

NZX & Media Release

23 August 2023

DIVERSIFIED STRATEGY DELIVERS RESILIENT RESULT FOR SCALES CORPORATION

Highlights – 6 months to 30 June 2023 (1H23)

- Underlying¹ NPAT² Attributable to Shareholders of \$14.5 million (1H22: \$25.6 million), down 43.5%
- Reported NPAT of \$14.3 million (1H22: \$35.1 million), down 59.3%
- Excellent performance by the Global Proteins division
- Commendable Horticulture operational result in light of the effects of Cyclone Gabrielle
- Solid result from Logistics despite volumes also being affected by the Cyclone

Diversified agribusiness group Scales Corporation Limited (NZX:SCL) today reported its 1H23 results. An excellent performance by its Global Proteins division together with solid earnings from its Logistics division offset lower results from its Horticulture division due to the effects of Cyclone Gabrielle.

Mike Petersen, Scales Corporation Chair, commented: “Scales delivered a resilient result in what was an extremely difficult 6-month period for the Horticulture division. The Group benefited from continued growth in the Global Proteins division together with solid results from Logistics.”

“Cyclone Gabrielle caused significant loss and disruption, and we are extremely proud of all our team members who were able to resume operations in the week following the Cyclone. We have endeavoured to support both our staff and the community in every way that we can following Cyclone Gabrielle and will continue to do so as the clean-up continues throughout the region.”

“As ever, our results are not possible without the hard work and effort of each and every individual within the Group, and we would like to extend our thanks to all our team members, especially to those who were personally affected by the Cyclone.”

¹ Underlying results exclude some New Zealand International Financial Report Standards (NZ IFRS) non-cash and other adjustments
² Net Profit After Tax

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Divisions

Global Proteins produced an extremely good result, with Underlying EBITDA³ of \$30.1 million (1H22: \$29.9 million). Managing Director Andy Borland noted: “Global Proteins continued to capitalise on operational improvements made in prior periods. Results include our 50% share of NPAT for the Fayman businesses, with earnings for these businesses currently trading ahead of 1H22.”

“We were also recently delighted to further expand the Global Proteins division by establishing a presence in Europe through Esro Petfood JV. This joint venture aligns with our strategic objectives for the division in a number of ways, and we are excited for the opportunities presented by this partnership.”

The Horticulture division produced a commendable operating result given the effects of Cyclone Gabrielle. Underlying EBITDA was \$11.4 million (1H22: \$24.5 million). Mr Apple’s total own-grown export volumes are forecast to be 2.7 million TCEs⁴ (2022: 3.3 million TCEs).

Mr Borland noted: “This has been a very extremely difficult growing and post-harvest period for Horticulture, as well as the wider Hawke’s Bay produce industry, resulting in lower volumes. However, higher in-market apple prices have helped to compensate for the lower volumes. In addition, Mr Apple has experienced encouraging growth in its Premium varieties of Dazzle™ and Posy™, with demand outweighing supply in China.”

“Extensive orchard remediation has taken place with approximately 165 hectares of damaged orchards recovered from silt, debris and slash. An outstanding effort by our Horticulture team has resulted in around 50% of recovered blocks being re-seeded, with a target to complete the re-seeding by the end of this month.”

“Mr Apple is continuing its business review and we expect performance to return to more normal levels for FY24.”

Logistics continued to provide strategically important services and solutions despite its volumes also being impacted by Cyclone Gabrielle. Underlying EBITDA was \$2.7 million compared to \$3.6 million in 1H22. Mr Borland commented “We have seen strengthened demand for airfreight volumes due to new customers and changes in product mix. In addition, the logistics sector has seen some improvement in the reliability of the supply chain, with pricing easing and delivery times improving. Further recovery is anticipated in forthcoming periods.”

³ Earnings Before Interest, Tax, Depreciation and Amortisation

⁴ Tray Carton Equivalents

Full Year 2023 Outlook

Directors re-confirm that Underlying Net Profit Attributable to Shareholders is expected to be within the previously advised range of \$14.0 million to \$19.0 million.

In re-confirming this guidance Directors note:

- Broader economic trends may affect international markets
- Global Proteins continues to perform strongly, noting that 2H23 divisional results will be affected by:
 - Initial trading losses whilst the Australian and European petfood plants reach full production (Australian plant commissioned August 2023, European plant expected to be operational 4Q23)
 - The transition of business from the legacy Australian operations to the new joint venture
- Mr Apple has ~26% of crop to be sold (August 2022: ~40%)

Scales continues explore a number of opportunities to grow the Global Proteins division.

On behalf of his fellow Directors, Shareholders and leadership team, Mr Petersen extends his thanks to all Scales' team members for their resilience, hard work and expertise.

About Scales Corporation

Scales Corporation is a diversified agribusiness portfolio. It comprises three operating divisions: Global Proteins, Horticulture 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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