

CEO's Address 2021

(incl. presentations by CFO & Director - Marketing & People)

Engineering Scott to High Performance

You will recall that at the centre of our strategy is a commitment to focus. It is to move Scott Technology from being a general engineering company, building bespoke, often one-off systems which invariably include a large degree of 'newness', and therefore, risk. We will move to being a truly global organisation focused on delivering a number of world-leading, proven automation products and systems, to large addressable markets.

This strategy recognises the inherent value of some of the great designs and achievements that our Scott team has built together during its proud 100 plus year history. It looks to commercialise these opportunities by selling and delivering such systems many times over in the future. These are systems that have proven to provide step-changes in yields, waste reduction, efficiency and safety, to the largest companies of the food, mining and manufacturing markets around the world.

We are proud to have made compelling progress across all five pillars of our strategy and despite the ongoing disruptions, management distractions, and restrictions of the global pandemic. We look forward to sharing some of these achievements with you today.

FY21 Performance Snapshot

Our revenues were up 16 percent on the prior year and despite delays to many projects due to the pandemic. However, most importantly, the business delivered a marked improvement in gross margins as the efforts of focusing on selling and delivering systems which we are highly experienced in, and therefore, expose the business to less unanticipated cost risk, combined with growth in both of our higher margin services and product businesses.

Together with the lower cost structure which resulted from last year's right-sizing activities, Scott delivered a record earnings before interest, tax, depreciation and amortization of \$22 million.

We are pleased to report a positive outlook in all three streams of our forward work – being systems, products and services – as our commitment to building a more balanced revenue mix for the future starts to gain traction.

The directors were pleased to issue a final dividend of four cents per share, which took the financial year 2021 total to six cents.

FY21 Health & Safety Performance

A critical indicator of our progress in 2021 can be seen through the headline metrics around our employee health and safety.

The number of management health and safety conversations with our team grew almost ten-fold on the prior year. These conversations are now taking place almost daily across our operations in Australasia, Europe, China and North America.

This commitment to bringing safety to the forefront of our discussions helps drive a more open and inclusive culture. This creates an environment where our team members feel increasingly confident and comfortable, to report hazards within the workplace. Through ongoing reviews of these insights we are better positioned to address and mitigate areas of risk in an effort to avoid injuries.

You can see this has resulted in a 63% decrease in injuries versus the prior year.

However, our journey in this area, along with other related activities of our Environmental, Social and Governance initiative, has only really just begun. As such, we look forward to sharing examples of the great teamwork taking place across the business, as we go forward as our team prioritises safety and wellbeing at the core of what it means to being a proud Scott employee.

FY21 Results (Cameron Mathewson, CFO)

FY21 Results Summary Table

We have seen good growth and improvement across our financial results. You'll see in an upcoming slide that Australasia was the main geographic driver of this growth.

At \$216m our top line grew by 16% and at \$22.1m we posted a record EBITDA as our strategy pushed mix towards more margin heavy Products and the full benefits of our earlier restructuring program were realised.

Beyond the P&L we finished the year with more cash than debt on the back of a good year for Operating Cashflow despite our revenue growth consuming more working capital as both debtors and inventory increased.

Revenue by Operating Region

Australasia was the predominant growth region for the group leveraging its position as the Centre of Excellence for both Meat and Mining, where our strategy of focusing on Products saw both BladeStop and Rocklabs continue their growth trajectories. Two large mining automated laboratory projects also contributed to this growth.

China delivered multiple solutions into the appliance line industry to large global whiteware players such as Haier and Little Swan and also started to broaden its participation in supporting customer propositions outside of China, working in partnership with our European and New Zealand appliance teams.

It should be noted that all regions grew their EBITDA from the previously mentioned strategy mix and prior year restructuring activity, including the US and Europe despite very challenging COVID conditions in the first half of the fiscal year.

Forward Work Trend

Our forward work continues to increase - being up in total 24% versus last year.

Although up across all 3 categories the impact of our strategy can be seen in the shift towards more repeatable products, such as Bladestop and Rocklabs, and also Service - both of which will see a continuation of margin growth.

Although the Service increase is the largest, it is off a small base and at \$9m of \$128m it represents only 7% of total forward work. This is compared to the 23% service revenue represented of FY21 revenue and our strategic target of 40%.

