



Synlait

Dairyworks.
~NEW ZEALAND~

ACQUISITION OF DAIRYWORKS

SUMMARY OF STRATEGIC RATIONALE

12 March 2020

TRANSACTION OVERVIEW

TRANSACTION OVERVIEW

- Conditional purchase of shares in Dairyworks announced for \$112 million in October 2019
- Price reflective of an approximate 7.1x EBITDA multiple (previously 7.5x) based on last twelve months of forecast earnings to 31 March 2020. Transaction funded by existing banking facilities
- Overseas Investment Office consent under the Overseas Investment Act 2005 has been granted. Settlement to take place on 1 April 2020

ABOUT DAIRYWORKS

- A New Zealand market leader in the Everyday Dairy category with a growing Australian presence
- Dairyworks supplies New Zealand consumers with almost half of its cheese, a quarter of its butter, as well as milk powder and the award-winning Deep South ice cream
- Highly experienced FMCG executive team in the business to drive long-term growth

ACQUISITION RATIONALE

- Accelerates Synlait's diversification strategy achieving instant scale in the Everyday Dairy category. Dairyworks has a strong market presence in cheese, retail butter and grocery channels, reducing Synlait's site, customer, product and market risk
- Talbot Forest and Dairyworks are a natural fit. Supply chain synergies over time through vertical integration with Talbot Forest Cheese
- Provides an opportunity to extract more value from Synlait's milk pool by moving closer to the consumer and owning more of the value chain
- Dairyworks brings to Synlait an innovative, agile and nimble FMCG culture, which will help further expand our category offerings and products
- Financially attractive and immediately earnings per share accretive

ACQUISITION RATIONALE

ATTRACTIVE SECTOR	GROWTH OPPORTUNITIES	COMPLEMENTARY CULTURE	FINANCIALLY SUSTAINABLE
- Industry players remain limited and unintegrated in cheese and butter and have high barriers to entry - Consumers preferences within cheese category evolving to convenience and specialty. These are valued added products - Export growth potential for New Zealand dairy businesses is significant. New Zealand's strong dairy reputation enables businesses to leverage 'brand New Zealand' to access large and growing global dairy markets	- Utilise Dairyworks innovative, agile and nimble FMCG culture to expand category offerings and products - Continue to maximise strong on-shelf New Zealand brand, and leverage emerging Australian grocery beachhead to grow rapidly - Ability to leverage fresh milk line at Dunsandel to expand Dairyworks offering over time	- Dairyworks is a nimble and innovative company like Synlait - Dairyworks purpose 'Make Life Easy' complements Synlait's purpose 'Doing milk differently for a healthier world' - Christchurch-based	- Equipment and management structure recently invested in - Provides a high-value channel to market for cheese produced at Talbot Forest - Financially compelling transaction reflected in attractive acquisition multiple and earnings per share accretion - Earnings growth trajectory demonstrates potential for further shareholder value creation over the long-term
SYNERGIES WITH SYNLAIT: WHAT DAIRYWORKS BRINGS TO OUR BUSINESS			
- Diversification of customers, categories and markets - Supply chain synergies over time through vertical integration with Talbot Forest Cheese and working capital benefits - Ability to better optimise Synlait's milk pool and get more value from what we process - Cultural alignment			

OVERVIEW OF DAIRYWORKS

DAIRYWORKS IS A MARKET LEADER ...

STRONG MARKET POSITIONS

CHEESE #1

BUTTER #2

ICE CREAM #4

MILK POWDER #4

STRONG WELL RECOGNISED BRANDS



STRONG CUSTOMER BASE



... WITH A STRONG PRODUCT PORTFOLIO IN CONSUMER DAIRY

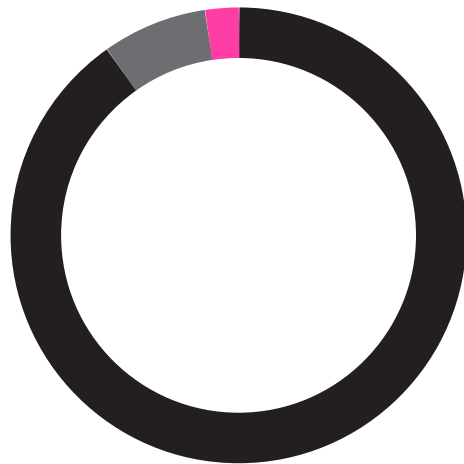
DAIRYWORKS PRODUCTS, PROCESSES AND SALES CHANNELS

The company produces over 500 products. A snapshot of the product types is set out below

