

# SCALES CORPORATION LIMITED

Bringing Nutrition to the World



Annual Results Presentation

For the Year Ended 31 December 2022

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23 February 2023

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# Agenda

1. FY22 Results and Overview
  - I. Summary
  - II. Sustainability
  - III. Group Performance
  - IV. Divisional Performance
  - V. Capital Management
2. Global Proteins
3. Impact of Cyclone Gabrielle and FY23 Outlook

Appendices:

- A. NZ IFRS Reconciliation
- B. Disclaimer







# 1. FY22 Results and Overview





# I. Summary



# FY22 Summary

- ✓ **Strong Group performance driven by record Global Proteins and Logistics results**
- ✓ **We believe our global investment strategy will continue to ensure that Scales meets its future business earnings ambitions**

- ✓ Financial results towards the top end of the FY22 Guidance range:
  - ✓ Underlying\* NPAT Attributable to Shareholders of \$27.6m (2021: \$29.8m), down 7%
  - ✓ Reported NPAT Attributable to Shareholders of \$19.4m (2021: \$26.9m), down 28%

- ✓ Further outperformance from Global Proteins complemented by strategic investments made in Australia

- ✓ Lockdowns in China resulted in material reductions in market prices during critical sales windows, especially during the latter parts of the season, adversely impacted Horticulture results

- ✓ Logistics continued its growth trajectory and continued to provide vital support to both internal and external customers

\* Underlying Results exclude some New Zealand International Financial Report Standards (NZ IFRS) non-cash and other adjustments. Management and the Board believe that Underlying Results more accurately demonstrate the change in operational performance of the Group. Underlying NPAT and Underlying EBITDA are shown before the deduction of share of Non-Controlling Interests (Fern Ridge, Shelby and Fayman International / ANZ Exports (Fayman)). Note that our definition of "Underlying" includes the effects of NZ IFRS 16 Leases in line with current market practice. All Underlying result numbers, including comparatives, are now inclusive of NZ IFRS 16 effects. A reconciliation of Underlying to Reported Measures is provided in Appendix A

# Our Year in Numbers

**158,595 MT**

Petfood ingredients sold<sup>1</sup>  
(2021: 149,207)

**\$619.2m**

Record revenue  
(2021: \$514.6m)

**27,580**

TEU<sup>2</sup> equivalents  
managed  
(2021: 30,313)

**14.3%**

ROCE<sup>3</sup>  
(2021: 13.8%)

**15.5 cents**

Dividends declared  
per share

**4,580,000**

TCEs of apples exported<sup>4</sup>  
(2021: 4,983,000)

**\$27.0m**

Net cash  
(2021: \$82.1m net cash)

**3,324,000**

TCEs of own-grown apples  
exported  
(2021: 3,651,000)

1. Includes 100% of volumes from Meateor NZ; i.e. total volumes controlled directly and indirectly by the Meateor Group. Excludes volumes sold by Fayman.

2. TEU is a Twenty-foot Equivalent Unit is a unit of cargo capacity to describe container volumes.

3. Return on Capital Employed, calculated as EBIT divided by Capital Employed, where Capital Employed is calculated as non-current assets plus working capital (excluding cash, overdrafts and borrowings, NZ IFRS 16 right of use asset and lease liability, dividends declared, derivative assets / liabilities and employee loans).

4. Tray carton equivalent, a measure of apple and pear weight, defined as 18.6kg packed weight which equates to 18.0kg sale weight. Includes own grown and external grower volumes including those volumes exported by Fern Ridge Fresh.



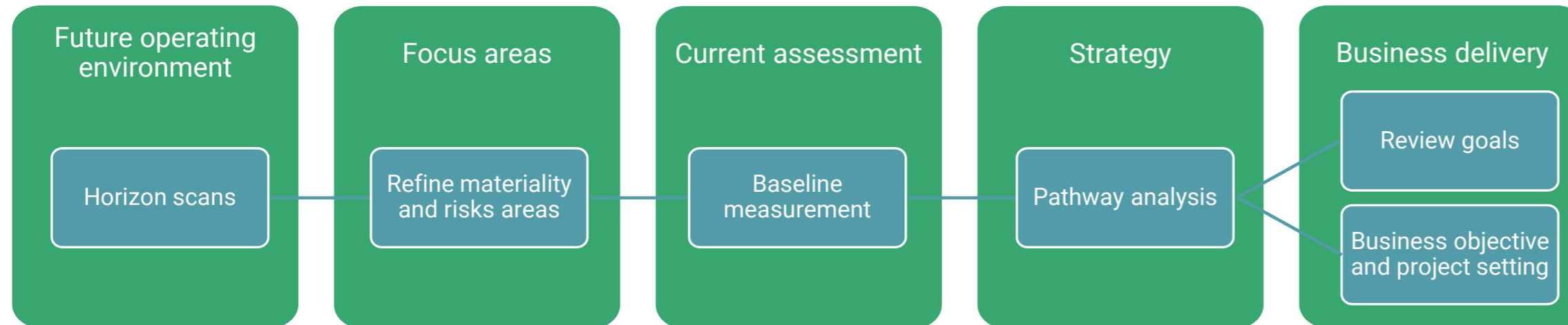


## II. Sustainability

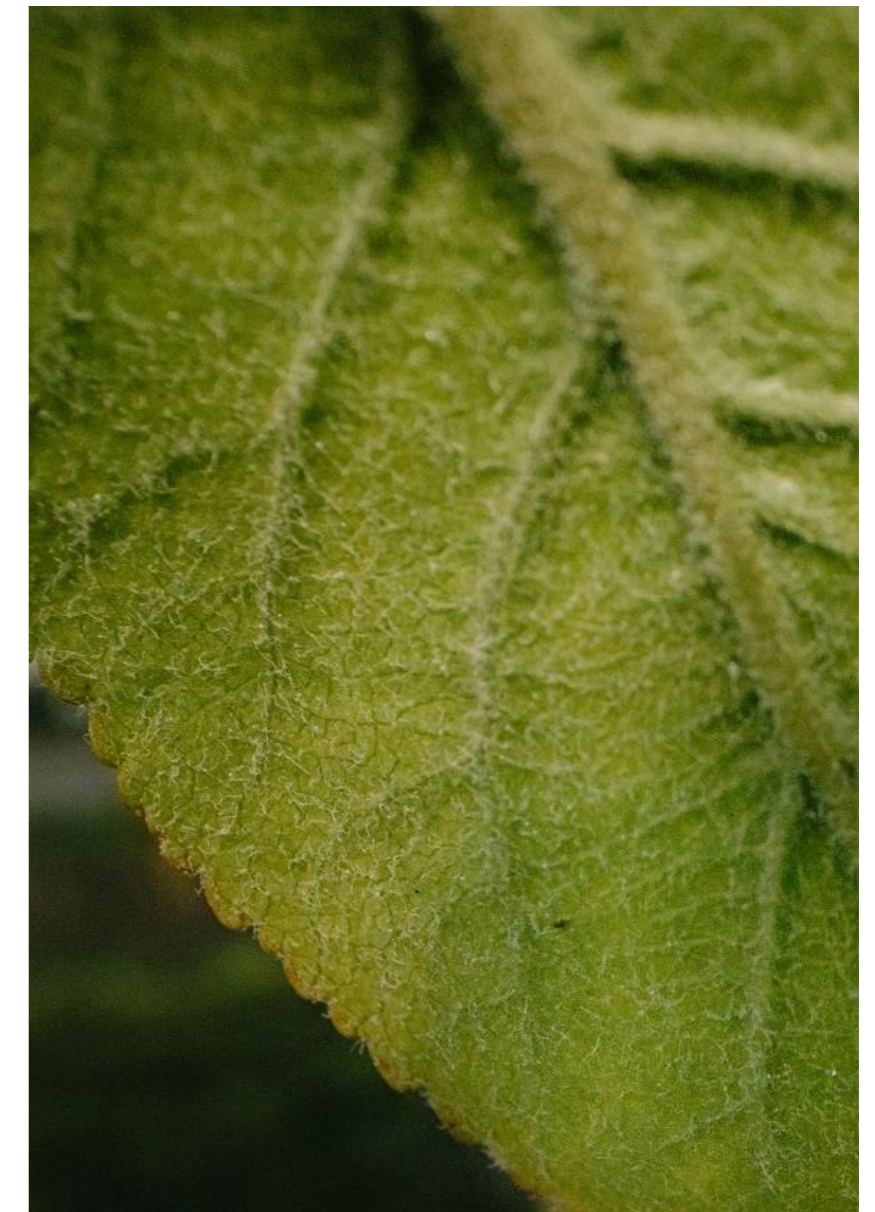


# Sustainability Strategy Refresh

## Update on our Sustainability strategy



Future operating environment	Focus areas	Current assessment	Strategy	Business delivery
<ul style="list-style-type: none"> <li>Horizon scan workshops completed, including climate scenarios for Mr Apple</li> <li>Global Proteins and Logistics workshops to follow in 2023</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed materiality to focus on key areas of impact, reducing the number of materiality domains from 24 to 12</li> <li>Updated Mr Apple's sustainability risk and opportunities register following the workshops</li> </ul>	<ul style="list-style-type: none"> <li>Completed Scales' first water, carbon and soil baselines for our regenerative trials</li> </ul>	<ul style="list-style-type: none"> <li>6 point action plan developed for Mr Apple following the horizon scan workshops, which will form the basis of its sustainability strategy in 2023</li> <li>Expect to complete action plans for Global Proteins and Logistics following horizon scan workshops</li> </ul>	<ul style="list-style-type: none"> <li>Goals and metrics to be reviewed once previous steps completed</li> </ul>





# Sustainability Highlights

Excellent progress made on our Sustainability initiatives

<p><b>PEOPLE</b></p>	<ul style="list-style-type: none"> <li>Built and communicated our Employee Value Proposition (EVP) to key stakeholders</li> <li>Custom built two leadership programmes that are currently being rolled out: <i>Leading through Others (Senior Managers)</i> and <i>Emerging Leaders (Assistant Managers/Team Leaders/Site Managers)</i></li> <li>Re-engaged the 'Ethical Voice' worker wellbeing online survey platform targeted at our RSE workers. Mr Apple consistently scored 'excellent'* and improved our scores across all themes surveyed</li> </ul>
<p><b>ENVIRONMENT</b></p>	<ul style="list-style-type: none"> <li>Completed Scales' first Group-wide water footprint, which will form the baseline for our water strategy</li> <li>Completing Scales' first Group-wide carbon footprint</li> <li>Delivered a group wide decarbonisation road-map, outlining key initiatives, capex and reduction targets</li> </ul>
<p><b>MARKETPLACE</b></p>	<ul style="list-style-type: none"> <li>Supported the establishment of New Zealand Apple &amp; Pears' Smart and Sustainable programme, a 7 year programme to investigate the minimisation of sprays whilst continuing to ensure world leading market access for our apples</li> <li>Aligned with the above, Mr Apple completed a baseline assessment for its regenerative program. We note that this orchard has been impacted by Cyclone Gabrielle</li> </ul>
<p><b>CORPORATE</b></p>	<ul style="list-style-type: none"> <li>Reviewed our materiality domains to focus on key areas of impact</li> <li>Set Group-wide climate scenarios</li> <li>Established sustainability committees across our divisions, and are working through our climate scenarios as part of our strategy refresh</li> </ul>

\* Scores over 75% are rated as excellent





# III. Group Performance



# Group Financial Performance

Excellent results, particularly from Global Proteins and Logistics

- Reported NPAT Attributable to Shareholders of \$19.4m, down 28% (2021: \$26.9m)
- Underlying NPAT Attributable to Shareholders of \$27.6m, down 7% (2021: \$29.8m)
- Underlying NPAT of \$46.4m, up 17% (2021: \$39.8m)
- Underlying EBITDA of \$77.9m, up 6% (2021: \$73.8m)
- Revenue of \$619.2m, up 20% (2021: \$514.6m)

