8 April 2021
Company Announcement

SCOTT ANNOUNCES FY21 INTERIM RESULTS

- Positive momentum as the Scott 2025 strategy takes hold, delivering a streamlined cost structure, a focus on core areas of proven expertise and improved performance
- Year on year increases in revenue and EBITDA and strong gross margin improvement
- Revenue up 5% to $104.5m, gross margin up 28% to 23%, EBITDA of $11.2m and net profit after tax of $4.7m
- Strong programme of forward work with new system design and build contracts in Europe, USA, China and Australasia and continuing growth in product and service businesses
- Dividend declared of 2.0 cents per share

Automation and robotics solutions provider, Scott Technology Limited (NZX: SCT), has today released its unaudited interim results for the six months to 28 February 2021 (H1 F21).

The results reflect the positive momentum being gained as the *Scott 2025* strategy takes hold and as most regions commence the recovery from COVID-19. This has seen forward work programs in Europe, USA, China and Australasia grow firmly from this time a year ago as new system design and build contracts have been awarded at a steady and focused pace over recent months.

The product and service businesses of Scott are continuing to show strong recovery and positive margin performances. The mining products and parts business - Rocklabs - together with the BladeStop product revenues into the meat industry are showing strong growth on prior year. Service revenues across several key markets are also growing as the team places increasing importance on executing up-front service level agreements with key customers.

These revenue streams are all supported by the streamlined operating cost structure now in place following last year's restructuring activity across all regions and Group head office. This is seeing an increase in margins.

The focus on employee health and safety across the Group is reflected in a large increase in reported near-misses – seen as a forward-looking indicator as avoids potential future risk – while the 'lag' indicators of lost time injuries fell to zero at the half year. This is great progress and a result of the deep and sincere commitment from employees across the Scott Group.

CEO of Scott Technology John Kippenberger, said: "Despite the ongoing disruptions of the global pandemic and the pressures this continues to place on our international operations and travel, the team at Scott has demonstrated strong progress with our new focused strategy, including positive strides forward on team safety and earnings performance.

Our priority remains to deliver in our proven areas of expertise in systems technology, products and service. As the world begins to slowly open up as vaccines are rolled out, we are confident of building on the early positive momentum seen in H1 F21".

Results overview

Results Snapshot $M	H1 F21	H1 F20	H1 F19
Revenue	104.5	99.0	111.4
EBITDA	11.2	(12.2)	10.4
Non-trading adjustments	(1.4) [1]	(11.8)	0.0
Normalised EBITDA	9.8	(0.4)	10.4
Net Profit After Tax	4.7	(13.7)	5.2
Cash	6.2	0.0	0.0
Overdraft	0.0	(9.0)	(5.7)
Term Loans	(9.1)	(11.2)	(7.2)
Net Debt	**(2.9)**	**(20.2)**	**(12.9)**
Operating Cash Flow	5.3	0.9	(6.4)

1: Non trading adjustments related to receipt of the wage subsidy

H1 F21 revenue of $104.5m was 5% higher than the prior comparative period (pcp) as Scott's strategy of more revenue from proven systems, product and service delivers revenue growth.

EBITDA of $11.2m recovered to exceed the pre-COVID performance of $10.4m from the first half of FY19.

Improved revenue as well as a significant right sizing program delivered a 28% improvement in Gross Margins to 23%. The right sizing program also contributed significantly to the growth in EBITDA, with overhead cost reduction falling $4.1m, a drop of 25% versus H1 F20.

Net profit after tax (NPAT) was $4.7m for the six months, significantly ahead of pcp which included the costs associated with the right sizing programme in 2020.

Operating Cash Flow of $5.3m was $4.4m ahead of H1 F20. The Group had cash in the bank of $6.2m as at 28 February 2021.

Net Debt of $2.9m remained stable relative to the FY20 year-end position ($3.4m). An upgraded bank facility has recently been agreed with Scott's existing provider to support further growth and working capital requirements.

In recognition of the progress made by the Company, the Directors are pleased to declare an interim (unimputed) dividend of 2.0 cents per share, payable on 10 May 2021. The Dividend Reinvestment Plan will apply.

COVID-19 Update

The impact of COVID-19 is still being felt deeply across the Group, as travel restrictions within markets and across continents often prevent sales meetings in person and continues to inhibit some projects with balancing the project skill needs with the resources available within that state or region. However, the Scott team, through its agility and adapting to new ways of working – including completing factory acceptance testing by virtual technology - has seen many examples of positive forward progress notwithstanding the travel challenges.

With the roll-out of the vaccine around the world we look forward to operating again in a more 'open' environment later in 2021.

As the markets open up and industrial demand for automation continues to grow, the key priority for our team is to remain focused and committed to our core areas of proven expertise, avoiding unknown areas of risk. This is the central underlying theme of *Scott 2025*.

Regional Business Updates

Scott Europe - Emerging from BREXIT and COVID-19

Our European business has delivered an important and timely lift in business performance for the first half as work levels build – through projects including, but not limited to, McCain and Alliance. Service work continues to grow and the product business of BladeStop (meat) and Normaclass (meat) gains traction through executive attention and growing market demand.

The business is seeing a growing appetite from within the European Union food industry in particular, to re-start investment in capacity expansion projects. This is delivering positive signs in the level of inbound interest and pipeline of opportunities for Scott.

Europe	H1 F21		H1 F20	
Results Snapshot	$M	%	$M	%
Revenue	28.2		36.5	
Normalised EBITDA	2.6	9.3%	(0.0)	0.0%

Scott Australasia – Strong product & service demand supported by positive new projects

Strong global demand in our mining product business – Rocklabs - has combined with a focused growth in our service business to provide important cashflow and margin generation within our Australasian business. Our BladeStop product business is also seeing steady demand again, as more focus and support is applied to this important part of our business.

