

Scales Corporation Limited
Fact Sheet - September 2024



Meateor Australia factory, Melbourne

About Scales

Scales Corporation Limited (Scales or the Group) is an S&P NZX 50 listed agribusiness group. Its origins date back to 1897 when it was established by George Scales to challenge the freight rates being charged by the large British shipping lines to New Zealand wool exporters. Now the Group comprises 3 operating divisions and 10 operating businesses:



New Zealand























Australia



USA



Belgium

Global Proteins			Petfood ingredient procurers, processors & marketers
			
			
			
			
Horticulture			Edible protein exporter
			Vertically integrated apple grower, packer & marketer
			Apple marketer
Logistics			Juice manufacturer
			Air & sea freight

Vision and Strategy

▶ Scales' Mission

To be the foremost investor in, and grower of, global agribusinesses by leveraging its unique insights, experience and access to collaborative synergies.

▶ Scales' Long-term Goal

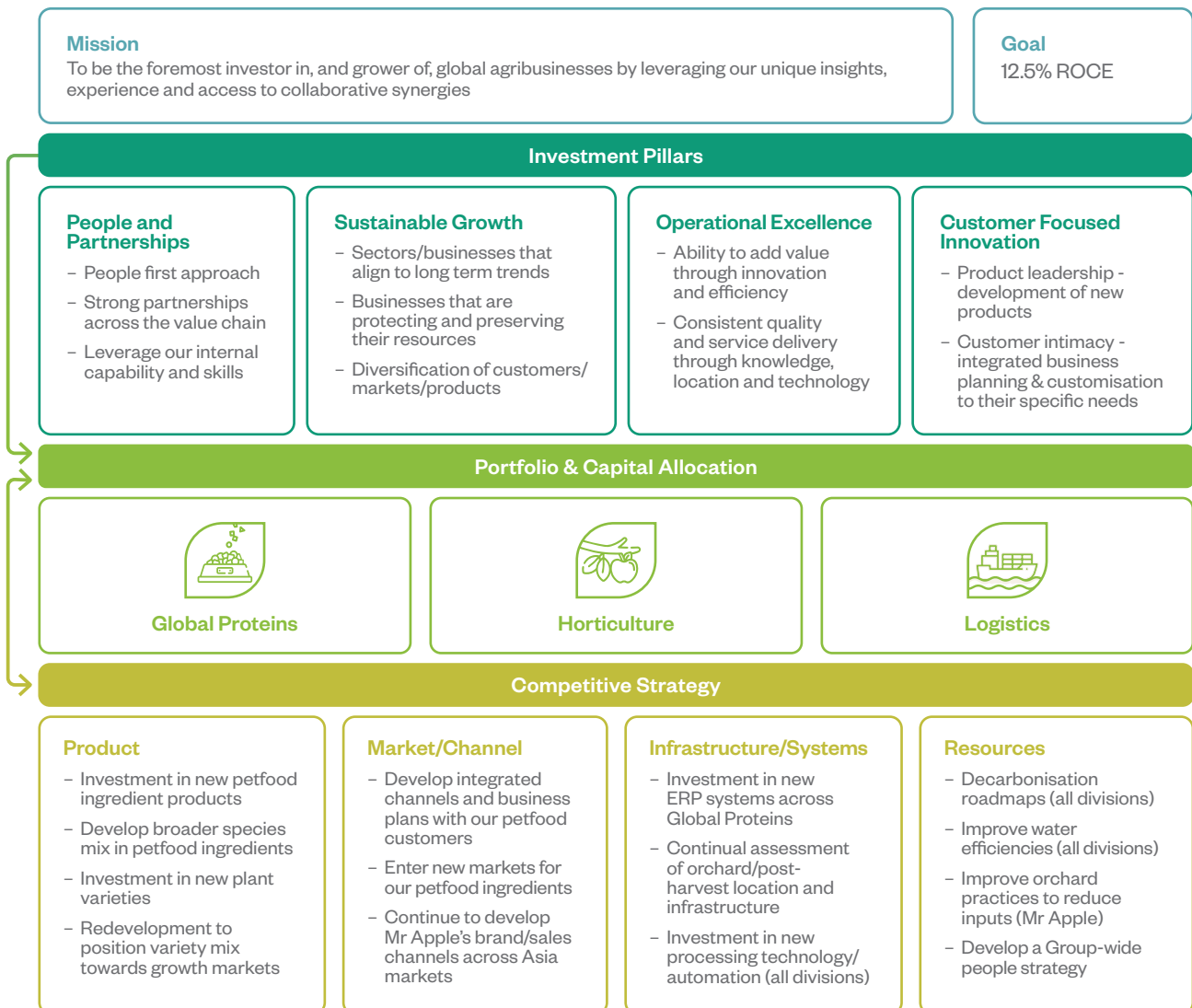
To generate a long-run average 12.5 per cent ROCE across the portfolio.