Income Statement												
\$m	NPAT Attributable to Shareholders			NPAT			EBITDA			Revenue		
	2022	2021	% chg. <sup>1</sup>	2022	2021	% chg. <sup>1</sup>	2022	2021	% chg. <sup>1</sup>	2022	2021	% chg. <sup>1</sup>
Underlying (excluding NZ IFRS 16)	28.1	30.4	-8%	46.9	40.4	16%	66.5	63.0	6%	619.2	514.6	20%
NZ IFRS 16 Leases	(1.9)	(0.7)		(1.9)	(0.7)		9.4	10.8		-	-	
NZ IFRS 16 Leases - renewal reassessment <sup>2</sup>	1.4	-		1.4	-		2.0	-		-	-	
<b>Underlying (including NZ IFRS 16)</b>	<b>27.6</b>	<b>29.8</b>	<b>-7%</b>	<b>46.4</b>	<b>39.8</b>	<b>17%</b>	<b>77.9</b>	<b>73.8</b>	<b>6%</b>	<b>619.2</b>	<b>514.6</b>	<b>20%</b>
NZ IFRS & other adjustments:												
Impairment of non-current assets	(2.7)	1.2		(2.7)	1.2		(3.7)	1.6		-	-	
Other NZ IFRS adjustments <sup>3</sup>	(5.5)	(4.0)		(5.5)	(4.0)		(5.6)	(3.8)		-	-	
<b>Reported<sup>4</sup></b>	<b>19.4</b>	<b>26.9</b>	<b>-28%</b>	<b>38.2</b>	<b>36.9</b>	<b>3%</b>	<b>68.5</b>	<b>71.6</b>	<b>-4%</b>	<b>619.2</b>	<b>514.6</b>	<b>20%</b>

Notes:

1. %'s are calculated based on non-rounded figures, figures may not sum due to rounding

2. Reflects a reset to the NZ IFRS 16 Leases calculation for Mr Apple

3. Includes a change in the gross liability on put options of \$4.2m

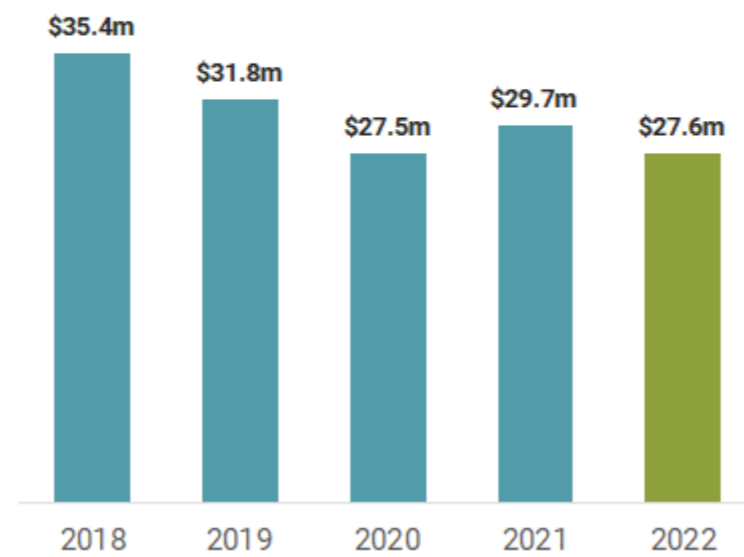
4. A full reconciliation between Underlying and Reported earnings is provided in Appendix A

5. Earnings are shown before the deduction of share of NPAT for Non-Controlling Interests (Fern Ridge and Shelby)

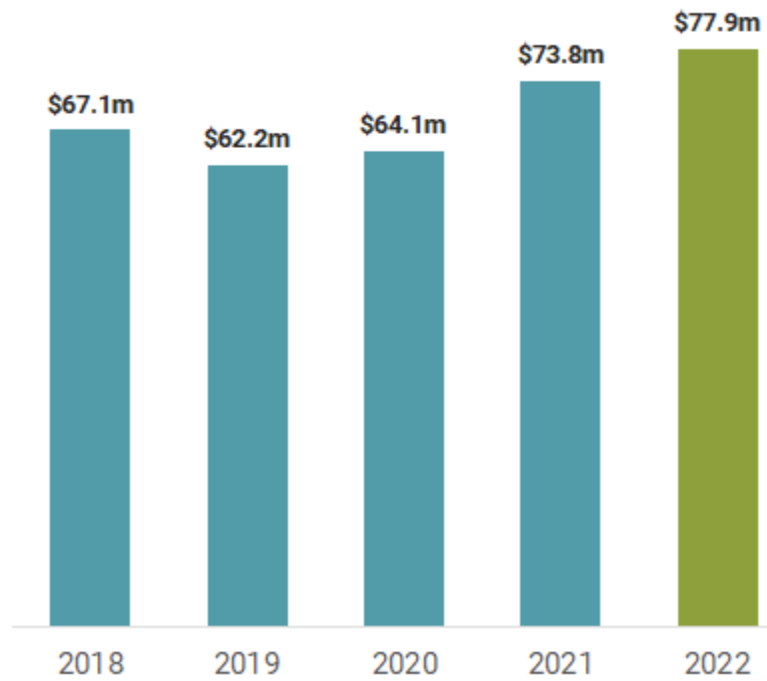


# Trends in Group Financial Performance

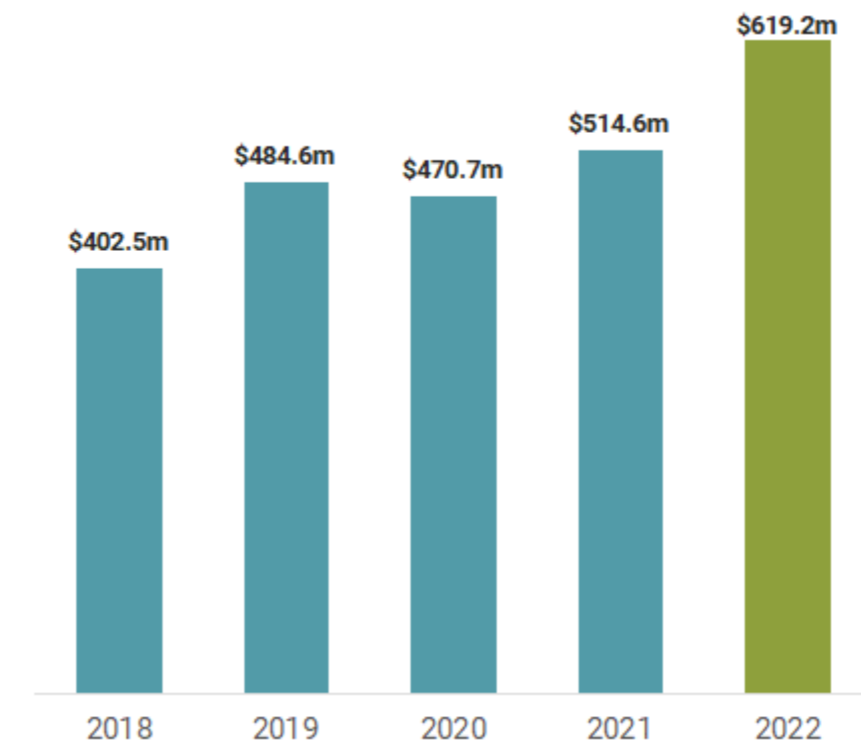
Underlying NPAT  
Attributable to Shareholders



Underlying EBITDA



Revenue



- Historic results are unadjusted for businesses that have been sold or acquired
- 2018 results have not been restated for the effects of NZ IFRS 16



# Divisional Overview

## A further change in divisional earnings mix

- Global Proteins – growth due to:
  - Strong market conditions and new product development, leading to improved volumes, mix and margin
  - Contribution from Fayman following investment
- Horticulture – lockdowns in China resulted in material reductions in market prices during critical sales windows, especially during the latter parts of the season, adversely impacted Horticulture results together with lower volumes, higher shipping costs and labour availability
- Logistics – healthy increase in earnings despite a testing market environment

Divisional Performance									
\$m	1H22	2H22	2022	Margin	1H21	2H21	2021	Margin	% chg. 2022 v 2021
Global Proteins	29.9	30.3	60.2	18.8%	15.3	18.1	33.4	15.3%	80%
Horticulture	24.5	(7.5)	17.0	7.4%	38.8	2.0	40.8	16.8%	-58%
Logistics	3.6	3.0	6.6	5.3%	2.7	2.2	4.9	6.0%	33%
Corporate	(2.7)	(3.1)	(5.8)	N/A	(2.0)	(3.3)	(5.3)	N/A	10%
<b>Underlying EBITDA</b>	<b>55.3</b>	<b>22.6</b>	<b>77.9</b>	<b>12.6%</b>	<b>54.8</b>	<b>19.0</b>	<b>73.8</b>	<b>14.3%</b>	<b>6%</b>
<b>Underlying NPAT</b>	<b>34.7</b>	<b>11.7</b>	<b>46.4</b>	<b>7.5%</b>	<b>33.3</b>	<b>6.5</b>	<b>39.8</b>	<b>7.7%</b>	<b>17%</b>
<b>Underlying NPAT Attributable to Shareholders</b>	<b>25.6</b>	<b>2.0</b>	<b>27.6</b>	<b>4.5%</b>	<b>29.0</b>	<b>0.7</b>	<b>29.8</b>	<b>5.8%</b>	<b>-7%</b>

Notes:

1. Prepared on an Underlying basis. A reconciliation to Reported earnings is provided in Appendix A.

2. %'s are calculated based on non-rounded figures, figures may not sum due to rounding.

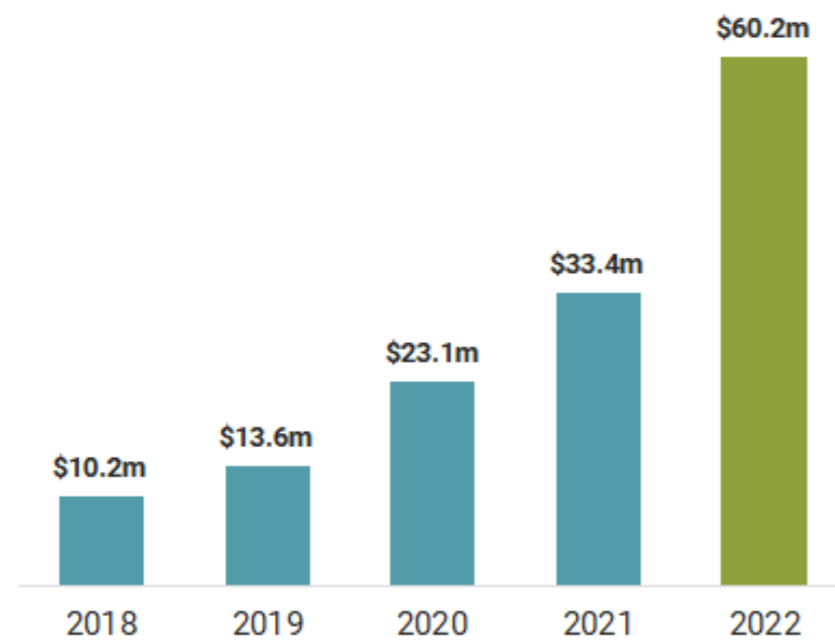
3. NZ IAS 41 Agriculture requires unsold agricultural produce to be measured at fair value less costs to sell meaning the expected profit on unsold fruit is recognised in the interim result, giving rise to seasonality in profitability as shown above.

