

NZX & Media Release

25 February 2016

## **SCALES CORPORATION DELIVERS RECORD PROFIT, 112 PER CENT ABOVE 2014**

### **Highlights – 12 months to 31 December 2015**

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- FY2015 financial results above both IPO forecast and FY2014:
  - Net Profit for the Year of \$38.9 million, 87 per cent above IPO forecast and 112 per cent above FY2014.
  - Underlying Net Profit<sup>1</sup> of \$35.7 million, 71 per cent ahead of IPO forecast and 80 per cent above FY2014.
  - Underlying EBITDA<sup>2</sup> of \$61.4 million, 49 per cent ahead of IPO forecast and 54 per cent above FY2014.
  - All divisions exceeded IPO forecast and FY2014 profit.
- Outstanding performance from Horticulture division.
- Auckland coldstore opened November 2015, on time and on budget and to strong customer demand.
- Further significant investments and developments through the Storage & Logistics division including the long-term edible oil storage contract, acquisition of a Napier-based bulk liquid processing facility, and strong organic growth in airfreighting operation Balance Cargo will underpin medium-to-long term growth outlook for this division.
- Excellent performance from Food Ingredients strengthened through strong trans-Tasman procurement.

Diversified agribusiness group Scales Corporation Limited (NZX:SCL) today reported its FY2015 full year results, achieving record profitability for the group which is now in its 104<sup>th</sup> year of trading.

At \$38.9 million, Net Profit for the year (including non-cash IFRS adjustments) is 87 per cent ahead of the IPO forecast and 112 per cent above the FY2014 result. Earnings per share from continuing operations for FY2015 was 27.9 per share up from 14.1 cents per share in FY2014.

Scales Corporation chairman Jon Mayson says: “It’s an extremely pleasing result, made possible by the outstanding commitment, attitude and drive of the entire Scales team.

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<sup>1</sup> Net Profit excluding non-cash International Financial Reporting Standards (IFRS) adjustments. A reconciliation between Net Profit and Underlying Net Profit is provided in the appendix of our annual results presentation pack

<sup>2</sup> Earnings before interest, tax, depreciation and amortisation and excludes non-cash IFRS adjustments

“All three operating divisions reported an increase in contribution above the IPO forecast and the Horticulture division in particular performed exceedingly well in FY2015.”

Scales Corporation managing director Andy Borland notes: “The FY2015 result reflects the impact of careful and diligent investment to respond to the needs of our customers. Five years ago we began a process to invest heavily in Scales – revitalising our assets, investing in our people, and investing in the culture. We believe our FY2015 result has been made possible by that investment.”

Mr Borland says Scales continues to actively invest in its business with \$15.8 million in capital expenditure during FY2015, of which \$11.3 million is categorised as ‘growth capital expenditure’.

“On the balance sheet we managed to lower net debt to \$16.2 million at 31 December 2015. That brings average net debt for the year down to \$32.5 million which is 24 per cent lower than Average Prospective Net Debt as noted in our Prospectus.

“This places Scales in a very strong financial position, with considerable headroom on all banking covenants,” Mr Borland says. “Scales’ stronger than forecast financial position enabled us to pay both an increase in our interim dividend to 6.5 cents per share and a special dividend of 4 cents per share in January 2016 following a final FY2014 dividend of 7 cents per share paid on 10 July 2015.

“The board expects to declare a final dividend of 6.5 cents per share in May with payment in July.” Mr Borland says.

## **Divisions**

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### ***Horticulture***

The Horticulture division delivered outstanding growth, with Underlying EBITDA increasing from \$23.9 million in FY2014 to \$40.0 million in FY2015, an uplift of 67 per cent for the year, Mr Borland says.

“This improvement in profit was largely a result of an excellent performance from our premium varieties. During the past five years especially we have made significant investments in our premium varieties and brand positioning, including Mr Apple, Diva, Fern Ridge Fresh and other brands.

“It is pleasing to see that investment deliver both a material increase in volume and price during FY2015. 418,000 more premium TCEs<sup>3</sup> were exported in FY2015 than in FY2014, an increase of 40 per cent. Improved premium varietal mix, especially higher volumes of NZ Queen and Diva, coupled with continued strong demand for our premium apples contributed to the New Zealand dollar FOB pricing for premium varieties increasing by 15 per cent in FY2015.

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<sup>3</sup> Tray carton equivalent, a measure of apple and pear weight, defined as 18.6kg packed weight which equates to 18.0kg sale weight

“During FY2015 we sold more than 3.15 million TCEs of our own-grown fruit, beating a volume target we had set down for FY2018. Accordingly we have established a new target of 3.5 million TCEs of our own-grown fruit by FY2020,” Mr Borland says.

### ***Storage & Logistics***

“The Storage & Logistics division also achieved strong growth in profitability with Underlying EBITDA increasing from \$12.3 million in FY2014 to \$16.3 million in FY2015.

“This was due to a return to more normal levels of trading from this division as well as a number of significant milestones achieved during the second half of FY2015.”

These material and structural developments will secure ongoing growth from this division for the medium term and include:

- The opening of Scales’ Auckland coldstore in November 2015, on time and to budget and to stronger than anticipated demand. The purpose-built coldstore uses state-of-the-art coldchain technology and practices to deliver a superior service whilst minimising environmental impact. On the site rainwater is collected and reused and power use is limited through highly thermally efficient construction and by the use of sophisticated temperature monitoring.
- Developments in the bulk liquid storage business Liqueo. A new 20-year contract to store edible oils at Scales’ Timaru facility commenced in August. Also in the second half of the year the division acquired a complementary bulk liquid processing facility in Napier, securing additional revenue and cost efficiencies and providing room for continued growth.
- Continued strong organic growth in Scales Logistics and its airfreighting operation Balance Cargo. Airfreight tonnes managed increased by 79 per cent for the year to more than 2,800 tonnes.

### ***Food Ingredients***

Mr Borland says another outstanding result has been returned by Scales’ Food Ingredients division which produced an Underlying EBITDA of \$7.6 million, 33 per cent ahead of FY2014.

“Within the division Meateor sold 20,220 tonnes of pet food ingredients, 23 per cent higher than FY2014 sales volumes and made possible through our strong trans-Tasman procurement relationships.

“Meateor delivered an EBITDA that was 100 per cent higher than our IPO forecast, whilst Profruit’s factory ran 24 hours a day, 7 days a week from mid-March to mid-September to produce 6.65 million litres of juice concentrate,” Mr Borland says.

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## Outlook

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Looking ahead, Mr Mayson says: “Although apple picking for the FY2016 crop has yet to begin, early signs for the crop size and quality are positive. This, coupled with a generally supportive environment for our businesses, allows us to reaffirm guidance provided late last year for FY2016 EBITDA of between \$48 million and \$55 million.”

### **Contact**

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### **About Scales Corporation**

Scales Corporation is a diversified agribusiness group. It currently comprises three operating divisions: Horticulture, Storage & Logistics and Food Ingredients. The company's diverse spread of activities gives Scales broad exposure to New Zealand's agribusiness sector. Scales Corporation was founded in 1897 as a shipping business by George Herbert Scales. Today it employs more than 500 staff New Zealand wide. Find out more at [www.scalescorporation.co.nz](http://www.scalescorporation.co.nz).