

Media Release

3 November 2016

SCALES CORPORATION ANNOUNCES ACQUISITION OF LONGVIEW NEW ZEALAND AND SURROUNDING ORCHARDS

Scales Corporation Limited (NZX:SCL) today announced that it has entered into an agreement, through its wholly owned subsidiary Mr Apple New Zealand Limited (**Mr Apple**) to acquire 100% of the shares in Longview Group Holdings Limited (**Longview**), a standalone Hawke's Bay grower, packer, and marketer of apples. Longview leases 76 ha of orchard and bare land under long term leases. The transaction also includes the purchase of 22 ha of orchard immediately surrounding the Longview packhouse and coolstore and a lease of a further 17 ha of orchard from parties associated with Longview shareholders (collectively **the Transaction**).

Key highlights of the Transaction include:

- Attractive aggregate purchase price of approximately \$20.5 million (subject to adjustment), representing an acquisition multiple of 5.6x FY17 forecast incremental EBITDA.
- Purchase price to be funded entirely from cash and debt.
- Delivers an expected increase in Scales' earnings per share of approximately 4% in FY17.
- Further profit uplift through to 2020 as post-harvest capacity is fully utilised.
- Consolidation of a fully integrated grower, packer, and marketer of apples in the Hawke's Bay handling approximately 530,000 TCEs annually.
- Extends Scales' total managed orchard by ~115 ha, of which 85 ha is planted.
- High quality management team.
- Complementary near market focus.
- Compelling synergies including immediate access to modern post-harvest capacity, and strong revenue and cost synergies.

Scales Corporation's Managing Director, Andy Borland, says "We are extremely pleased to announce the acquisition of Longview and nearby orchards today. Longview is a well-established horticultural business in the Hawke's Bay with a successful history of growing, packing, storing and marketing apples. The Longview team is highly capable and very experienced and shares a strong customer-

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focused and apple quality alignment with Mr Apple. The surrounding 22 ha of high quality orchards were purchased from longstanding Hawke's Bay orcharders, the Caccioppoli's.

"Our strategy is to become the preferred supplier of apples within the Asian region. Longview's focus on near markets makes it a highly compelling addition to our existing operations. During 2016 Longview sold 62% of the approximately 530,000 TCEs it manages to Asia. It was recently recognised by the China Fruit Marketing Association as one of the top 10 brands of fruit imported into China during 2016." Mr Borland says.

The Transaction increases Mr Apple's total planted apple orchard by approximately 85 ha, with a further approximately 30 ha of bare land for future development of premium apples. "The orchards we will acquire as a part of the Transaction are all located in the Hawke's Bay, which we believe is the best place in the world for growing apples. The majority of orchards acquired through the Transaction are leased under long-term lease arrangements. We have a strong track-record for improving the productivity of orchards we lease and expect no less from these orchards. In addition, the Transaction extends our network of independent Hawke's Bay growers by approximately 300,000 TCEs." Mr Borland says.

"Longview operates a modern packhouse and coolstore built in 2006 with a further coolstore extension completed last year. The packhouse provides us with increased post-harvest capacity which we expect to fully utilise by 2020 through the ongoing maturity of redeveloped Mr Apple and Longview orchards. In addition, the Longview post-harvest infrastructure is close to existing Mr Apple operations and is expected to yield a number of operational efficiencies and improvements, including opportunities for improved packhouse specialisation and other revenue and cost synergies."

Completion of the Transaction is scheduled for 7 November 2016.

About Scales Corporation

Scales Corporation is a diversified agribusiness portfolio. It 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.

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