4. Due to the change in strategic focus of Global Proteins, Profruit earnings have been reclassified to Horticulture for both FY22 and FY21.

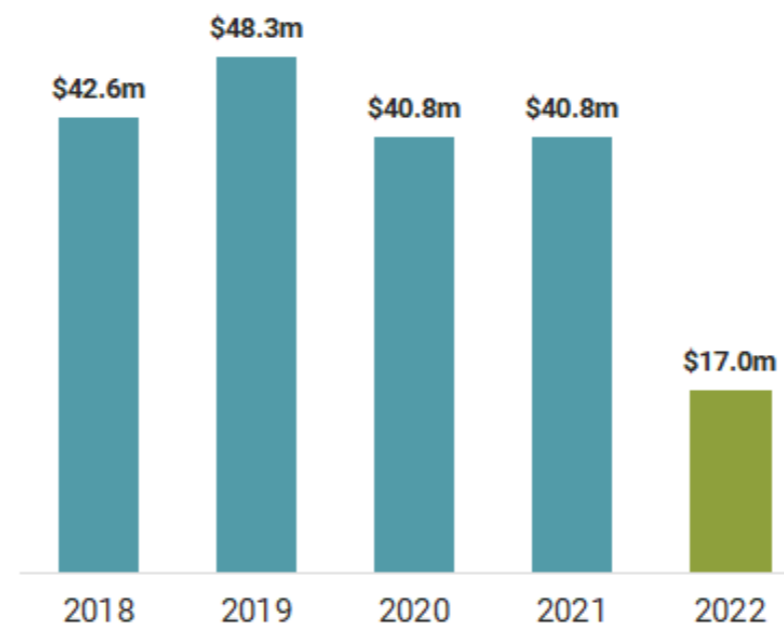


# Trends in Divisional Performance

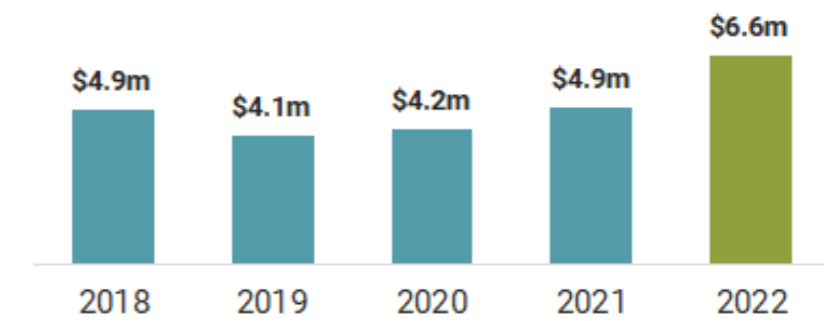
## Global Proteins



## Horticulture



## Logistics



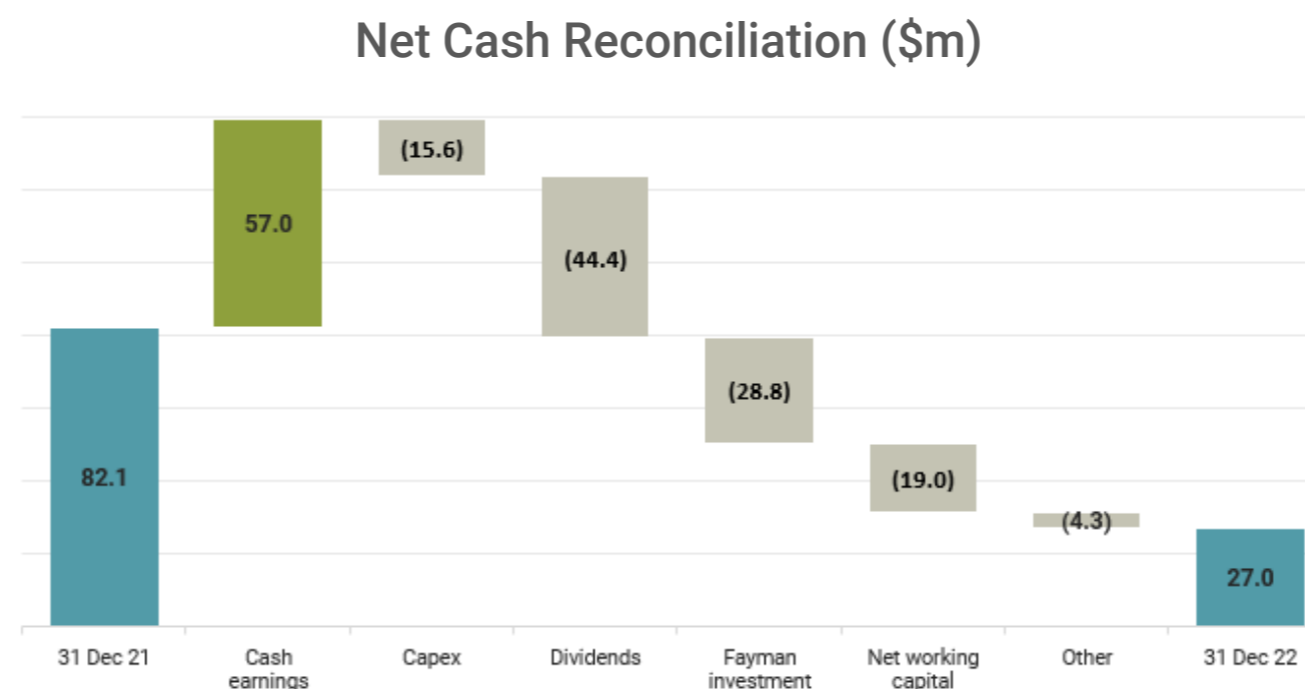
- Trends in Underlying EBITDA by division are shown in the graphs below
- 2018 results have not been restated for the effects of NZ IFRS 16



# Balance Sheet

## Strong financial position

- Movement in working capital primarily reflects:
  - Unseasonal increase in trade and other receivables due to late market turbulence in China and Europe
  - Growth in inventory balances within Global Proteins consistent with revenue growth
- Movement in non-current assets reflects:
  - Capex and revaluation of land, buildings and apple trees
  - A reset to the NZ IFRS 16 Leases calculation for Mr Apple
  - Investment in Fayman
- Movement in Net Cash primarily relates to:
  - Dividend payments (note this includes payments to minority shareholders)
  - Investment in Fayman



Balance Sheet		
\$m	2022	2021
<i>Current assets excl cash</i>		
Trade and other receivables	42.1	28.7
Inventories	42.6	29.6
Unharvested agricultural produce	25.1	24.6
Other	15.1	10.0
<b>Current assets</b>	<b>125.0</b>	<b>92.8</b>
<i>Current liabilities excl overdraft, borrowings &amp; dividends declared</i>		
Trade and other payables	(37.2)	(23.5)
Lease liability	(10.9)	(10.2)
Other	(15.4)	(7.9)
<b>Current liabilities</b>	<b>(63.6)</b>	<b>(41.6)</b>
<b>Net Working Capital</b>	<b>61.4</b>	<b>51.2</b>
<i>Non-current assets</i>		
Land and buildings at fair value	151.3	142.2
Apple trees at fair value	27.3	34.6
Other property, plant and equipment	42.6	37.1
Investments, intangibles and goodwill	101.6	70.2
Right of use asset	49.0	76.4
Other	15.5	11.1
<b>Non-current assets</b>	<b>387.4</b>	<b>371.5</b>
<b>Capital employed</b>	<b>448.7</b>	<b>422.8</b>
<i>Non-current &amp; other liabilities</i>		
Deferred tax liabilities	(17.8)	(22.9)
Lease liability	(44.1)	(69.5)
Other financial liabilities	(13.6)	(8.8)
Dividends declared	(8.5)	(13.4)
<b>Non-current &amp; other liabilities</b>	<b>(83.9)</b>	<b>(114.6)</b>
<i>Net Cash</i>		
Cash less overdraft	65.8	33.2
Term deposits	-	85.0
Borrowings	(38.7)	(36.1)
<b>Net Cash</b>	<b>27.0</b>	<b>82.1</b>
<b>Total Equity</b>	<b>391.8</b>	<b>390.3</b>





## **IV. Divisional Performance**



# Global Proteins – Financial Result

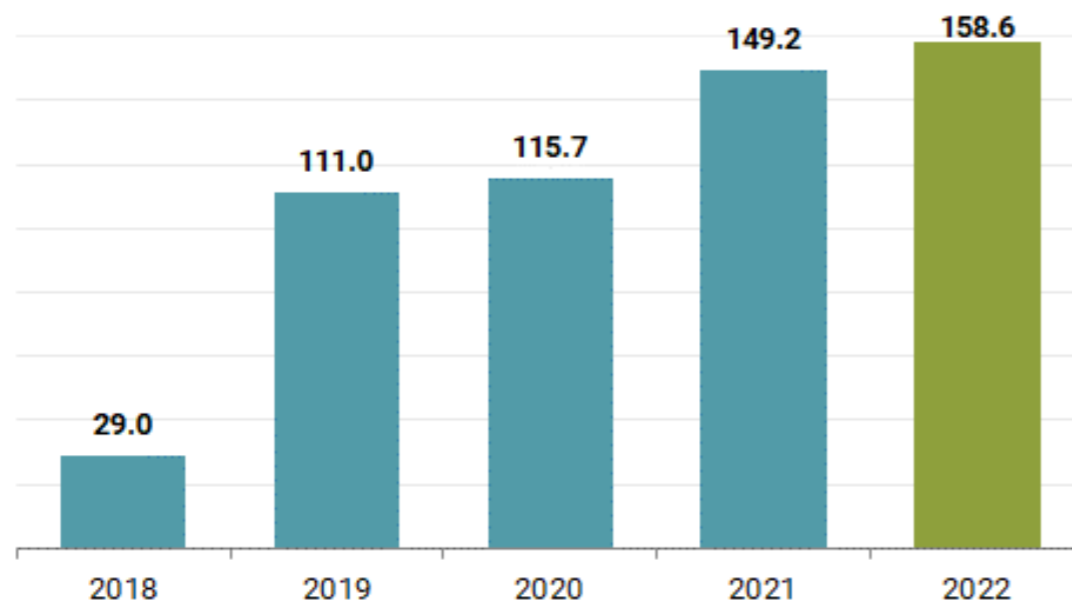
Significant growth as a result of strategic investments and ongoing petfood market demand

- 6% increase in petfood ingredients volumes sold:
  - Excludes volumes sold by Fayman
- 46% increase in revenue and 80% increase in Underlying EBITDA reflects:
  - Material improvements in operational efficiencies at processing sites following recent development and investment
  - Impacts of new product development returning higher margins
  - Leadership team with long term customer relationships, enabling expansion of geographic reach and product range
  - Changes in mix, including product, customer and market
  - Contribution from Fayman since completion (equity-accounted)

