

# WELCOME – Annual Meeting 2019





# Company Business Review

Chris Hopkins

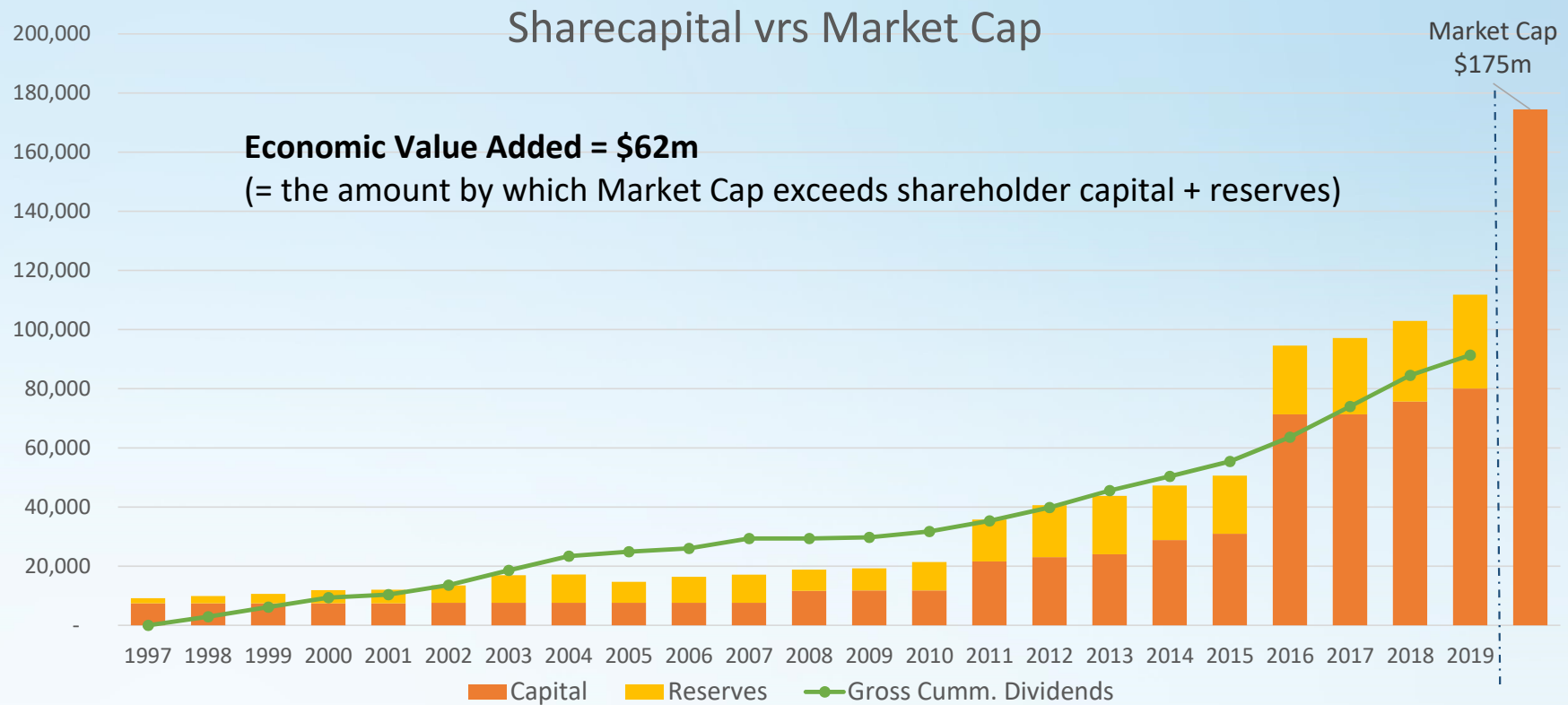
November 2019



- **Outline**

- ▲ Results – year ended 31 August 2019
- ▲ Scott Business Review
- ▲ Research & Development
- ▲ Outlook

## Shareholder Value



## Consolidated Statement of Comprehensive Income

	<u>2019</u>	<u>2018 (restated)</u>	<u>Change</u>
	\$000	\$000	\$000
Revenue	225,093	181,779	
Other operating income	2,441	2,064	
Share of joint ventures' net surplus	444	510	
Raw materials, consumables used & other expenses	(134,792)	(109,381)	
Employee benefits expense	(73,176)	(55,171)	
Operating EBITDA	20,010	19,801	209
Due diligence & acquisition costs	-	(496)	
<b>EBITDA</b>	<b>20,010</b>	<b>19,305</b>	<b>705</b>
Interest revenue	20	369	
Depreciation & amortisation	(8,969)	(4,225)	
Finance Costs	(1,715)	(403)	
Net surplus before taxation	9,346	15,046	(5,700)
Taxation expense	(742)	(4,274)	
Net surplus for the year after tax	8,604	10,772	(2,168)
Other comprehensive income	1,135	(504)	
<b>Total comprehensive income for year net of tax</b>	<b>9,739</b>	<b>10,268</b>	<b>(529)</b>
 Earnings per share	 11.3	 14.3	



