our concentrated revenue stream.

We are focused on protecting margins and ensuring all commercial arrangements add value for Synlait.
refinancing.

We will continue working with our banking syndicate.

After showing them, we can manage through challenging years like this one.

Whereas Dairy Support is very helpful.

Along with their renewal of shareholder loan, which now matures in 2028.

China market registration.

We have experienced Cross-functional team working to renew the approvals required to continue manufacturing infant formula for China, and we are confident of success.

We are also well equipped to deal with changing quality and regulatory requirements.

Managing stakeholder confidence.

And continuing to show leadership in on-farm sustainability.

Synlait is still in a recovery phase.

And TY26 is a five-month transitional period that will be influenced by the timing of production sales.

Working capital movements and other seasonal factors.

Given the short and the non-comparable nature of this transitional period.

Synlait is not providing guidance for the five months ending 31st of December 2026.

You only have to look across Synlait's financial performance over the past 11 years to see the company was most profitable before it expanded to North Island.

Profitability peaked in FY19.

With a net profit after tax of just over \$82 million.

The North Island assets created a drag on Synlait's performance, and now they're sold.

The company is stronger. Simpler. And well-positioned for the future.

The graph identified a period of underperformance, and we are making sure we learn from the past.

Our executives have taken a holistic view and identified issues that caused Synlait to underperform.

Not just in FY26, but back to FY20.

An oversupply of manufacturing capacity, the impact of COVID.

And the subsequent decline in China's birth rate impacted every year until FY26.

Operational stability issue impacted performance in FY25 and FY26.

We have worked to address these issues.

FS.

Our new revenue strategy will ensure Synlait is no longer exposed to a single customer, market, or product again which help To protect us from future shocks.

As we have achieved operational stability.

Our goal is to return the company to its earlier successes.

We are confident we will do that, given the pipeline of customers we are working with.

And the capacity and capability of Synlait's asset and its people.

The key message from me, from today.

Synlait has made meaningful progress in stabilizing and simplifying the business.

Second half performance improved substantially across EBITDA and net profit after tax measures.

Operational recovery has been achieved, and we are on track to deliver continuous operational excellence.

The North Island cell Simplified the business, and strengthened our balance sheet.

We have started addressing our next biggest challenge.

Diversifying revenue.

This is an opportunity we are excited about.

It will strengthen Synlait for the future.

And a reminder, We will deliver a full strategy to scale at our success in 2027.

My final remark.

Is to assure you all that Synlait is well placed to progress our recovery.

Thank you.

Primary Moderator: We will now move to our question and answer session. If you have joined via the webinar, please use the raised hand icon, which can be found on the bottom of your webinar application. When you are called on, please unmute your line and ask your question. We kindly ask that you limit yourself to one question and one follow-up. We will now pause a moment to assemble the queue.

Primary Moderator: Your first question comes from Steven Ridgewell with Craigs Investment Partners. Please unmute your audio and ask your question.

Primary Moderator: Steven, your line is open. You may ask your question.

Primary Moderator: Steven, we will return to you. We will move on to Nick Marr with Macquarie. Please unmute your audio and ask your question.

Nick Mar - Macquarie: Hey guys, can you hear me?

-: Yep.

Nick Mar - Macquarie: Yeah, that's good. Just in terms of the kind of outlook, and I know you're not wanting to provide guidance since the half period, but do you think that the run rate on an underlying basis achieved in the second half is a sustainable basis for the business?

-: Yes, thank you, Mark, for your question. Yes, we are confident to see we will continue the improvement in the second half.

-: And We will continuously make an effort.

-: To maintain that success, and which will enable us.

-: For scale-up in the near future.

Nick Mar - Macquarie: And in terms of the slide that you put on about the sort of pre-North Island earnings, like, are you saying that that kind of.

Nick Mar - Macquarie: earnings figure is achievable in the future with just the North Island as it's set up today, and the sort of evolved customer and product mix?

Nick Mar - Macquarie: Or is it purely, you know, very illustrative?

-: The slide actually show some historical data when Synlait was very successful before the North Island asset established.

-: But of course, it's not the only reason. There are other challenges alongside.

-: We summarize that The birth rate declining in China also contribute.