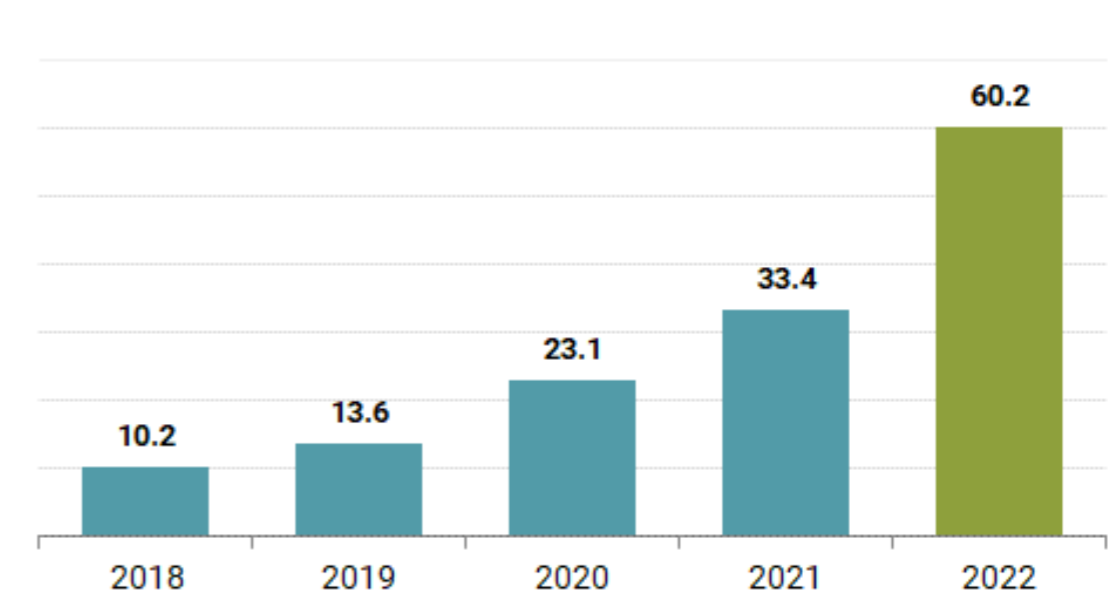
Financial Performance - Global Proteins			
\$m	2022	2021	% change
Revenue	319.9	218.9	46%
Underlying EBITDA	60.2	33.4	80%
Underlying EBIT	59.3	32.6	82%

KPI - Global Proteins			
	2022	2021	% change
Petfood Ingredients Volume Sold (MT)	158,595	149,207	6%

Petfood Ingredients - Volumes Sold (MT 000s)



Global Proteins - Underlying EBITDA (\$m)





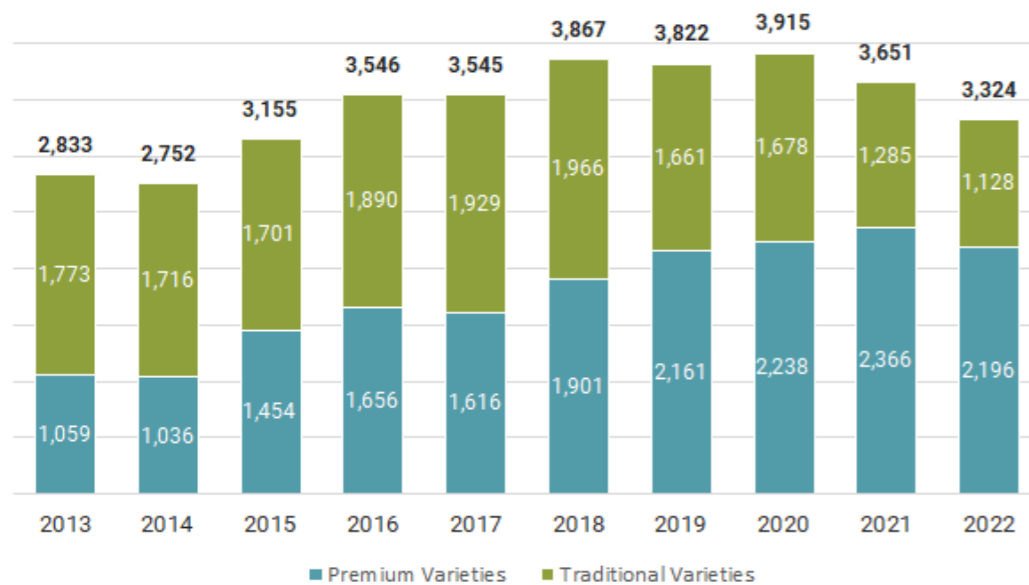
# Horticulture – Financial Result and Volumes

The Horticulture division and industry was affected by severe market disruption

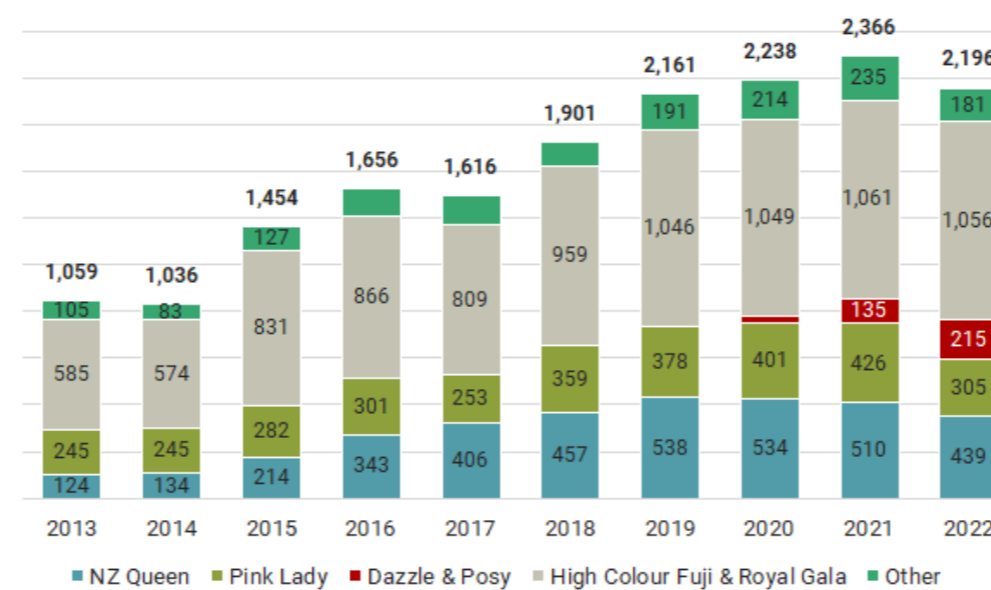
- Revenue of \$228.9m (2021: \$243.4m)
- Underlying EBITDA \$17.0m (2021: \$40.8m)
- 9% decrease in Mr Apple total own-grown export volumes
- Earnings and volumes impacted by the previously mentioned lockdowns together with lower volumes, higher shipping costs and labour availability
- Some market impacts affecting the FY22 result are either not expected to repeat, or to diminish in significance, in FY23

Financial Performance - Horticulture			
\$m	2022	2021	% change
Revenue	228.9	243.4	-6%
Underlying EBITDA	17.0	40.8	-58%
Underlying EBIT	(1.1)	22.9	-105%

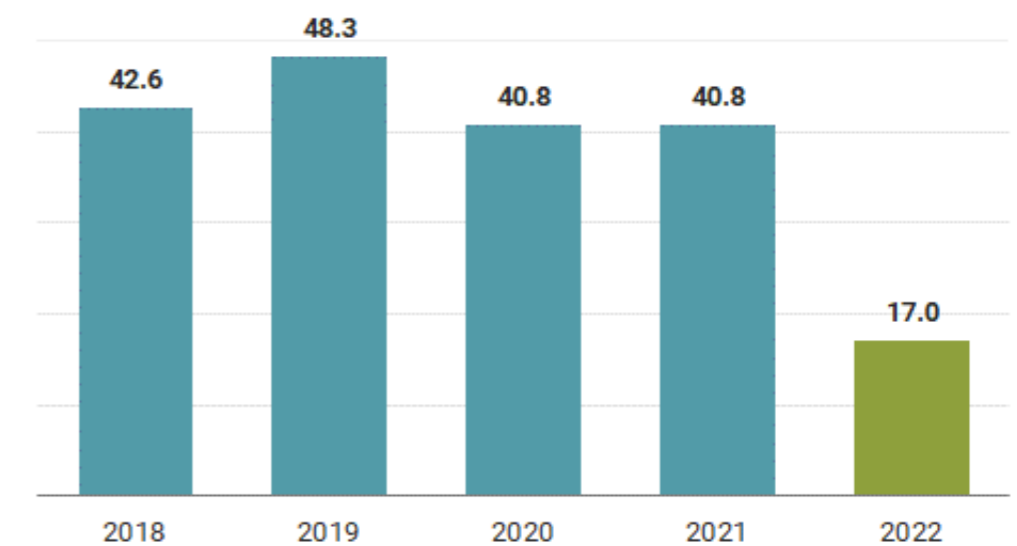
Mr Apple Own Export Volumes (TCE 000s)



Movement in Premium Volumes (TCE 000s)



Horticulture - Underlying EBITDA (\$m)





# Horticulture – Pricing and Other KPIs

## Slight Premium price growth offset by a difficult year for volumes and Traditional prices

- Pricing and total volumes impacted by slow sales rates:
  - Many Premium prices were in line with or slightly above the prior year, confirming our strategy of investing in Premium varieties
  - Traditional prices were impacted by lockdown policies, higher domestic crops, oversupply of fruit due to the Ukraine war and challenged domestic economies
- Profruit continues to be a valuable outlet to extract value from non-export grade fruit:
  - Movement in volumes reflects changes in industry production
- Focus for 2023 is to continue to build demand of Premium varieties, such as Posy™ and Dazzle™

Apple Prices by Variety (NZD / TCE, FOB)			
	2022	2021	% change
Premium Varieties	40.6	39.8	2%
Traditional Varieties	27.3	33.3	-18%
<b>Weighted Average all Apples</b>	<b>36.1</b>	<b>37.5</b>	<b>-4%</b>

FX Rates			
	2022	2021	% change
NZD:USD	0.66	0.68	3%
NZD:EUR	0.56	0.55	-1%
NZD:GBP	0.50	0.50	1%
NZD:CAD	0.86	0.87	1%

Volumes (TCE 000s)			
	2022	2021	% change
Mr Apple own-grown volumes	3,324	3,651	-9%
External grower volumes*	1,256	1,332	-6%
<b>Total volume exported</b>	<b>4,580</b>	<b>4,983</b>	<b>-8%</b>

Profruit Volume (000 L)			
	2022	2021	% change
Juice Concentrate Sold	5,748	6,497	-12%

\* External grower volumes comprise external grower volumes handled by Mr Apple and Fern Ridge Fresh



# Logistics – Performance and Update

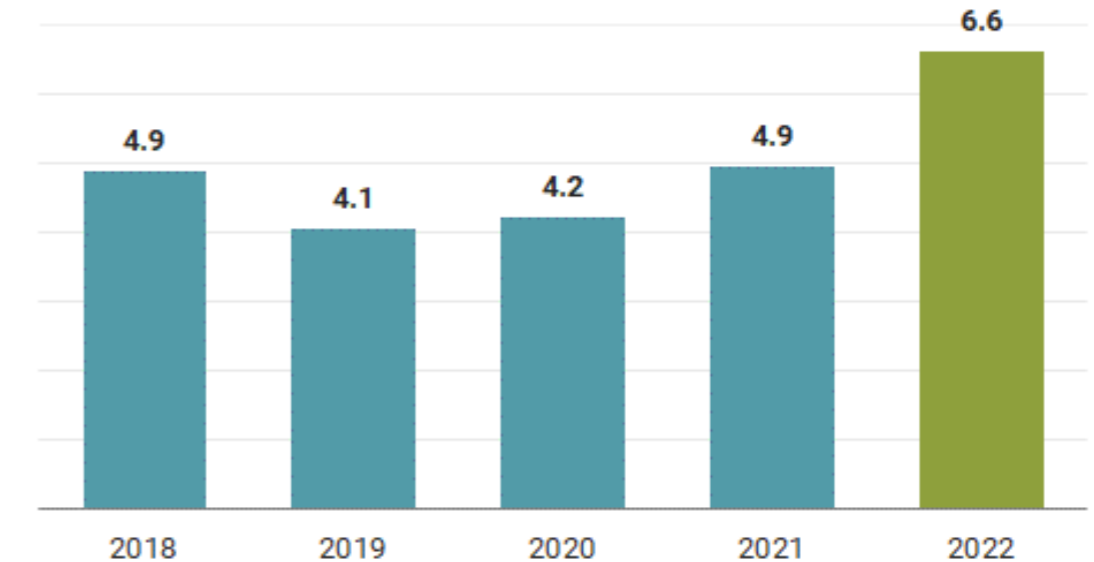
Strategic value of division accompanied by strong growth

- Excellent full year results:
  - 51% increase in revenue to \$123.3m (2021: \$81.9m), principally as a result of changes in market freight costs
  - 33% increase in Underlying EBITDA to \$6.6m (2021: \$4.9m)
- Large growth in airfreight volumes (up by more than 50%) offsets a minor decline in ocean freight volumes (in part due to lower horticultural production)
- Scales Logistics’ ability to navigate complex supply-chain disruptions and ensure timely delivery of perishable products to customers remains a key advantage for Scales’ Horticulture and Global Proteins divisions as well as its external freight customers

Financial Performance - Logistics			
\$m	2022	2021	% change
Revenue	123.3	81.9	51%
Underlying EBITDA	6.6	4.9	33%
Underlying EBIT	5.8	4.1	41%

KPIs - Logistics			
	2022	2021	% change
Ocean Freight Volume (TEUs)	27,580	30,313	-9%
Airfreight Volume (tonnes)	5,553	3,645	52%

Logistics - Underlying EBITDA (\$m)





A stack of light-colored wooden planks is shown on the right side of the image. The planks are stacked horizontally, with some showing distinct wood grain patterns and knots. The background is a soft, out-of-focus mix of yellow and blue tones, suggesting an outdoor setting with sunlight filtering through trees.