## Consolidated Balance Sheet

	<u>2019</u> \$000	<u>2018 (Restated)</u> \$000	Change
Cash	(4,737)	12,473	
Current portion loans	(4,217)	(3,321)	
Deferred settlement	(2,385)	(6,275)	
Net Cash	(11,339)	2,877	(14,216)
Trade debtors	38,993	37,064	
Inventories	22,559	22,825	
Contract WIP (Net)	16,334	3,077	
Trade creditors	(31,057)	(30,322)	
Taxation payable	(218)	(2,738)	
Working Capital	46,611	29,906	16,705
Other net current assets and liabilities	(12,551)	(8,604)	(3,947)
<b>Sub Total Current + cash</b>	<b>22,721</b>	<b>24,179</b>	<b>(1,458)</b>
Non Current excl. intangibles			
Assets*	39,035	18,377	20,658
Liabilities*	(23,295)	(8,492)	(14,803)
	15,740	9,885	5,855
<b>Net Tangible Assets</b>	<b>38,461</b>	<b>34,064</b>	<b>4,397</b>
Goodwill	57,951	56,561	1,390
Intangible assets	15,405	15,103	302
	<b>73,356</b>	<b>71,664</b>	<b>1,692</b>
<b>Equity</b>	<b>111,817</b>	<b>105,728</b>	<b>6,089</b>

\* Includes Right of use assets of \$17.0m and Non current lease liabilities of \$13.3m.



# Revenue Growth Profile



# Our Industry Overview

## Materials handling & logistics



- ▲ Turnkey: Design – Manufacture – Service
- ▲ Palletisers and depalletisers, conveyors, stacker cranes, order preparation systems
- ▲ In-house software
- ▲ AGV Specialist



## Appliances Metal Forming



- ▲ Turnkey: Design – Manufacture – Service
- ▲ Customers globally
- ▲ Manufacturing facilities in Europe, China, Australia and NZ



## Industrial Automation & Robotics



- ▲ Smart automation solutions by vision and sensing
- ▲ Customised systems for almost any application
- ▲ Mobile robotics
- ▲ Refurbishing and spare parts



## Meat Processing



- ▲ Advanced carcass measurement
- ▲ Process optimisation
- ▲ Yield improvements
- ▲ Proven quality and safety improvements



## Mining Automation



- ▲ Automation technology for sample preparation and field automation
- ▲ A new standard in safety and yield
- ▲ Automation delivering success



COTT



## Sector Revenue Breakdown

### Sector Revenue

Aug balance date	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Meat processing	5	6	6	8	8	11	39	40	45	35
Industrial	1	3	8	7	9	31	31	40	36	54
Mining	19	28	34	29	14	17	22	26	33	30
Appliances	22	16	16	17	29	14	20	26	41	45
Materials handling									27	61
<b>Total</b>	<b>47</b>	<b>54</b>	<b>64</b>	<b>60</b>	<b>60</b>	<b>72</b>	<b>112</b>	<b>133</b>	<b>182</b>	<b>225</b>

April  
2016  
JBS acquires 50.1% at \$1.39 per share

Accum growth
\$m
30
53
11
24
61
<b>179</b>

<b>Sales to JBS</b>	<b>0.3</b>	<b>3.2</b>	<b>5.6</b>	<b>6.2</b>
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### Acquisitions

Rocklabs  
1 April 2008

RobotWo  
rx  
May-14

MAR  
Jan-15

Somako  
May-16

Bladesto  
p  
Oct-16

Alvey  
Apr-18

Transbotics  
Jun-18

Revenue CAGR	1 year	3 year	5 year	10 year
Meat processing	-23%	-7%	33%	27%
Industrial	52%	16%	15%	27%
Mining	-9%	7%	16%	5%
Appliances	11%	31%	35%	9%
<b>TOTAL</b>	<b>24%</b>	<b>30%</b>	<b>33%</b>	<b>19%</b>