▶ Corporate and Competitive Strategies

We are invested across 3 divisions. Whilst all divisions have different business models, we are able to leverage our knowledge, partnerships, and Group synergies to create competitive advantages and generate sustainable value for our stakeholders.

▶ Strategy Update

We continued to proactively search for and review potential investment opportunities, both internal and external, during 2023 and into 2024. Our strategy is outlined below.



We have committed to refresh our Group strategy to integrate our climate assessment process after we have set our greenhouse gas emissions assurance base year in 2024. Embedding climate assessment into our strategic framework will allow us to test the resilience of our existing strategy and also allows us to review our targets and reset them accordingly.

Sustainability

Scales is focused on:

- ▶ Its broader obligations as a responsible corporate citizen
- ▶ Its ability to better identify and manage all risks (as well as opportunities) facing the business
- ▶ The desire of our stakeholders to receive clear reporting on our environmental footprint and sustainability improvements
- ▶ Embedding sustainability into Scales' broader strategic planning

2023 was a disruptive year for Scales with Cyclone Gabrielle creating devastating impacts in Hawke's Bay. Whilst our focus was on the recovery and supporting our community, we made good progress on our sustainability agenda by preparing our first Climate-Related Disclosures (CRD) report, hiring our first Group Sustainability Manager and working to develop a more thorough greenhouse gas emissions inventory.

In addition, in August 2024 we appointed a Group Chief Risk Officer. This new role assumes overall responsibility for Sustainability across the Group, giving more attention and focus to this function.

Share Information

NZX code	SCL	Closing share price at 30 August 2024	\$3.40
Shares on issue at 30 August 2024	143,571,527	Market capitalisation at 30 August 2024	\$488 million
Gross dividend yield ¹	3.6%	Financial year end	31 December
NZX industry sector	Primary/Agriculture and Fishing	Indices:	S&P NZX All S&P NZX 50

Scales' share price from date of listing to 30 August 2024 is shown below.



Dividends

Any dividend is subject to Board approval. It is standard practice for the Directors to consider all aspects of the Group's performance and financial position prior to declaring any dividend. Total dividends are expected to be between 50 per cent and 75 per cent of Underlying NPAT Attributable to Shareholders. Currently, dividends are fully imputed for NZ tax residents with the interim and final dividends split approximately evenly and payable in January (interim) and July (final).

Period	Date Paid	Amount (Cash Paid)
2022 interim	16/01/23	6.00 cps
2022 interim	31/3/23	3.50 cps
2022 final	07/07/23	9.50 cps
2023 interim	18/01/24	4.25 cps
2023 final	12/07/24	4.25 cps

¹ Based on the total 2023 financial year fully imputed interim and final dividends 8.50 cents (gross 11.81 cents) and the average share price for the 2023 financial year..