# **v. Capital Management**



# ROCE and Capital Expenditure

## Investing to future-proof the business

- Horticulture ROCE impacted by lower current year earnings
- FY22 capital expenditure included:
  - Mr Apple orchard redevelopment
  - Whakatu packhouse automation programme
  - Investment in plant & machinery to accommodate increased volumes in Global Proteins
- Future investment will be prioritised towards Global Proteins given its strong growth prospects and return on investment:
  - Mindful of our responsibility to maintain appropriate cash levels and retain strength in our balance sheet

Return on Capital Employed		
	2022	2021
Global Proteins	68.7%	48.0%
Horticulture	-0.4%	7.8%
Logistics	64.1%	37.3%
<b>Group</b>	<b>14.3%</b>	<b>13.8%</b>
Target	12.5%	12.5%

Maintenance		
\$m	2022	2021
Global Proteins	1.6	0.5
Horticulture	2.6	3.7
Logistics	0.2	0.1
Other	0.0	0.0
	<b>4.4</b>	<b>4.4</b>

Margin Sustainability		
\$m	2022	2021
Horticulture	6.6	6.0
	<b>6.6</b>	<b>6.0</b>

Growth		
\$m	2022	2021
Global Proteins	1.9	-
Horticulture	2.7	6.1
	<b>4.6</b>	<b>6.1</b>
<b>Total Capital Expenditure</b>	<b>15.6</b>	<b>16.5</b>





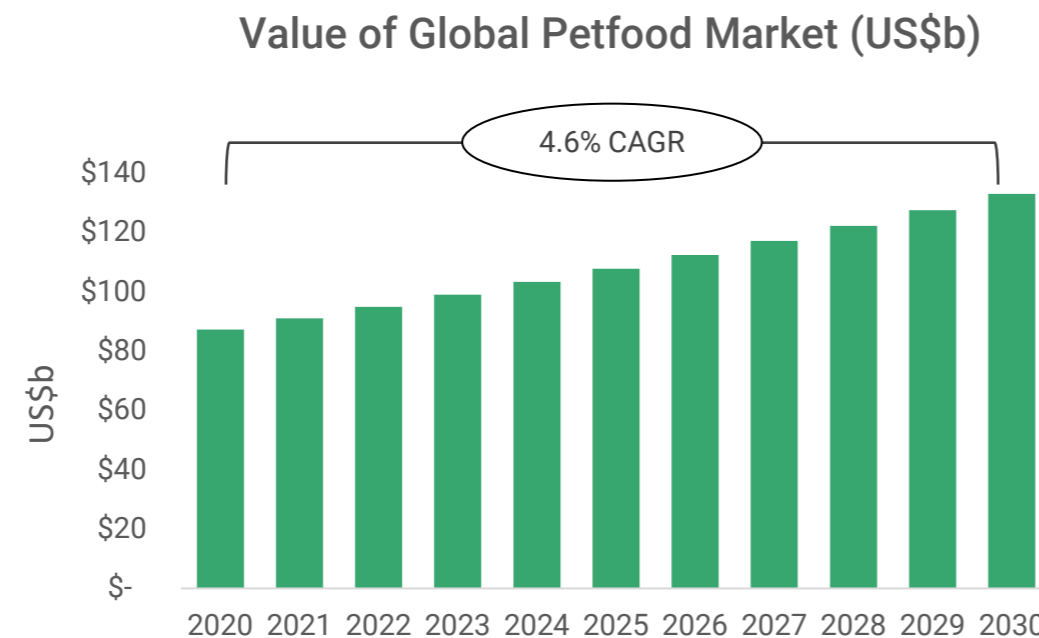
## 2. Global Proteins



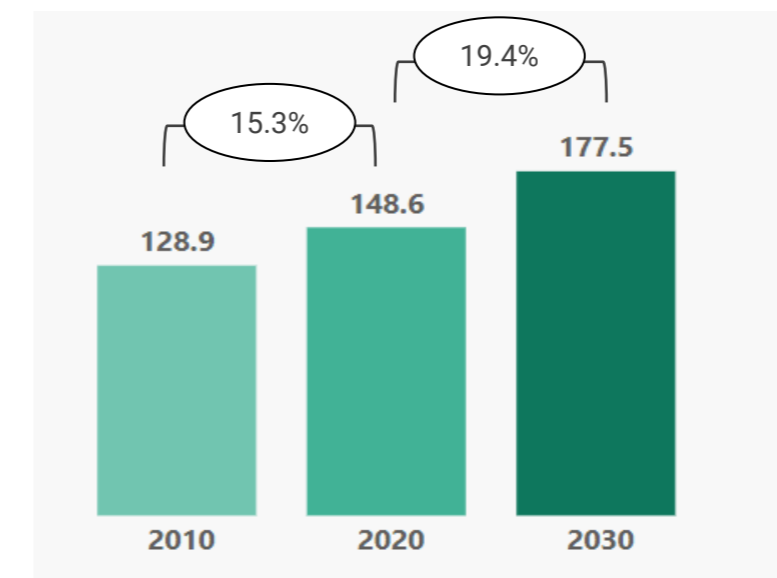
# Recap: What we Like About Global Proteins

Scales' Global Proteins division is being developed to benefit from the following attractive attributes

- Resiliency to market cycles – we believe that petfood and edible proteins are well insulated against changes in the macroeconomic environment
- Above average returns on invested capital
- Ability to leverage our existing strong networks in Australasia, Asia and North America and the opportunity to do so within Europe
- Alignment to long-term themes:
  - Growing protein consumption driven principally by economic and socio-economic trends
  - Forecast protein supply 'gap' with demand growth outpacing supply
- Opportunities for premiumisation in the sector through the marketing of, e.g., 'New Zealand and Australian lamb', 'Australian grass-fed beef'



**Asia forecast meat consumption (mill T)**

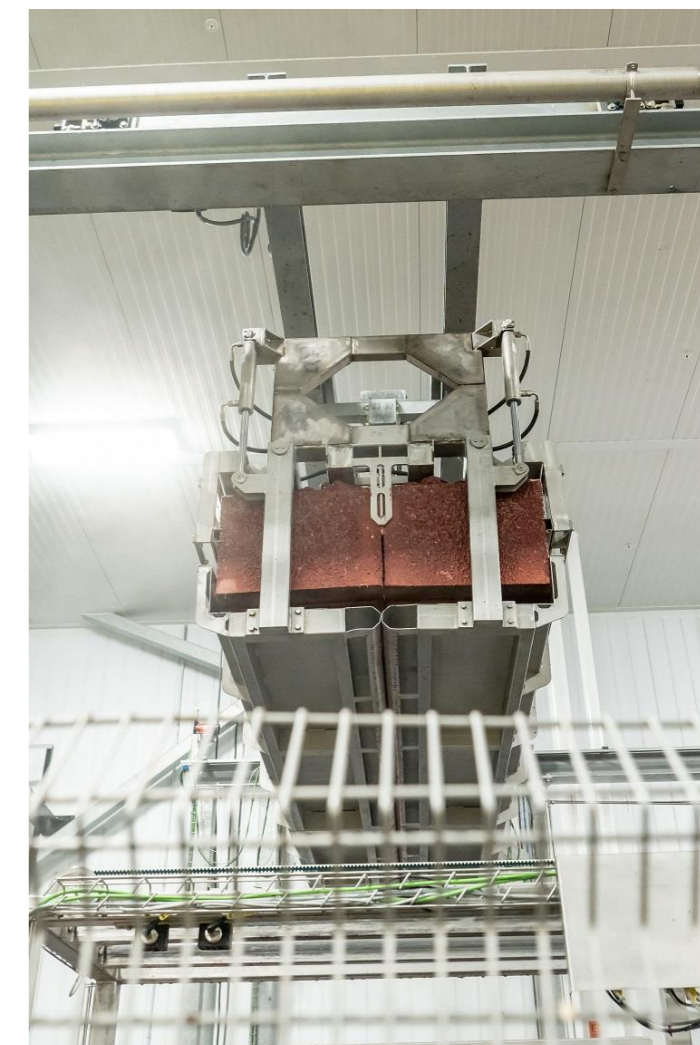




# Demand Drivers

## Continued expansion of the petfood industry

- The USA is the world's largest petfood market (sales of US\$42.3b in 2022<sup>1</sup>)
- It has also become the largest exporter of petfood products to China:
  - Exports totalled over US\$304m Jan–Nov 2022, up ~200% year-on-year, accounting for nearly 50% of all China's imports over the 11-month period<sup>2</sup>
- In 2H22, USA petfood manufacturers announced over US\$2.4b in facility expansions and investments<sup>3</sup>:
  - Industry commentators count approximately 40 facility expansions or new builds that were either announced or completed in 2022
- **Supply chain and sourcing of raw materials have been identified as the biggest future production challenges for petfood manufacturers<sup>4</sup>. As such, they are developing strategic supply relationships with key protein suppliers such as Meateor and Shelby**
- This lays a foundation for growth for Scales' Global Proteins division as recent investments come into production. The majority of this growth is likely to be realised from 2024 onwards



1. <https://www.imarcgroup.com/us-pet-food-market#:~:text=The%20US%20pet%20food%20market,3.9%25%20during%202023%2D2028>

2. <https://www.petfoodprocessing.net/articles/16657-us-pet-food-exports-to-china-up-nearly-200>

3. <https://www.petfoodprocessing.net/articles/16526-pet-nutrition-demand-fuels-more-than-2-billion-in-facility-investments>

4. <https://digital.petfoodprocessing.net/sosland/pfp/pet-food-processing-december-2022/index.php#/p/12>



# Scales' Value Proposition

**Our value proposition is our wide range of quality ingredients and end-to-end supply chain excellence**

- 'One stop shop' for customers and suppliers
- Global, long-standing and strong relationships with both suppliers and customers built on service quality, trust, innovation, and value contribution
- Solving a problem for our suppliers and adding value to our customers:
  - Providing solutions to our supplier partners, taking waste streams or by-products from them to allow them to focus on their core business
  - Repurposing these products at specialised facilities into a value-added edible protein or petfood ingredient
- End-to-end logistics provider