## Revenue Analysis

### Revenue matrix for 2019 Financial Year

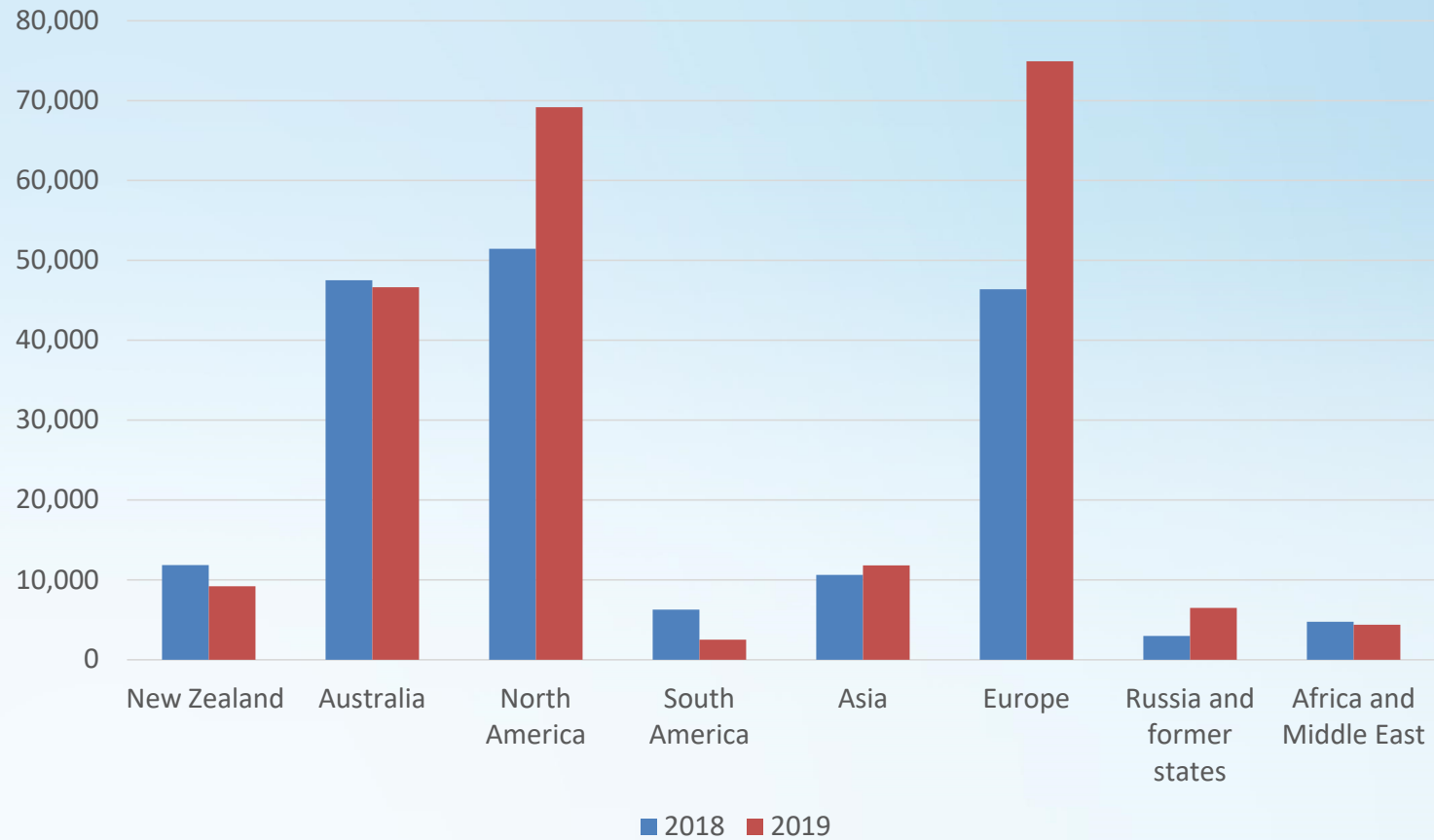
*By Industry and location of Customer*

	Geographical location of the customer								Total
	New Zealand	Australia	North America	South America	Asia	Europe	Russia	Africa	
Appliances		1	24		10	9	1		45
Materials handling						61			61
Meat processing	5	15	10			5			35
Mining		10	6	3	2		5	4	30
Industrial automation	4	21	29						54
<b>Total</b>	<b>9</b>	<b>47</b>	<b>69</b>	<b>3</b>	<b>12</b>	<b>75</b>	<b>6</b>	<b>4</b>	<b>225</b>

