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Company announcement

SCOTT TECHNOLOGY ANNOUNCES FY22 RESULTS: FOCUS ON CORE STRATEGIC PRIORITIES DELIVERS GROWTH

- 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 it has proven world class technology with strong commercials
- The sales and services of these three core sectors delivered 75% of group revenue and 90% of margin
- Group revenue (from continuing operations) was up 8% to \$222m, margins grew to 24% despite inflationary and supply chain pressures. EBITDA increased 14% to \$24m while net profit after tax (from continuing operations) was up 51% to \$12.7m
- Record \$190m of forward work across on-strategy meat and mining solutions, combined with demand for the higher margin mining products, BladeStop and service businesses
- Dividend of 4.0 cents per share declared to take full year total to 8.0 cents

Automation and robotics solutions provider, Scott Technology Limited (NZX: SCT), has today released its audited results for the twelve months to 31 August 2022 (FY22).

In a year which has seen global markets continue to experience unprecedented disruption through inflation, supply chain pressures, and ongoing pandemic challenges, the team at Scott Technology has once again demonstrated resilience and focus to drive a positive business and safety performance for FY22.

Commitment to the growth of Scott's three core sectors, meat, materials handling and logistics (MHL) and mining saw the Scott Group deliver revenue and EBITDA of \$222m (+8%) and \$24m (+14%) respectively. 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.

The growth in both revenue and margin, most notably through the core sectors, demonstrates the maturing focus of the *Engineering Scott to High Performance 2025* (Scott 2025) strategy. The business' sales pipeline has similarly transitioned as the capability of its sales teams matures in-line with the strategy as is evidenced by 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.

Employee safety and wellbeing has continued to underpin the culture at Scott, as is evidenced by the significant improvements across key indicators. Most notably, hazard reporting increased by 75% from FY21, while lost time severity rate decreased by 60%. This great progress results from the sincere commitment from leadership and employees across the Scott Group.

Early momentum in the first year of Scott Technology's ESG strategy has been underpinned by deep engagement and support from the board and across the business. Good progress across all ESG pillars has brought a deep sense of purpose and excitement to the role Scott can play in building a better world.

Highlights include measurement and verification of carbon emissions across 70% of the business, launch of the safety and wellbeing programme '*Be Safe, Be Well, Be Scott*', and the introduction of

sustainable procurement tools which will ensure Scott partners with businesses that share the same values.

Scott Technology Chief Executive Officer, John Kippenberger, says, “I’m delighted that once again, our people, together with our local and global partners, have delivered growth through further advancement of our Scott 2025 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.”

Results overview

Results Snapshot \$M	FY22	FY21	FY20
From Continuing Operations			
Revenue	221.8	206.0	174.6
EBITDA	23.9	21.0	(11.2)
Net Profit After Tax (NPAT)*	12.7	8.4	(17.0)
Net Cash / (Debt)	(8.0)	1.3	(3.4)
Net Cash / (Overdraft)	3.9	12.2	7.7
Bank Loans	(12.0)	(10.9)	(11.2)
Operating Cash Flow	6.3	13.4	19.6

* FY22 reported NPAT is \$0.1m as it captures \$12.6m of non-cash write offs from the discontinued Robotworx operation.

In line with the Scott 2025 strategy which puts a firm focus on core sectors of the business, Scott closed its U.S-based Robotworx business, and as such, the results snapshot above shows the continuing operations for all years.

FY22 revenue (from continuing operations) increased 8% on the prior comparative period (pcp) to \$221.8m, as Scott’s strategy of generating more revenue from repeatable core products and services continued to deliver positive growth.

EBITDA grew 14% to \$23.9m, despite the effects of unprecedented disruption through inflation, supply chain pressures, and ongoing pandemic challenges.

Despite the effects of unprecedented disruption through inflation, supply chain pressures, and ongoing pandemic challenges, margins held at 24% in line with FY21, as Scott focused on expanding repeatable sales from the likes of its BladeStop and Rocklabs mining products, whilst taking opportunities to increase price where the customer proposition is strong.