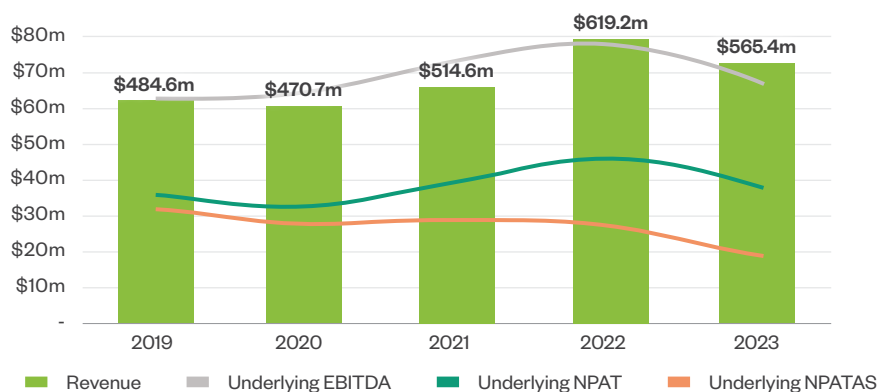
Research Coverage

Company	Analyst	Email
Craigs Investment Partners	Joshua Dale	joshua.dale@craigsip.com
Jarden	Guy Hooper	guy.hooper@jarden.co.nz
Forsyth Barr	Matt Montgomerie	matt.montgomerie@forsythbarr.co.nz

Key Financials

	2019	2020	2021	2022	2023
Revenue	\$484.6m	\$470.7m	\$514.6m	\$619.2m	\$565.4m
Underlying ² EBITDA	\$62.2m	\$64.1m	\$73.8m	\$77.9m	\$67.5m
Underlying EBITDA margin	12.8%	13.6%	14.3%	12.6%	11.9%
Underlying NPAT	\$35.4m	\$33.0m	\$39.8m	\$46.4m	\$38.4m
NPAT	\$121.6m	\$26.6m	\$36.9m	\$38.2m	\$36.9m
Underlying NPATAS	\$31.8m	\$27.5m	\$29.8m	\$27.6m	\$19.0m
NPATAS	\$118.0m	\$21.0m	\$26.9m	\$19.4m	\$26.9m
Earnings per share	84.2c	15.0c	19.1c	13.7c	3.7c
Dividends per share paid	19.0c	19.0c	19.0c	19.0c	19.0c
Average net debt / (net cash)	(\$82.0m)	(\$76.2m)	(\$60.1m)	(\$21.9m)	\$8.9m
Capital expenditure	\$15.7m	\$24.4m	\$16.5m	\$15.6m	\$17.1m

Group Results 2019 to 2023

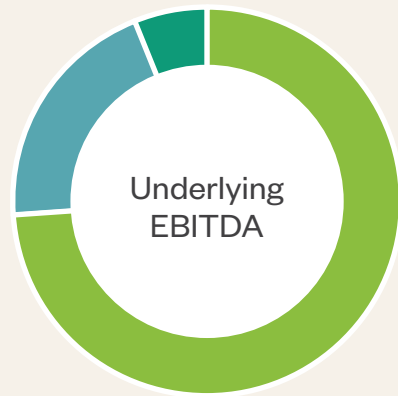


² Scales believes that Underlying measures provide meaningful information that is helpful to investors and give them a better understanding of Scales' financial performance when presented in addition to GAAP (NZ IFRS) information. Underlying earnings include the effects of NZ IFRS 16 Leases from 1 January 2019 onwards. All EBITDA and NPAT earnings shown (both NZ IFRS and Underlying) are presented before the deduction of non-controlling interests.

Divisional Overview

This chart shows the 2023 Underlying EBITDA contribution from each of Scales' 3 key operating divisions. Our Corporate division ran at an Underlying EBITDA loss of \$6.1m to achieve Underlying Group EBITDA of \$67.5m.

Global Proteins	Horticulture	Logistics
74%	20%	6%
\$54.5m	\$14.8m	\$4.3m



Global Proteins

	2019	2020	2021	2022	2023
Revenue	\$155.1m	\$173.7m	\$218.9m	\$319.9m	\$298.5m
% of Group revenue	32%	37%	43%	52%	53%
Underlying EBITDA	\$11.6m	\$21.1m	\$33.4m	\$60.2m	\$54.5m
% of Group Underlying EBITDA ³	19%	33%	45%	77%	81%
<i>Operational metrics</i>					
- Petfood ingredients volume sold (MT)	110,970	115,739	149,207	158,595	137,477

Our Global Proteins division converts agricultural by-products into valuable food commodities. This division has changed significantly since 2018 due to the:

- Acquisition of a 60 per cent interest in Shelby in December 2018
- Sale of 50 per cent of Meateor NZ to Alliance in March 2019
- Purchase of 50 per cent of the Australian operations of Fayman International and 42.5 per cent of ANZ Exports (together, Fayman) in October 2022
- Acquisition of a 33.33 per cent interest in Meateor Australia in October 2022
- Subscription for a 50 per cent shareholding in Esro Petfood BV in August 2023
- Increase in our investment in Meateor Australia to 50 per cent in June 2024

The division now comprises 6 businesses:

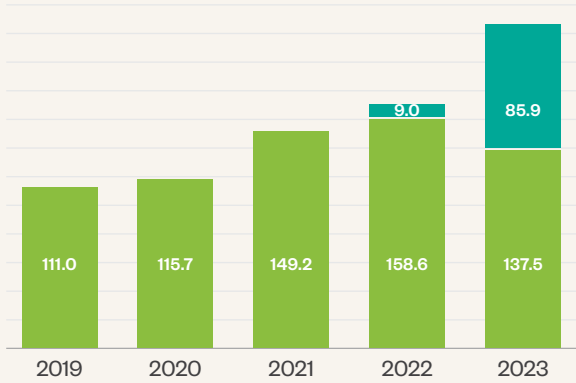
- Meateor NZ – 50 per cent ownership of a processor and marketer of petfood ingredients for the global petfood industry with processing plants in Whakatu and Dunedin
- Meateor International – 100 per cent ownership of a supplier and marketer of petfood ingredients from Australia and other markets
- Shelby – 60 per cent ownership of a US procurer, processor and marketer of ingredients for the petfood industry
- Fayman – 50 per cent ownership of the Australian operations of Fayman International and 42.5 per cent ownership of ANZ Exports, a global exporter of edible proteins sourced principally from Australia
- Meateor Australia – 50 per cent ownership of a new petfood ingredient processing facility in Melbourne
- Esro Petfood – 50 per cent ownership of a newly established European petfood ingredient processing operation in Europe

Note that Profruit, which was previously within the Global Proteins division, was transferred into our Horticulture division during 2022, where we believe its operations and strategy are better aligned. Prior year earnings figures have been restated to reflect this transfer.

³ Group revenue and Group Underlying EBITDA includes the Corporate (Head Office) division as well as inter-company eliminations.

Divisional Overview (continued)

Volumes Sold (MT 000s)



The global petfood market is a large and growing market underpinned by powerful global trends. With its proven track record and geographical reach, Global Proteins is strongly positioned to benefit from this growing global demand. The division's previous strategic target of generating \$25 million EBITDA by 2023 was achieved in 2021 and a new target has been set of generating \$70 million EBITDA by 2027.

■ Petfood Ingredients
■ Edible Proteins

During 2023, the Global Proteins division made significant progress towards its strategic goals. These included:

- Commissioning the Meateor Australia plant, with first sales being made in the last quarter of 2023
- Establishing the Esro Petfood joint venture and commissioning the first processing line in Belgium in the last quarter of 2023:
 - The plant has already commenced salmon and beef processing, sourced from the Netherlands
 - Other locations and site optimisation are being investigated throughout 2024
- Introducing new blending capability:
 - A blending project in Hastings was completed
 - A new blending line in the Dodge City toll processing plant was commissioned



Divisional Overview (continued)

Horticulture

	2019	2020	2021	2022	2023
Revenue	\$264.8m	\$246.0m	\$243.4m	\$228.9m	\$209.9m
% of Group revenue	55%	52%	47%	37%	37%
Underlying EBITDA	\$50.3m	\$42.8m	\$40.8m	\$17.0m	\$14.8m
% of Group Underlying EBITDA	81%	67%	55%	22%	22%
<i>Operational metrics</i>					
- Total planted orchard at harvest (Ha.)	1,158	1,186	1,201	1,167	1,150
- Fully mature planted orchard (Ha.)	1,023	1,028	1,050	1,024	1,050
- Total exported volume (TCEs)					
- Juice concentrate sold (litres 000s)	6,170	6,544	6,497	5,748	5,783

As noted in the Global Proteins section, prior year earnings figures have been restated to reflect the transfer of Profruit into the Horticulture division in 2022.