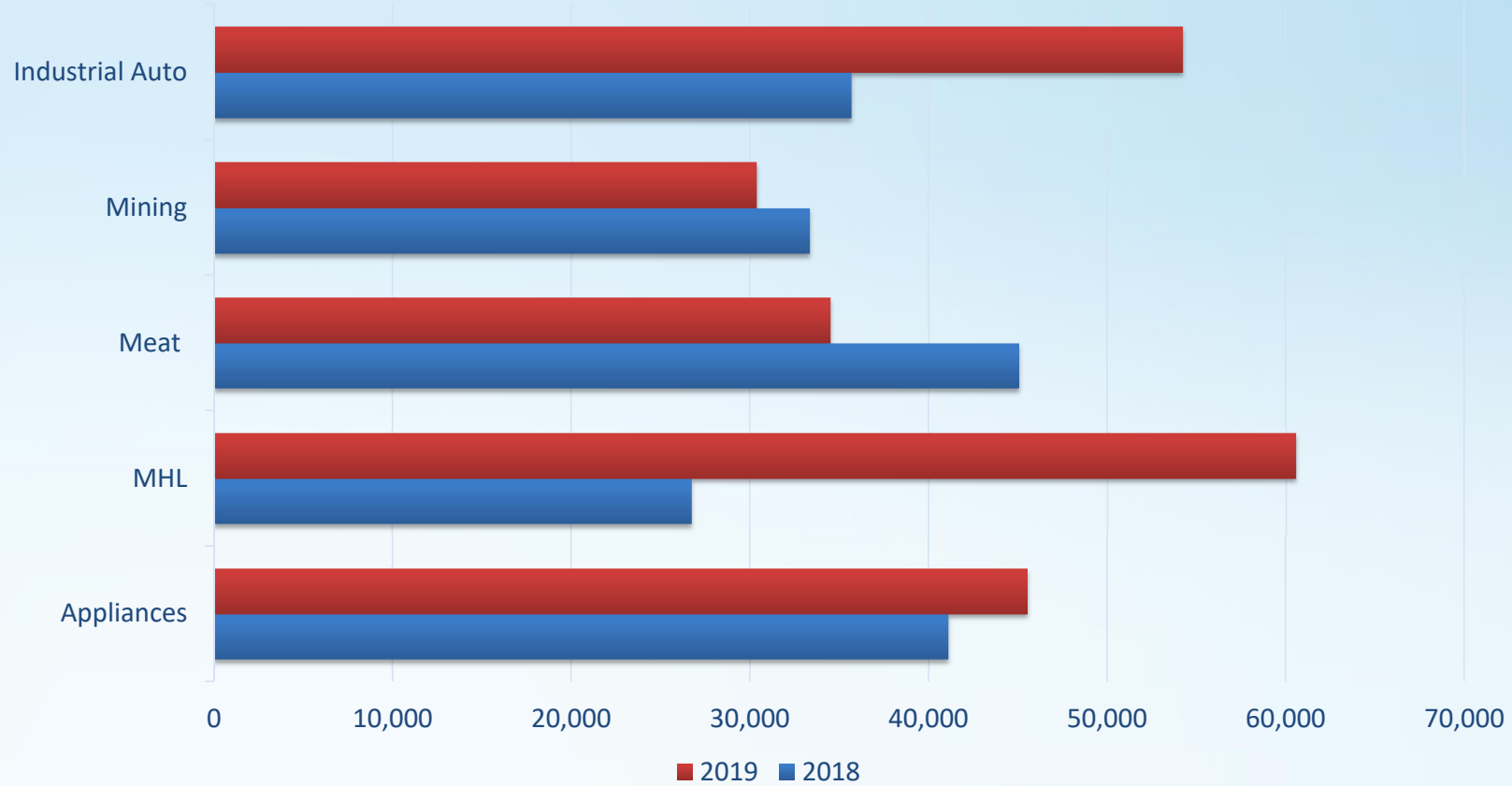
## Revenue Bridge FY18 to FY19(\$'000's)



## Revenue by Customer Geography (\$'000's)



## Revenue by Industry Sector (\$000's)



## Segment Results

	Revenue			Surplus after Tax		
	<u>2018</u>	<u>2019</u>	<u>change</u>	<u>2018</u>	<u>2019</u>	<u>change</u>
Australasia	100,492	102,760	2,268	11,899	9,218	(2,681)
Americas	29,141	35,630	6,489	2,490	4,091	1,601
Asia & Europe	52,146	86,703	34,557	441	1,703	1,262
	<u>181,779</u>	<u>225,093</u>	<u>43,314</u>	<u>14,830</u>	<u>15,012</u>	<u>182</u>
			Unallocated	<u>(4,058)</u>	<u>(6,408)</u>	
				<u>10,772</u>	<u>8,604</u>	

## Accounting impact On 2019 and beyond

### Factors affecting 2019 compared to 2018

- Lease accounting
- R & D
- Revenue recognition
- Goodwill restatement?

### Changes to occur in 2020

- In NZ, R & D tax credits (Tax Paid) replace grants (top line other revenue)

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- ▲ Research & Development

- ▲ Outlook



*key drivers in the short to medium term – market opportunities for :*

- **Industrial automation demand continues to intensify**
  - **Shortage of labour, declining unemployment rates, aging population**
    - Manufacturing work forces are struggling to keep up with consumption growth
    - Job preferences of millennials
    - High staff turnover becoming the norm (labour turnover rates in the meat processing industry have increased from 1.0%-1.5% per week to 2.0-2.5% per week; This turnover can represent up to 4% of total processing costs);
- **Productivity and Profitability**
- **Yield and Quality**
- **Health & Safety**

# OUR GLOBAL PRESENCE



## Operations – Health & Safety

- ▲ Commitment by all to safety at work
- ▲ Systems and Processes
- ▲ Monitoring effectiveness
- ▲ Results matter

## Total Injury Frequency Rate – 12 months



\*\*As at 20 November

Continued efforts in communication, employee participation and leadership, we see the injury rate tracking downwards.



## Strategy & Focus

*Strategy - to build a global company that has a sufficient presence, scale and technology to produce profitable growth.*

- *Core technologies have largely been developed*
- *Focus for 2020:*
  - *Repeat, profitable, sales of developed and proven technology*
  - *Taking Pork, Poultry and Beef developments to market*
  - *Growing service and maintenance revenues*
  - *Reviewing all areas of operations to improve bottom line*