Net profit after tax (NPAT) for the year was \$12.7m, +51% on a like for like basis versus the prior comparative period.

Operating cash flow of \$6.3m was lower than the previous comparative period of \$13.4m, as the company’s revenue growth and global supply chain pressures increased debtors and inventory respectively. With global pressures easing, a programme is underway to return safety inventory back to cash. The Group had cash in the bank of \$3.9m on 31 August 2022.

The Group’s net debt position was \$8.0m as funding was invested in growth and working capital.

In recognition of the progress made by the company, the Directors declared an (unimputed) dividend of 4.0 cents per share, payable on 22 November 2022, to take the full year dividend to 8.0 cents. The Dividend Reinvestment Plan will apply.

Core Sectors

The focus on driving positive customer outcomes, rewarding employee experiences, and commercially successful results, continues under the Scott 2025 strategy. This strategy emphasizes the imperative of growing sales through product areas where Scott has established world-leading technology and away from the more bespoke design projects which are unproven and present higher risk to Scott.

These core sectors made up 75% of the total Group sales for FY22, with combined growth of 16% in FY22 and 31% over the last two years.

Meat processing

- Revenue up 22% from ongoing demand for lamb primal systems and strong sales of BladeStop safety bandsaw. The service business in meat also continued to grow strongly, delivering margins of 30%, well above the Group average.
- The pipeline and forward order book for meat products and service remains strong as Australasian lamb processors continue to invest in the Scott Lamb Primal product (+\$10 million per unit) and global meat processors continue to buy the Scott BladeStop bandsaw to drive positive efficiency and safety outcomes.
- The latest order from New Zealand lamb processor Silver Fern Farms is another demonstration of the company's long-standing relationships with industry-leading companies looking to secure a safer, more efficient lamb processing line.

Materials handling and logistics (MHL)

- This sector largely comprises of conveyors, automated palletising and sortation equipment which operates in the warehousing operations of the large food manufacturers and related industries. Customers include industry leaders such as Danone and McCain Foods Ltd.
- Largely concentrated out of Scott's European operations in Belgium and the Czech Republic, this business worked at the epicenter of the global supply chain crisis and in close proximity to the war in the Ukraine. These pressures have driven strong cost increases and led to delays on many projects, as customers wait for building materials to complete construction projects to house large Scott equipment.
- Notwithstanding the macro environment, the team in Europe has continued to deliver positive business and customer outcomes driving growth of 3% in group MHL and service margins of 38%.
- Scott progressed its strategic priority of expanding its European material handling business into the high growth North American market with the recent announcement of a large foundation project with JBS Canada. This US\$37 million project will see Scott build a fully automated warehouse with 100,000 carton capability. This will be an important proving ground and testament to Scott's ability to be competitive in the North American warehousing and intralogistics market.
- Additionally, to drive faster growth in the US, Scott recently brought its North American business under highly credentialed and proven Regional Director, Aaron Vanwalleghem, who currently leads Scott's European center of excellence for materials handling.

- The forward order book for Scott material handling equipment is sitting at its highest levels on record (+\$40m) as large food companies continue to struggle with a reduced labour supply combined with increased pressures of short lead times on the customer end of their businesses.

Mining

- Anchored off strong and reliable Rocklabs sample preparation sales, the mining sector continues to experience positive and reliable growth. These products are well proven in the large global mining sector and produce high margins given they are well priced, and the Scott manufacturing footprint is highly efficient.
- This sector continues to grow at +20% CAGR with margins of 40% supported by over 30% of its revenue coming from high margin recurring consumables.
- Scott will continue to evolve the high-complexity, and therefore high risk, end-to-end automated laboratory systems part of the business towards a more 'modular' product approach. This strategy is well proven at scale, producing high volume outputs, at quality, accuracy and efficiency for the large mining companies and independent laboratories.
- This modular approach has already proven its ability to deliver competitively priced solutions to the market without exposing employees or shareholders to the risks of the higher complexity end-to-end systems, which rely heavily on robotic intervention for speed and sample transfers. Such complex projects have cost Scott significant margin erosion over the past five to seven years.

