

Press release
Date: 28 August 2024

SYNLAIT FOUNDER BELIEVES A BETTER DEAL IS POSSIBLE

Synlait founder and 2.4% shareholder, Dr John Penno, confirms having made formal complaints to both the NZX and Takeovers Panel regarding a capital raise that completely overlooks minority shareholder rights and is value destructive to their interests. Moreover, he believes a better deal is possible not only for minorities but also farmers, staff, customers and New Zealanders and it is extremely important that we get this right for all parties associated with this essential agribusiness.

With regards his complaint to regulators Dr Penno comments:

“My advisers have concluded that the voting procedures set out in the Notice of Meeting are not legally compliant in critical areas. Allowing both Bright and A2M to vote for each other’s placements which are clearly interrelated goes against best practice. Of course, they both would support each other’s sweetheart deal. I think the Synlait board has erred on getting this deal across the line at any cost rather than doing what is in the best interests of all shareholders and indeed the company. I therefore call on the regulators to do their jobs for the benefit and integrity of NZ’s capital markets.”

“Furthermore, it should be noted that minority shareholders cumulatively own 41% of Synlait’s shares making them the largest interest group in the company. Yet they have been completely overlooked in the capital raising process that will see their cumulative holdings diluted to 15%. Minority shareholders not only face being stranded due to the reduced interest resulting from 85% of the register being locked up, their influence over the company will also be impaired given the lower percentage shareholding. Bright’s effective stranglehold over the company it is highly likely to mean that investor interest will significantly diminish, and the shares will underperform.”

With regards his belief there are other options, Dr Penno comments:

“Firstly, I disagree with the findings of the Independent Advisors Report that suggests a very low recovery value of the assets in Synlait. Put alongside the placement, it is my strong view that minority shareholders would be better off if Synlait was put into the hands of an administrator to sell the assets to the highest value owners. Based on publically available information from the company and brokers reports the net value of Synlait’s assets after debt is circa \$600m (see attached). The current deal essentially takes the company private, with independent shareholders captive, valuing Synlait at not much more than \$100m.”

“Synlait’s need to address fundamental issues facing it dates back to 2020. I applaud the board settling its differences with ATM, however, questions should be asked about how the relationship could have got in this state to begin with. I note that Bright has controlled the Synlait board since 2010. So how can moving from 39% to 65% help this important NZ business when it has not been able to to date?

“It’s all very well for Bright to be characterised as coming to the rescue of Synlait, but all the current plan does is hand them total control and raises enough capital to kick the can down the road while risking support from farmers, staff and customers (namely key international accounts).

Concluding comments:

“This is a really important company for the industry and for New Zealand. I don’t believe that the Board have been able to explore all options and I’m asking them to be more explicit about the processes they have gone through over the past year.

“Forcing this deal through looks like a move to prevent better options coming forward. I have no doubt they will emerge if the current roadblocks to a better capital structure are removed, and management is given the freedom to make sensible choices.

“The company’s customers, staff and farmers deserve better, and getting the voting clear is the first step in this process.

“I urge independent shareholders not to cast their votes until these matters are resolved, and the board makes clear how they are going to solve the issues the company has so obviously faced under the current ownership structure.”