

A large industrial warehouse with high ceilings. On the left, numerous pallets are stacked high with large, white, plastic-wrapped packages of frozen poultry. In the center-right, a yellow and blue forklift is in motion, carrying a pallet of similar packages. The background shows more stacks of boxes and the structural elements of the warehouse.

# **SCALES CORPORATION LIMITED**

**SALE OF POLARCOLD  
BRIEFING PRESENTATION  
9 MAY 2018**



# EXECUTIVE SUMMARY

- Scales has entered into a share sale agreement with Emergent Cold to sell its shares in its coldstorage businesses Polarcold and Whakatu Coldstores (***Polarcold***) for \$151.4m subject to completion adjustments:
- Multiple of 15.6x FY17 EBIT of \$9.7m.
- Transaction is subject only to OIO regulatory approval.
- Transaction proceeds are intended to be retained by Scales and applied to other growth initiatives being pursued:
  - We believe there are a number of exciting opportunities in agribusiness now and going forward.







# TRANSACTION OVERVIEW

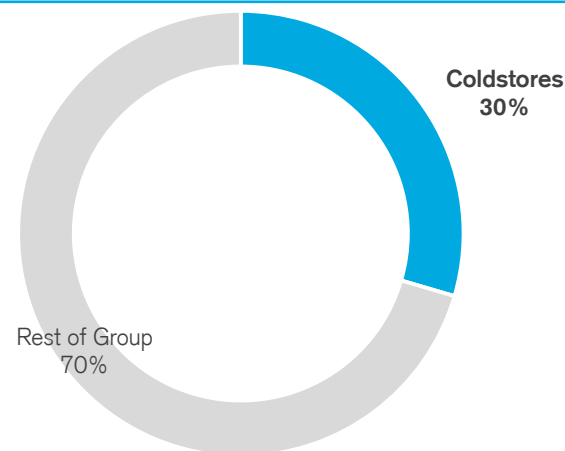
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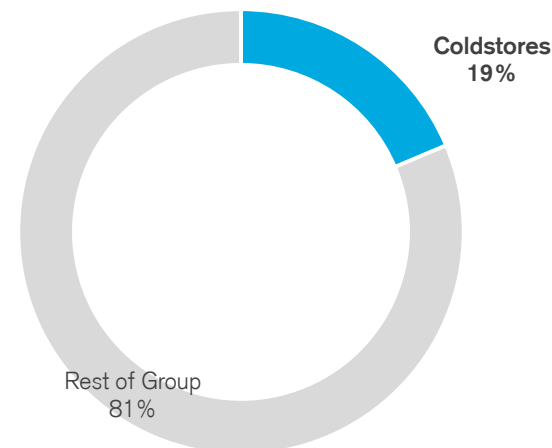
# RATIONALE

- Scales' refined strategy is about adopting a greater focus on pure agri-businesses and businesses / opportunities that play well to our strengths.
- Polarcold:
  - Is less aligned to our focus / strengths.
  - Delivered a lower return (ROCE) relative to:
    - Other business divisions in the Group (2017 ROCE from Coldstores 11.1% vs rest of Group 20.3%).
    - Other opportunities within the primary sector.

## Capital Employed (Dec-17)



## Divisional EBIT Contribution 2017





# FINANCIAL IMPACT

FY2017	Scales today	Coldstores	Scales ex. Coldstores
Revenue	399.1	53.7	345.4
Underlying EBITDA	62.0	14.5	47.5
Underlying EBIT	47.8	9.7	38.0
Net Cash / Debt (as at 31 Dec)	(40.8)		110.6
Capital Employed	307.5	87.5	220.1
ROCE	15.5%	11.1%	17.3%

## Note:

1. Transaction effective from 1 June 2018
2. All earnings post 1 June 2018 accrue to the purchaser
3. Interest to be charged on the purchase price until the sole condition is satisfied