## Opportunities for Meat Processing Sector

**Lamb** – Proven with small addressable market

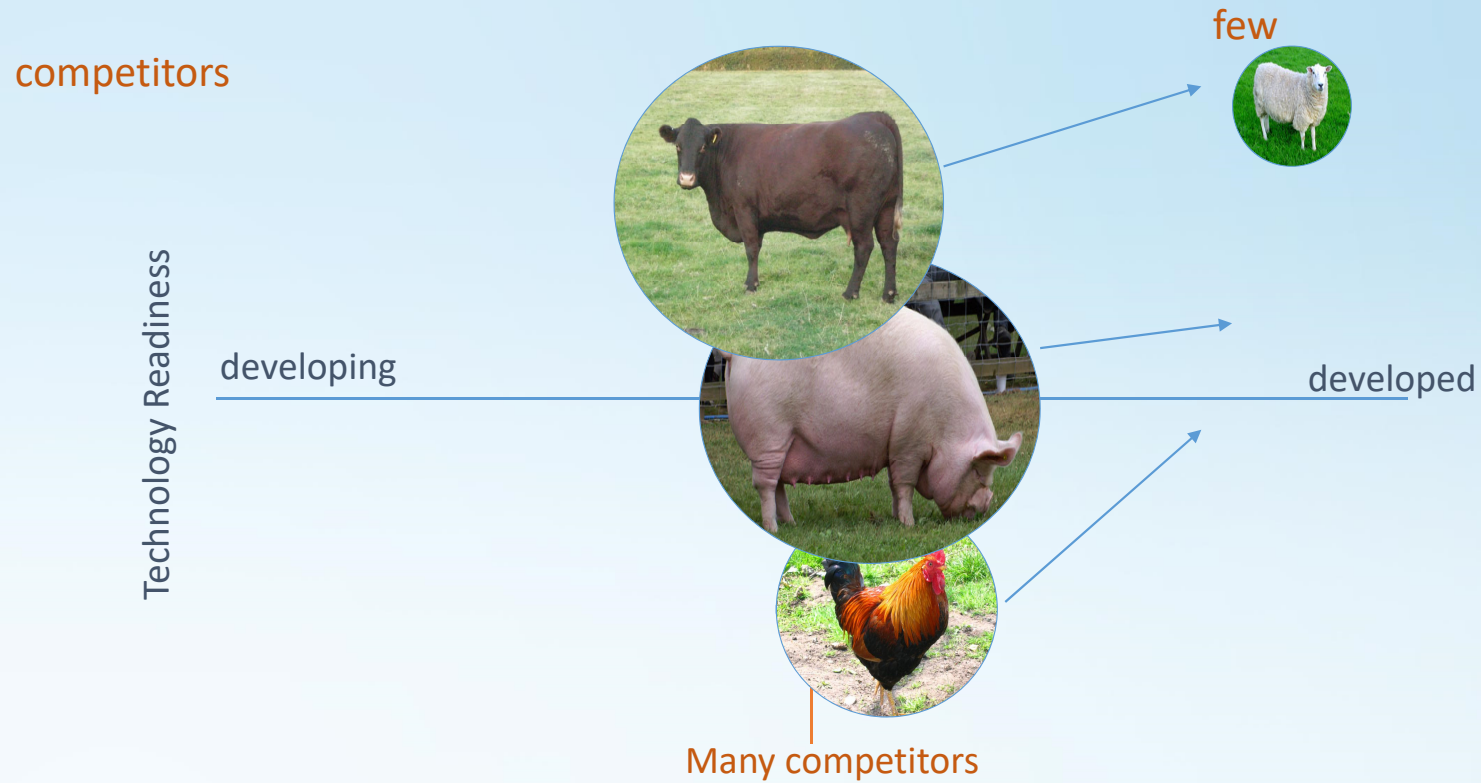
**Beef** – development underway will be prototypes over next few years. Market size large (10x Lamb)

**Pork** – started with Primal cutting based on lamb Xray – primal knowhow. First system in 2020. Addressable market \$200 – \$500 million (hundreds of multi million dollar systems).

**Poultry** – proof of concept delivered with first commercial system build underway. Addressable market \$20m+ over next three years with other similar systems to follow.

## Scott systems for meat processors

### Scott Position in Market



## Opportunities for Mining Sector

***Robo Prep (robotic sample preparation systems for Laboratories)*** – System technology (Hardware and Software) now proven with multiple installs planned for 2020. Addressable market \$20m - \$50m per annum.

***Automated Fire Assay*** – first commercial system delivered to Gold miner in Mexico.

***Robotic Refuel*** – Leading miners trialed and first commercial order taken in 2019. Addressable market \$50 – \$100 million.



## Opportunities for Other Sectors

**Automated Guided Vehicles (“AGVs”)** – Growing footprint for specialised vehicle technology. (Hardware and Software) well established with repeat bluechip customers. Demand for AGV’s growing at rapid rate particularly for Scott in North America. Target growth 30% plus.

