22 November 2023
Scott Technology Annual Meeting 2023

CEO's Address 2023

(incl. presentations by CFO & Group GM – People, Marketing & Minerals)

Scott 2025 Strategy

[John Kippenberger, CEO]

Scott 2025 Strategy delivers record year in FY23

In a year defined by transformation and progress, we stand at the threshold of exciting opportunities, driven by our unwavering commitment to our Scott 2025 Strategy, focusing on accelerated growth and productisation.

The past year has been a testament to the growth of Scott's three core sectors of protein, minerals and materials handling, delivering record revenue and EBITDA of $267.5m (+ 21%) and $30.4m (+27%) respectively.

We have intensified our focus on converting innovation into market-ready products that deliver tangible value to our customers. Our commitment to productisation is evident in the successful launch of our poultry trussing technology into the North American market earlier in the year.

We are extremely proud of the progress that has been made under our Scott 2025 strategy after several years of stabilising and focusing the business into large sectors where we have a strong competitive advantage through our world-leading technology.

FY23 Performance Snapshot

FY23 revenue increased 21% on the prior year to $268m, as Scott's strategy of generating more revenue from repeatable core products and services continued to deliver sales growth. You can see that margins for core sectors have held at 30% while the margins for the total Group have lifted to 27% due to an improvement in performance from other areas including the appliance business.

As we mentioned, EBITDA has increased strongly to $30m, up from $24m for the prior year. The business' sales pipeline remains strong, with $195m in forward work comprising several materials handling and logistics (MHL) projects, continued positive minerals and protein product orderbooks, as well as continued progress in secured service contracts.

These results reflect the collective efforts of our talented people and the strong relationships we have built with our valued customers.

Safety & wellbeing culture continues to mature

Fostering a work environment that prioritises safety and wellbeing continues to be the highest priority for Scott Technology. This is reflected both in the organisation's safety culture and our key metrics.

The Safe Mate programme continues to encourage staff to uphold the six core expectations in the Be Safe, Be Well, Be Scott framework. The integration of the BeScott reporting app has also played a significant role, and is now fully embedded across the global business, with high levels of engagement. These positive initiatives have resulted in a significant decrease in our lost time injury frequency rate going from 6.1 in August last year, to 4.3 in 2023.

Continuous improvement in workplace health and safety is a fundamental commitment for Scott and we know there is always more that can be done. The team has been working hard on developing a Critical Risk Management Strategy, which has involved defining critical risks and establishing eight risk categories.

Continued leadership across core sectors

Building long-term, forward looking customer partnerships has been a priority for Scott over the last three years. The team has invested in understanding our customers' objectives, strategies, growth and capital investment plans. These partnerships are focused on the rolling investment cycle, by collaborating to identify further product and system opportunities.

We are proud that we now have over 170 customers around the world with more than one Scott solution installed in their business.

The protein and material handling sectors grew strongly over the year at 33% and 35% respectively, while the minerals business delivered single digit revenue growth after picking up the final full year impact of the forgone business into Russia.

The margin performances of all core sectors are well up on the rest of business – which is at 14% . However, this rest of business margin has increased from earlier years as appliance projects in particular have shown margin improvement.

One of several positive insights which came out of the Strategic Review was around areas to continue driving improvements in our material handling business. We look forward to sharing these strategies together with delivering margin traction at the FY24 half year.

Looking at a few customer reference points from the past year:

- Growing BladeStop safety bandsaw sales into the processing operations of US giant retailer Walmart, along with a growing rollout of Scott saws into giant protein processor Cargill are highly exciting developments with strong future growth opportunities.

- The first new poultry trusser units are being commissioned into Costco USA. These will then set the performance benchmark for further sales into other US poultry companies.

- During the year we worked on a large first warehouse automation project for our first Slovenian customer, the leading dairy and ice-cream producer Incom Leone.

- We are well progressed into our first commercial automated modular laboratory system – known as AMS - for the Onslow iron ore project in West Australia for Mineral Resources.

FY23 Performance

[Cameron Mathewson, CFO]

FY23 results summary

Let me take you through some of the key results across the Financial Statement of the company for FY23. Revenue grew by 21% versus the prior year – and I will talk on the next few slides in more detail about what drove this pleasing growth. This revenue growth was the key driver of improved Operating EBITDA (up 27%) and Net Profit After Tax (up 21%).

The FY23 Net Cash / (Debt) figure of negative zero point one million means, once all the cash and debt lines in the balance sheet are added up, we finished the year with only a tiny amount of debt – with this being achieved off the back of a lift in Operating Cash Flow.

Strategy delivering accelerated growth across core business and geographies

As mentioned earlier we can now take a look at the elements that accelerated growth and drove such a strong performance for FY23. In particular our three Core Sectors of Protein, MHL and Minerals continued to perform well as we converted innovation into market ready products such Poultry Trussing in Protein and our Modular solution in Minerals, both of which will be talked about in more detail later in this presentation.

Revenue from these three core sectors rose by 27% in FY23 and with margin dollars up by 33% and margin percent stable at a pleasing 30% our strategy of supplying repeatable products into large addressable markets continues to gather momentum.

And in terms of markets our Strategy of targeting key growth markets saw USA / North America grow from 24% of group revenue to 34% in FY23.

Looking at the Core Sectors from another angle, in an aggregated manner, you can see on this page how the growth in Core over the last 3 years has lifted both Revenue and Margin for the Group as a whole.

In FY23 revenue from Core lifted from 75% in the prior year to be 79% of Group revenue – and even more significantly it delivered 89% of Group margin dollars.

In relation Group Margin percentage, showing at the bottom of the right hand chart, which has increased from 24% to 27% it is important to note that this growth has largely come from our imperative not to take Scott into commercial positions in our Rest of Business sector that are misaligned with Strategy, particularly in relation to excessive risk and / or low margins.

