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SCOTT TECHNOLOGY ANNOUNCES HY25 RESULTS

Scott Technology's (NZX: SCT) result for the six months ending 28 February 2025 sees stable net profit despite the challenging market conditions across its product portfolio and lower order intake during last year. The company successfully strengthened group margins, reduced net debt, and improved cash flow. Strategic execution focused on securing higher-margin contracts and building a robust pipeline of forward work provides momentum into the second half of the year.

Business Highlights:

- The executive team, led by new CEO Mike Christman, recently met to review and align on long term strategy, targeting a new 2030 strategy, details to be presented at an upcoming Investor Day.
- Continued strong growth opportunities supported by innovative products and scalable solutions.
- Strong Q2 following recent key project wins provides momentum for the next six months.
- Forward work remains robust at $165 million, flat versus the prior period, with a strategic focus on higher margin contracts.
- Revenue mix is increasingly weighted towards service-based revenue, currently at 31%, up from 26%.
- A proactive safety culture drove substantial engagement, evidenced by an 83% increase in safety-related conversations.

Financial Highlights:

- Revenue of $122 million, down -14% from $141 million in the prior comparable period (pcp).
- Group margin performance improved to 29%, a 270bps increase from 26% in pcp.
- Operating EBITDA at $12.2 million, down -27% from $16.6 million in pcp.
- Net Profit After Tax (NPAT) of $4.3 million, stable compared to pcp.
- Operating cash flow of $14.5 million improved significantly from -$7.7 million in pcp.
- Net debt reduced to $13.2 million, down -35% from $20.2 million in pcp.
- Directors declared a dividend of 3 cents per share (unimputed), 5 cents per share in pcp.

Financial Performance Overview:

Revenue for HY25 declined -14% year-on-year to $122 million, driven by a challenging economic landscape and subdued order intake throughout FY24. Despite this environment, forward work remains robust at $165 million, supported by a targeted approach to high-margin opportunities and securing recent wins that provide momentum for the second half.

Group margin expanded to 29%, representing a notable +270bps improvement, driven by Scott Technology's strategic focus on profitable projects and service mix. The decline in revenue, however, has led to operating EBITDA of $12.2 million, a decrease of -27% from pcp. Cost controls are in place to manage overheads while carefully investing in foundational elements like a new Enterprise Resource Planning (ERP) system in Europe to support future growth. Net profit after tax was at $4.3 million, remaining relatively flat compared to pcp as reduced EBITDA was offset by lower amortisation, interest and tax. The prior period also included nonrecurring costs for the strategic review.

Operating cash flow rebounded positively to $14.5 million, driven by securing key new projects, effective working capital management and disciplined cost control, facilitating a -35% reduction in net debt to $13.2 million. Investments were directed towards regional plant upgrades and strategic asset developments.

Considering current market conditions, the Board has declared an unimputed interim dividend of 3 cents per share, payable on 21 May 2025, with shareholders able to participate in the Dividend Reinvestment Plan (DRP).

Impressions from the CEO:
Chief Executive Officer Mike Christman, who joined the company in October 2024, said
"I've had the opportunity to observe the business from a fresh perspective. Scott has real strengths with market-leading technology, highly skilled and passionate people and our focus on a modular approach has enabled margin improvement, this has provided positive momentum. Over the last five years there are many positives with improved margins, increased service revenue mix and improved cashflow which has allowed for strategic investment in the business and meaningful debt reduction."

Scott is well-positioned for future growth, however, there are some key challenges we intend to focus on to unlock more opportunities for Scott:

- Research & Development has largely been reactive — project based rather than guided by a long-term, integrated roadmap – we must positively disrupt the market rather than follow.
- Sales have plateaued — an issue we need to structurally address – we need to create a stronger forward order book.
- Customer proximity must improve — deeper engagement, stronger key account management, which is essential for sustainable growth.
- We must increase detailed global market knowledge.

Mike said, "here at Scott, there are many things that we are doing well – improving the areas above will have a positive impact on shareholder value and will allow us to move into the next stage of our growth journey."

2030 Strategy Refresh:
"We are not yet where we want to be, but we are in the final stages of completing our long-term strategy and a clear blueprint to get there. Once the strategy is finalized, I'm excited to share our vision with you"

The key pillars include:

- **Customer First** – deeply understanding and solving for our customers' evolving needs.
- **High Performing Team** – aligned execution with long-term business goals.
- **One Scott** – a unified culture that empowers our global teams and drives scalable, sustainable growth.
- **Leading Edge Technology** – focused innovation, driven by market insights, delivering scalable, modular solutions.