**Appliances and metal forming** – subdued growth expected. Focus on repeat customers where we offer unique solutions.

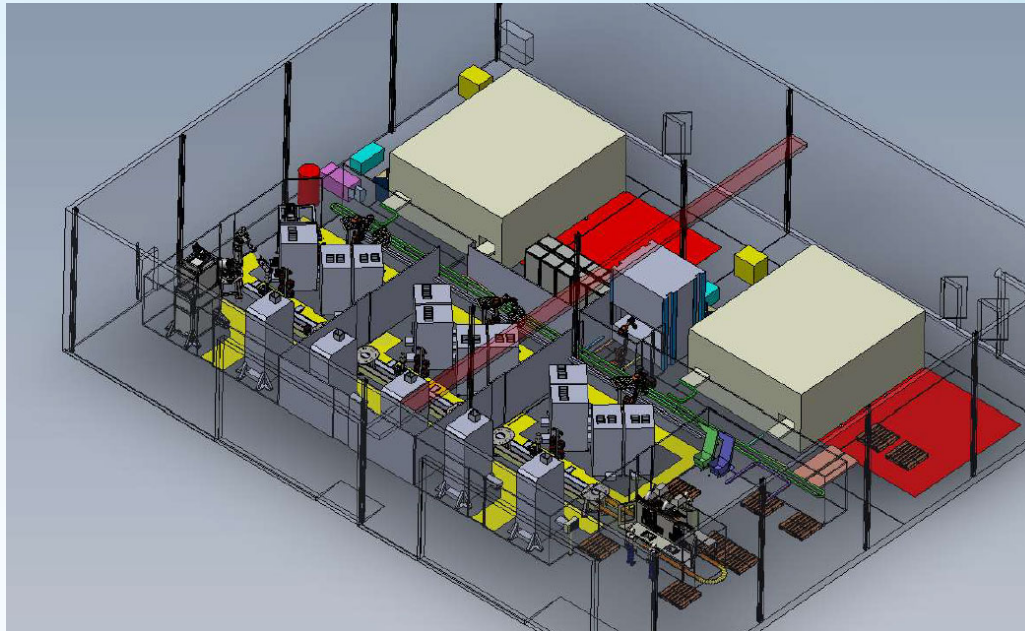
**Materials Handling** – Europe subdued but expected cross selling opportunities into North America to lead to further growth.

# Chrysos

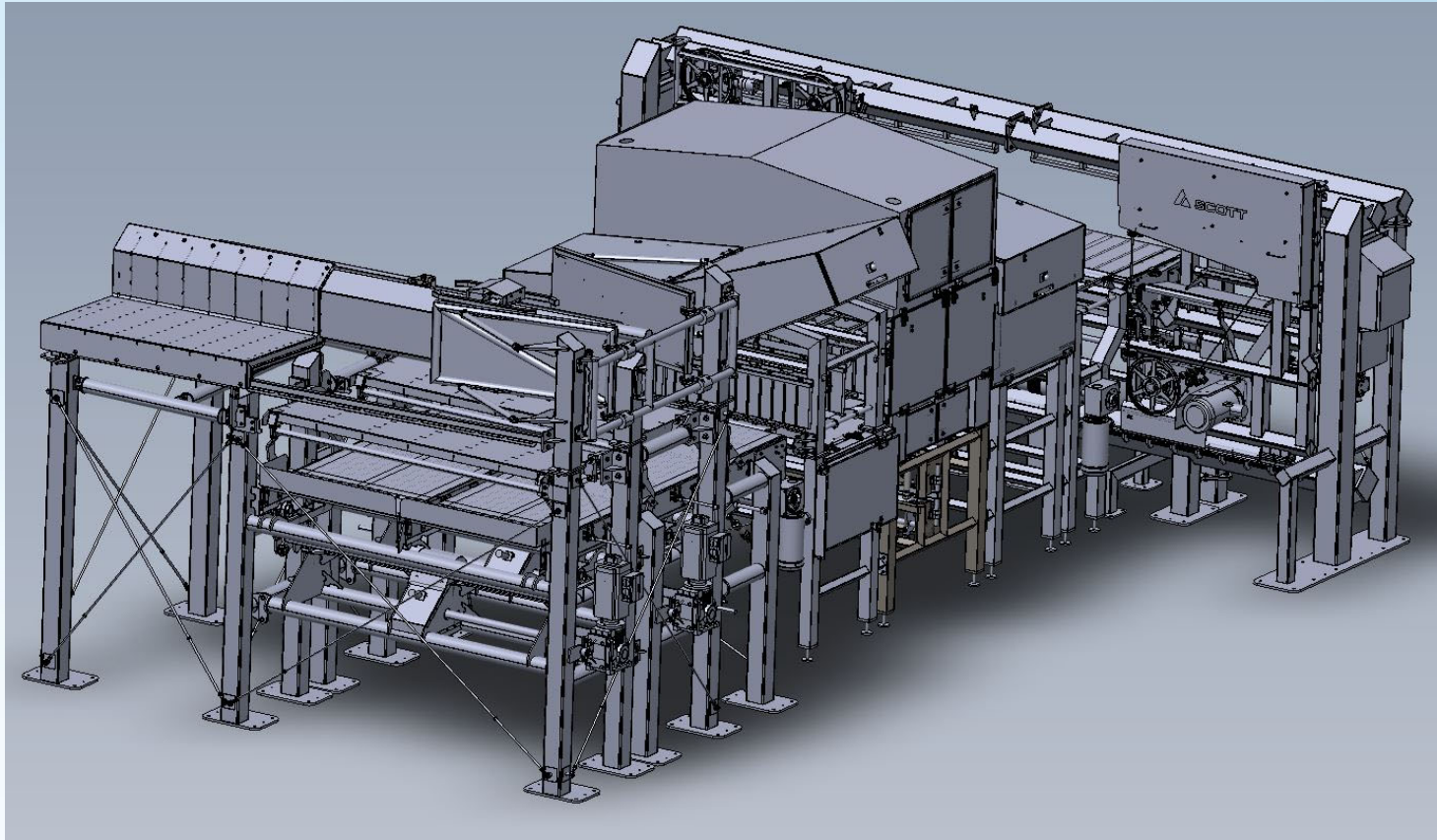
Roboprep system, for installation in Kalgoorlie in Q2 2020.