# Global Ambitions

## We have global aspirations for our Global Proteins division

### New Zealand



<b>Name</b>	Meateor NZ
<b>Ownership</b>	50%
<b>Activities</b>	Petfood ingredients
<b>Processing sites</b>	2
<b>Key Species</b>	Lamb, beef, mutton, venison
<b>Highlights</b>	Supply certainty through investment partnership with the world's largest lamb processor

### Australia



<b>Name</b>	Fayman International / Meateor Australia
<b>Ownership</b>	50% / 33%
<b>Activities</b>	Edible proteins and petfood ingredients
<b>Processing sites</b>	1 (est. 2Q 2023)
<b>Key Species</b>	Lamb, beef, pork, salmon
<b>Highlights</b>	Partnering with multi-generational established business with extensive relationships across the market

## Global Proteins: Operations by region

### North America



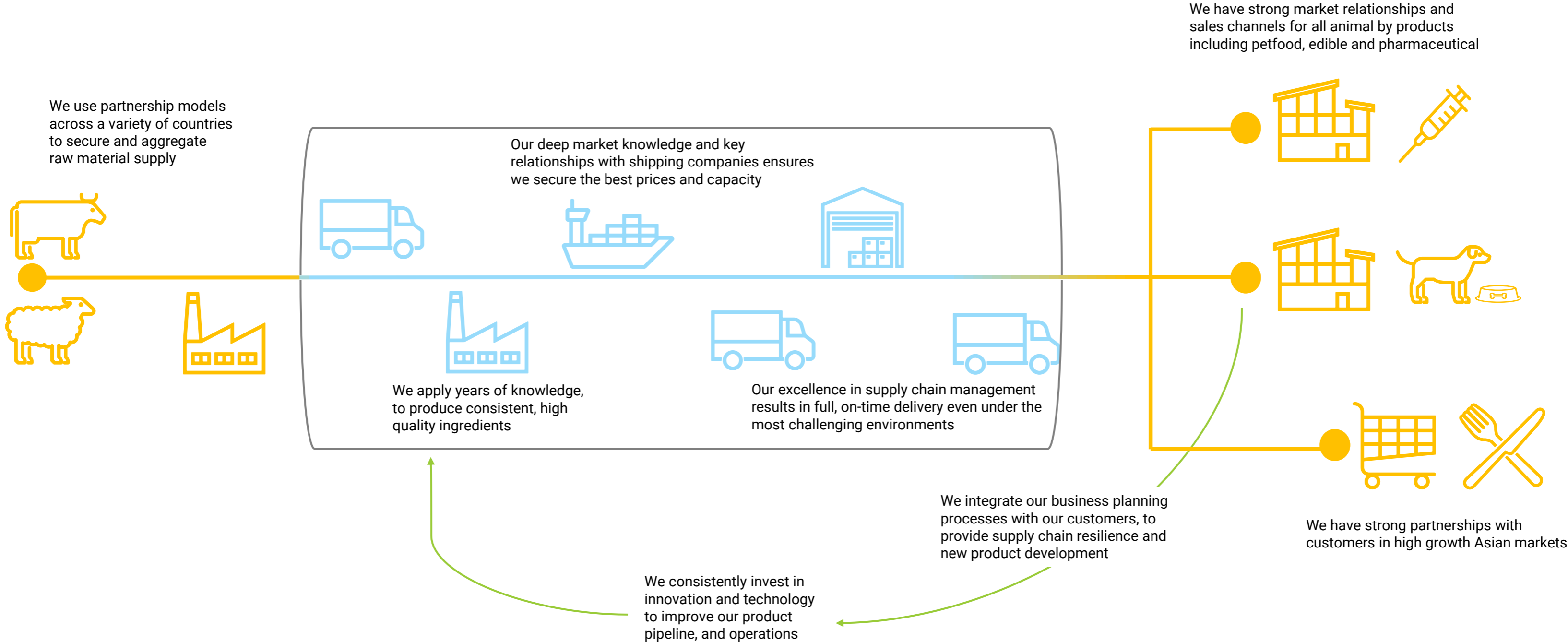
<b>Name</b>	Shelby
<b>Ownership</b>	60%
<b>Activities</b>	Petfood ingredients
<b>Processing sites</b>	4
<b>Key Species</b>	Beef, pork
<b>Highlights</b>	Supply relationships cultivated over multi-decade, intergenerational networks. Our network of processing sites, which are located in close proximity to key suppliers, or inside abattoirs, together with the supply of collection equipment optimises returns for key suppliers to entrench relationships

### Europe

- The European petfood market is the world's second largest petfood market with sales of €21.2b in 2022
- With many of our existing core customers operating in the European market, we have strong aspirations to extend our petfood operations into the European market
- We are in active discussions to establish a presence in the European market



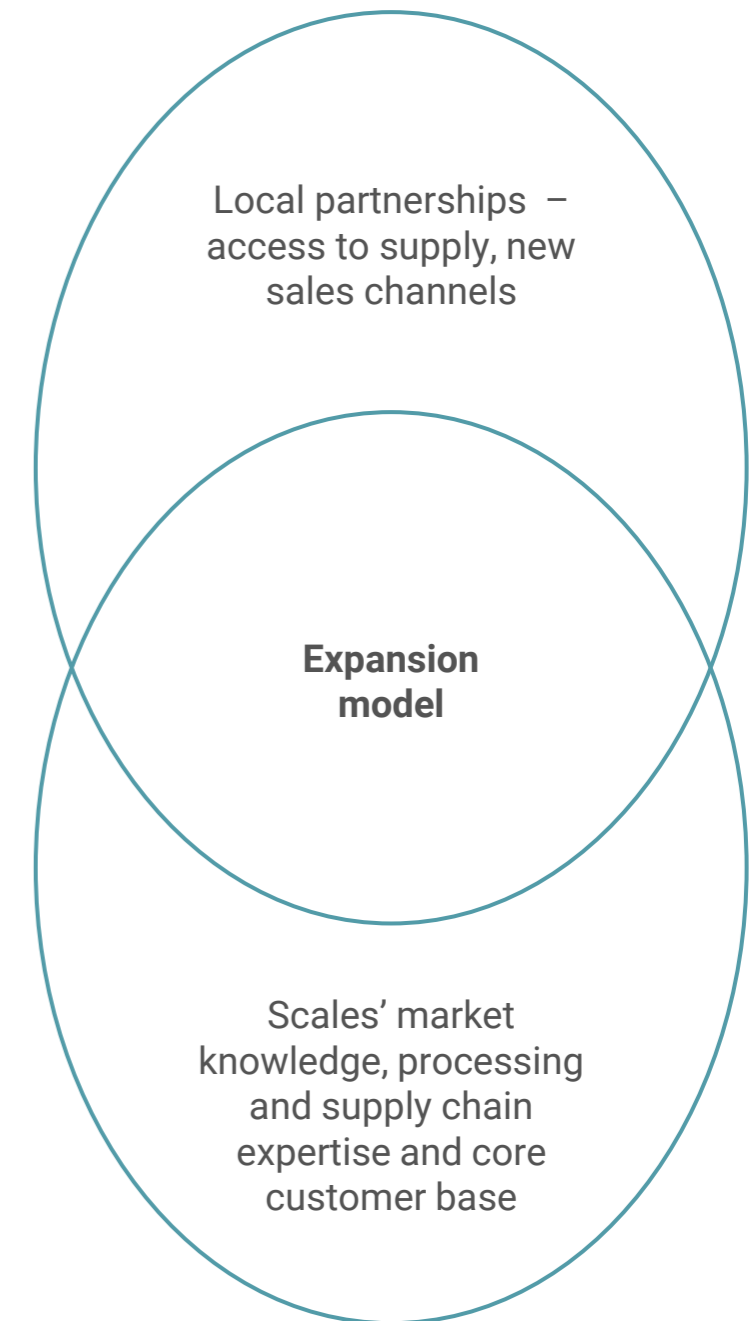
# Game Plan –The Value Chain



# Game Plan (continued) – Our Expansion Model

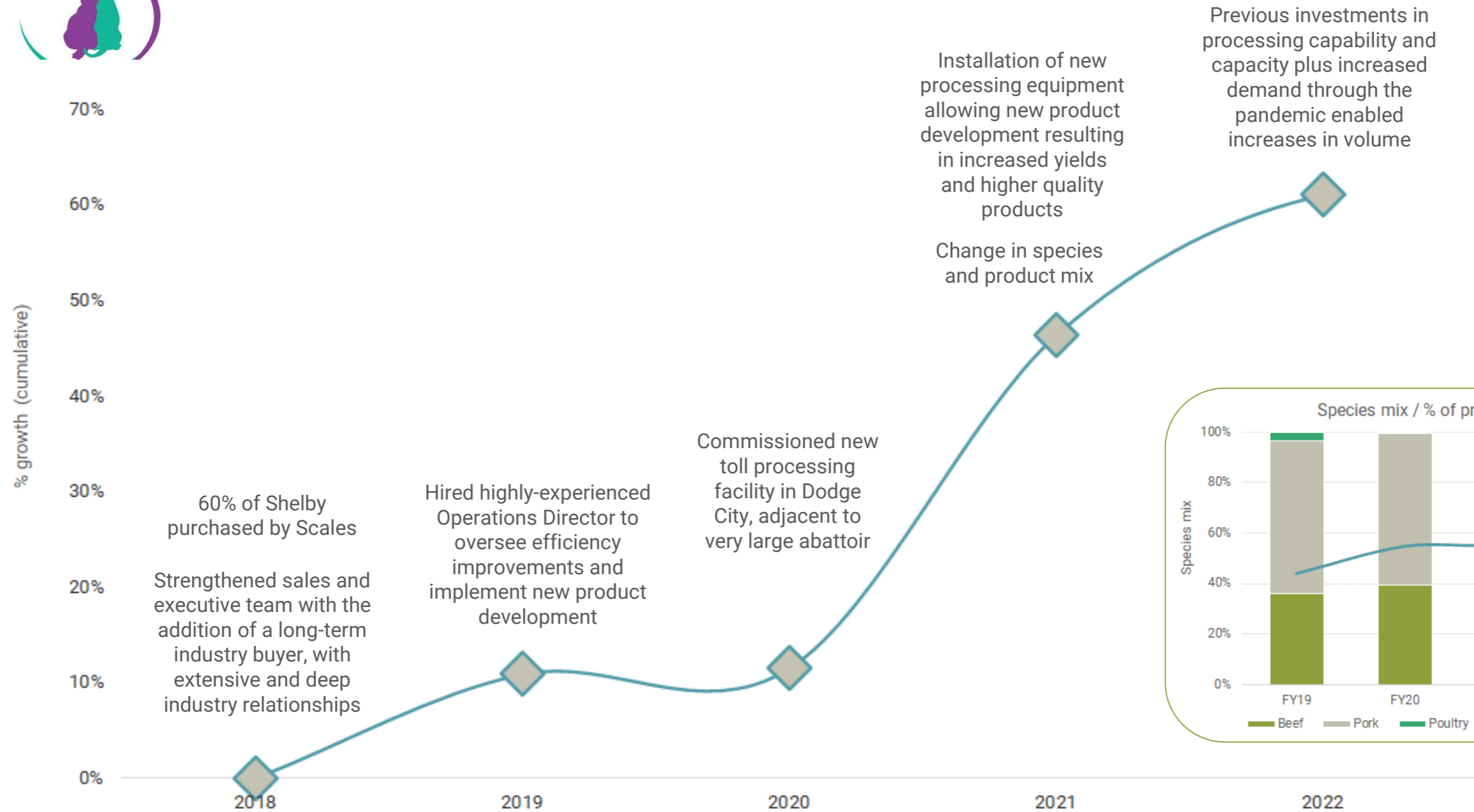
## Gameplan

- When entering a new market, we use partnership models with existing industry players who have strong relationships to secure raw material supply and who have networks with end-buyers:
  - Our investments will include an ability to increase our stake over time
- We will seek to achieve synergies across:
  - Sales & marketing including optimisation of customer networks
  - Use of our processing and market experience to develop new products, source new species and improve production efficiencies
  - Leveraging supply chain experience to reduce costs and improve performance across the group
  - Supplementing existing teams with new capability and talent, supported by our governance and oversight
- Investment targets and objectives will include:
  - Reported earnings should equate to cashflow, of which a significant portion should flow up to the parent





