

\$98 million sought for expansion

Canterbury milk processor Synlait is intending to raise \$98 million for a \$300m expansion programme over the next three years to include a second site.

The company wants to increase its infant formula manufacturing and expand its packaging and value added cream manufacturing facilities. This will include investing in a second site outside of its Dunsandel plant.

Over the next year Synlait will buy land for the new manufacturing base to avoid "single site risk", although building was expected to be several years away. The site was "almost certain" to be in New Zealand and investigations would include the North Island.

Chairman Graeme Milne said the offer was expected to provide Synlait with enough funding and "headroom" to support its programme and to repay bank

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debt.

He said Synlait's largest shareholder of Chinese company Bright, holding 39 per cent, supported the offer and would maintain but not increase its shareholding. United States company Munchkin, with under 4 per cent of the total share base, would also take up share rights.

Just over 32.5 million new shares will be offered at \$3 a new share at a ratio of two new shares for every nine existing shares.

Synlait recently announced that its after-tax profit had more than tripled to \$34.4m for the financial year ending July.

Driven by an almost four-fold increase in canned infant formula volumes and growth in powder and cream product volumes, Synlait said the positive result set the foundation for its next phase of growth. "Synlait is a growth company. Our FY16 performance highlights the progress we've

made since our IPO in 2013 towards our aspiration of making more from milk," Milne said.

"We are continuing this momentum with an accelerated pro-rata entitlement offer to eligible shareholders to raise approximately \$98 million in support of our next growth phase. Investing in further capital projects to expand our capability and capacity will put us in a strong position to pursue customer, product and market development opportunities in the coming years," said Milne.

Year on year revenue increased \$98.8m from \$448.1m the last financial year to \$546.9m.

Synlait had revised its forecast milk price from \$4.50 a kilogram of milksolids to \$5/kg for the 2016/17 season after modest increases to dairy commodity prices. The company confirmed its total milk price of \$4.02/kg for the 2015/16 season.

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