More detail on the strategy refresh is to be provided at an upcoming Investor Day. This will mark a critical step in starting to address our challenges and unlocking our long-term shareholder value. Watch the results review and message from the CEO (https://vimeo.com/1075152839/53573a4bfe)

Outlook:
There is solid momentum heading into the next six months following a strong second quarter, recent large project wins and increasing standard product sales.

The recent announcements on tariffs are expected to have a limited direct impact on Scott for FY25. However, the more significant impact is the increasing uncertainty this will create and impact on businesses' willingness to invest in capital equipment. While certain segments may experience headwinds, there is also potential opportunities, particularly where our European and Asian competitors face higher tariff rates than those applicable to our exports from New Zealand or Australia to the US.

The global shift towards nearshoring and regionalised supply chains is closely aligned with Scott's strengths. We are well-positioned to help customers build resilient, secure, and efficient supply chains through automation, providing the capital remains available.

Additional specific sector detail is provided within the investor presentation.

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For more information, visit www.scottautomation.com or contact:

Mike Christman
Chief Executive Officer

+64 21 679 975
mike.christman@scottautomation.com

Media:
Eugene Afanasy
Communications Manager

+64 21 0852 4832
e.afanasy@scottautomation.com

About Scott
Scott delivers smart automation and robotic solutions that transform industries by making businesses safer, more productive, and more efficient. Our diverse capability makes us the first choice for hundreds of the world's leading brands. With design and build operations across Australasia, China, Europe, and America and over 110 years of engineering excellence, Scott is the global expert in automation.

Appendix

Sector Summary

Results Snapshot $M	Revenue	HY25 Margin	%	Revenue	HY24 Margin	%
Materials Handling & Logistics	53.3	11.9	22%	62.7	12.1	19%
Minerals	23.4	8.1	35%	25.6	8.7	34%
Protein	30.5	10.6	35%	31.3	9.9	32%
Appliances	14.1	4.5	32%	19.2	6.6	35%
Rest of Business	0.4	0.1	35%	2.0	(0.3)	-15%
Total	**121.7**	**35.2**	**29%**	**140.9**	**37.0**	**26%**

Materials Handling and Logistics

- **Overall:** revenue driven by timing of large projects is largely offset by improved margin.
- **Europe & North America Palletisation:** strong period in Europe partnering with key customers for +50 projects. Timing of projects impacted North America.
- **Transbotics:** softer orders with customers delaying spend. Officially launched NexBot in Mar-25 with positive feedback and two pre-orders.
- **Margin %:** improved margin performance due to good manufacturing efficiencies and improved service mix.
- **Forward work:** remains strong at $88m, with ~$20m of JBS Brooks still to recognize across FY25 / FY26.

Minerals

- **Overall:** decline in revenue following a record period in HY24 with large orders for MRL and Caterpillar.
- **Rocklabs Standard:** strong unit sales for crushers & pulverisers, continued growth expected as orders for parts increase.
- **Modular:** HY25 cycling MRL project and timing of securing new orders. Strategic key wins for Kinross (Alaska) and Rio Tinto (Australia) provides momentum into H2.
- **Energize:** completion of the first phase of automated energy transfer systems (AETS) for Caterpillar.
- **Margin %:** improvement due to mix of standard products. Target for margins to trend back towards 40%.

Protein

- **Overall:** largely flat revenue in challenging environment. Strong margin improvement & momentum of orders heading into H2.
- **BladeStop:** revenue is up +10% HY24 on higher service and parts revenue due to increase services penetration and installed base.
- **Lamb & Beef:** slow start due to timing of orders but secured JBS Cobram Leap Primal system and 3 x Loin Deboners.
- **Poultry:** completion of CostCo units during the period, challenging market conditions slow new orders.
- **Margin %:** reflects execution on projects and increase mix of service and parts.

Appliances

- **Overall:** prior years included large projects for Sub-Zero and GE Appliances. HY25 includes the final stages of Sub-Zero and the start of the record setting $20m Midea project in China.
- **Forward work:** +$20m provides a good base for H2.
- **Margin %:** solid margin performance attributable to the strategy of focusing on proven technology and several key projects executed well.

Services and Aftermarket:

Service revenue accounted for 31% of total revenue, up from 26% in pcp. Service provided a strong base of recurring revenue during a tough period for capital equipment purchases. Highlights included increased service penetration for BladeStop and palletisation as installed base grows and value proposition improves.