

23 November 2022
Scott Technology Annual Meeting 2022

CEO's Address 2022

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

Engineering Scott to High Performance

The Engineering Scott to High Performance 2025 strategy continues to provide momentum and guide the business focus on its core sectors of meat, materials handling and logistics and mining, where we have proven world class technology with strong commercials.

The growth in both revenue and margin, most notably through these core sectors, demonstrates the maturing focus of our strategy.

We have successfully focused on the things we do well, and the deep addressable markets that we can sell to many times. This positively positions Scott to achieve sustained, profitable growth across our core businesses and geographic regions for years to come.

The closure of our US-based second-hand robot business, RobotWorx during the year was due to this operation sitting outside of our strategic focus. The closure saw us take a non cash write down.

The business' sales pipeline has also positively transitioned as the capability of our sales teams matures in-line with our strategy resulting in a record \$190m in forward work. This comprises several MHL projects, continued strong mining and meat product orders, as well as more progress in secured service contracts.

FY22 Performance Snapshot

Commitment to the growth of Scott's three core sectors, meat, materials handling and logistics (MHL) and mining saw Scott deliver revenue of \$222m, an 8% increase on last year, and EBITDA of \$24m, a 14% increase. This included sales growth in all three core areas of the business, as well as important revenue and margin contributions from the service, or after-market, business attached to each segment.

FY22 Health & Safety Performance

Employee safety and wellbeing has continued to underpin the culture at Scott, as you can see by the significant improvements across key indicators. Most notably, hazard reporting increased by 75% from FY21, while lost time severity rate decreased by 60%.

The successful launch of our Be Safe, Be Well, Be Scott program in Q1 has brought about a number of positive employee focused initiatives such as our health and safety branding and expectations, new induction video, and Be Scott reporting app.

As our culture has matured, we have begun focusing on identifying and controlling our critical risk and deepening our safety leadership, and as with all areas of our safety strategy, this has been led by our people.

This great progress results from the sincere engagement and commitment from leadership and employees across the Scott Group.

Continued leadership across core sectors

Two of the three core sectors – being meat and mining – performed strongly at both a revenue growth and margin level. Our material handling and logistics business, anchored out of Europe, was most heavily impacted by project delays due to ongoing supply chain disruptions and inflation.

All three core sectors delivered both growth and margins well ahead of the remainder of the business. Our focus on these other areas is to drive performance improvement and contribution through a more product driven approach.

As you will see on the following slides the importance of our service or after-market business continues to grow as it underpins our product performance whilst driving significant recurring revenues and margin.

FY22 Results (Cameron Mathewson, CFO)

FY22 Results Summary Table

As John and Stuart have mentioned we've had good growth in Revenue, EBITDA and Net Profit After Tax (NPAT).

You may note in the financial statements that Reported NPAT is lower than the continued operations NPAT shown in this table as it includes the non cash write off for the discontinued Robotworx operation in the US.

Net debt has increased to \$8.0m. This has been driven by both the macro economic environment necessitating holding more inventory, with supply chain disruption and also the strategic investment we've made in Rocklabs and Bladestop inventory in order to deliver the growth seen in FY22.

Core sectors delivering strong top line growth

Our core sectors of Meat, Materials Handling and Logistics, and Mining have together contributed 75% of Total Group revenue in FY22.

And at 16% growth year on year they have grown at twice the rate of the Total Group.

This highlights their importance to the business.

Meat grew strongly as two Lamb systems were manufactured in Dunedin and 260 bladestop saws installed across the globe.

MHL grew despite the incredibly difficult macro economic conditions mentioned earlier, added to further by the Russian invasion of the Ukraine pushing up steel and energy prices and causing customer delays for our Scott Europe business, which is our predominant MHL region.

And finally in relation to MHL, its worth noting that of the \$190m of forward work, over \$50m is what we call standard MHL, with a further \$60m for the JBS Brooks solution and as such the future of MHL is bright.

Our Mining business is delivered by our world renowned Rocklabs brand. Actions taken by the team to grow the dealer network delivered significant growth.

Margin strengthened by core sectors

Whilst, at 75%, the 3 Core Sectors contribute a significant amount of Total Revenue their contribution to margin in FY22 is even higher at 90%.

Of the \$53m in margin in grey the Core Sectors deliver all but \$5m, which equates to a 29% margin, as John talked to earlier on the Performance snapshot.

This 29% is in stark contrast to the 10% generated by the Rest of the Business with a key reason being the relative level of Services between Core and the Rest of the business.

Core sectors service revenue

You can see on this slide how the Core Sector margin percentage discussed on the previous slide, of 29% is aided by Services margin of 37% across approximately 30% of total Core Sector revenue, as depicted in dark blue on this graphic.

Rest of the Business however only has a service mix of 10% of its total revenue and as such misses the leverage that the Core sectors enjoy at approximately 30%.

Further, at 20% services grew ahead of both the total business and even total core itself and as such justifies the investment we have made in this area.

CEO Address continued

Meat

The drivers underpinning demand for automation and robots across the protein sector remain as strong as ever. This is led by ongoing demand for proteins around the world at a time when labour supply shortages are at a critical level.