-: To against our initial plan.

-: But the key message here is that we have a very solid plan to move forward.

-: to get, success.

-: Again, in the near future.

-: Yeah, if I could just add, clearly it's not indicative of a number in future.

-: However I would just add that it was also fairly clear that.

-: Pocono was a significant drag on the business.

And that drag has been eliminated.

Primary Moderator: We are circling back now to Steven Ridgewell with Craigs Investors Partners. You may unmute your audio and ask your question.

Stephen Ridgewell - Craigs Investment Partners: Good morning, can you hear me?

-: We can? Yeah.

Stephen Ridgewell - Craigs Investment Partners: Perfect. Okay, thanks guys. Look, just, thanks for the update. First of all, on the milk supply.

Stephen Ridgewell - Craigs Investment Partners: And I apologize for a few difficulties at the top of the call, if you've already answered this, let me know, but can you just give us an update on Synlait's degree of success in its effort to retain its farmer suppliers? Because we have

Stephen Ridgewell - Craigs Investment Partners: had various anecdotes that, you know, some of them were still going to your competitors, so just any, any sort of more detailed updates you could provide on that would be appreciated. Thank you.

-: Yeah, thank you, Steve.

-: In terms of the milk supply, we have the right amount of milk for our plant.

-: for our factories, right? This is the first thing I want to highlight.

-: And I talked to our farmers, many of them.

-: And I think I can see that our farm suppliers, they are very keen to see Synlait to be successful again.

-: And I really appreciate their support.

-: I don't see this, in the near future that we have Challenges on the milk supply.

-: All what we need to do is to deliver the performance.

-: To our stakeholders, to our shareholders.

-: And to our farm suppliers. And we can'

-: Continuously bring the value back to them.

Stephen Ridgewell - Craigs Investment Partners: Okay, but so if we look at production volume that you just got on, it was down 6%.

Stephen Ridgewell - Craigs Investment Partners: You know, should we be expecting volumes to stabilize in FY27 and FY28, or should we expect further decreases? I'm just trying to understand.

Stephen Ridgewell - Craigs Investment Partners: you know, what the right level of supply is. You know, it sounds like you might possibly you are expecting some of your farmer suppliers to go to other brands, but that's part of the plan, but just help us understand, maybe with a few numbers would be helpful, thanks.

-: We actually have a very good start of the season. We are expecting 3 to 6% more than budget. As I highlighted earlier, we have the right amount of milk for our plant, and we just want to get the right product mix in order to get the value of the available milk.

-: If I could just maybe also add to that, maybe Andy can give us some detail, but one of the reasons we had a decline in production last year was actually not the way the shortage of milk, but we actually had to sell milk at peak because we were unable to process it.

-: due to the manufacturing challenges. So there's a there's an artificial drop in the volume as opposed to us actually not having the milk supply.

-: Yeah, I think George, you just covered what I want to say, but also just remind us that for these outlooks for the new seasons volumes, that we should also take into account that for the poking of size, we don't have it, then that which means we definitely for the advanced nutrition, we have some kind of the reductions, which is we already expected early enough.

Stephen Ridgewell - Craigs Investment Partners: Okay, that's helpful. And maybe just on the same topic, so you're currently paying a premium, I think, 38 cents a kg of milk solids. You know, at some point, if you're in the right

Stephen Ridgewell - Craigs Investment Partners: supply! got the right amount of supply, one would presume that might come off a little bit. Or, you know, are you sort of comfortable with a 38 cents per kg premium? Do you think over time that should come down? And the reason I'm asking it is, if I think about a medium-term profitability track, certainly, obviously.

Stephen Ridgewell - Craigs Investment Partners: for that to come down a bit to maybe where it was in the past would be helpful to profitability and some of your targets there. So, any comments on, you know, that premium, how long that might stay at that kind of level, or perhaps does it need to go up in the near term, or do you see it potentially coming down, you know, at some point in the future?

-: We, we Renew, or review our! milk price strategy Every year, like everyone does.

-: But what I want to say is that

-: Synlait came from very deeply on the farming background.

-: That is part of our DNA.

-: We want to bring the value back to our farmers.