Our highest capacity prep system ever (150 samples / hour).

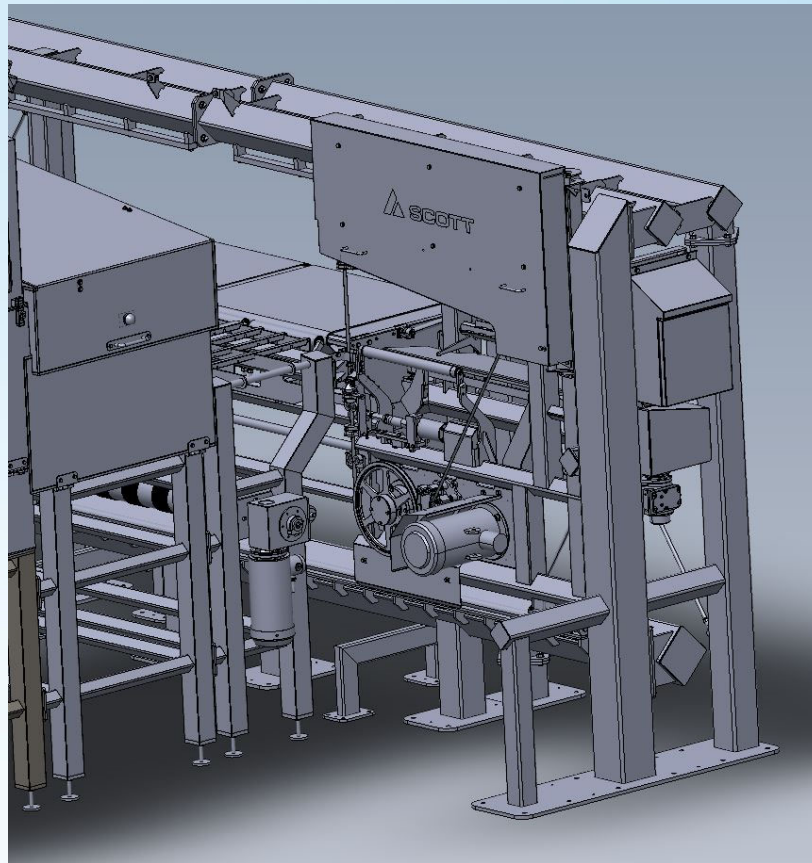
Our facility is preparing samples for two Chrysos PhotonAssay units, which offer gold analysis that are comparable to Fire Assay, but with a much safer, quicker, simpler preparation and analysis process. This will be a world first deployment for automated sample preparation for Photonassay.



## Pork Primal System



## Pork Primal System



## Focus Areas

*To deliver on Scott's Strategy, the focus will be on:*

- Consolidation and further integration of recent acquisitions into Scott – rollout of best practice systems and processes.
  - Cross Selling Opportunities
- Service and Spare Parts
- Research & Development – sharper focus
  - Meat processing developments continuing
  - Bladestop – new and expanded product range rollout
  - Mining technology developments
- Digital solutions (industry 4.0 and machine learning/AI) well established within Scott and complements Hardware

## Bladestop Bandsaws

### Expanded Bladestop product range:

- Development of Scott 600 saw completed
- CE certification and specification sorted
- European saw now shipping
- Opportunities beyond “protein”





## Strategy – Digital Direction

### 1. Vision and image analysis

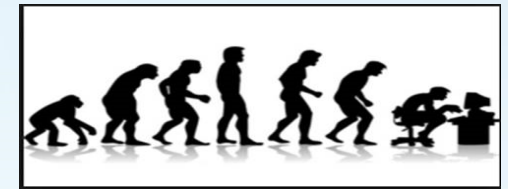
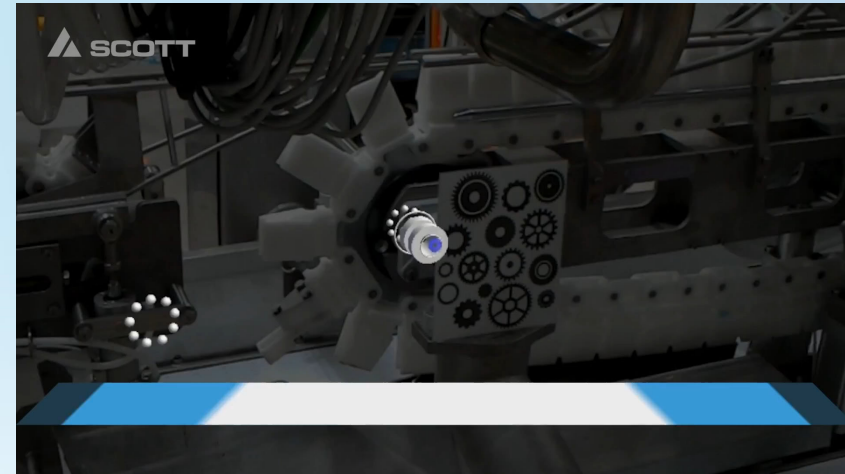
- 2. Package Software**
- Maestro (ex Alvey)
  - TMO (ex Transbotics)

