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ASX: SM1

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10 November 2020

Synlait Milk announces \$200 million equity raising to complete the investment phase of its strategy and strengthen its balance sheet

Synlait Milk Limited ("Synlait" or the "Company") (SML.NZX/SM1.ASX) today announced an equity raising ("Equity Raising") via an approximately \$180 million underwritten placement at a fixed price of NZ\$5.10 per share ("Placement") and a \$20 million underwritten share purchase plan ("Share Purchase Plan" or "SPP").

Proceeds from the Equity Raising will support Synlait to:

- Complete the investment phase of its strategy including the customisation of Synlait Pokeno and Auckland for processing and packaging equipment to service its new multinational customer.
- Strengthen its balance sheet to:
 - provide more financial headroom as it navigates COVID-19, which is having an unpredictable impact on the stability of its current and future earnings; and
 - create capacity to deliver on its purpose: *Doing Milk Differently For A Healthier World*.

FY21 Guidance Update

- Synlait now expects consumer-packaged infant formula volumes to be lower than FY20, with softer demand in HY21 than previously expected as our key customer resets its own inventory levels.
- Synlait still expects volumes to increase in the second half of FY21 once stocks have cleared, however we are expecting our HY21 NPAT result to be significantly lower than HY20.
- Against this, we now expect to be at or slightly below the FY20 NPAT result for FY21 as Synlait continues to focus on optimising its assets and manufacturing efficiencies.
- This guidance is subject to the unpredictable effects of COVID-19, with consumer behaviour, channel dynamics and supply chain disruptions all subject to change.
- A further update will be provided at Synlait's half year result in March 2021.
- A full copy of Synlait's updated guidance statement is available on slide 17 of the Investor Presentation which was released alongside this announcement.



Overview of Equity Raising

The \$200 million Equity Raising comprises an underwritten Placement of approximately \$180 million followed by a \$20 million underwritten Share Purchase Plan, sized to reflect the composition of Synlait's share register as at 9 November 2020. The Equity Raising has been structured with the objective that almost all eligible existing shareholders have the opportunity to receive at least their pro-rata portion of new shares being offered.

The Equity Raising is supported by Synlait's cornerstone shareholders Bright Dairy Holding Limited and The a2 Milk Company, with pro rata pre-commitments to take up shares by them and guaranteed allocation amounting to approximately \$114 million in total which have been excluded from the underwrite. The balance of the Equity Raising is fully underwritten. Further, each of Synlait's New Zealand resident directors has committed to participate in the Equity Raising.

Under the Placement, Bright Dairy Holding Limited will be allocated its pro-rata portion of the Equity Raising to ensure that its 39.01% holding in Synlait does not decrease as a result of the Equity Raising (which would result in a loss of its constitutional director appointment rights).

The Placement will be conducted through a bookbuild in which institutional and other select investors in New Zealand, Australia and other jurisdictions will be invited to participate. The Placement has been underwritten at a fixed price of NZ\$5.10 per share, which represents a 14.0% discount to the last trading price of \$5.93 per share on 9 November 2020 and a 6.6% discount to the 5-day volume weighted average market price ("VWAP") on the NZX of \$5.46 prior to today's announcement. A trading halt has been granted by NZX and ASX to facilitate the Placement.

Synlait intends to offer the SPP to eligible existing shareholders with a registered address in New Zealand and Australia, enabling them to subscribe for up to \$50,000/A\$47,000 of new Synlait shares. The SPP offer size is \$20 million (with no oversubscriptions) and the offer price of these shares will be the lower of the Placement offer price and a 2.5% discount to the five-day VWAP of Synlait shares traded on the NZX during the last five days of the SPP offer period (inclusive). If scaling of the SPP is required, it will be done with reference to the shareholders' existing shareholdings at the record date of Monday 9 November 2020.

Synlait considers that the SPP will cater for almost all of Synlait's non-institutional shareholders, enabling them to participate and potentially increase their relative percentage holdings in Synlait. The final terms of the SPP will be announced on 13 November 2020. An SPP booklet, together with an application form, will be sent to eligible shareholders on 13 November 2020 and will be available on the website established for the SPP on the same day. The closing date for applications by eligible shareholders is Wednesday, 25 November 2020.