As such service, and in particular the forward contracting of it through long-term service level agreements in order to establish and embed Authentic Customer Partnerships, is a key strategic focus moving forward.

Service Revenue Growth Strategy

As touched on in the previous slide we see significant opportunity in Service - not only in terms of general revenue growth but also in strengthening our customer relationships in order to grow our volume of repeat sales per customer.

This slide shows how well we are doing in terms of generating annual service revenue (on the bottom axis) from our installed base of equipment (on the left axis) that we've sold over the last 10 or so years.

The bubbles represent the percentage of annual service revenue relative to the install base value for each of our key Systems and Products.

If we take Lamb Automation, the pink bubble, as an example. Currently we generate just over \$2m in annual service revenue from the 12 or so systems we have installed at various customer sites. This translates on average to just 2% of the installed base value of approximately \$120m.

However, the best performing of those customer sites generates 7% per annum in service revenue and as such our objective over time is to move all the installations up to the same level, which would move Lamb Automation from \$2m of annual service revenue to \$8m.

A similar approach to Mining Systems (in yellow) and Bladestop (in orange) would generate an additional service revenue to \$13m. But this is just the beginning as there are numerous other opportunities as we grow the capacity and capability of our service offering with the ultimate long term strategic aim being to grow our annual service revenue to 15% of our installed equipment base. You can see what this would be worth to our appliance service business, our largest capital installed base of over \$200m.

CEO's Address continued

Industry Outlook

I would like to now take a few minutes to share with you our thoughts on the outlook for Scott in a couple of core industries.

Before I do, I will take a moment to touch on the issues that the ongoing disruption to global supply chains are having on businesses such as Scott. These disruptions are caused by a number of factors, including; scaled-back production during the height of the pandemic; strong consumer demand in many sectors around the world; and the ongoing shipping crisis.

For Scott these issues are generally manifesting themselves in the form of delays in parts. The team is working to offset this risk by building higher stocks of inventory in those more sensitive areas. Some customers are also experiencing delays in building projects which can in turn result in delays to Scott projects which form a part of such developments.

Input prices are also rising in this climate and the team is ensuring we build new project bids on current prices, and actively work to extend our own gross margins through confident pricing to cater for any unforeseen pressures on cost or lead times.

Meat Processing

The global demand drivers for Scott protein products, systems and services remains strong.

These are largely driven by three factors which are universal across the global meat sector:

- Firstly, increasing challenges around labour shortages driven by resets to immigration policies in markets including here in New Zealand, through to the United States, and up into Europe. This issue has been further exacerbated by the impact of Covid creating the need for social distancing on production lines.
- Secondly, an increasing drive globally to provide a safer environment for workers in an area which has high inherent risk given the speeds at which operators must work at.
- And lastly, an increasing understanding by the world's largest meat and food processing companies that step-changes in efficiency, waste reduction and general cost performance, only come from taking a longer-term perspective on investment in automation.

We are highly confident in our market position of our world-leading BladeStop safety bandsaw.

We are also committed to rolling out more world-leading Scott primal vision and cutting systems in the New Zealand and Australian lamb sectors.

We will also mindfully and thoughtfully, in conjunction with strong customer partnership, invest in the development of similar options for other species. This work will take us into the large beef processing market of the United States in particular over the next three to five years.

Today we are also pleased to announce a significant development project which leverages on our technology in lamb primal systems and takes this platform into the large global beef sector.

This announcement sees Scott Technology partner with Teys, one of Australia's leading protein producers, and Meat & Livestock Australia (MLA), to develop a revolutionary beef solution, which will improve yield, product quality, throughput and efficiency, while also increasing operator and food safety. This AU\$18m system will be developed and built by Kiwis out of Scott's head office and global meat processing centre of excellence, in Dunedin, New Zealand.

We remain focused on continuing to build a first-class service business to support our customers around the world. This helps ensure capital installations under our Scott brand continue to perform at the optimum level, and that our customer relationships remain highly active which promotes early engagement for all future capital projects.

Lastly, we are encouraged by the performance and adoption of our first poultry trussing automation system and the opportunity this soon-to-be-‘product’ presents to Scott across the North American poultry sector.

