

NZX & Media Release

28 August 2024

## **SCALES CORPORATION'S EARNINGS RECOVERING STRONGLY**

### **Highlights – 6 months to 30 June 2024 (1H24)**

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- Underlying<sup>1</sup> NPAT<sup>2</sup> Attributable to Shareholders of \$28.5 million (1H23: \$14.5 million), up 97%
- Reported NPAT of \$38.1 million (1H23: \$14.3 million), up 167%
- Horticulture returning towards pre-Cyclone performance levels
- Global Proteins' performance consistent with 1H23
- Logistics benefiting from higher volumes
- Execution of strategic growth transactions in both Horticulture and Global Proteins

Diversified agribusiness group Scales Corporation Limited (NZX:SCL) today reported its 1H24 results with all divisions delivering strong earnings.

Scales Corporation's Chair, Mike Petersen, noted: "The Horticulture division's earnings are a very positive reflection of the teams' hard work post-Cyclone and Global Proteins delivered a consistent result whilst executing its strategic initiatives."

"It was satisfying to return to a more normal trading period, allowing the teams in each of the divisions to concentrate on the growth objectives in each of their respective businesses. As ever, our results are only achievable due to their effort and dedication every day."

"It has also been pleasing to be able to execute on strategic growth transactions within Horticulture and Global Proteins over the last 6 months, and we are excited by the opportunities that they will afford us."

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<sup>1</sup> Underlying results exclude some New Zealand International Financial Report Standards non-cash and other adjustments

<sup>2</sup> Net Profit After Tax

#### **Scales Corporation Limited**

Head Office: 52 Cashel Street | Christchurch 8013 | New Zealand

Postal: PO Box 1590 | Christchurch 8140 | New Zealand

Phone: +64 3 379 7720

[scalescorporation.co.nz](http://scalescorporation.co.nz)

## Divisions

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Global Proteins' Underlying EBITDA<sup>3</sup> was \$29.6 million (1H23: \$30.1 million). Andy Borland, Managing Director of Scales, commented: "It is encouraging to see Global Proteins continue to produce consistent results. Shelby, our US operation, delivered volumes that were up on the prior 6 months and there was strong volume growth in Fayman, our edible proteins business."

"Whilst Meateor Australia and Esro Petfood are both in a start-up phase, they are delivering increased production volumes. Additionally, Meateor Australia has been improving yields whilst Esro Petfood continues to focus on establishing its customer relationships."

"We were very pleased to increase our investment in Meateor Australia in June from 33% to 50% and now be a 50/50 partner in this business with the Fayman family. This solidifies our relationship with Fayman and increases our foothold in the Australian market, which is strategically important to the Global Proteins division."

Horticulture delivered a strong result with Underlying EBITDA of \$30.0 million (1H23: \$11.4 million), up 162%. This result includes 100% of Profruit earnings for the full 6-month period. Forecast total own-grown export volumes for Mr Apple are 3.0 million TCEs<sup>4</sup> (2023: 2.7 million TCEs), a return to 2022 levels and a projected increase of 11% on 2023.

Mr Borland stated: "The results from the 2024 growing season are a credit to the effort and determination exhibited by the Horticulture teams following Cyclone Gabrielle. It can also be, in part, attributed to our strategy of increasing our investment in Premium apple varieties. Mr Apple is forecasting a 25% increase in Premium volumes for 2024, with these varieties producing a higher return compared to Traditional varieties."

"Dazzle™ and Posy™, volumes are forecast to increase 45% compared to 2023, with demand for Dazzle™ continuing to outweigh supply in China. Dazzle™ and Posy™ are forecast to account for almost 20% of 2024 Premium volumes and we expect a further uplift in volumes of these varieties in 2025 following our recent acquisition of orchards from the Bostock Group."

"We were also delighted to fully welcome Profruit into Scales in this year following the acquisition of the remaining 50% of the business from Bostock Group. It is a very well managed business and we are delighted to have moved to outright ownership."

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<sup>3</sup> Earnings Before Interest, Tax, Depreciation and Amortisation

<sup>4</sup> Tray Carton Equivalents

Logistics benefitted from increased air and sea freight volumes with Underlying EBITDA of \$3.8 million compared to \$2.7 million in 1H23, an increase of 44%. Mr Borland observed “Whilst continuing to navigate ongoing supply chain difficulties, Logistics processed strong external customer air freight volumes through its new Auckland warehouse and chiller facility. It also experienced a return to more normal sea freight volumes in the first 6 months of the year. The strategic benefit of this division continues to add value to the Group in excess of its financial returns.”

## **Full Year 2024 Outlook**

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The Directors are pleased to re-confirm that Underlying Net Profit after Tax Attributable to Shareholders is expected to be within the previously advised range of \$30.0 million to \$35.0 million.

In re-confirming this guidance the Directors note:

- That the combined impact of the Bostock and Craigmore transactions has been taken into account. This impact for FY24 is forecast at a marginal loss in Net Profit after Tax Attributable to Shareholders
- Mr Apple has ~14% of the export crop to be sold (August 2023: ~26%)
- That the Global Proteins result for the year is forecast to be above original expectations but that the 2H24 result appears unlikely to match 1H24’s result

Scales continues to evaluate opportunities to grow the Group, particularly within the Global Proteins division.

Mr Petersen again expressed his thanks on behalf of his fellow Directors and Shareholders to all Scales’ team members for their ongoing hard work and commitment, which has delivered the strong financial performance for the first half of 2024.

### ***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 Scales. Today it has operations across New Zealand, Australia, United States and Europe. Find out more at [www.scalescorporation.co.nz](http://www.scalescorporation.co.nz).

### **Contact**

Andy Borland, Managing Director, Scales Corporation Limited, Mob: 021 975 999, email: [andy.borland@scalescorporation.co.nz](mailto:andy.borland@scalescorporation.co.nz)