Products	Inputs	Processing	Example product types		Sales and marketing/distribution
Cheese	Bulk cheese supply (20kg blocks)	Cut, process, package: - Dairyworks brands - Contract brands	1kg, 750g, 250g blocks - Cheese slices - Grated / powdered cheese - Shaved cheese - Cheese sticks - Cheese and cracker snacks - Soft cheeses		- Supermarkets - Food Service (including convenience / service stations) - Export
Butter	Finished and bulk supply	- Currently all processing and packaging carried out by Fonterra - New butter stick line put in place this year	500g blocks 227g (half pound) and 454g (pound) - New 100g butter sticks		- Supermarkets - Food Service (including convenience / service stations) - Export
Ice Cream	Bulk cream and other ingredient supply	Churn ice cream, package: - Dairyworks - Deep South brand - Contract brands	- Dairyworks 5 litre and 16 litre - Deep South 125ml/450ml/950ml and 2 litre 5 Litre / 10 litre Food Service		- Supermarkets - Food Service (including convenience / service stations) - Export
Milk Powder	Finished packaged milk powder	Nil (all processing is outsourced)	- Full Cream Milk Powder (400g & 1kg) - Skim Milk Powder (400g & 1kg)		- Supermarkets - Food Service (including convenience / service stations) - Export

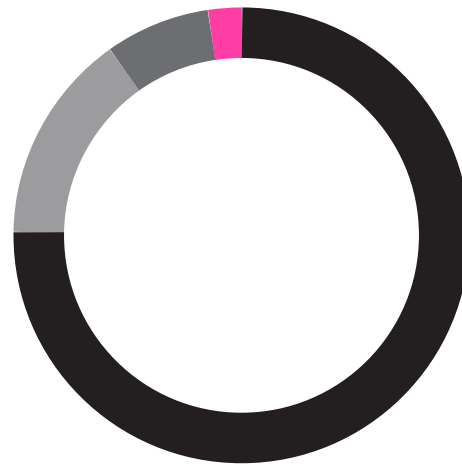
... AND POTENTIAL TO EXPAND INTO NEW MARKETS AND CHANNELS FOR FUTURE GROWTH

GEOGRAPHY SPLIT*



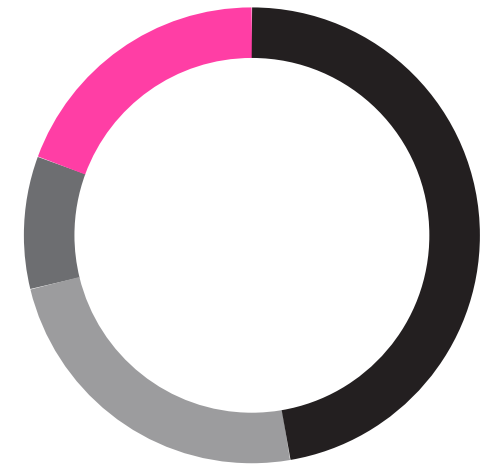
- 90% New Zealand
- 8% Australia
- 2% Rest of world