Our Horticulture division comprises 3 businesses:

- **Mr Apple** – New Zealand's largest vertically integrated grower, packer and marketer of apples, based in Hawke's Bay. Mr Apple also packs, stores and markets apples on behalf of a number of external growers in Hawke's Bay and markets on behalf of external growers in Nelson
- **Fern Ridge** – a fresh produce exporter in Hawke's Bay
- **Profruit** – a manufacturer of high-quality apple, kiwifruit and pear juice concentrates, located in Hawke's Bay. In May 2024 we acquired the remaining 50 per cent of this business to make it a wholly-owned subsidiary

The Horticulture division's primary strategy is to develop a suite of high value proprietary varieties, increase the proportion of these varieties in our product mix over time and continue to develop Mr Apple's brand presence in Asia and Middle east. To accelerate this strategy, we completed the following transactions with Bostock in 2024:

- The acquisition of 240 hectares of planted orchard (114 hectares owned, remainder leased). Importantly this included 110 ha of Dazzle™ plantings, our flagship premium variety. This purchase is expected to increase our premium variety mix from 64 per cent in 2023 to 80 per cent in 2025
- As noted above, this acquisition of the remaining 50 per cent of Profruit, which plays a vital part in the optimisation of our Horticulture value chain

In February 2023, Hawke's Bay was affected by Cyclone Gabrielle. However, thanks to the incredible hard work and tenacity of our Horticulture team, together with support from local and national governments, most of our orchards have now been remediated. The following are just a couple of the photos that capture the condition of our orchards immediately following Cyclone Gabrielle and their current condition, post-remediation.

Before



After



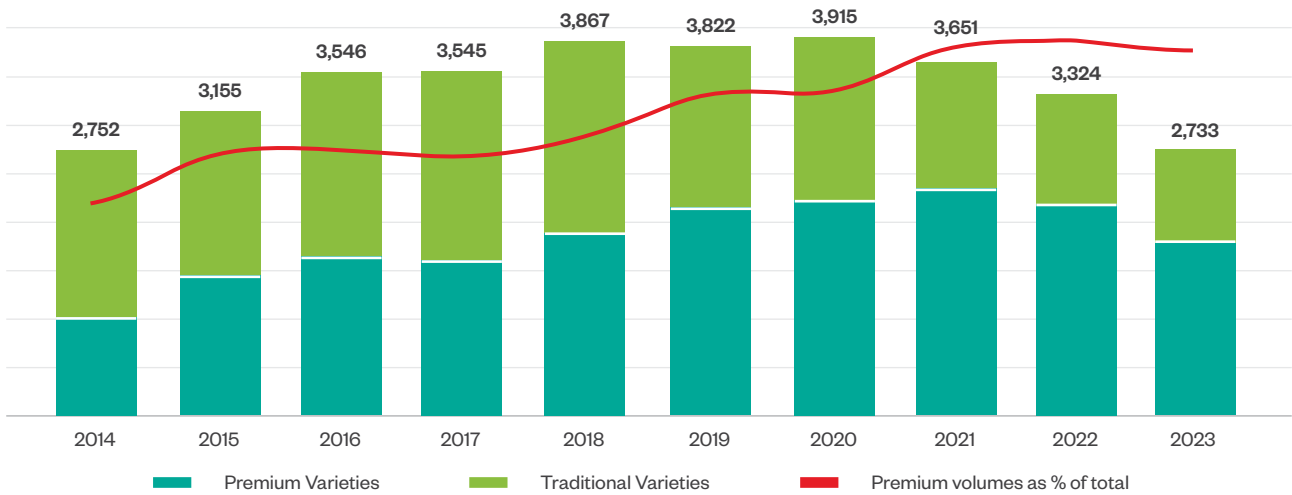
Divisional Overview (continued)

Horticulture (continued)

