

SCALES CORPORATION LIMITED

Bringing Nutrition to the World

Transaction with Bostock Group

16 May 2024



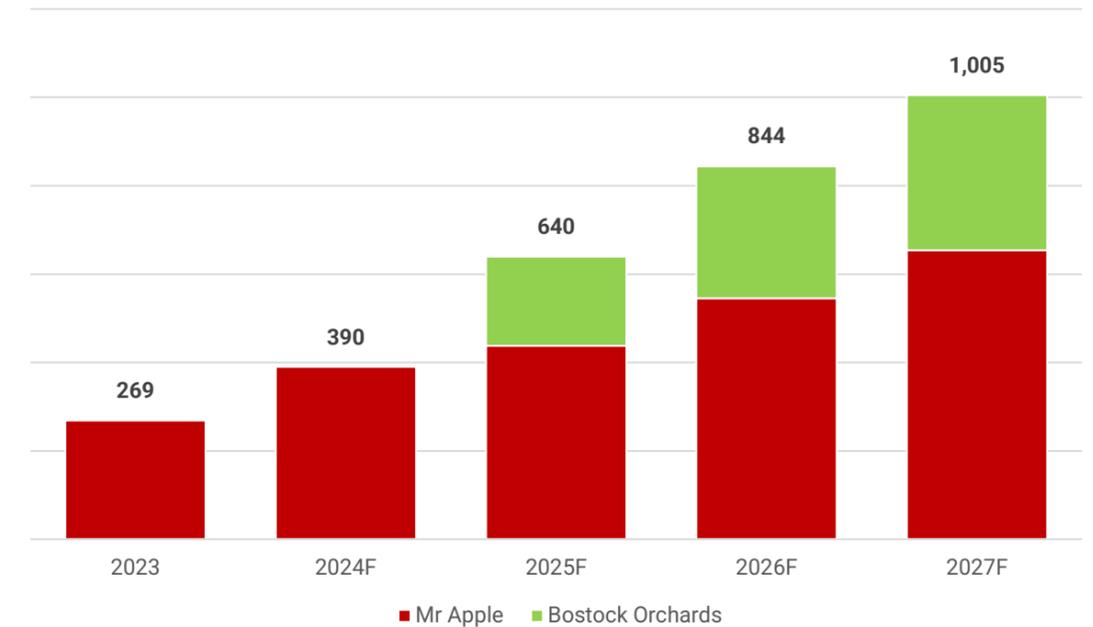
Summary

- Scales has today announced a transaction with Bostock Group Limited, comprising:
 - Approximately 240 hectares of planted orchard, comprising the acquisition of approximately 114 hectares of owned orchards and assignment of approximately 126 hectares of leased orchard.
 - Strong geographical alignment to existing Mr Apple orchards and post-harvest infrastructure.
 - High concentration of Dazzle™ plantings. Approximately 110 hectares (of ~240 hectares) is planted in Dazzle™.
 - Acquired orchards also include High-Colour Fuji and Royal Gala plantings.
 - Profruit to become a wholly-owned subsidiary of Scales.
 - Mr Apple's total orchard area is expected to be largely unchanged through time following the proposed orchard sales.
 - Premium fruit is expected to represent nearly 80% of 2025 fruit sales (compared with 64% in 2023).
- Concurrently, Mr Apple intends to market two orchards (Blyth Orchard and Te Papa Orchard) with a combined planted area of ~186 hectares for sale.

Volumes

- The transaction accelerates us into production, packing and export of Dazzle™:
 - Mr Apple has an ownership interest (including through its investment in Fruitcraft) in both Dazzle™ and Posy™. These are highly sought-after varieties sold principally to Asia and other near markets.
 - The Bostock transaction includes ~110 hectares of Dazzle™ orchard, all of which is nearing full-maturity.
 - The transaction accelerates Mr Apple production, packing and export of this core variety as shown in the chart to the right.
 - Note that 2024 volumes are pre-harvest estimates only. An update on harvested volumes will be provided at Scales' Annual Meeting.
- 2025 volumes (post the acquisition of Bostock orchards and sale of proposed orchards):
 - Premium volumes are estimated to comprise nearly 80% of 2025 fruit sold.
 - Total export volumes are estimated at ~3.4 million TCEs for 2025.

Dazzle™ & Posy™, Total Exported Volume (TCE 000s)



Other Impacts

- The Transaction is expected to contribute \$10-12 million annually to EBITDA over the medium-term prior to orchard sales:
 - This includes an increased share of Profruit earnings together with anticipated margins achieved by bringing the responsibility for shipping and marketing inhouse.
 - This is prior to the EBITDA impact from selling Blyth and Te Papa orchards (the financial impact of these orchard sales will depend on factors such as whether fruit continues to be handled by Mr Apple's post-harvest infrastructure post any sale).
 - Further details on earnings are expected to be provided at or about the time of Scales' half-year results announcement (late August).
- The purchase price will initially be funded through a combination of debt and existing cash reserves:
 - The proceeds from orchard sales will be used to retire the additional debt raised for the transaction.
 - The final net impact on debt will depend on the outcome from the proposed orchard sales. Updates will be provided in due course.

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- EBITDA. We calculate EBITDA by adding back (or deducting) depreciation, amortisation, finance charges / (revenue), and taxation expense to net earnings / (loss) from continuing operations
- EBIT. We calculate EBIT by adding back (or deducting) finance charges / (revenue), and taxation expense to net earnings / (loss) from continuing operations
- Underlying EBITDA and EBIT are calculated by adding back (or deducting) certain non cash NZ IFRS and other adjustments
- Underlying Net Profit is calculated by adding back or (or deducting) the after-tax effect of certain non cash NZ IFRS and other adjustments

A full reconciliation of Underlying to reported measures is provided in our Annual Report.

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