Mining

Our mining products business - Rocklabs - continues to experience strong market demand right across its global customer footprint; from Russia, through Africa, to the goldfields of Australia, through to the mines of North and South America.

While iron ore prices have receded recently off their highs we see ongoing demand for our crusher, pulverising and splitting equipment as mining companies and independent testing laboratories around the world continue to struggle to keep up with growing demand in the precious metals sector.

Most recently our mining systems business has been focused on two areas:

- Firstly, building and installing the Rio Tinto Guadai Darri and MinAnalytical automated laboratory systems; both in West Australia.
- And secondly, proving-out Scott’s recent development of automated refuelling systems for large mining trucks. This new technology combines complex vision systems with dynamic robotic applications in order to accelerate the otherwise slow refuelling process and in a way which removes the safety risk of having operators working around large mining equipment.

Installing and commissioning complex automated laboratory systems in particular has faced great challenges and disruptions due to the ongoing impact of the pandemic. Travel restrictions into West Australia have meant that some of our most experienced Scott technicians are unable to travel to customer sites to perform highly complex vision, electrical, mechanical and control engineering tasks. This results in pushing-out completion timelines and inefficiencies in the build and commissioning activities. Despite these challenges our committed and talented teams continue to forge great progress in all areas.

Materials Handling & Logistics

Lastly, but just as importantly, we remain positive about the prospects across our material handling business. For Scott, this sector includes; our European palletiser and conveyor systems – where last year we announced our first major warehouse automation project in the southern hemisphere; our North American autonomous guided vehicles business, and our industrial automation business in Australia.

With the continuing global shipping disruptions showing no signs of abating, we are receiving ongoing interest from companies particularly in the food manufacturing and e-commerce sectors who are looking to access greater responsiveness, efficiency, and outputs from their warehousing operations. We see these macro demand drivers, together with the pressures around labour supply, continuing for some time.

With that being said, we monitor the Covid situation closely as Europe enters its 4th wave of the pandemic, and with that a return to restrictions and potential business disruption.

While the situation in Europe, and other parts of the world, is evolving on a daily basis, we remain highly focused on driving deal closures and work rates as the environment allows.

Our priority remains on ensuring our people are safe and well during these challenging restrictions.

Leading a Sustainable Future (Casey Jenkins, Director – Marketing & People)

You will have seen in our recent Annual Report that Scott has committed to a series of long-term Environment, Social and Governance goals.

As a responsible business Scott is pursuing a long -term sustainable future together with our employees, customers, suppliers, and shareholders.

We recognise that our collective responsibility extends beyond caring for our people and driving commercial outcomes and includes our far broader relationship with the planet.

We are excited to share with you today a high-level overview of our Sustainability strategy and what you can expect to see in the coming years.

To better understand what issues mattered most to our business, we have conducted a materiality assessment to help define what our starting goals and targets will be.

From here, we have defined the foundations of our sustainability strategy as People, Place and Purpose.

People is about building an engaged, diverse, and talented workforce. It focuses on retention and recruitment which is a priority for our people led business. This is supported by a commitment to maintain a safe and inclusive working environment for all of our Scott team.

Purpose refers to the recipients of our solutions and services – our customers and shareholders. It covers the importance of building meaningful customer relationships, and highlights Scott's commitment to growing a profitable business focused on long term growth and positive shareholder return.

Place outlines the organisation's commitment to the environment and ensures we develop and encourage sustainable business practices.

Our framework focuses on a series of goals that can be built on as our sustainability commitment matures and we look forward to sharing more details of this journey with you over the years ahead.

CEO's Address continued

As I mentioned earlier, we are very positive about the traction we have been able to generate across most areas of the Scott 2025 strategy, and despite the ongoing disruption and pressure of operating within a world still very much in the grip of the pandemic.

Together with our board we remain highly excited about the future growth prospects for Scott, as large macro global trends converge to drive increasing levels of interest and investment in automation around the world.

Personally, I look forward to the day where I am able to visit our teams and customers in Australia, China, Europe and the United States – let alone Dunedin and Christchurch - to thank them in person, for their outstanding work in 2021 and for their commitment to realising the great future potential of Scott Technology.

Thank you.