Eligible shareholders wishing to acquire new shares under the SPP will need to complete the application form or apply online via the website. Eligible shareholders may apply for up to \$50,000/A\$47,000 of shares. The new shares to be issued under both the Placement and the SPP will rank equally in all respects with Synlait's existing ordinary shares.

Key Dates

The key dates¹ for the Equity Raising are:

Equity Raising timetable	
Trading halt and announcement of Placement and SPP	Tuesday 10 November 2020

¹ These dates are subject to change and are indicative only.



Equity Raising timetable	
Placement	
Placement bookbuild	Tuesday 10 November 2020
Announcement of results of Placement and trading halt lifted (expected to be at or around 1pm NZDT / 11am AEDT)	Wednesday 11 November 2020
ASX settlement	Tuesday 17 November 2020
NZX settlement	Wednesday 18 November 2020
Allotment and commencement of trading of new shares on NZX and ASX	Wednesday 18 November 2020
Share purchase plan	
Record date	Monday 9 November 2020
Expected despatch of SPP offer document and application forms	Friday 13 November 2020
Share Purchase Plan opens (9am NZDT / 7am AEDT)	Friday 13 November 2020
Share Purchase Plan closes (7pm NZDT / 5pm AEDT)	Wednesday 25 November 2020
Announcement of results of SPP, including offer price of SPP in NZ\$ and A\$	Monday 30 November 2020
NZX and ASX settlement and allotment	Tuesday 1 December 2020
Commencement of trading of new shares on NZX	Tuesday 1 December 2020
Commencement of trading of new shares on ASX	Wednesday 2 December 2020
Despatch of statements	Wednesday 9 December 2020

Additional information regarding the Equity Raising is contained in the Investor Presentation accompanying this announcement. The Investor Presentation contains important information including the key risks and foreign selling restrictions with respect to the Equity Raising.

Synlait is undertaking the Equity Raising in reliance on the NZX Regulation Class Waiver and Ruling in relation to section 4 of the NZX Listing Rules dated 30 September 2020.

Nothing contained in this announcement constitutes investment, legal, tax or other advice. Investors are encouraged to seek appropriate professional advice before making any investment decision.

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This market announcement has been prepared for publication in Australia and New Zealand and may not be released to US wire services or distributed or released in the United States or any other jurisdiction. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy securities in the United States (or to, or for the account or benefit of any person in the United States) or in any other jurisdiction in which such an offer would be unlawful. The offer and sale of the shares referred to in this announcement have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act") or the securities laws of any state or other jurisdiction of the United States. Accordingly,



the new shares to be offered and sold in the Placement may not be offered or sold, directly or indirectly, to any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The new shares to be offered and sold in the SPP may not be offered or sold, directly or indirectly, to any person in the United States or any person acting for the account or benefit of a person in the United States.

The information in this announcement is of general background and does not purport to be complete. It should be read in conjunction with Synlait's other market announcements lodged with NZX, which are available at: www.nzx.com/companies/SML

Forward-looking statements

This announcement may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Company. Forward-looking statements can generally be identified by use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. Forward-looking statements also include statements regarding the timetable, conduct and outcome of the Offer and the use of proceeds thereof, statements about the plans, objectives and strategies of the management of the Company, statements about FY21 guidance, statements about capital expenditure, projected commercial production date and expected positive impact on earnings, statements about the industry and the markets in which the Company operates, statements about the future performance of the Company's business and statements in respect of COVID-19 and its impact on the Company. Any indications of, or guidance or outlook on, future earnings or financial position or performance and future distributions are also forward-looking statements. All such forward-looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies, and other factors, many of which are outside the control of the Company, which may cause the actual results or performance of the Company to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such forward-looking statements speak only as of the date of this announcement. Except as required by law or regulation (including the NZX Listing Rules and the ASX Listing Rules), the Company undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to the date of this announcement or to update or keep current any of the information contained herein. Any estimates or projections as to events that may occur in the future (including projections of revenue, expense, net income and performance) are based upon the best judgement of the Company from the information available as of the date of this announcement. A number of factors could cause actual results or performance to vary materially from the projections, including the risk factors set out in this announcement. Investors should consider the forward-looking statements in this announcement in light of those risks and disclosures.