



## MEDIA RELEASE

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### **Synlait poised for earnings growth following \$12.2 million underlying NPAT in FY15**

Synlait Milk has reported an underlying net profit after tax (NPAT) of \$12.2 million for the financial year ending 31 July 2015 (FY15), compared with \$19.6 million in FY14.

Reported after tax profit was \$10.6 million after accounting for unrealised foreign exchange losses, which will be unwound in future periods.

Revenue for the period was \$448.1 million compared to \$600.5 million in FY14, largely due to decreases in dairy prices.

The underlying NPAT, while within market guidance, was down on expectations due to lower than anticipated lactoferrin sales and Synlait's Board of Directors choosing to prioritise payments to milk suppliers in a period of a very low milk price.

"FY15 has been an extremely busy year. We've continued to develop our existing ingredients and bulk nutritionals business, as well as bringing lactoferrin to market and increasing production volumes of finished infant formula in retail-ready cans," said Chairman Graeme Milne.

"At the same time, we've continued our investment in our nutritional capacity and capability with our \$250 million growth initiatives programme nearing completion."

"All of this has been in a global operating environment where milk prices have fallen to unsustainably low levels and this is reflected in our FY15 revenue. Our suppliers are an important part of our business and we've prioritised paying them higher advances and final payments for their milk, relative to our earnings, in what has turned out to be the first of probably two very challenging years on farm."

Mr Milne added there will be an initial focus in FY16 on commissioning Synlait's third large scale spray dryer and new quality testing laboratory in October, but that focus will shift towards developing nutritional and infant formula products with key customers to leverage the increased capability and capacity.

"Based on the expected increase in volumes from both dryer three and our blending and consumer packaging facility, profitability will be in advance of anything achieved to date," said Mr Milne.

Managing Director and CEO John Penno says the strategy to make more from milk requires innovation both on farm and throughout the manufacturing process.

"We are poised for earnings growth through our value added strategy. We now have the customers, people, manufacturing capability and milk suppliers to deliver a significant increase in our overall volumes, particularly the volume of finished infant formula," said Mr Penno.



“Once we complete our growth initiatives, we will have one of the largest and highest specification infant formula production sites globally with an integrated supply chain from source to our customers. This integration is valuable to consumers who want to know where their products come from and how they’re made,” said Mr Penno.

A highlight for Mr Penno was moving customers up the value chain with infant formula, consumer-ready and nutraceutical products accounting for 55% of total powder volumes in FY15, a 15,000 MT increase on FY14 volumes.

“At this stage we estimate our sales volumes will lift to approximately 122,500 MT this financial year, up from 97,700MT in FY15. A significant increase in our value added consumer packaged infant formula products, as well as modest growth in our infant formula base powder business, will contribute to this,” adds Mr Penno.

Synlait paid its milk suppliers a total average milk price of \$4.54 per kgMS for the 2014 / 2015 dairy season. This price consists of a \$4.48 per kgMS base milk price and a \$0.06 per kgMS average payment for seasonal and value added premiums.

The forecast milk price for the 2015 / 2016 season has also been revised from \$5.50 per kgMS to \$5.00 per kgMS.

“Pricing has continued to be volatile and as always, we will continue to keep a close eye on the market and keep our suppliers updated,” said Mr Penno.

“Our milk supply is increasingly differentiated before it leaves the farm gate. The value added products we make are distinguished by the milk they are manufactured from. Special milk programmes like a2 Platinum® and Grass Fed are examples of this, as is certified Lead With Pride™ milk.”

“Our suppliers receive a premium payment, on top of their base milk price, for milk that goes into value added products. More than half of our suppliers will attract a premium payment this season because of the value they’re creating on their farm.”

In accordance with Synlait’s Dividend Policy, Synlait’s Board of Directors have determined that no dividend will be payable to shareholders for the financial year ending 31 July 2015.

The Synlait Milk Limited Annual Report 2015 can be found online at [www.synlait.com/investors](http://www.synlait.com/investors).

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