Our lamb primal machines and BladeStop safety saws both continue to grow strongly. The order books for both of these remain firm, while we deepen our efforts to broaden this sales base with new meat automation products over the year ahead.

Scaling through productization

The Scott BladeStop safety bandsaw continues to experience positive growth of over 20% in the last twelve months. With still only a small market share in the large US market we have line of sight on a further 1,000 saws in this market alone. Our efforts here are around converting several pathways to accelerate our sales and service coverage throughout the US, along with other markets.

The Scott automated poultry trusser is gradually moving from its development stage into a commercialisation phase. Our key focus is on the US market where we see a strong underlying demand for our leading-edge automation solution to the labour supply and health and safety issues in this area of the supply chain.

Materials Handling & Logistics

The forward order book for our warehouse automation solutions sits at its highest level on record for Scott. This is certainly headlined by the large JBS Canada project, however, extends across important contracts with the likes of Danone, McCain and Pfizer.

Sales margins will recover as orders continue to convert into workflows and notwithstanding the ongoing disruption from global supply chain pressures which we see extending through 2023.

Mining

Our mining products business, based out of Rocklabs in Auckland, continues to perform strongly as demand for proven laboratory sample preparation equipment extends across the key mining geographies. The two main mining markets of West Australia and North America remain highly buoyant and we are also starting to see the early demand signals for testing around the 'new' emerging minerals to supply the growth in battery manufacturing around the world.

The margins on both product sales and services remain strong.

Scott – Caterpillar Mining Vehicle Electrification Project

Today, I am excited to announce a transformational collaboration with Caterpillar, the world's leading manufacturer of construction and mining equipment. This agreement supports both company's commitments to contribute to a reduced-carbon future.

This will see Scott develop an automated connection system to support Caterpillar's stationary chargers for electrified machines. Electric mining vehicles will require more recharging interactions than traditional diesel vehicles require refuelling. Therefore, the need to automate this process is critical to ensuring safety and efficiency.

Our world leading vision sensing and detection system, combined with our robotic technology, allows the charging process to be completed in a fraction of the time and without manual intervention. This eliminates human risk and labour costs while maximising fleet utilisation. The technology will provide Caterpillar with a safer, more efficient, low emissions solution.

At Scott we are passionate about pursuing a long-term sustainable future together with our customers and shareholders, therefore we are delighted to support Caterpillar's commitment to provide more sustainable solutions for mining.

Who we work with

Our focus remains firmly on working with the global leaders in our core sectors. These are companies who own multiple manufacturing or processing sites where we can sell Scott technologies into many times over. These companies are also at the forefront of investment in automation and development within their industries, so present important long-term partnership opportunities for Scott.

Sustainability - People & Planet (Casey Jenkins, Director – Marketing & People)

ESG highlights

Twelve months ago, we announced that Scott was embarking on a long term commitment to sustainability through the launch of our ESG strategy. I am excited to share today some of the positive progress we have made across all three overarching ESG pillars of People, Purpose and Place.

People – is about building an engaged, diverse and talented workforce so we can deliver smart technology and solutions to the world.

Purpose is about our commitment to growing a profitable business that focuses on long term growth and positive shareholder return, combined with authentic customer partnerships.

Place refers to the role Scott needs to play in protecting our environment and planet for future generations.

ESG programs

Under our People pillar we have introduced a number of employee led initiatives, improved our recruitment and onboarding processes, and increased new leadership training.

However, the standout achievement in the people space is the launch and engagement of our Health & Wellbeing strategy.

This has included the induction video you saw earlier, creating of our branding and six key safety expectations, and the launch of a new reporting app which has made hazard reporting easier and more efficient for our people.

Understanding our carbon emissions

Another standout achievement has been the measurement of our carbon footprint.

As a responsible business we recognise the role we play in protecting our environment and the need to better understand our carbon emissions.

This was a large project, which required the involvement of our teams right across the globe as we worked through collating the data and then undergoing an independent audit of our results.

Having now successfully measured the footprint of most of our business, we can go about setting meaningful reduction strategies which we will be able to share very soon.

Growing a diverse and talented team

While we are happy with the progress we have made to date, we recognise we are still in the early days of our strategy, and there are still many opportunities.

Looking ahead, a key focus for the next year of our strategy is growing our pipeline of talent with a strong emphasis on diversity.

Scott acknowledges the role diversity and inclusion can play in the success of our business, therefore I am very happy today to announce an exciting partnership with the University of Canterbury.

In 2023, the **first Scott Technology Women in Engineering Scholarship** will be awarded to support more woman into engineering fields.

The partnership with the University will also provide more hands-on learning opportunities for final year projects, intern experiences and a Scott Technology sponsored academic prize.

CEO Address continued

We are very pleased with the momentum we have been able to deliver right across the business in the 2022 financial year. This has been another year of a true team effort from all Scott employees along with our business partners.

From this second full year operating under our Engineering Scott to High Performance 2025 strategy we are seeing true energy and momentum coming from our focus on scaling the business through productization where Scott has leading-edge technology in areas where large addressable markets exist.

Our team has the spirit and capability, combined with our existing product technologies, to extend this growth for years to come.