New project work in the form of large meat automation systems - most notably Alliance (NZ), a leading meat processor (Australia) and poultry trussing (USA) – together with the completion of a number of mid-size industrial automation projects, has seen an important return to profitability for our projects business in New Zealand and Australia. Our mining team is deeply embedded in the commissioning of a large complex automated laboratory system in West Australia for mining services provider MinAnalytical, while the two large Rio Tinto projects continue to track through the design and build phases towards the planned ex-factory timelines.

Demand signals for our meat business – products and systems – and mining products business continue to remain positive.

ANZ	H1 F21		H1 F20	
Results Snapshot	$M	%	$M	%
Revenue	51.1		33.7	
Normalised EBITDA	5.8	11.4%	1.1	3.3%

Scott China – Growing workloads from washer cabinet demand in the whitegoods sector

The team in China continue to experience positive growth through ongoing demand for our quality automation solutions into the whitegoods appliance sector.

While in itself our China business is in the early stages of its life, the growth opportunities are clear and our ambitions to build a much larger business in China remain on track. Further, the Scott China team and operation will play an increasing role in our supply strategy for the European and American industries.

China	H1 F21		H1 F20	
Results Snapshot	$M	%	$M	%
Revenue	6.1		2.2	
Normalised EBITDA	1.5	24.7%	(0.7)	-31.5%

Scott North America – Steady demand across fork-trucks (AGV's), BladeStop (meat) and service

Despite the pandemic rampaging across most states, our American team has continued to experience positive inbound interest in its core AGV business. This demand from the industrial and automotive sectors, together with a stable revenue performance of our refurbished robot business – Robotworx - has seen a solid financial performance for the first half of 2021.

Our BladeStop safety saw product has seen strong growth in revenues for H1 over the prior year. We maintain a high conviction in our belief that there is still significant unmet demand for BladeStop in the North American market as the protein industry looks for safer alternatives to the traditional high-risk band-saw. Work will continue at Scott to focus resources to deliver on this market potential.

The important poultry trussing automation project with Pilgrims is progressing positively towards its planned NZ ex-factory date. Our US customer Pilgrims, one of America's largest bird processors, is heavily engaged with this project including initial plans around the roll-out of this new technology throughout its operations.

North America	H1 F21		H1 F20	
Results Snapshot	$M	%	$M	%
Revenue	19.1		26.6	
Normalised EBITDA	3.5	18.2%	3.5	13.2%

<u>*Scott 2025* Strategy Update</u>

Good progress has been made on the *Scott 2025* strategy that was introduced along with the 2020 Half Year Results last May.

- **Authentic Customer Partnerships:** *Secured significant repeat business across all sectors e.g. Rio Tinto, Alliance, Little Swan, Bosch, Candy Haier, McCain.*
- **Leading Edge Technology:** *Positive growth across our Rocklabs sample preparation and BladeStop product businesses.*
- **One Global Team:** *Significant decrease in lost time injuries, and continued focus on employee retention, development and wellness.*
- **Operational Excellence:** *Delivered sustainable margin improvement across all regions.*

- **Robust Global Platforms:** *Positive pipeline of forward work operating off a reduced and more streamlined cost structure.*

Sector updates

Mining: The continuation of strong global precious metal prices is underpinning ongoing investment in mining capacity globally (West Australia, Russia, North America and West Africa). We expect this activity will continue to support ongoing demand for our mining parts business, exporting to the global mining sector from our factory in Auckland, New Zealand.

Our mining laboratory design and build business will advance our reputation and strengths around the 'semi-automated' end of the standalone-product-to-fully-automated continuum.

Meat: As mentioned previously, we are seeing strong ongoing demand signals for our BladeStop safety-saw product and automation and robotic systems. In the system space, our primary focus will continue to be on selling more lamb primal systems into the ANZ meat sector and rolling out the new poultry trussing systems across Pilgrims in the US and across other relevant markets (UK and Australia most notably).

Appliances: While this sector is seeing positive investment in capacity from the world's largest whitegoods manufacturers, we are experiencing increasing competition from the automation solution providers from the likes of Italy. Our focus will remain on providing quality design options towards the premium-end of the market, while driving for competitive pricing without exposing Scott to unacceptable risk.

Our China business will continue to drive local growth from our competitive design and build platform in Qingdao, China.

Material handling and logistics: Positive opportunities continue to emerge for this important part of our European business, which remains the centre of excellence for our materials handling business. At the same time we are making positive, but still early, inroads into our *Scott 2025* strategy of taking this technology out of Europe and into North America and Australasia. The Alliance NZ contract is the first example of this, while focus is growing on identifying and securing a large installation on this technology in the US together with our joint venture partner Savoye.

ENDS

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About Scott

At Scott we automate the future. The production line machinery we design and build deliver productivity gains and exceptional reliability to many of the world's leading manufacturers. We also go a step beyond engineering production solutions to actually revolutionising entire industries – using robotics to automate manual processes and create genuine competitive advantage.

For over 100 years Scott has looked to tomorrow and rapidly responded to shifting needs. Today, we have production bases in the United States, Belgium, Czech Republic, France, Germany, China, Australia and New Zealand, customers in 88 countries, and a real commitment to developing new technology and bringing it to market. Across everything we do you will discover true quality, advanced engineering and a renowned design aesthetic.

Scott. Quality that lasts. Quality that inspires.