-: Good examples are Lead with pride.

-: Which is very well welcomed and supported by our farmers.

-: So, that brings value. That is part of the reason we can pay more incentives.

-: On top of the Farmgate price.

-: We also have customer-funded sustainability programs which help

-: It's a part of our incentives, what we pay on behalf of the farm gate price. We will continuously doing that. And we do have global customers who are very interested working with Synlait.

-: Working with our farm suppliers on that. So, yes.

-: We will maintain or looking at the more incentive to bring back more values to our farmers.

-: But year on year, it will be some difference.

Stephen Ridgewell - Craigs Investment Partners: Okay. Second sort of line of questioning was on the advanced nutritional business.

Stephen Ridgewell - Craigs Investment Partners: So just a point of clarification.

Stephen Ridgewell - Craigs Investment Partners: on the statement you've made that you expect, essentially, this new Middle East customer and maybe some other customers to see you

Stephen Ridgewell - Craigs Investment Partners: recover volumes that you're | that you're going to lose from A2 milk, internalizing English label.

Stephen Ridgewell - Craigs Investment Partners: you know, this year, which they've obviously stated publicly. You know, just wanted to clarify, when you say that you're going to recover the volumes.

Stephen Ridgewell - Craigs Investment Partners: First of all, are you referring to the FY25 year, where you've | I think it was 40 MTs, where you're referring to FY26, which was 45 MTs? What is baseline when you make that statement? And then second part of the question is.

Stephen Ridgewell - Craigs Investment Partners: you know, for this new Middle East customer, are you expecting the volume from that customer to be material over the next, sort of, 6-12 months, or is that more of a, you know, is it going to ramp up, sort of, back end of next year? Some indication of time would be helpful for that new customer, thank you.

-: Alright, just to give you a little bit of clarity,

-: The new Middle East customer we are working with is quite a big supplier player in the market. They are quite interested to work with us as a long-term partnership.

-: The volume we are looking at is significant.

-: And that's why we say that we have the confidence

-: backfill the gap that A2 milk,

-: And also, the RAM A list of customers we are working with, the team have been working on.

-: And we are looking at onboarding more customers.

-: to Synlait.

-: It's not only the infant formula, but also adult nutrition as well.

-: So Synlait Strength is the nutritional product.

-: Once we are very good at infant formula, it's easier for us

-: to get into adult nutrition, the other nutritional products as well.

-: And if we look at in a positive way that

-: That's why we say that we are excited about opportunity.

-: When HU moved away some of this.

-: volume, especially the English label products to their Pokeno factory. This will create opportunity for us to be diversified.

-: Rather than just be exposed on one customer, one product, one market.

Stephen Ridgewell - Craigs Investment Partners: Sorry, can I just ask again, sorry, just in terms of that Middle East customer, so take the point, it's a potentially large customer, but do you have an idea, or, you know, perhaps how we should be thinking about the ramp-up?

Stephen Ridgewell - Craigs Investment Partners: Of those volumes.

Stephen Ridgewell - Craigs Investment Partners: When would you be expecting?

-: to give you accept.

-: Just to give you an example, the volume we are looking at.

-: Is that, representing 18% of our FY27 capacity.

-: So, that is quite significant.

Stephen Ridgewell - Craigs Investment Partners: Yeah, that isn't.

-: the.

Stephen Ridgewell - Craigs Investment Partners: interesting.

-: edit.

Stephen Ridgewell - Craigs Investment Partners: Excuse me.

-: To add, Stephen, that, yeah, so regarding that, the ramp up, we assume about three year, roughly three year time, we can backfill.

-: Yeah, because for any nutritional customer, it does take a little bit of time to ramp up the volume. So normally it takes two to three years.

-: To get the peak volume we are expecting.

Stephen Ridgewell - Craigs Investment Partners: Okay, no, that's great, good news. And then just, so, just to be clear then, it's 3 years, call it, to get to 18% of capacity. That's â that would be a rough idea.

Stephen Ridgewell - Craigs Investment Partners: In terms of the trajectory.

-: Now, what I said that in 2027, we are expecting a big volume growth already.

Stephen Ridgewell - Craigs Investment Partners: Okay, it's

-: Yeah.