CHANNEL SPLIT*



- 75% New Zealand grocery
- 15% Food service
- 8% Australia grocery
- 2% Export

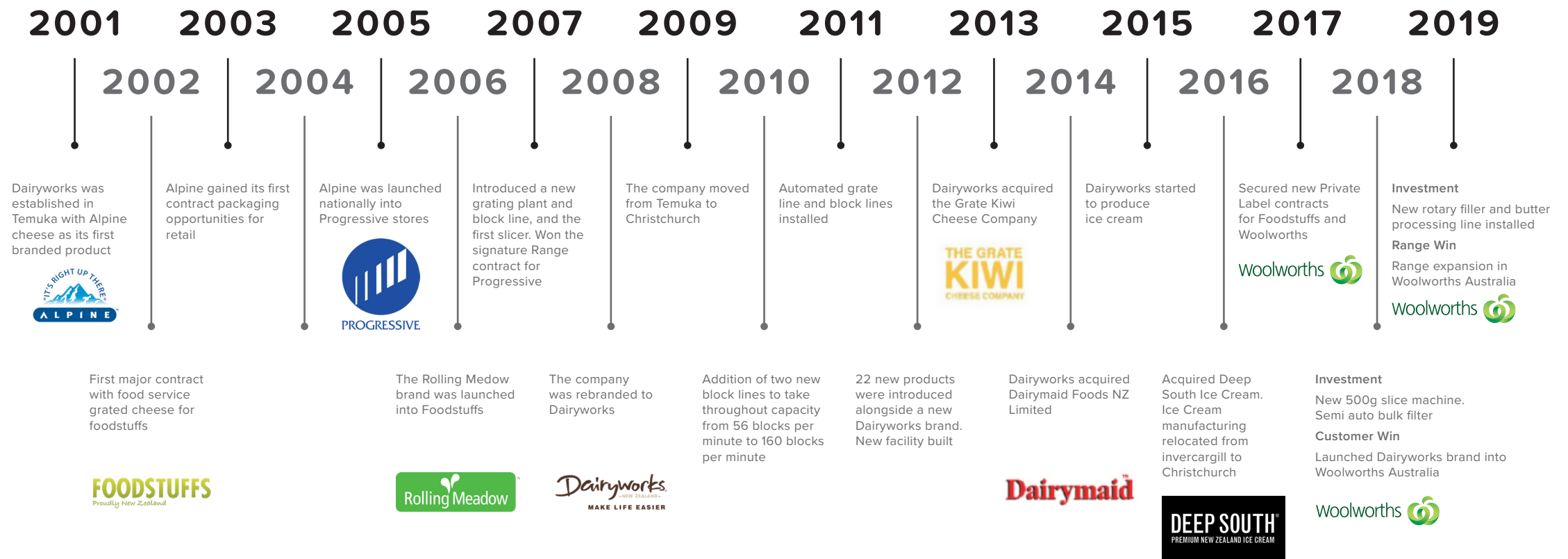
CATEGORY SPLIT*



- 47% Cheese
- 25% Butter
- 9% Ice cream
- 19% Milk powder

**Splits represents total revenue for the 12 months to February 2020*

... WITH A TRACK RECORD OF DELIVERING



MEET THE TEAM

- Dairyworks will be a subsidiary of Synlait and operate as a stand-alone business, with its CEO Tim Carter, reporting to Synlait CEO Leon Clement
- Dairyworks has an experienced executive leadership team with deep dairy and consumer brands experience
- Christchurch manufacturing facility is home to a team of more than 230 employees in processing, production and administration roles

Highly experienced FMCG executive team in the business to drive long-term growth



Tim Carter
Chief Executive Officer

- Tim joined Dairyworks in 2018
- 20+ years experience in the New Zealand FMCG and dairy industry
- Previously worked with Fonterra for over 18 years across multiple roles



Kieran Hayes
Chief Financial Officer

- Keiran joined Dairyworks as CFO in February 2017
- 9 years with KPMG in a variety of New Zealand and Asian offices, advising a number of large scale Australasian businesses
- Member of Institute of New Zealand Chartered Accountants and qualified Barrister and Solicitor of the High Court of New Zealand



Simon Cross
General Manager
Operations

- Simon has worked at Dairyworks for eight years, holding various positions within the business ranging from operational and supply chain leadership roles to Head of Sales & Marketing
- He has spent the last 18 months as General Manager Operations & Supply Chain
- Prior to Dairyworks Simon held senior management positions in the hotel industry



Adam Maxwell
General Manager
Sales & Marketing

- Joined Dairyworks in 2018
- 30 years experience in sales and marketing in the UK and New Zealand across a range of FMCG / Technology companies
- Management and executive level marketing and sales experience with Diageo, Fonterra, Canon, Independent Liquor NZ, DB Breweries and ENZA.