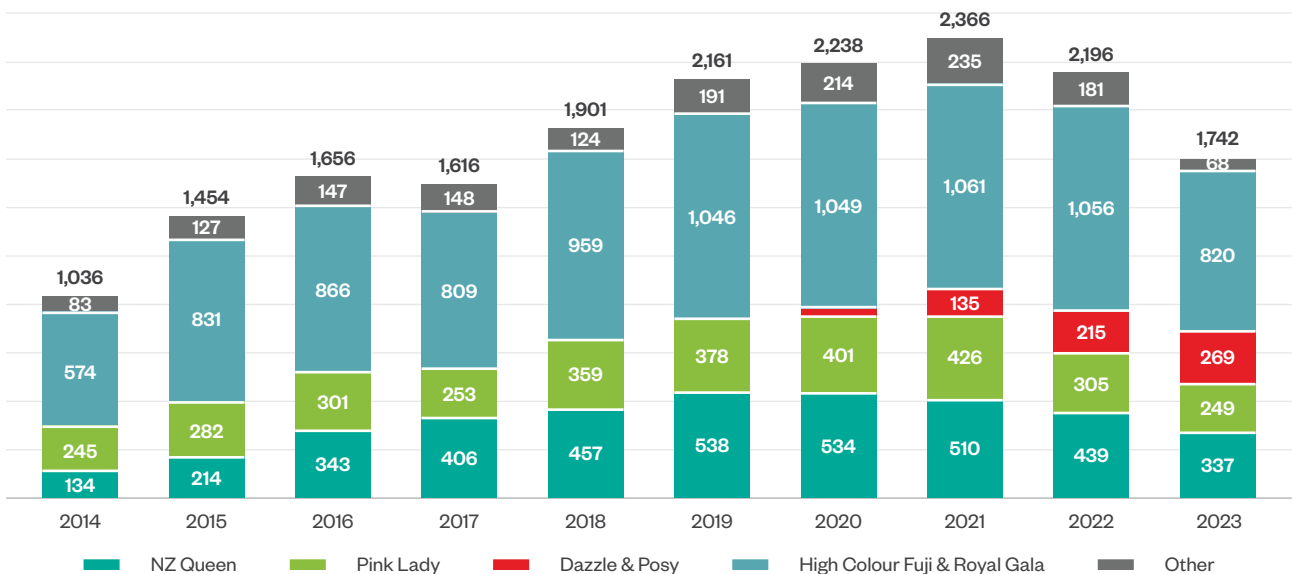
Operating statistics for 2023 included:

- Gross production of 3.87 million TCEs
- Own-grown export volumes of 2.73 million TCEs
- Including Fern Ridge and other external growers, 3.92 million TCEs exported
- Total planted orchard at time of harvest of 1,150 hectares

Mr Apple Own Export Volumes (TCE 000s)