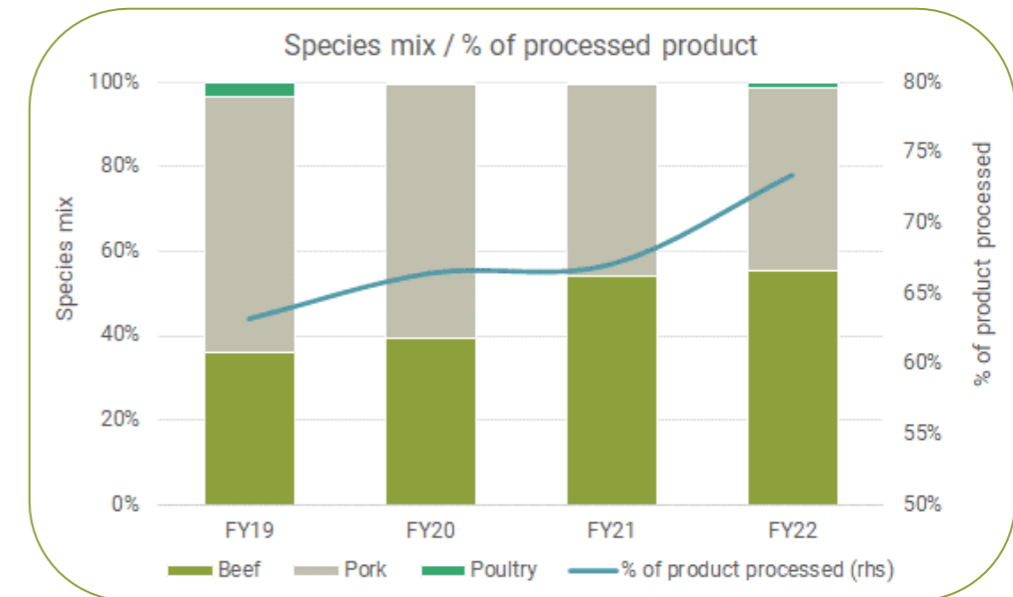
# US Case Study – Key Milestones



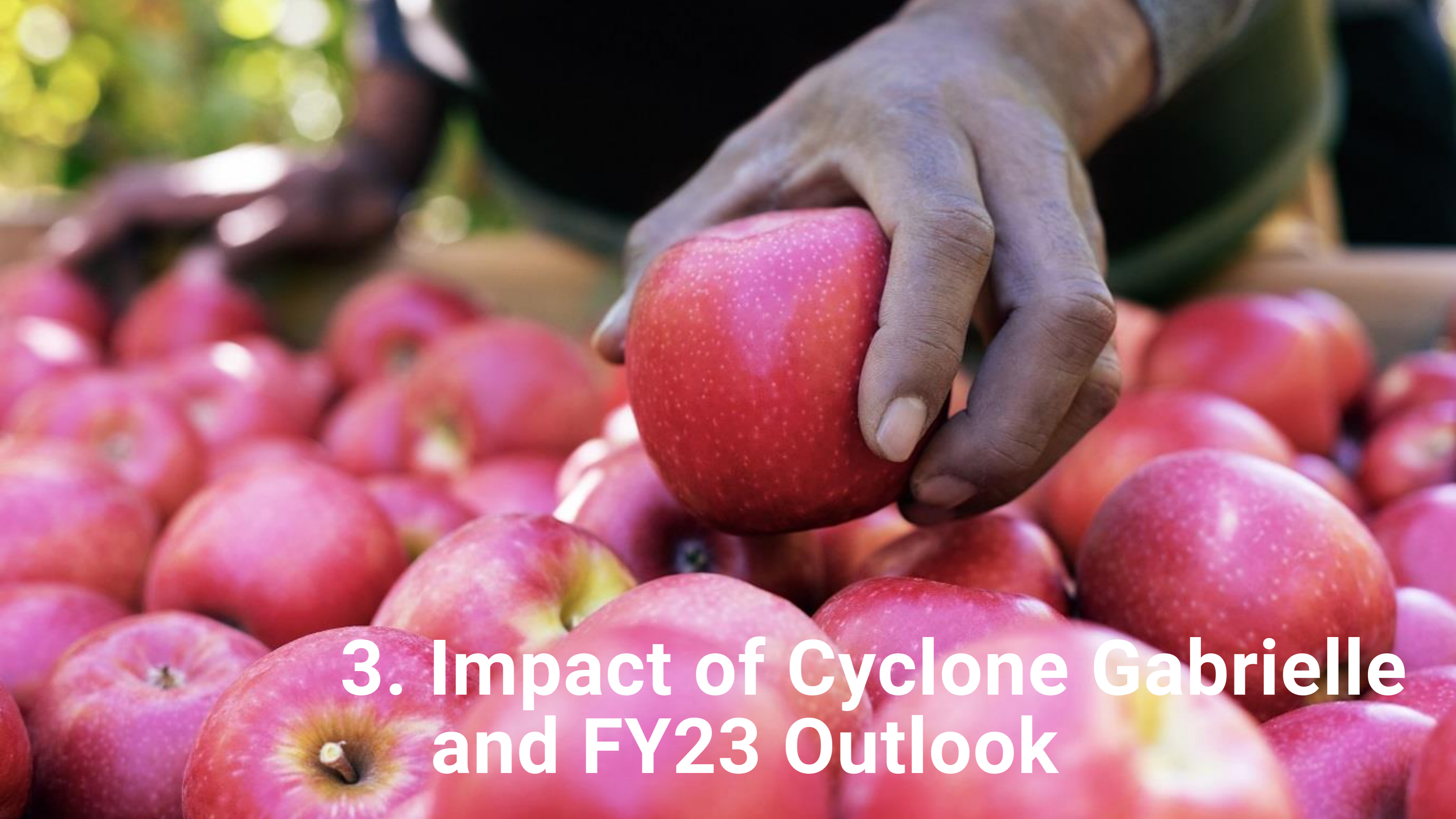
## Future growth initiatives

Integrate planning with customers to develop new in-house processing site – volumes expected to come online in 2024

Currently installing processing & cooling equipment







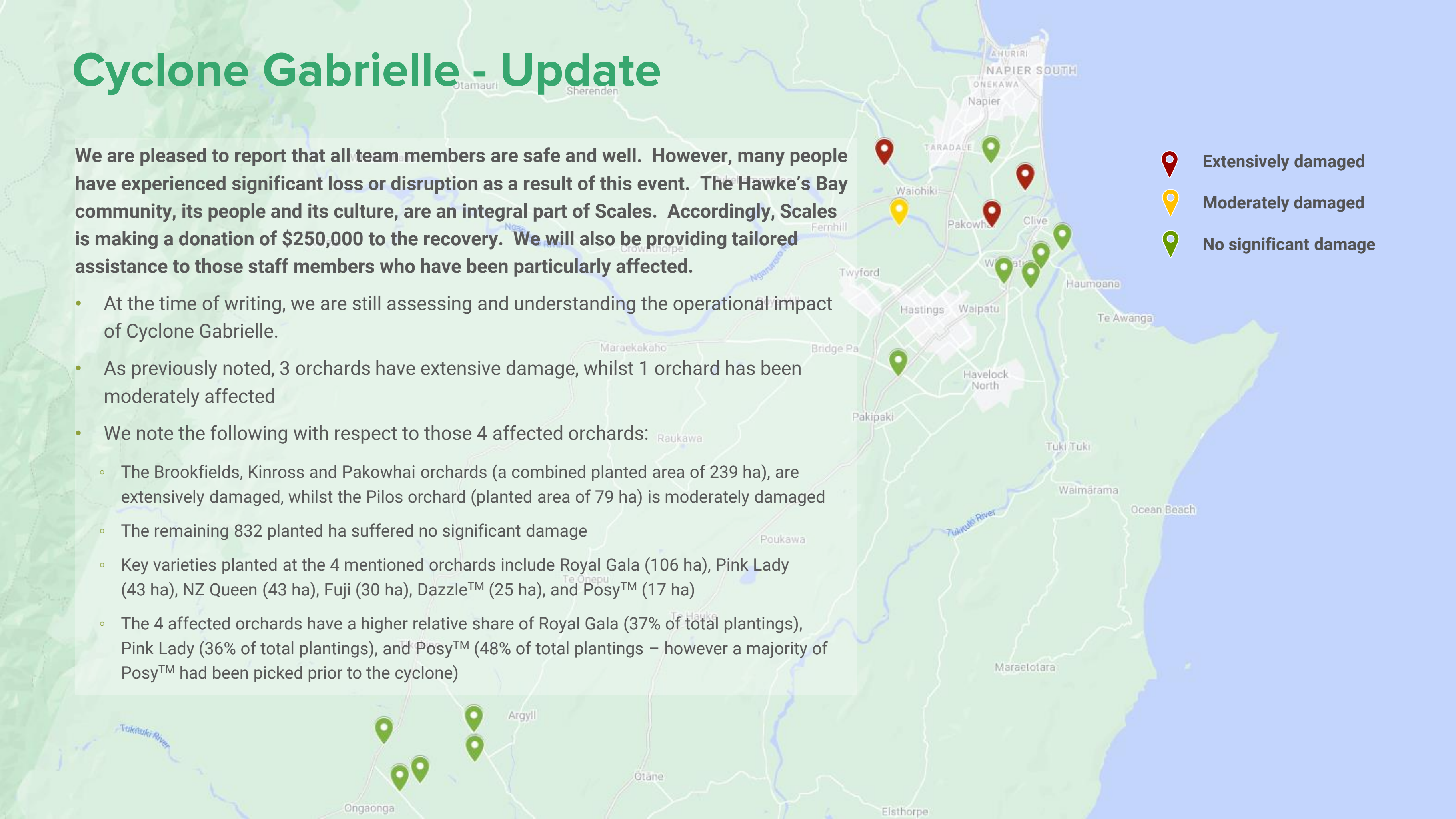
### **3. Impact of Cyclone Gabrielle and FY23 Outlook**



# Cyclone Gabrielle - Update

We are pleased to report that all team members are safe and well. However, many people have experienced significant loss or disruption as a result of this event. The Hawke's Bay community, its people and its culture, are an integral part of Scales. Accordingly, Scales is making a donation of \$250,000 to the recovery. We will also be providing tailored assistance to those staff members who have been particularly affected.