- 3. IIOT and connectivity**
- Equipment reporting
  - Diagnostics
  - Maintenance
  - OEE

- 4. Machine Learning**
- AI / convolutional neural networks

### 5. Augmented Reality

- 6. Virtual Reality** – for Marketing and Training



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## Research & Development

**Our commitment to developing and bringing new technology to market is real.**

**We invest a significant portion of our revenue into searching for better ways of doing things**

- R&D expenditure of between 5% and 10% of total revenues
  - \$14m spend in FY19 (6% of revenue)
- Sizeable IP Portfolio with a range of Trademarks and approx. 50 inventions with 200 patents covering almost 30 countries
- Demand pull, quick outcomes and collaborative approach
- A diverse range of areas including:
  - AGV's
  - Robotics generally including collaborative and mobile robotics
  - Digital image analysis
  - Advanced vision and sensing technologies
  - Software for end to end solutions



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## Outlook

- ▲ Forward project work –approx. 7 months
- ▲ Significant project work underway
- ▲ Service activity expanding
- ▲ Growth will be :
  - ▲ Organic from existing technologies
  - ▲ Bottom line focused

## Management Changes

- Fantastic journey so far over 25 years
- 3 Phases to date
  - 1994 – 2001 CFO and business driver
  - 2001 – 2006 Executive Director leading diversification
  - 2006 – 2019 Delivering on diversification, new technologies and acquisitions
- Into a Sales Director role to see the Company into 2020 and beyond
- New CEO to start immediately





## Resolutions



## Resolutions 1 – 3: Election of Directors

**Resolutions 1 – 3** are ordinary resolutions and are therefore required to be passed by a simple majority of the votes of those shareholders entitled to vote and voting on the resolutions. NZX Listing Rules require that no director may hold office (without-re-election) past the third annual meeting following that director's appointment, or 3 years, whichever is the longer. However, any such directors may offer themselves for re-election by shareholder approval in accordance with rule 2.3. No nominations for directors were received from shareholders. The Board unanimously recommends that shareholders vote in favour of the re-election of Andre Nogueira and the election of Derek Charge as Director of Scott Technology Limited.



## Resolution 1: Andre Nogueira - That Andre Nogueira be re-elected as a Director

- Andre Nogueira is President and Chief Executive Officer of JBS USA, the North American and Australian subsidiary of JBS SA. Assumed the role of CEO on Jan. 1, 2013.
- Began with JBS in 2007, serving as Chief Financial Officer through 2011.
- Prior to working for JBS, Mr. Nogueira worked for Banco do Brasil in corporate banking positions in the U.S. and Brazil.
- Mr. Nogueira is currently a Director of Pilgrim's Pride Corporation, Scott Technology Limited, the North American Meat Institute (NAMI), the NAMI Executive Committee and Rabobank's North American Agribusiness Advisory Board.



**Please mark your voting cards in the way you wish to vote by ticking "FOR", "AGAINST" or "ABSTAIN" in the appropriate place on the voting card.**



## Resolution 2: Derek Charge - That Derek Charge be elected as a Director

- Derek Charge is an experienced executive with a background in textiles manufacturing, heavy manufacturing, mining & minerals processing, and logistics & port operations.
- Derek has extensive experience in establishing supply chains and marketing throughout Asia, particularly China and Japan.
- Derek is Chief Operating Officer of Mohawk Flooring Australasia, a division of the world's largest flooring company.
- Prior to joining Mohawk he held a number of executive roles with BlueScope Steel Limited - before that was a partner of Australian law firm, Sparke Helmore, specialising in mineral resource development and environmental planning law.



**Please mark your voting cards in the way you wish to vote by ticking "FOR", "AGAINST" or "ABSTAIN" in the appropriate place on the voting card.**





## Resolution 3: Auditor

To record the reappointment of Deloitte as auditor of the Company and to authorise the Directors to fix the auditor's remuneration.

**Please mark your voting cards in the way you wish to vote by ticking "FOR", "AGAINST" or "ABSTAIN" in the appropriate place on the voting card.**

## Resolution 4: Special Resolution - Constitution

Resolution 4 is a special resolution and is therefore required to be passed by a majority of 75% of the votes of those shareholders entitled to vote and voting on the resolution

The former NZX Main Board & Debt Market Listing Rules (dated 1 October 2017) have been replaced by updated NZX Listing Rules (dated 1 January 2019) ("NZX Listing Rules"). Scott Technology transitioned to the new NZX Listing Rules on 13 May 2019. The changes in the new constitution are largely to ensure that the constitution complies with the updated requirements under the NZX Listing Rules. Some clauses and terminology in the constitution have also been updated or simplified for clarity. Further explanation can be found in our Notice of Meeting which is available on the NZX website.

**Please mark your voting cards in the way you wish to vote by ticking "FOR", "AGAINST" or "ABSTAIN" in the appropriate place on the voting card.**

