20 November 2024
Scott Technology Annual Meeting

2024 Executive Address

(incl. presentations by CEO, President Europe & North America, Co-CFOs & Group GM – People, Marketing, ESG & President of Minerals)

CEO WELCOME

[Mike Christman, CEO]

Good afternoon, everyone. It's an absolute pleasure to be here today, and I'm incredibly proud and honoured to stand before you as the new CEO of Scott Technology, alongside some of my management board colleagues.

I joined Scott just a few short weeks ago, relocating from the United Kingdom. It's been truly inspiring to reflect on Scott Technology's rich history, and I must say, I am extremely impressed by the company's innovative mindset and drive to win. I've experienced this first-hand during my visits to various sites, meeting our exceptional teams.

I now have the privilege of leading Scott into the future—a future of continued technology innovation, deeper customer relationships, and a focus on the well-being of our people and the planet. My goal is to help Scott grow and become the employer of choice.

I bring with me extensive experience in automation systems, having led teams of over 2,000 employees and managed revenues of over NZ$800 million globally. In my previous role as the global Vice President of Vanderlande Industries, I was responsible for driving market strategies and people development.

Today, since I've only been in this role for a short time, I will hand over much of the detail to my executive management team. Aaron Vanwalleghem will update you on our strategy and performance. Co-CFO Mark O'Malley will follow with financial insights, and then you'll hear from Casey Jenkins and Anthony Wesney on specific business group updates, including ESG achievements.

Before I pass the floor to Aaron, I want to extend my sincere gratitude for his outstanding leadership as Interim CEO. His efforts ensured stability during a critical transition period, and for that, we are all deeply thankful.

STRATEGY, PERFORMANCE & INNOVATION

[Aaron Vanwalleghem, President North America & Europe]

After a strong FY23, we're pleased to report continued steady growth in FY24. Revenue reached $276 million, up 3% despite a challenging macroeconomic environment. Our disciplined execution ensured we stayed on course. EBITDA remains stable at $30.2 million with margins at 27%.

Our focus on core sectors—Materials Handling & Logistics (MHL), Minerals, and Protein—has delivered results, with these areas now accounting for 85% of total revenue. Looking ahead, we are well-positioned for sustained growth, with a strong pipeline of $160 million in forward work. This includes major projects in MHL, robust orders in Minerals and Protein, and secured service contracts.

We are also proud to extend the Scott 2025 Strategy through to 2027. Here are our key focus areas:

- **Leading-Edge Technology**: Prioritising high-demand solutions like BladeStop, poultry trussing, and our NexBot AGVs.
- **Sustainability Leadership**: Driving energy-efficient and environmentally responsible innovations.
- **Data Integration**: Using data, software and machine learning to optimise innovation.

- **One Scott** Fostering a strong, unified team by investing in upskilling.
- **Operational Excellence**: Enhancing project delivery to build a reputation for reliability.

At Scott, safety isn't just a policy—it's part of our culture. I'm also proud to report a 100% reduction in lost-time injuries this year. By focusing on proactive measures, such as safety conversations and hazard identification, we've significantly improved outcomes.

Our "Safe Mate" programme and the "Be Safe, Be Well, Be Scott" framework have been central to this achievement. With the integration of our Be Scott reporting app, engagement is high, further fostering a safety-first mindset.

Innovation drives everything we do. I also want to highlight exciting innovations which have either launched or have gone through key development stages:

- **Beef Processing:** Building on the success of our lamb processing system, we're taking our expertise to the beef industry. This new venture is about more than just automation—it's about creating precision-engineered solutions that open doors in global markets.

- **Energize Project:** Just last September, Caterpillar introduced their Automated Energy Transfer System (Cat AETS) in Arizona. This game-changing technology, which we're proud to support, is set to automate charging for large electric mining vehicles, marking a huge step toward greener, more sustainable operations in the mining industry.

- **Poultry Trusser:** Our latest trusser system, with a third line deployed by Costco USA, is setting new standards with world-first technology. This isn't just another installation; it strengthens Scott's position as the go-to partner for industry leaders around the world.

- **BladeStop T300 Expansion:** With the first installation of our T300, we're reaching new markets, including grocery stores and independent butchers. This is a strategic move that broadens our impact and increases our total addressable market.

- **Modular AGVs:** Our new modular Automated Guided Vehicles, called NexBots, are built on a flexible, repeatable platform that enables customised solutions with up to 80% lower engineering costs. This product-led approach allows us to efficiently tailor solutions to diverse customer needs, giving us a competitive edge. Set to launch at the end of Scott's H1 2025, we have already secured pre-orders from a major North American food processor expanding into France.

FY24 FINANCIAL PERFORMANCE

[Mark O'Malley, CO-CFO]

Scott has demonstrated financial resilience and discipline, even as we navigated a complex macroeconomic environment with inflationary pressures, rising interest rates and political uncertainty. Despite these headwinds, I'm pleased to report that we achieved a 3% revenue growth — a solid result, particularly following last year's strong performance.

This growth reflects our ability to balance stability with strategic investments that strengthen our core business and position us for future opportunities, even in uncertain times.