- At the time of writing, we are still assessing and understanding the operational impact of Cyclone Gabrielle.
- As previously noted, 3 orchards have extensive damage, whilst 1 orchard has been moderately affected
- We note the following with respect to those 4 affected orchards:
  - The Brookfields, Kinross and Pakowhai orchards (a combined planted area of 239 ha), are extensively damaged, whilst the Pilos orchard (planted area of 79 ha) is moderately damaged
  - The remaining 832 planted ha suffered no significant damage
  - Key varieties planted at the 4 mentioned orchards include Royal Gala (106 ha), Pink Lady (43 ha), NZ Queen (43 ha), Fuji (30 ha), Dazzle™ (25 ha), and Posy™ (17 ha)
  - The 4 affected orchards have a higher relative share of Royal Gala (37% of total plantings), Pink Lady (36% of total plantings), and Posy™ (48% of total plantings – however a majority of Posy™ had been picked prior to the cyclone)

- 
- The map displays the Hawke's Bay region with various towns and rivers labeled. Colored location pins indicate the damage status of orchards: red for extensively damaged, yellow for moderately damaged, and green for no significant damage. The Tūkituki River is prominent in the southern part of the map.
- 📍 Extensively damaged
  - 📍 Moderately damaged
  - 📍 No significant damage



# FY23 Outlook

## Group update

- As previously advised, due to the wide ranging impacts of Cyclone Gabrielle on Hawke's Bay, we have withdrawn our FY23 profit Guidance:
  - We expect to provide updated Guidance as soon as practicable, once the financial impacts of the cyclone are fully understood
- FY22 dividend payments will be made in 3 instalments in 2023:
  - The first instalment, of 6.0 cps, was paid on 16 January 2023
  - It is our intention to pay the second instalment, of 3.5 cps, on 31 March 2023
  - We will review, and advise on, the third instalment in early May 2023
- Our dividend policy will revert to 50% - 75% of Underlying Net Profit After Tax Attributable to Shareholders from FY23
- We will continue to maintain prudent capital management







**Appendices**



# Appendix A – NZ IFRS Reconciliation

Reconciliation of Divisional Underlying Profitability to Reported Profitability										
\$m	Group		Global Proteins		Horticulture		Logistics		Corporate and eliminations	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Underlying / Reported Revenue</b>										
<b>EBITDA Reconciliation</b>										
Underlying EBITDA (excluding NZ IFRS 16)	66.5	63.0	60.1	33.3	6.5	30.9	5.8	4.2	(5.9)	(5.4)
NZ IFRS 16 Leases	9.4	10.8	0.1	0.1	8.5	9.9	0.8	0.8	0.1	0.1
NZ IFRS 16 Leases - renewal reassessment	2.0	-	-	-	2.0	-	-	-	-	-
<b>Underlying EBITDA (including NZ IFRS 16)</b>	<b>77.9</b>	<b>73.8</b>	<b>60.2</b>	<b>33.4</b>	<b>17.0</b>	<b>40.8</b>	<b>6.6</b>	<b>4.9</b>	<b>(5.8)</b>	<b>(5.3)</b>
Other adjustments:										
(Impairment)/reversal of impairment of non-current assets	(3.7)	1.6	-	-	(3.7)	1.6	-	-	-	-
Gain on sale of property, plant and equipment	-	1.1	-	-	-	1.1	-	-	-	-
Equity settled employee benefits	(0.6)	(0.7)	-	-	-	-	-	-	(0.6)	(0.7)
NZ IFRS 16 Leases - renewal reassessment	(2.0)	-	-	-	(2.0)	-	-	-	-	-
Fayman acquisition entries	1.6	-	1.6	-	-	-	-	-	-	-
Intercompany FX	(0.6)	-	1.1	-	-	-	-	-	(1.7)	-
Change in fair value gain on apple inventory	0.1	(0.9)	-	-	0.1	(0.9)	-	-	-	-
Change in gross liability for non-controlling interests	(4.2)	(1.9)	(4.2)	(2.2)	(0.0)	0.3	-	-	-	-
Transaction costs	(0.0)	(1.4)	-	-	-	-	-	-	(0.0)	(1.4)
<b>Reported EBITDA</b>	<b>68.5</b>	<b>71.6</b>	<b>58.7</b>	<b>31.2</b>	<b>11.4</b>	<b>43.0</b>	<b>6.6</b>	<b>4.9</b>	<b>(8.2)</b>	<b>(7.5)</b>
<b>EBIT Reconciliation</b>										
Underlying EBIT (excluding NZ IFRS 16)	56.0	52.2	59.3	32.6	(3.1)	21.1	5.6	4.0	(5.9)	(5.4)
NZ IFRS 16 Leases	0.3	2.0	0.0	0.0	0.1	1.8	0.2	0.2	0.0	0.0
NZ IFRS 16 Leases - renewal reassessment	2.0	-	-	-	2.0	-	-	-	-	-
<b>Underlying EBIT (including NZ IFRS 16)</b>	<b>58.2</b>	<b>54.2</b>	<b>59.3</b>	<b>32.6</b>	<b>(1.1)</b>	<b>22.9</b>	<b>5.8</b>	<b>4.1</b>	<b>(5.9)</b>	<b>(5.4)</b>
Other adjustments:										
(Impairment)/reversal of impairment of non-current assets	(3.7)	1.6	-	-	(3.7)	1.6	-	-	-	-
Gain on sale of property, plant and equipment	-	1.1	-	-	-	1.1	-	-	-	-
Equity settled employee benefits	(0.6)	(0.7)	-	-	-	-	-	-	(0.6)	(0.7)
NZ IFRS 16 Leases - renewal reassessment	(2.0)	-	-	-	(2.0)	-	-	-	-	-
Fayman acquisition entries	1.6	-	1.6	-	-	-	-	-	-	-
Intercompany FX	(0.6)	-	1.1	-	-	-	-	-	(1.7)	-
Change in fair value gain on apple inventory	0.1	(0.9)	-	-	0.1	(0.9)	-	-	-	-
Change in gross liability for non-controlling interests	(4.2)	(1.9)	(4.2)	(2.2)	(0.0)	0.3	-	-	-	-
Transaction costs	(0.0)	(1.4)	-	-	-	-	-	-	(0.0)	(1.4)
<b>Reported EBIT</b>	<b>48.8</b>	<b>52.1</b>	<b>57.9</b>	<b>30.4</b>	<b>(6.6)</b>	<b>25.1</b>	<b>5.8</b>	<b>4.1</b>	<b>(8.2)</b>	<b>(7.6)</b>



# Appendix A – NZ IFRS Reconciliation (continued)

Reconciliation of Divisional Underlying Profitability to Reported Profitability										
\$m	Group		Global Proteins		Horticulture		Logistics		Corporate and eliminations	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>NPAT Reconciliation</b>										
Underlying NPAT (excluding NZ IFRS 16)	46.9	40.4	49.1	26.5	(2.0)	15.6	4.0	2.8	(4.3)	(4.5)
NZ IFRS 16 Leases, net of tax	(1.9)	(0.7)	(0.0)	(0.0)	(1.8)	(0.6)	(0.1)	(0.1)	(0.0)	(0.0)
NZ IFRS 16 Leases - renewal reassessment	1.4	-	-	-	1.4	-	-	-	-	-
<b>Underlying NPAT (including NZ IFRS 16)</b>	<b>46.4</b>	<b>39.8</b>	<b>49.1</b>	<b>26.5</b>	<b>(2.4)</b>	<b>15.0</b>	<b>4.0</b>	<b>2.7</b>	<b>(4.3)</b>	<b>(4.5)</b>
Other adjustments:										
(Impairment)/reversal of impairment of non-current assets	(3.7)	1.6	-	-	(3.7)	1.6	-	-	-	-
Gain on sale of property, plant and equipment	-	1.1	-	-	-	1.1	-	-	-	-
Equity settled employee benefits	(0.6)	(0.7)	-	-	-	-	-	-	(0.6)	(0.7)
NZ IFRS 16 Leases - renewal reassessment	(2.0)	-	-	-	(2.0)	-	-	-	-	-
Fayman acquisition entries	1.6	-	1.6	-	-	-	-	-	-	-
Intercompany FX	(0.6)	-	1.1	-	-	-	-	-	(1.7)	-
Change in fair value gain on apple inventory	0.1	(0.9)	-	-	0.1	(0.9)	-	-	-	-
Change in gross liability for non-controlling interests	(4.2)	(1.9)	(4.2)	(2.2)	(0.0)	0.3	-	-	-	-
Transaction costs	(0.0)	(1.4)	-	-	-	-	-	-	(0.0)	(1.4)
Tax effect of other NZ IFRS adjustments	1.2	(0.7)	(0.8)	(0.5)	1.6	(0.2)	-	-	0.5	-
<b>Reported NPAT</b>	<b>38.2</b>	<b>36.9</b>	<b>46.9</b>	<b>23.9</b>	<b>(6.5)</b>	<b>16.9</b>	<b>4.0</b>	<b>2.7</b>	<b>(6.1)</b>	<b>(6.6)</b>
<b>NPAT Attributable to Shareholders Reconciliation</b>										
Underlying NPATAS (excluding NZ IFRS 16)	28.1	30.4	30.3	16.7	(2.0)	15.4	4.0	2.8	(4.3)	(4.5)
NZ IFRS 16 Leases, net of tax	(1.9)	(0.7)	(0.0)	(0.0)	(1.8)	(0.6)	(0.1)	(0.1)	(0.0)	-
NZ IFRS 16 Leases - renewal reassessment	1.4	-	-	-	1.4	-	-	-	-	-
<b>Underlying NPATAS (including NZ IFRS 16)</b>	<b>27.6</b>	<b>29.8</b>	<b>30.3</b>	<b>16.7</b>	<b>(2.4)</b>	<b>14.8</b>	<b>4.0</b>	<b>2.7</b>	<b>(4.3)</b>	<b>(4.5)</b>
Other adjustments:										
(Impairment)/reversal of impairment of non-current assets	(3.7)	1.6	-	-	(3.7)	1.6	-	-	-	-
Gain on sale of property, plant and equipment	-	1.1	-	-	-	1.1	-	-	-	-
Equity settled employee benefits	(0.6)	(0.7)	-	-	-	-	-	-	(0.6)	(0.7)
NZ IFRS 16 Leases - renewal reassessment	(2.0)	-	-	-	(2.0)	-	-	-	-	-
Fayman acquisition entries	1.6	-	1.6	-	-	-	-	-	-	-
Intercompany FX	(0.6)	-	1.1	-	-	-	-	-	(1.7)	-
Change in fair value gain on apple inventory	0.1	(0.9)	-	-	0.1	(0.9)	-	-	-	-
Change in gross liability for non-controlling interests	(4.2)	(1.9)	(4.2)	(2.2)	(0.0)	0.3	-	-	-	-
Transaction costs	(0.0)	(1.4)	-	-	-	-	-	-	(0.0)	(1.4)
Tax effect of other NZ IFRS adjustments	1.2	(0.7)	(0.8)	(0.5)	1.6	(0.2)	-	-	0.5	-
<b>Reported NPAT Attributable to Shareholders</b>	<b>19.4</b>	<b>26.9</b>	<b>28.0</b>	<b>14.1</b>	<b>(6.5)</b>	<b>16.7</b>	<b>4.0</b>	<b>2.7</b>	<b>(6.1)</b>	<b>(6.6)</b>

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Our results are reported under NZ IFRS. This presentation includes non-GAAP financial measures which are not prepared in accordance with NZ IFRS. The non-GAAP financial measures used in this presentation include:

- EBITDA. We calculate EBITDA by adding back (or deducting) depreciation, amortisation, finance charges / (revenue), and taxation expense to net earnings / (loss) from continuing operations
- EBIT. We calculate EBIT by adding back (or deducting) finance charges / (revenue), and taxation expense to net earnings / (loss) from continuing operations
- Underlying EBITDA and EBIT are calculated by adding back (or deducting) certain non cash NZ IFRS and other adjustments
- Underlying Net Profit is calculated by adding back or (or deducting) the after-tax effect of certain non cash NZ IFRS and other adjustments

A full reconciliation of Underlying to reported measures is provided in our Annual Report.

We believe that these non-GAAP financial measures provide useful information to readers to assist in the understanding of our financial performance, financial position or returns, but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZ IFRS. Non-GAAP financial measures may not be comparable to similarly titled amounts reported by other companies.

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