-: If I can clarify, what Leon means is that for the next 12 months, it will be 18% backfill the lost volumes or capacity. And in three years time, we can fully backfill the capacity.

-: Or the demand.

Stephen Ridgewell - Craigs Investment Partners: Okay, got it. Thank you. And then just this last one, I guess just in terms of the revised, banking facility, which you announced in.

Stephen Ridgewell - Craigs Investment Partners: end of July, just in the near term, before this new customer ramps up.

Stephen Ridgewell - Craigs Investment Partners: Right? And you've got obviously, you are still very reliant on A2 volumes.

Stephen Ridgewell - Craigs Investment Partners: And we're, you know, English volumes are coming off, and their China label volumes are down a bit at the moment. So, just wanted to, you know, ask, you know, are you confident that the company will remain compliant with, its banking covenants?

Stephen Ridgewell - Craigs Investment Partners: you know, over the next, call it 12, 18 months, and particularly you've got a 3-monthly sort of EBITDA test by the looks of it. So, you know, are you comfortable, given that

Stephen Ridgewell - Craigs Investment Partners: the near-term impact on production of demand from A2, that you can still be compliant with those covenants, or you're likely to need waivers in the near term.

-: Yeah, so regarding the ramp-up together with this A2 Increase label, actually, it's already we already knew that early enough. So all of this is we're already taking into account in our forecast, and very openly shared with the banks. So that's why that we said, for Synlait Business.

-: The second half is really good to show, see the improvement of the operation stabilities and the improvement, which really makes the financial numbers can be more reliable. And now that we have also a very close follow-up for all the bank governance, and as of today, that, yeah, we feel comfortable or confident we meet the compliance.

Stephen Ridgewell - Craigs Investment Partners: Can I ask just one last one? Given you've obviously got those detailed plans with the banks, and you've shared it with them, and they're comfortable, and you're comfortable, you know, did you give more consideration to providing guidance to the equity market? Because I guess if I sit back and look at your 5-month period that you're about to go into now.

Stephen Ridgewell - Craigs Investment Partners: you've had 2 months of actuals, roughly, and you've only got a 3-month period to forecast. I mean, did you? did you say are you gonna? is it just this period you won't be giving guidance, or is it generally an approach that you won't give guidance to the market for, to the equity market for, you know, reporting periods going forward?

-: We actually haven't given guidance for some time.

-: And I think that was on the basis of us genuinely struggling to get our hands around operations. I think we stopped doing guidance about 18 months ago. So what we'd like to do is to review our position on guidance at the end of this year.

-: And, we'll, we'll, get back to the markets and, obviously, yourselves, probably early February, with our view on that. But, at this stage, that remains our position.

Stephen Ridgewell - Craigs Investment Partners: Cool. Thank you very much for your answers.

Primary Moderator: Thank you. Your next question will come from Marcus Curley with UBS. Please unmute your audio and ask your question.

Marcus Curley - UBS: Good morning, can you hear me?

-: Yep.

Marcus Curley - UBS: Great. Just one point of clarification, Andy, you mentioned, you know, 18% of the, capacity, being filled with the new customer. Can you give us some, perspective on, you know, what is the reduction.

Marcus Curley - UBS: in volumes, you know, from the A2 internalization for this year? What is the level of capacity you're looking to replace?

-: Yeah, I think from the Atrius volume, it's more commercial sensitive, so I don't think I can answer that.

-: But maybe proposal you can find some other kind of export numbers that to find it. So what I can say that regarding that volumes, yes, that we try to fill backfilled the 18%. Yeah. Sorry, I can't answer that.

Marcus Curley - UBS: Maybe a different style of question on it, then. Are you expecting to do, any material English label volumes for A2 in the next 12 months?

-: This is the question to ask A2 actually, because they want to prioritize their Pokeno factory.

-: For English label, we are planned and we are, you know, have the plan to not have their English label production in Dunsandel. But from time to time, they may still need our help. And in fact, we are still doing some English label for them.

Marcus Curley - UBS: Okay, good to know. In the underlying result, as you highlighted, you know, the, advanced nutrition

Marcus Curley - UBS: EBITDA was low, and particularly low on a per tonne basis. How much of that is and you called out efficiencies, and you called out costs.