# SCALES STRATEGY

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# 2

# OUR STRATEGY

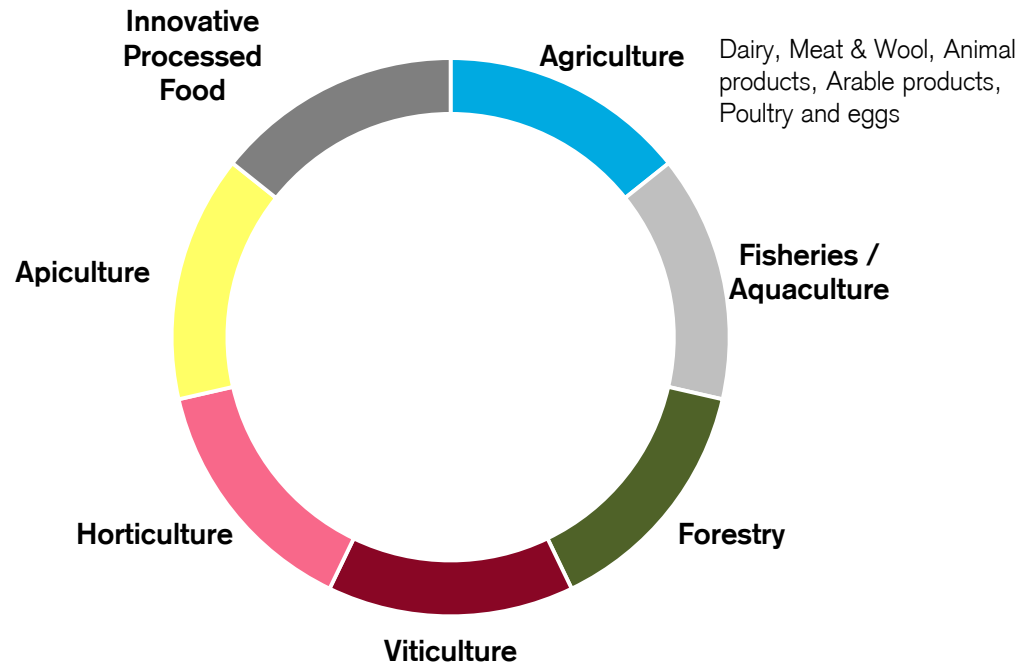
## A greater focus on pure Agri-Business

- We have refined our group investment / growth strategy, adopting a greater focus on pure agri-businesses.
- We will focus on opportunities that play well to our strengths:
  - Fully-vertically integrated.
  - Export-led.
  - Add value from our Chinese relationships.
- This is an extremely exciting time to be a diversified investor in, and grower of, agribusinesses.
  - New Zealand stakeholders expect the agriculture sector to embrace environmentally friendly, sustainable and high value production - making best use of current natural resources and creating long lasting environmental benefits.
  - This is reflected in recent government announcements covering areas such as climate change and expectations of foreign investment.
- Successful implementation of the strategy will ultimately result in a meaningful rebalance of our current portfolio of businesses:
  - We will look to acquire businesses that play well to our strengths.
  - We will seek to divest operations that are not well-aligned with our strengths.

# OUR INVESTMENT UNIVERSE

Agri-Business encompasses the following primary industries

The Primary Sector accounts for:



**79.2%**  
of New Zealand's  
merchandise exports

**15%**  
of employment

**10.5%**  
of GDP



# APPROACH TO CAPITAL ALLOCATION

## Scales' Vision:

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

## Our long-term goal:

To generate a long-run average 15% Return on Capital employed across our portfolio.\*

## Strategies to Create Value

### As an operator:

- We will support our businesses by investing in people, culture, and equipment
- We will expand through appropriate investment in growth
- We will provide operating and financial support

### As an investor:

- We will remain patient and disciplined
- We will identify sectors with appropriate vertically-integrated, scale, and growth characteristics
- We will identify opportunities where we can add value through our core strengths
- We will remain focused upon our long-term ROCE objectives

\*Calculated as Underlying EBIT / Capital Employed, where Underlying EBIT is calculated as Underlying Net Profit plus Net Financing Costs and Tax, and Capital Employed is calculated as Non Current Assets plus Current Assets (excluding any Cash or Cash Equivalent balances) less Current Liabilities (excluding any Overdraft or Short-Term Debt balances).