Core Sector Performance & outlook

[John Kippenberger, CEO]

Protein: Strong demand continues for high margin products and solutions

Protein sales revenue is up 33% from our poultry trussing product, along with continued strong sales of our BladeStop safety bandsaw. The protein service business again grew strongly, up 60% on the prior year, whilst delivering further margin growth of 43% mainly due to BladeStop parts and service.

The second poultry trusser site installation is on track, at Costco in North America. The next eight are in production to be installed throughout 2024. There is significant interest in seeing this product in action after winning the IPPE US best new processing product of 2023.

BladeStop has a strong lead into FY24 with an additional 10 saws sold recently to major American retailer Walmart, taking their total BladeStop saws to 44 and with strong opportunity still ahead with this customer.

The BladeStop range expansion is under way with the smaller T300 retail saw well to development and ready for testing at the first customer site. This follows the success of BladeStop across large supermarkets, such as, Foodstuffs and Woolworths.

Materials Handling: Impressive growth from key markets Europe and US

MHL has delivered impressive growth of 35% on prior year coming from both of Scott's key markets for MHL; Europe and the US.

Europe sales revenue grew 46% during the year converting last year's record order book into revenue including the design and production of Clarebout's new warehouse facility in its greenfield french-fry plant in France, and Incom Leone's Slovienian ice cream facility.

Growth in MHL revenue and margins in US and Europe follows the successful change in management structure to bring the US business under the leadership of Scott Europe. This enables greater focus on the US market as global processor relationships from Europe are extended into the US.

Materials Handling Europe MHL technology to debut in US

This EU-USA strategy has produced another important step forward with McCain Foods ordering a $12m palletisation system for one of its North American sites. The forward order book of $127m for MHL globally – which includes the large JBS Canada warehouse automation contract - is very healthy, with other new orders including A-ware Food Group and Colruyt. We see the industry pressures of labour supply and wage inflation continuing to drive demand.

[Casey Jenkins, Group GM of People, Marketing and Minerals]

Minerals: Reliable Rocklabs products deliver improved margin

With an increased focus on business and product development, Scott's minerals business, Rocklabs, continues to grow strongly contributing 33% of the Group's EBITDA.

Our world-leading range of sample preparation products underpin our minerals revenue, with our high-margin aftermarket business contributing 36%.

Minerals: Automated Modular Solution

The recent launch of our new automated modular solution (AMS) has been received positively in the industry, with our first contracts won and builds well under way. This solution was developed to replace the fully automated, end to end solutions that carry high complexity and therefore high risk.

The modular solution takes our existing technology and packages it into a linear solution to meet the needs of the high sampling end of the market. This product will drive our future growth as global mining companies and commercial laboratories look to automation to increase productivity, improve health and safety and address labour challenges.

Minerals: New Rocklabs Premises

To enable future growth, our minerals business has very recently moved into a new, larger, fit for purpose facility in Auckland. This will provide improved manufacturing capacity and ensure we can capitalise on the large addressable market for both our standard product offering and recently launched automated modular solution.

Sustainability: People & Planet

[Casey Jenkins, Group GM of People, Marketing and Minerals]

Leading a sustainable future

Scott’s commitment to sustainable growth extends beyond financial success, to include our responsibility to society and the environment.

The momentum behind Scott’s ESG strategy has continued in FY23, with strong engagement at every level of the organisation and deep support at a Board and Executive level as Scott lives its commitment to playing a role in leading a sustainable future.

Positive engagement and momentum in ESG

In the past year, Scott has made positive steps in our sustainability journey, with the measurement and verification of our full global carbon footprint for the first time, increased employee benefits and the development of deeper partnerships in education.

As we have already heard from John, Employee safety and wellbeing continues to be the highest priority for Scott. The ‘BeScott’ Health and Safety programme continues to drive Scott's safety culture and more importantly a significant improvement across all safety metrics in FY23.

The increased investment in people-led initiatives has resulted in an outstanding eNPS engagement score of 83% across the group, alongside the highest-ever level of employee engagement survey participation (78%).

Finally, in March, as part of our commitment to encouraging women into engineering, Scott was proud to announce a partnership with the University of Canterbury, including the launch of the Scott Technology Women in Engineering Scholarship. Scott has now awarded the first scholarship and looks forward to continuing to support these programs in FY24 and beyond.

Carbon emissions management journey

For Scott, understanding the carbon footprint of our operations was an important first step in developing a low-impact, climate-resilient business.

In the past year, Scott Technology further fortified its commitment to sustainability by expanding its carbon emissions across all global operations mapping our entire global footprint for the first time.

Scott's carbon emissions are broken into three scopes. Scope 1 and 2 are emissions that the business has control over, while scope 3 emissions are those up and down our supply chain that, to measure and manage accurately, requires collaboration with suppliers and customers. Understanding the activities that produce emissions within our business is only the first step in our journey. We are currently developing our reduction targets and set of strategies that will get us there.

Scott is committed to creating a decarbonised future and are looking forward to sharing our progress as part of our climate-related disclosures later next year.

CEO Close

[John Kippenberger, CEO]

As we look to the future, our vision for Scott Technology is clear. We will continue as global leaders in automation, providing solutions that benefit organisations worldwide. Whether it's enhancing manufacturing efficiency, reducing environmental impact or improving workplace safety, we will continue to make a positive difference in the world through automation.

With the Scott 2025 Strategy as our roadmap, we are well prepared to meet the challenges and opportunities of the future, ensuring that our legacy of excellence continues for many decades to come.

I would like to extend my gratitude to our exceptional team, it is your dedication and unrivalled talent that make our achievements possible. And, to our loyal shareholders and customers I thank you for your ongoing commitment and support.

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