Marcus Curley - UBS: how much of it is structural? Yeah, how much additional cost are you needing to carry now, particularly around testing and quality? You know, that will mean that, you know, the, the gross profit per tonne is lower than what we've seen in the past.

-: Let me answer this question at a high level first, and then I get Andy to

-: Show, tell you a little bit more details.

-: The high cost or lower margin in the last financial year, is not representative.

-: Okay, advanced nutrition is a profitable business.

-: It's just that when we have the instability of the operation and some challenges, the cost is going up very quickly. And that also came to our food safety product quality mindset. When we see some challenges, when we see the potential risks.

-: We take a cautious approach.

-: That cost us a lot, but

-: I want to say that what you see now in the last financial year is not representative of the real picture, should be. And we are confident we are after resetting all the fundamentals.

-: We'll be back to profitable business under nutritional business.

-: Yeah, so to build on that, what Leon just mentioned, once that we have these operational stabilities, and also, let's say, we have a better control for the quality, everything.

-: Definitely that we expected the margin will back to the more normal levels, which means the previous, the more standard years, yeah, normal years.

Marcus Curley - UBS: Okay. And so, with additional costs like

Marcus Curley - UBS: you know, the incremental testing that you have to do to meet the Chinese regulations, that's going to be passed on to customers?

-: Any extra cost will be discussed with our customer.

-: Because as you realize that there's a regulatory change and quality standard change, especially for the China market.

-: So In the last, few years. So, the testing cost, as an example.

-: That's an increase.

Marcus Curley - UBS: Okay. And then just, finally, on debt and working capital, obviously a big increase in working capital. Are you expecting, any, reduction or any of the issues that lifted the working capital to be temporary? I'm talking about large magnitudes here.

-: Yeah, Marcus, it's a very good question. Actually, that, you know, for me and my teams, for the now, from now on, the focus in the biggest one is cash generation, so definitely that we expected the working capital should be improved from the both inventory management and also receivable side, yes.

Marcus Curley - UBS: Okay, any magnitudes, Andy? You know, so, like, you know, can you give us any?

Marcus Curley - UBS: Any targets in terms of, you know, reductions in working capital, you know, over the course of the next 12 or 24 months?

-: Not for the moment. I can just to check it and to see what else, what I can provide you maybe afterwards.

Marcus Curley - UBS: Okay. And and in the accounts, just following on from that, in the accounts there is noted some EBITDA minimum milestones that need to be met, you know, for the bank facilities. Are you able to give us any perspective on what they are?

-: No, sorry, I can't.

Marcus Curley - UBS: Okay, thank you very much.

-: Thank you.

Primary Moderator: We will return now to Nick Marr with Macquarie for your final questions. You may unmute your audio and ask your question.

Nick Mar - Macquarie: Hey, thanks, sorry, it seemed to get cut off before. Just in terms of the Middle Eastern customer, can you confirm whether that's a, sort of bulk, or base product versus a tin product, and how we should think about the margin profile, I guess initially, and as it ramps up versus what volumes you're giving away?

Nick Mar - Macquarie: Or losing a2

-: Yeah, I can give you a high-level picture of that. It is in the bulk, in the base powder, all right? So this customer has their own brand. They want to use New Zealand high-quality product grass feed Product for their brands.

-: So, yes, it is a very promising business for us for the near future.

Nick Mar - Macquarie: Any sort of indication of relative margins of a sort of bulk product like that versus the tin product you're doing for A2?

-: We do have a good margin on that because it's a nutritional product, even though it's packed into 25 kg bags.

-: But, The details I cannot share because they're commercially sensitive.

Nick Mar - Macquarie: Okay, that's all, thanks, we'll chat later on.

-: Thank you.

Primary Moderator: There are no more questions at this time. I'd now like to turn the call over to Leon Fung, Acting CEO.

-: Thank you.

-: Thank you, everyone.

-: This concludes today's call.

-: And I really appreciate your time and questions.

-: If you have any further questions, please contact Joe Scott, who is the head of corporate affairs and engagement.

-: Thank you very much.

-: Thank you all.