

NZX & Media Release

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SCALES CORPORATION DELIVERS STRONG RESULT DURING GLOBAL PANDEMIC

Highlights – 6 months to 30 June 2020 (1H20)

- Privileged that all divisions were deemed essential businesses throughout the lockdown alert levels.
- Continued to run the business across all sites during times of peak harvest and production.
- Underlying NPAT¹ of \$29.2 million (1H19: \$30.1 million).
- Underlying EBITDA² of \$44.4 million (1H19: \$47.3 million).
- Record Mr Apple export volumes of 3.9 million TCEs³.
- Food Ingredients benefitted from increased pet food demand during lockdown.

Diversified agribusiness group Scales Corporation Limited (NZX:SCL) today reported its 1H20 results. NPAT for the Group was \$27.8 million (1H19: \$121.8 million), a solid result during the midst of a global pandemic.

Scales Corporation Chair Tim Goodacre noted: “Trading throughout the COVID-19 lockdown was not without its challenges. However, the continuity of the business and the ensuing results were made possible by strong leadership together with the courage and hard work of team members.”

“Whilst the divisional mix of our earnings differs from prior years, the diversified geographical and operational nature of our business, together with our vertically integrated business structure, undoubtedly assisted us to achieve the returns noted.”

Divisions

The Horticulture division delivered an Underlying EBITDA of \$32.4 million (1H19: \$41.3 million), together with a record-equalling crop of 5.1 million TCEs and record export volumes of 3.9 million TCEs. Managing Director Andy Borland commented: “COVID-19 lockdowns occurred during the peak

¹ Net Profit After Tax

² Earnings Before Interest, Tax, Depreciation and Amortisation

³ Tray Carton Equivalents

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harvest and production period for the Horticulture division. Whilst we maintained strong sales into our European markets, sales to Asia and near markets were unfortunately adversely affected by changes in logistics and customer purchasing patterns. As a result, a lower percentage of crop was sold by 30 June 2020 compared to previous years and we experienced price pressure in Asia markets in particular. However, we believe our strategy to operate in diversified geographical markets with a range of both premium and traditional apple varieties provided us with a strong base to deliver the current period result.”

The Food Ingredients division delivered an excellent first half result with Underlying EBITDA of \$11.0 million (1H19: \$5.1 million). Mr Borland said: “A change in customer purchasing behaviour due to COVID-19 brought orders forward in the first six months of the year, with a resulting 14 per cent increase in volumes sold compared to 1H19. In particular, Shelby was able to take advantage of trading opportunities in the USA, supporting our strategy of geographical and protein diversification.”

Logistics traded in line with 1H19, with an Underlying EBITDA of \$3.2 million (1H19: \$3.1 million). The division benefitted from exposure to the agribusiness sector.

Outlook

Mr Goodacre noted “We continue to anticipate that our full year Underlying Net Profit will be at the bottom end of our previously advised guidance range of between \$30.0 million and \$36.0 million⁴, taking into account the impact that COVID-19 has had, and continues to have, on each of our businesses. However, our balance sheet remains strong and we continue to seek appropriate investment opportunities.”

Scales dividend policy is for interim and final dividends to be split approximately evenly and paid in January and July. Scales remains committed to its current annual dividend level of no less than 19 cents cash per share whilst the company holds Net Cash.

About Scales Corporation

Scales Corporation is a diversified agribusiness portfolio. It comprises three operating divisions: Horticulture, Food Ingredients and Logistics. The company’s diverse spread of activities gives Scales broad exposure to the agribusiness sector. Scales Corporation was founded in 1897 as a shipping business by George Herbert Scales. Today it has operations across New Zealand, Australia and the USA. Find out more at www.scalescorporation.co.nz.

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⁴ Before the deduction of Non-Controlling Interests