

22 February 2024

COMMENDABLE GROUP PERFORMANCE IN A DISRUPTED YEAR

Highlights – 12 months to 31 December 2023

Diversified agribusiness group Scales Corporation Limited (NZX:SCL) today reported its FY2023 full year results. Reported NPAT¹ Attributable to Shareholders was \$5.2 million (FY2022: \$19.4 million). Reported earnings per share for FY2023 were 3.7 cents per share (FY2022: 13.7 cents per share).

Underlying² NPAT Attributable to Shareholders of \$19.0 million (FY2022: \$27.6 million) was at the top end of market guidance. Underlying earnings per share for FY2023 were 13.4 cents per share (FY2022: 18.3 cents per share).

- Group FY2023 financial results:
 - Underlying NPAT of \$38.4 million, down 17 per cent (FY2022: \$46.4 million)
 - Reported NPAT of \$24.7 million, down 35 per cent (FY2022: \$38.2 million)
 - Underlying EBITDA of \$67.5 million, down 13 per cent (FY2022: \$77.9 million)
 - Revenue of \$565.4 million, down 9 per cent (FY2022: \$619.2 million)
- Divisional summary:
 - Global Proteins produced a strong performance, reflecting the ability of the division to execute its strategy and adjust to market conditions
 - The Horticulture division produced an admirable result, with higher in-market prices helping to offset lower volumes caused by Cyclone Gabrielle
 - Logistics generated a solid result despite the impact of lower volumes together with geopolitical tensions in key trade routes

Mike Petersen, Chair of Scales Corporation, stated: “Our diversified strategy has, once again, proved to be an important factor in our success in what was a disruptive year. This, combined with the ability

¹ Net Profit After Tax

² Underlying results exclude some New Zealand International Financial Reporting Standards (NZ IFRS) non-cash and other adjustments. In line with current market practice, “Underlying” includes the effects of NZ IFRS 16 *Leases*. A reconciliation between Net Profit and Underlying Net Profit, EBITDA and Underlying EBITDA is provided in Appendix A of our annual results presentation pack.

of our divisions to execute their individual strategies during testing times, produced very commendable Group earnings.”

“Global Proteins and Logistics performed strongly, with Horticulture producing an admirable result, having dealt with the significant effects of Cyclone Gabrielle during the year. This is in no small part due to the skills and resilience of the entire Scales team.”

Andy Borland, Managing Director of Scales Corporation, noted: “I would also like to mention the aptitude and hard work of the Scales team. The Cyclone touched the lives of a significant number of our staff members, and many more people within our Hawke’s Bay community. To see the results of their hard work despite the adversity that they faced is testament to the strong culture that exists within the Group as a whole.”

“We continue to keep Sustainability to the forefront of our minds, and it was an important factor during the remediation of our orchards. A number of new initiatives were implemented throughout the year, and we will be pleased to share details of those with you in our Climate Related Disclosure report, which will be released in April 2024.”

“During the year we were delighted to announce the establishment of our joint venture with Esro Food Group, which has provided us with a strategically important European presence for our Global Proteins division. Significant progress has been made on this operation, with the first processing line commissioned towards the end of the year.

We continue to operate with a strong financial position, with net cash of \$12.0 million as at 31 December 2023.”

During 2023, Scales paid dividends of 19.0 cents per share³. Our dividend payments for FY2023 are likely to revert to 2 instalments, with the first instalment of 4.25 cents per share having been paid on 18 January 2024. We will review, and advise on, a second instalment in respect of FY2023 in early May 2024.

Divisions

Global Proteins

Underlying EBITDA for Global Proteins was \$54.5 million (FY2022: \$60.2 million), a decrease of 9 per cent.

³ Scales declared the following dividends in respect of FY2022, which were paid in 2023:

- an interim dividend of 6.0 cents per share on 9 December 2022, paid on 16 January 2023
- a second interim dividend of 3.5 cents per share on 23 February 2023, paid on 31 March 2023
- a final dividend of 9.5 cents per share on 1 May 2023, paid on 7 July 2023

Mr Borland commented "Global Proteins delivered a solid result in a year when its petfood ingredient customers were rebalancing their inventories to lower, pre-COVID levels. This resulted in lower volumes sold. Despite these new market conditions, the division performed well, adjusting its operations accordingly."

