

NZX & Media Release

24 August 2022

DIVERSIFICATION PAYS DIVIDENDS FOR SCALES CORPORATION

Highlights – 6 months to 30 June 2022 (1H22)

- Underlying¹ NPAT² Attributable to Shareholders of \$25.6 million (1H21: \$29.0 million), down 11.7%
- Reported NPAT of \$35.1 million (1H21: \$32.6 million), up 7.5%
- Outstanding performance in petfood ingredients businesses
- This, together with the success of our divisional strategy and the growth opportunities that have been identified, has led to a renaming of the Food Ingredients division to Global Proteins
- Logistics continuing to prove strategically important, providing vital services and solutions for both internal and external customers

Diversified agribusiness group Scales Corporation Limited (NZX:SCL) today reported its 1H22 results where an outstanding performance by its Global Proteins division and steady earnings from its Logistics division were impacted by lower Horticulture results.

Scales Corporation Chair Tim Goodacre noted: “Our strategic planning and diversification has delivered a resilient 6-month performance for Scales Group. In a very challenging year for Horticulture, the Group has benefited from continued growth in Global Proteins and the ongoing strategic support from Logistics.”

“As ever, the result is reflective of the outstanding leadership and performance of our teams and the strong work ethic within each of our businesses.”

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

Our Global Proteins division has once again grown significantly, with Underlying EBITDA³ of \$30.4 million (1H21: \$16.1 million), an increase of 88.6%. Managing Director Andy Borland commented: “This is a very exciting time for the Global Proteins division. Its sustained growth has reaffirmed our belief in its global potential, particularly with regard to proteins, and there are a promising number of growth opportunities that are presenting themselves.”

“The division’s outstanding 6-month performance continues to be driven by the ongoing global demand for petfood, with a 13% increase in volumes sold compared to 1H21. Changes in product mix and margins have also contributed to the growth.”

The Horticulture division encountered significant headwinds. Its Underlying EBITDA of \$24.0 million was down on the prior period (1H21: \$38.0 million) with strong in-market prices more than offset by reduced volumes and increased costs. Mr Apple’s total own-grown export volumes are forecast to be 3.3 million TCEs⁴ (2021: 3.6 million TCEs).

Mr Borland noted: “This has been a very challenging season for Horticulture. There has been considerable disruption in a number of aspects of the business, including in weather, labour, logistics and international markets. Despite the outstanding job that Mr Apple’s team has done, the combined effect of these disruptions has negatively impacted the 1H22 result.”

“We are continuing to give attention to the issues of increasing labour costs and difficulties in labour availability and our packhouse automation project, which partially addresses these issues, is progressing well.”

Logistics continued to prove its strategic value and delivered a strong Underlying EBITDA of \$3.6 million (1H21: \$2.7 million). Mr Borland said “The skill and expertise of the Logistics team meant vital services and solutions were provided to both internal and external customers. We believe there is an opportunity to expand this offering and expertise to global markets in conjunction with the growth in the Global Proteins division.”

Full Year 2022 Outlook

Directors advise that Underlying Net Profit Attributable to Shareholders is now expected to be at the upper end of the previously advised range of \$23.5 million to \$28.5 million. Due to the change in earnings mix, the implied Underlying Net Profit range has increased to between \$35 million and \$43 million and the Underlying EBITDA range has increased to between \$65 million and \$75 million.

³ Earnings Before Interest, Tax, Depreciation and Amortisation

⁴ Tray Carton Equivalents

In providing this updated guidance for 2022, Directors note:

- Global Proteins' earnings for 2H22 are expected to be similar to 2H21
- Earnings from the Horticulture division remain subject to the success of the Mid-Autumn Festival sales in China and a stronger finish to sales in the European market than experienced in 2021
- Mr Apple has a higher level of fruit that is unsold compared to last year
- The challenges in global logistics are expected to continue through to at least 2023

Scales continues to investigate an increasing number of, predominantly offshore, opportunities to grow the Global Proteins division.

On behalf of his fellow Directors and Shareholders, Mr Goodacre gave his thanks to all Scales' employees for their continued loyalty and enthusiasm, which enabled the delivery of the solid financial and operational performance.

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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