We reported NPAT of $7.7m, down on prior year. This was partly driven by the one-off costs associated with the strategic review and restructuring costs aimed at refining our core business focus. Additionally, we incurred higher depreciation and amortisation expenses due to our investments in expanding operational facilities and acquiring new fabrication equipment, both to position the business for sustainable growth.

To give you a sense of the scale and purpose of these investments:

- **Expansion of Czech Republic Site**: an additional 3,000 square meters of assembly space to support the increased output of MHL & BladeStop products. This space will enable us to handle rising volumes with efficiency.

- **New Rocklabs Facility in Auckland**: To bolster the growth of our core Rocklabs product range — covering crushing, pulverising, and dispensing equipment—and to accommodate future growth in our Automated Modular Solutions portfolio.

These major facility investments go beyond our typical R&D expenditure, reinforcing our commitment to long-term growth.

Finally, our financing costs increased, a mix of higher effective interest rates and increased net debt levels, alongside an additional $0.8m deferred tax expense related to the change in legislation around building depreciation during the period.

We had a closing total net debt position of $20.1m. The increase was driven due to cycling some significant cash deposits for key projects in prior periods, the strategic focus on investing in our operations, pre-build on equipment in advance of orders which have subsequently secured in FY25, and higher interest, tax and dividends paid out during the period.

Operating cash in the second half was strong at $13.7m, offsetting negative cash in the first half. We are starting to see operating cash normalise following some anomalies in prior periods and we expect this to continue into FY25.

Scott's strategy of generating more revenue from proven systems, products, and services has delivered another strong period of growth:

- Scott's Core sector has now achieved 19% compound annual growth against FY22 and accounts for 85% of our Group Revenue, up from 79%.

- Key partnerships with global customers have driven a 35% increase in MHL revenue, particularly in the U.S. and continued expansion in the Europe market.

- The launch of the Rocklabs AMS line boosted Minerals revenue by 19%.

- Despite recent challenges, the Protein division is poised to leverage new opportunities in FY25, including a significant lamb primal order from JBS in Australia.

- Additionally, Scott's emphasis on Service and Aftermarket support continues to build a sustainable and recurring revenue stream, enhancing value for an expanding installed base.

CORE BUSINESS HIGHLIGHTS

[Aaron Vanwalleghem, President North America & Europe, Casey Jenkins, Anthony Wesney, CO-CFO, Casey Jenkins, Group GM – People, Marketing, ESG & President of Minerals]

Materials Handling & Logistics: Continued Growth in Strategic Markets, Europe and North America

We've seen strong growth driven by high demand for automated palletisation solutions. We achieved an impressive 35% revenue growth as Scott's MHL presence continues to expand across Europe and North America, with over 40 projects currently in progress.

This includes significant milestones like the completion of the ASRS system for Alliance NZ, progress on major projects for JBS Brooks and a major North American Food Processor, and solid execution in Europe, where we completed Incom Leone's multiline palletising system for ice cream in Slovenia.

Our forward order book remains robust at $95 million, and in Q4 FY24, we secured important deals with clients like Agristo, Danone, Cranswick, and a major global processing company in North America.

In terms of profitability, our MHL margins have grown by 31%, which is a strong result. While our margin percentage was influenced by the strategic project at JBS Brooks, excluding this, we saw solid margin growth—a reflection of our strategic focus on enhancing profitability in MHL.

Minerals: New Products Drive Revenue Growth

Our Minerals business has achieved strong growth of 19%. This growth has been driven by the positive delivery of Rocklabs first Automated Modular Solution (AMS) for Minerals Resources Ltd (MRL) and Caterpillar's automated energy transfer systems, known as Energise.

Despite macroeconomic challenges and price pressures in the global commodities market, we've been able to grow our Minerals sector by introducing new products, engaging blue-chip customers, and strengthening our distributor network.

It's been a solid year for Rocklabs standard equipment; our crushers, pulverisers and splitters, although we did see softer demand for our spare parts business due to reduced exploration and lower sample throughput in commercial labs.

This year we have strategic invested in our new, world-class Rocklabs facility in Auckland. This not only allows us to grow our core product range, but it will also enable a stronger focus on product innovation and positions us for future growth, especially with AMS.

In terms of margins, we've seen a 5% growth overall. However, there was a slight dip in margin percentage, mainly due to a shift in our product mix towards new solutions, added development costs for AMS, and the softer demand for parts.

Protein: Global Macroeconomics Bring Reductions in Demand

Revenue in our Protein sector has seen a 21% decline, to $60 million for FY24. This was largely due to tough conditions in the North American beef market and challenges in the lamb markets across Australia and New Zealand.

These market dynamics impacted our lamb equipment and BladeStop Saw volumes, especially in the second half of the year. However, our service teams achieved 20% growth, focusing on delivering strong customer value and servicing our expanding installed base. A big contributor was New Zealand, where a number of Service Level Agreements were signed with major lamb clients. This not only boosted revenue this year but also positions us well for continued aftermarket success.