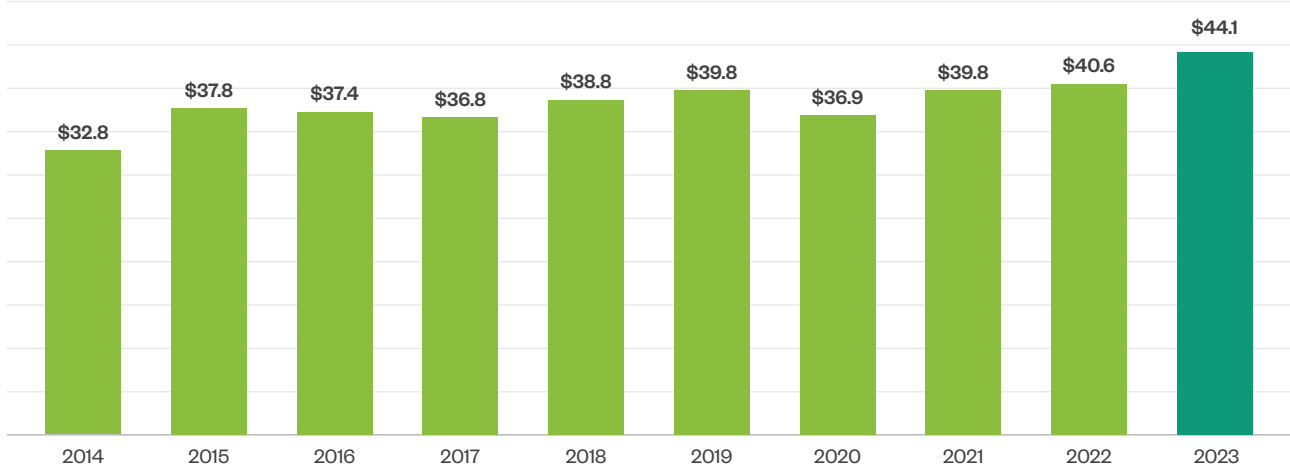


Premium Apple Volumes by Variety (TCE 000s)

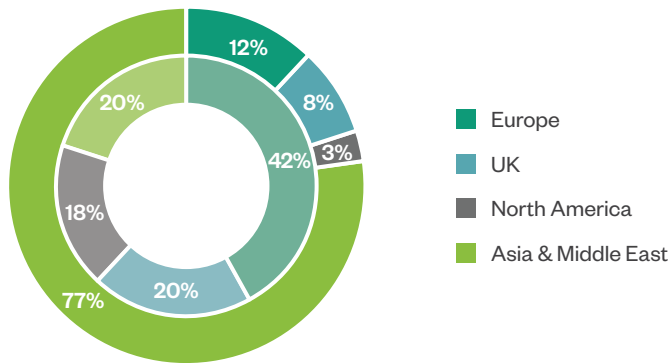


Divisional Overview (continued)

Weighted Average FOB Price / TCE for Premium Apples (NZD)



Exports by Market 2007 (inside) vs 2023 (outside)



The Horticulture division has pronounced financial seasonality:

- Over 50 per cent of Mr Apple's sales are made between February and June each year
- As at 30 June, unsold agricultural produce is measured at fair value less costs to sell, meaning that expected profit on unsold fruit is recognised in the interim result

Logistics

	2019	2020	2021	2022	2023
Revenue	\$87.1m	\$77.9m	\$81.9m	\$123.3m	\$92.6m
% of Group revenue	18%	17%	16%	20%	16%
Underlying EBITDA	\$4.1m	\$4.2m	\$4.9m	\$6.6m	\$4.3m
% of Group Underlying EBITDA	7%	7%	7%	8%	6%

The services of Scales Logistics include:

- Ocean freight services to exporters and importers of perishable products, with offices in Auckland, Christchurch, Tauranga, Hawke's Bay and Melbourne
- Air freight services, including chiller and warehousing facilities in both Christchurch and Auckland

Logistics has produced extremely positive results in recent years despite continued global supply chain sector difficulties, geopolitical difficulties in key trade routes and changes in the volumes of ocean freight and airfreight. The skill and expertise of the Logistics team has been demonstrated, ensuring that all product is shipped on time and in full. We believe this is a key advantage for both Scales' internal divisions as well as Logistics' external freight customers.

Capital Management

Target long-run combined ROCE for the group is 12.5 per cent or greater.

	2022	2023
Global Proteins	67.4%	46.8%
Horticulture	-0.4%	-1.0%
Logistics	61.1%	39.4%
Group	13.5%	10.8%
<i>Target</i>	<i>12.5%</i>	<i>12.5%</i>

ROCE:

A measure of the business' return on its capital invested.

Calculation:

Underlying EBIT divided by the average of opening and closing capital employed.

Group capital employed decreased by \$4.7 million in 2023, primarily as a result of goodwill impairment and asset write-downs in the Horticulture division.

Governance

Board of Directors

Mike Petersen	Non-Executive Independent Chair
Andrew Borland	Executive Managing Director
Tony Batterton	Non-Executive Independent Director, Chair Nominations and Remuneration Committee and Chair Finance and Treasury Committee
Miranda Burdon	Non-Executive Independent Director, Chair of the Health & Safety and Sustainability Committee
Nick Harris	Non-Executive Independent Director
Alan Isaac	Non-Executive Independent Director, Chair Audit and Risk Management Committee
Qi Xin	Non-Executive Director

Management

Andrew (Andy) Borland, Managing Director

Andy joined Scales in 2007 and became Managing Director in 2011. Prior to joining Scales he had a 20-year career in banking, with his final role being Head of Corporate at Westpac New Zealand. Andy has overall responsibility for the strategic direction and day-to-day management of Scales. In addition to his directorships of the Group, Andy is currently the Chair of Primary Collaboration New Zealand Limited and Primary Collaboration New Zealand (Shanghai) Co. Limited.