EXPECTED SYNERGIES WITH SYNLAIT





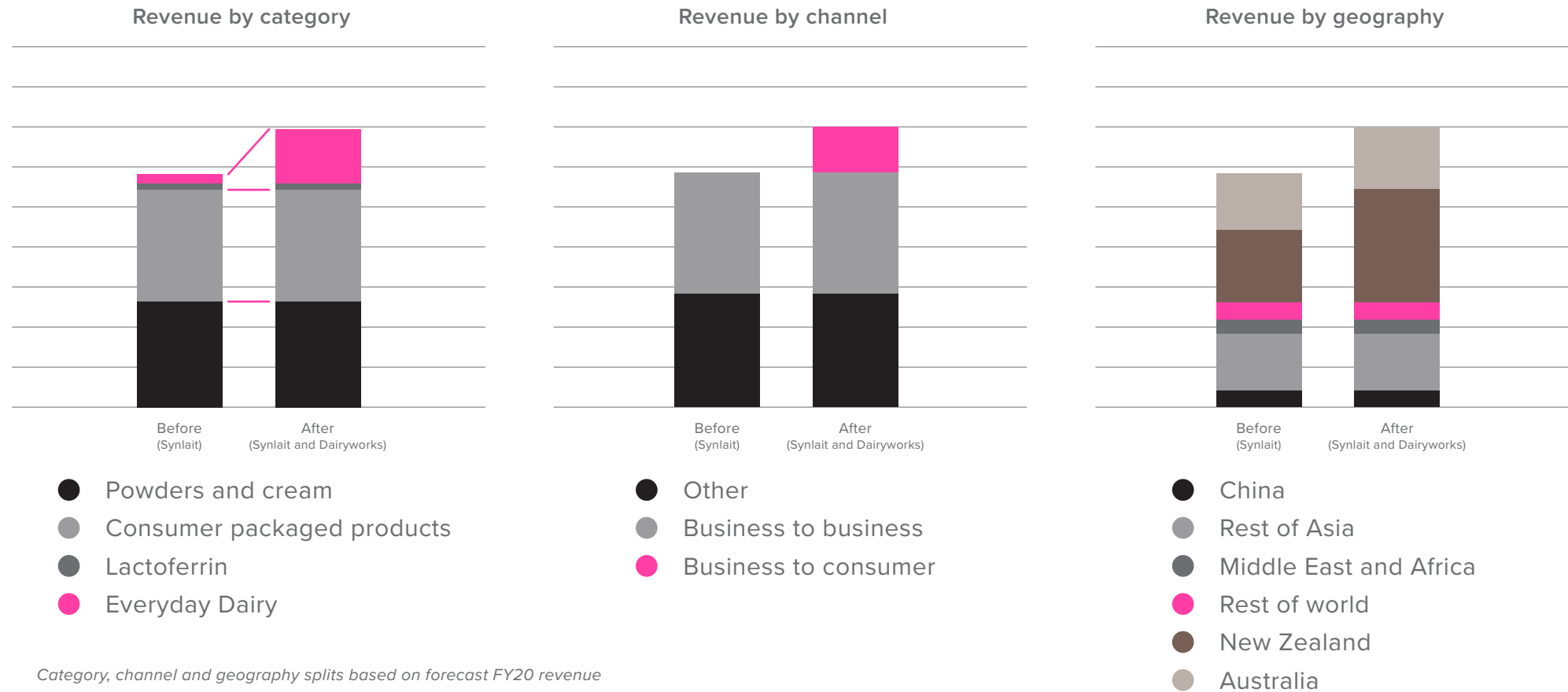
EXPECTED SYNERGIES

WHAT DAIRYWORKS BRINGS TO SYNLAIT:

1. Diversification of customers, categories and markets
2. Supply chain synergies over time through vertical integration with Talbot Forest Cheese and working capital benefits
3. Ability to better optimise Synlait's milk pool and get more value from what we process
4. Cultural alignment

1. DIVERSIFICATION

Acquisition accelerates diversification strategy and further reduces site, customer, category and market concentration risk.