The drop in equipment sales volumes and shifts in product mix did put some pressure on margins. But looking forward, we're seeing positive signs, particularly in Australia, where rising confidence in the lamb market is sparking capital investment. A prime example is our recent lamb primal order for JBS.

In North America and Europe, there's growing interest in our Poultry Trussers and BladeStop products across meat processing, retail, and industrial segments. And with Mark Host, our new VP of Protein Sales, joining in June, we're building a strong sales pipeline for both existing products and the new T300, targeting supermarkets, butcheries, and grocery stores.

Service: Focus on Service Strategy Provides Sustainable Revenue Growth

Our Service and Aftermarket business wasn't just strong in our Protein business but was a significant contributor to Scott's financial performance during the year.

This segment is now contributing 28% to our total revenue and is truly transformative for Scott. It is not just a reliable, recurring revenue stream—it is a cornerstone of our long-term growth.

With our installed product base expanding, more customers are relying on our expert technicians and consumables to keep their operations running smoothly. This translates into more customer touchpoints, stronger relationships, and new opportunities for innovation. Our Service & Aftermarket business is set to be a powerhouse for Scott's future.

SUSTAINABILITY PEOPLE & PLANET

[Casey Jenkins, Group GM – People, Marketing, ESG & President of Minerals]

Today is a significant milestone for Scott. Three years into our ESG journey, we are proud to present our first Sustainability Report alongside our Climate-related Disclosures.

Our commitment to sustainability is about taking responsibility for our social and environmental impacts, while ensuring sustainable profitable growth for all stakeholders.

Since launching our ESG strategy in FY21, we have made consistent progress, driven by strong engagement throughout the business and ongoing support from the Board. I am proud to share some of this progress with you today.

Carbon Management Plan: 30% Reduction of Scope 1 & 2 Emissions by 2030

Over the past 12 months, we have been diligently working on our carbon management plan, collecting, and analysing data to measure our emissions for both FY23 and FY24.

Through this work, today we can announce our carbon reduction target of 30 by 30. This ambitious target will see us work towards a 30% reduction in our Scope 1 and Scope 2 emissions by 2030.

Our focus on Scope 1 and Scope 2 emissions reflects our commitment to taking immediate, actionable steps, as these are the areas where Scott has direct control and visibility.

We also recognise the importance of tackling Scope 3, and we are working hard to close these gaps to achieve a truly comprehensive carbon management strategy.

By holding ourselves accountable to our 30 by 30 goal, we are not only future proofing our business but also driving meaningful change that will benefit generations to come. It is another step towards building a more sustainable, responsible and climate resilient future.

ESG Framework: Evolving, People, Purpose & Place Strategy

We recognised the importance of working closely with our broader ecosystem. Recently, we conducted an external materiality assessment to ensure our sustainability efforts are aligned with stakeholder priorities.

As part of this assessment, Scott gathered valuable insights through surveys and interviews with a range of key external stakeholders which included shareholders, customers, suppliers, employees, Directors, and industry bodies.

This has sharpened our focus on areas like climate change and product innovation, to ensure our ESG strategy continues to evolve with our business. we recognised the importance of working closely with our broader ecosystem.

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Culture of Engagement and Collaboration Drive Excellence

At Scott people truly are at the heart of our success. This year we are proud to achieve an impressive employee engagement score of 85%, up from and already high 83% last year, with an outstanding participation rate of 80%.

We continue to invest in our people. An example of this is our focus on leadership development. This year 37 employees in New Zealand completed a comprehensive 16-week leadership development programme. Our team in China ran a similar program and we are now preparing to roll out this training to our other regions.

We are also committed to building diverse and talented teams. We understand that diverse minds create diverse solutions, which is critical in continuing to deliver world leading technology.

This year, we awarded our second Scott Technology Women in Engineering Scholarship in partnership with the University of Canterbury, supporting more women into engineering and STEM pathways. Alongside this, we offer a range of career pathways, and this year had 27 team members involved in graduate, apprenticeship, or internship programs.

Our people are the core of our business, and these initiatives are critical to ensuring Scott's ongoing success.

CLOSING REMARKS

[Mike Christman, CEO]

There has been some significant progress and investments made across the company this past year, and it is hugely impressive. Let me finish off on a few key points:

- First, our 2027 strategy is designed to leverage our proven expertise, focusing on large, addressable markets where we can make the biggest impact.
- We've embedded commercial partnerships with top-tier, blue-chip customers, which continues to be a cornerstone of our approach.
- At the heart of Scott is a highly engaged global team, supported by a well-invested operating footprint that enables us to consistently deliver value.
- Safety remains a top priority for us, along with rapidly evolving our ESG (Environmental, Social, Governance) progress.
- We're also focused on advancing the productisation of scalable and repeatable solutions, ensuring we're well-positioned for growth and market expansion.
- Finally, it's worth noting the consistent top-line growth trend we've maintained over the last four years, which is a testament to the collective efforts of everyone at Scott.

The talented team have set up a very strong foundation for future growth, and I'm excited to build on this momentum as we move forward together.

Thank you.