Hamish Davis, Managing Director Fern Ridge Fresh

Hamish joined Fern Ridge in 2001, becoming Managing Director in 2008. He has over 30 years' experience in the growing and post-harvest sectors of the apple industry and remains very active in export sales for the company.

Brett Frankel, President Shelby Foods

Brett established United States based Shelby Foods in 2007 and has been its President since inception. Brett has over 20 years' experience in petfood, having had a senior procurement role prior to starting Shelby. He also represents the 3rd generation of family involvement in the sector, following in the footsteps of both his father and grandfather.

Tim Harty, General Manager Meateor Pet Foods

Tim was appointed General Manager at the inception of the joint venture with Alliance in 2019. Tim has had over 20 years' experience in the export meat industry, in marketing and operational roles, both in New Zealand and overseas.

Steve Kennelly, Chief Financial Officer

Steve has been with Scales since 1993 in a variety of accounting and financial roles. As CFO, Steve is responsible for finance, funding, legal, company secretarial and information technology. Steve is a member of Chartered Accountants Australia and New Zealand.

Chantelle Ramage, General Manager Profruit

Chantelle has been with Profruit for 17 years, including 15 as General Manager. Prior to that Chantelle held Production Manager and Technical Manager roles with the company. Chantelle graduated from Lincoln University with a Bachelor of Science, majoring in Food.

Kent Ritchie, CEO Scales Logistics

Kent joined Scales in 1998 and has spent over 30 years in the shipping industry. He has been involved in setting up shipping services from New Zealand, has experience in all aspects of the transport industry and has led Scales' expansion into the logistics arena.

John Sainsbury, CEO Meateor Group

John has been with Meateor in various management roles for over 20 years. Prior to that, John worked in senior management, marketing and operational roles in the United States. John was appointed CEO of Meateor in March 2015 and CEO of Meateor Group in 2019.

Geoff Smith, Chief Operations Officer

Geoff joined Scales in 2022 from Zespri where he was Head of New Zealand Supply. Geoff has extensive experience across a variety of agribusinesses, particularly in operations, supply chain, strategy and investment. Geoff has both an Honours degree and Doctorate from Lincoln University.

Nadine Tunley, Chief Risk Officer

Nadine was appointed as Scales' Chief Risk Officer on 1 September 2024, following a term of over 5 years as a Scales' Director. Nadine has broad primary industry experience from prior roles, including as the CEO of both Horticulture New Zealand and Oha Honey LP. Nadine also has experience from a wide variety of prior governance and advisory roles, including as the Chair of New Zealand Apples & Pears Incorporated, Director of Plant & Food Research and a member of the Primary Sector Council.

Andrew van Workum, CEO Mr Apple

Andrew has worked in the apple industry for over 30 years. He joined Mr Apple at its inception in 2001 and prior to that was General Manager of Mr Apple's predecessor, Grocorp Pacific Limited, where he worked for 16 years. He has extensive experience in the production aspects of the apple industry and was previously a Director of Pipfruit New Zealand.

Company Information

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Glossary

CRD	Climate-Related Disclosures
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
FOB	Free On Board, a term which means that the price for goods includes delivery at the seller's expense on to a vessel at a named port and no further. The buyer bears all costs thereafter (including costs of sea freight)
GAAP	Generally Accepted Accounting Principles
IFRS	International Financial Reporting Standard
NPAT	Net Profit After Tax
NPATAS	Net Profit After Tax Attributable to Shareholders
ROCE	Return on Capital Employed
TCE	Tray carton equivalent (a measure of apple and pear weight, defined as 18.6kg packed weight, which equates to 18.0kg sale weight)