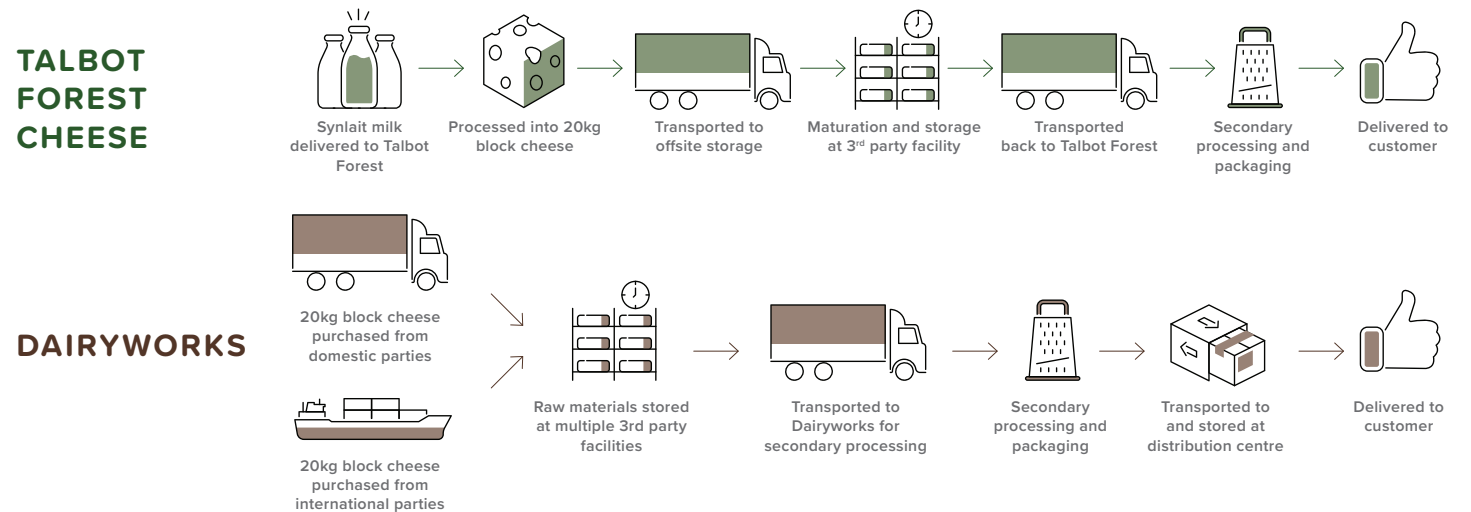


2. TALBOT FOREST AND DAIRYWORKS ARE A NATURAL FIT

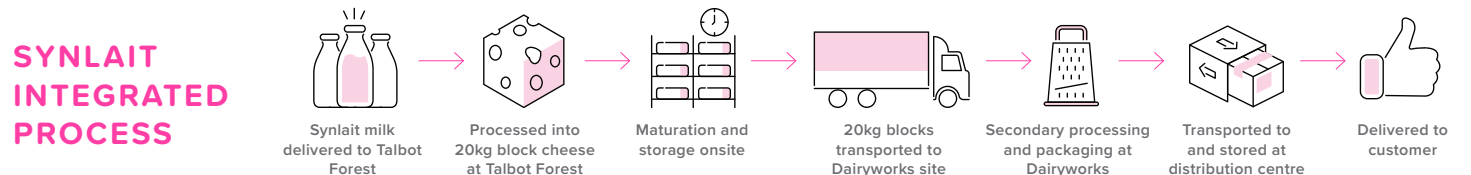
- Talbot Forest is primarily a manufacturer of cheese, with some processing capability. It processes raw milk into 20kg blocks which are matured before being used in secondary processing
- Dairyworks is a secondary processor of cheese. It procures 20kg cheese blocks from other suppliers, and processes these into consumer ready products
- Provides higher-value retail channel to market/products for cheese produced by Talbot Forest
- Dairyworks' bulk cheese requirements will only be partially met by Talbot Forest, so procurement flexibility is retained

Example of supply chain synergies over time through vertical integration with Talbot Forest