"Fayman delivered a pleasing first full year contribution, with its edible proteins operations complementing our petfood ingredients operations."

"The overall expansion of the Global Proteins division is providing a strong foundation for future growth. Meateor Australia and Esro Petfood made excellent progress during the year, with both businesses operational by the fourth quarter. Whilst these businesses are currently in transitional and start-up phases respectively, we believe that these investments will be extremely strategically important for the division in the long-term."

Horticulture

The Horticulture division produced an Underlying FY2023 EBITDA of \$14.8 million (FY2022: \$17.0 million), a decrease of 13 per cent.

Mr Borland observed "FY2023 was a very challenging year for the Horticulture division, as it was for the entire Hawke's Bay horticulture industry. However, the division produced a very commendable result given the significant physical, financial and volumetric impacts of Cyclone Gabrielle."

"Mr Apple's own-grown export volume of 2,733k TCEs⁴ was 18 per cent down on the prior year (FY2022: 3,324k TCEs). However, Mr Apple experienced a strong finish to the season due, in part, to limited supply in key markets, which in turn contributed to higher in-market pricing."

"Mr Apple continues to focus on the supply of Premium varieties such as Dazzle™ and Posy™ to the Asia and Middle East markets, a strategy that is supported by increasing in-market prices. Development of these varieties was accelerated during 2023 and we anticipate higher sales volumes as plantings mature."

Logistics

Logistics delivered Underlying EBITDA, of \$4.3 million (FY2022: \$6.6 million), a decrease of 35 per cent.

Mr Borland remarked "Ocean freight volumes for the Logistics division were impacted by a combination of Cyclone Gabrielle and geopolitical tensions in key trade routes. In addition, its airfreight volumes were, in part, affected by a slow start to the stone fruit season."

⁴ Tray carton equivalent, a measure of apple and pear weight, defined as 18.6kg packed weight which equates to 18.0kg sale weight.

“Notwithstanding these challenges, Scales Logistics was able to call on its supply chain experience to navigate the difficulties and ensure on-time delivery of produce for both its internal and external customers. We continue to appreciate the strategic value that the Logistics division brings to the Group.”

Outlook

Mr Petersen noted: “Whilst 2023 was a difficult year, our teams dealt with the adversity with their usual “can-do” culture. Looking forward to 2024, we anticipate a more normal year of trading, particularly for Horticulture.”

“We anticipate that our petfood customers will continue to rebalance their inventory levels to pre-COVID levels and note that Meateor Australia and Esro Petfood will continue to progress through their transitional and start-up phases respectively. We look forward to realising exciting opportunities from these key markets in the long-term.”

“Picking and packing has commenced at Mr Apple for the 2024 season and current crop indications are positive. There is also strong initial demand for our early fruit.”

“Consequently, the Board is pleased to re-confirm the FY2024 guidance of Underlying Net Profit after Tax Attributable to Shareholders of between \$30.0 million to \$35.0 million, implying an Underlying Net Profit range of \$47.0 million to \$55.0 million and an Underlying EBITDA range of \$81.0 million to \$91.0 million.”

Mr Petersen also commented “As I progress through my first year as Chair, I have been impressed by the tenacity and resilience of the Scales teams. On behalf of the Scales Directors and Shareholders, I would like to thank each and every Scales team member for their hard work. Without them, we would not be in the positive position that we are in.”

“I’m also delighted to advise that the Board has reappointed Andy Borland for a further 5-year term as Managing Director. Andy’s contribution to the company has been significant and we look forward to a continuation of this work for Scales Corporation in the coming years.”

Contact

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About Scales Corporation

Scales Corporation is a diversified agribusiness group. 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, United States and Europe. Find out more at www.scalescorporation.co.nz.