



SYNLAIT FULL YEAR RESULTS & ANNUAL REPORT PUBLISHED

Synlait today reported its financial results for the 12 months ended 31 July 2019.

Three things stand out for us in terms of our performance in full year 2019 (FY19). Firstly, we delivered a strong financial result, supported our customers to grow and create value, while improving our operational efficiency.

Secondly, we invested in our future by bringing on new facilities and people capability that position us well for continued growth.

Finally, we clarified and focussed our direction with a new purpose, ambition and strategy which aligns our people and stakeholders to a common goal.

In summary, our team delivered a strong result, invested in our future, and clarified our direction.

DELIVERING RESULTS

Below is a summary of our financial results:

- Revenue exceeded \$1 billion for the first time, increasing 17% to \$1,024.3 million;
- Net profit increased 10% to \$82.2 million;
- Operating cashflow increased 39% to \$136.7 million;
- Sales volumes increased 21,093 MT or 16% to 149,730 MT¹;
- Consumer packaged infant formula volumes continued to grow up 21% to 42,907 MT;
- Average milk price of \$6.58 per kgMS for the 2018/2019 season, made up of a base milk price of \$6.40 and an additional \$0.18 in incentive payments; and
- Record number of farms were Lead With Pride™ certified reaffirming our commitment to healthier farming practices.

INVESTING FOR THE FUTURE

Profits increased and operational efficiencies improved while we made significant capital and people investments to set us up for future growth. Growth projects delivered in FY19 includes:

- \$18.9 million expansion to lactoferrin facility completed on time and budget, doubling manufacturing capacity at Dunsandel;
- \$260 million infant-capable manufacturing facility in Pokeno, which is close to commissioning. We welcomed 56 farms and 77 employees. A further update on Pokeno can be found in the Investor Presentation;
- \$134 million advanced liquid dairy packaging facility at Dunsandel designed, built and commissioned within 18 months;
- Acquisition of Talbot Forest Cheese completed 1 August 2019.

To support this growth, we hired 218 experienced and high-energy people to help run these facilities.

As part of our strategy to build a world class value chain, our latest investment for the future is Dry Store 4 an additional 30,000sqm warehouse at Synlait Dunsandel, which will streamline logistic activities while

¹ Excluding fresh milk



bringing offsite South Island storage back to this site, supporting future growth and generating strong supply chain efficiencies. It will also enable greater control over our inventories, traceability and value add services, and improve our sustainability footprint and result in shorter lead times for our customers.

The project is expected to cost \$32 million and delivers a strong investment return based on the planned efficiency gains. The warehouse will create 20 new jobs and is expected to be completed in September 2020. Total usable warehouse space at Dunsandel will increase to 55,000sqm on completion.

CLARIFYING OUR DIRECTION

At the annual meeting in November our new purpose and brand identity was launched: Doing milk differently for a healthier world.

To support this, in the second half of FY19 we delivered on our promise to define Synlait's focus and purpose for shareholders and staff we have launched: Heart, Head and Hands, a framework that helps provide clarity for our people on why we exist, what we are aiming for, and where and how we will achieve it.

Heart, Head and Hands now communicates our Purpose, Ambition and Strategy and underpins everything we do. It will take Synlait to the next phase growth.

WHAT TO EXPECT FROM US IN 2020

Based on the diversification of our business, and the way we create value, we are changing the way we provide guidance. We expect our FY20 profits to continue to grow, with the rate of profitability increasing at least at a similar rate to that of FY19 over FY18. Our expected earnings growth will be driven by:

- continuation of strong momentum from the second half of FY19 where we sold 24,932 MT of consumer packaged infant formula;
- a full year of operation of the advanced liquid dairy packaging facility and the first sales of long-life products in the second half of FY20;
- continued progression of our Everyday Dairy strategy;
- a full year of operation of the expanded lactoferrin facility; and
- a contribution from Synlait Pokeno, which will be commissioned shortly.

Further information can be found in the Investor Presentation on our website.

FOR MORE INFORMATION

Our 2019 Annual Report can be accessed [here](#). For all documentation supporting today's announcement, please visit our NZX [announcements section](#).

We look forward to the year ahead and appreciate your ongoing support.

On behalf of the Synlait team, thank you for your commitment as a valued shareholder as we do milk differently for a healthier world.

Synlait

A handwritten signature in black ink, appearing to read 'Graeme Milne', with a long, sweeping underline.

Synlait Chair, Graeme Milne.