CURRENT STATE



FUTURE STATE



3. STREAM OPTIMISATION OPPORTUNITIES

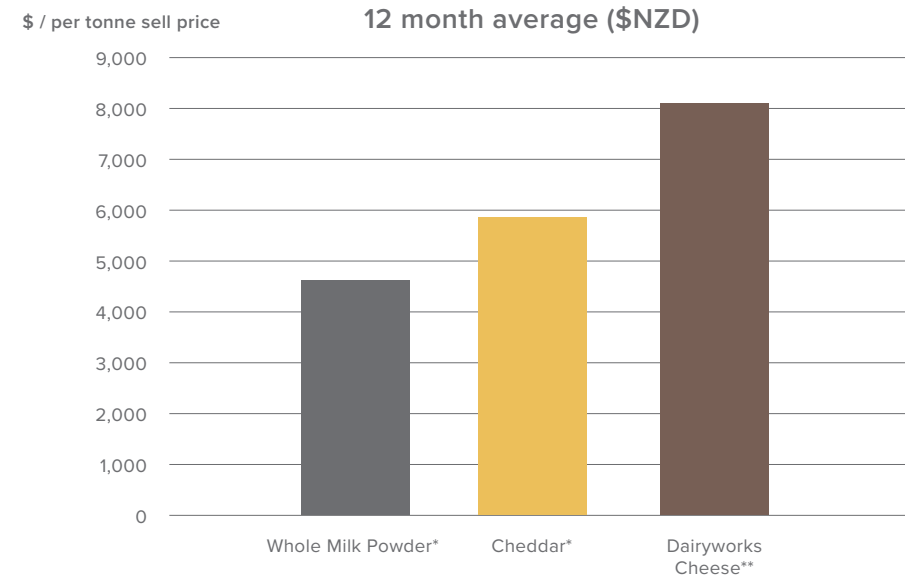
- Talbot Forest and Dairyworks provide flexibility to optimise stream returns above base commodity prices
- By moving closer to the consumer and owning more of the value chain, there is opportunity to extract more value from Synlait's milk pool
- Dairyworks product mix evolving to more convenience / snacking offerings also creates additional value

Current retail sales prices

\$10.90/kg

\$18/kg

\$26/kg



* Global Dairy Trade reference prices

** Dairyworks average sale price

4. CULTURAL ALIGNMENT

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MATURITY

Founded approximately 10 years ago

PURPOSE

Dairyworks 'Make Life Easy' complements
Synlait's 'Doing milk differently for a healthier world'

BUSINESS MODEL

Disruptive and innovative approach to creating new value

CUSTOMERS

Track record for building long-term partnerships



FINANCIAL OVERVIEW

TRANSACTION SUMMARY AND GUIDANCE UPDATE

- Synlait announced the conditional purchase of Dairyworks for \$112 million in October 2019, with the transaction funded by existing banking facilities. Settlement to take place on 1 April 2020
- Price reflective of an approximate 7.1x EBITDA (8.1x EBIT) multiple based on last twelve months of forecast earnings to 31 March 2020. This is lower than the previously announced 7.5x EBITDA multiple due to business growth over and above expectations
- Effective date of the transaction is 30 September 2019, with a 'locked box' period to settlement on 1 April 2020. Under this transaction mechanic, business earnings, forecast to be approximately \$7 million during this time, are for the benefit of Synlait and remain in Dairyworks Disruptive and innovative approach to creating new value after settlement
- Synlait will consolidate earnings of Dairyworks upon settlement, and can now confirm that Dairyworks is expected to make an EBITDA contribution of approximately \$4 million in the remainder of FY20. This translates to a Net Profit After Tax contribution of approximately \$2 million, after borrowing costs and depreciation. Synlait reiterates it therefore remains comfortable with its FY20 earnings guidance range, which is between \$70 million and \$85 million net profit after tax
- Combined, Talbot Forest and Dairyworks, expected to achieve Synlait's requirement of a pre-tax return on invested capital of 20% after expected synergies
- Synlait looks forward to a fuller discussion around its financial performance on Thursday 19 March when it releases its Half Year 2020 financial results

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