Service and aftermarket business

Scott's strategy of building its service and aftermarket business has been important for customers, maintaining Scott machine accuracy and reliability, and for shareholders as it provides important recurring revenue and margin streams.

The service business underpinning the above three core business segments saw strong growth of 19% in FY22 and 60% over the last two years. This is 31% of the total revenue of these businesses and delivered a strong margin performance at 37%.

We see this important business continuing to deliver profitable sustainable growth as our customers look to the specialist technical skills of Scott technicians to support their own maintenance teams on what is often highly complex and technical Scott equipment.

The service business also contains a strong stream of high margin recurring consumables.

Service revenue grew across all regions (by 23%) and continued to deliver strong margins of 35% to be an important contributor to the core performance of Scott.

Regional business update

Results Snapshot \$M	FY22			FY21		
	Revenue	Margin	%	Revenue	Margin	%
New Zealand	50.9	22.2	44%	45.9	15.6	34%
Australia	56.7	8.3	15%	66.2	7.1	11%
Europe	57.9	16.0	28%	54.0	15.3	28%
North America	52.5	5.6	11%	27.0	8.3	31%
China	3.8	1.3	33%	12.9	3.3	26%
Total	221.8	53.3	24%	206.0	49.6	24%

Scott New Zealand – Strong core performance across meat and mining products (Rocklabs)

- The first Lamb Primal machine was installed at Alliance’s Lorneville plant, which is the largest Ovine processing site in the world
- A large, automated warehousing system constructed by Scott Europe, is currently being installed at the Alliance Lorneville plant
- A year of growth (+41%) for mining products manufactured in NZ and distributed worldwide.

Scott Australia – Revenue drops but margin increases with transition out of complex mining systems

- Core meat revenue grew by 46% to \$26m as 84 more BladeStop units were sold along with a Lamb Primal system delivered to Thomas Foods International
- Service revenue increased by 15% during the year
- Margins were adversely impacted by the tail of complex, low margin mining system projects (coming to an end), and lower volumes through the Sydney and Melbourne facilities.

Scott Europe – Strong BladeStop and MHL growth drivers re-emerged in H2 as COVID eased

- Delivered revenue growth of 7% despite extreme challenges on raw materials supply and delays caused by customer site builds for the same reason
- MHL has a record forward order book of +\$40m and as such is well set for FY23
- Core meat revenue grew 150% to \$10m as a further 86 BladeStop machines were sold
- The FY23 outlook is strong with a large order book and an increase in manufacturing capacity.

Scott North America – Challenging margin year but a reset has delivered significant core work

- Revenue growth driven by two large appliance lines for GE Roper and Whirlpool
- Underlying AGV business experienced significant raw material delays and price increases which adversely impacted margin
- A focus on leveraging large BladeStop (428 units) and AGV installed base saw core service revenue increase 36% to \$12m.

Scott China – Record year in FY21 not repeated as government subsidies cease post COVID

- Consumer spending moved back to out of home items post COVID lockdown
- The order book is full for the next six months of production for domestic and European systems.

ENDS



For more information, visit www.scottautomation.com or contact:

John Kippenberger
Chief Executive Officer, Scott Technology
T: +64 21 964 045
E: j.kippenberger@scottautomation.com

Media and investor contact:
Amber McEwen
T: +64 21 194 0429
E: amberm@porternovelli.kiwi

About Scott

Scott delivers smart automation and robotic solutions that transform industries by making businesses safer, more productive, and more efficient. Our diverse capability makes us the first choice for hundreds of the world's leading brands. With design and build operations across Australasia, China, Europe and America and over 100 years of engineering excellence, Scott is the global expert in automation.

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