

NZX & Media Release

28 February 2018

SCALES CORPORATION DELIVERS ANOTHER STRONG RESULT

Highlights – 12 months to 31 December 2017

- Group FY2017 financial results:
 - Record Group revenues of \$399.1 million, 7 per cent above FY2016.
 - Underlying EBITDA¹ of \$62.0 million, at the top end of previously provided guidance.
 - Underlying Net Profit² of \$32.7 million, statutory Net Profit for the Year of \$31.8 million.
- Mr Apple export volumes consistent with 2016, with like-for-like production only 5% less than 2016 record volumes in a very challenging growing season.
- Excellent growth in the Storage & Logistics division, with advantage taken of both organic and acquisition opportunities.

Diversified agribusiness group Scales Corporation Limited (NZX:SCL) today reported its FY2017 full year results. Net Profit for the year (including non-cash IFRS adjustments) was \$31.8 million (FY2016: \$38.2 million). Earnings per share for FY2017 were 22.6 cents per share (2016: 27.4 cents per share).

Scales Corporation chairman Tim Goodacre says: “This is a very satisfying result in light of a challenging growing season and some competitive trading conditions. It demonstrates the skill, knowledge and personal application of all of the Scales team to continue to deliver excellent returns”

“As reported in our half year results, the Hawke’s Bay region experienced a difficult growing season. However, the Horticulture team produced an overall export volume consistent with the record 2016 crop and an export packout percentage also in line with the prior year. This was supported by an excellent performance within the Storage & Logistics division and a solid result from the Food Ingredients division.”

¹ Earnings before interest, tax, depreciation and amortisation and excludes non-cash International Financial Reporting Standards (IFRS) adjustments.

² Net Profit excluding non-cash IFRS adjustments. A reconciliation between Net Profit and Underlying Net Profit is provided in the appendix of our annual results presentation pack.

Scales Corporation Limited

Head Office: 52 Cashel Street | Christchurch 8013 | New Zealand

Postal: PO Box 1590 | Christchurch 8140 | New Zealand

Phone: +64 3 379 7720

scalescorporation.co.nz

Scales Corporation managing director Andy Borland notes: “The FY2017 result reflects the positive impact of careful investment made in prior years in order to respond to climatic and market conditions, ensuring the needs of our customers were met.”

“We invested \$13.5 million in capital expenditure during FY2017 and our net debt at 31 December 2017 was \$40.8 million. Our strong financial position and low gearing enables us to react quickly and confidently to potential strategic acquisitions and other opportunities. During the year Scales declared dividends of 19.0 cents per share.³ As in previous years, the board expects to declare a final dividend in respect of FY2017 in May, with payment in July.” Mr Borland says.

Divisions

Horticulture

The Horticulture division delivered strong performance with Underlying EBITDA of \$38.9 million in FY2017 (FY2016: \$45.3 million).

Mr Borland noted “Profitability was impacted by (1) a slight overall reduction in the weighted average sale price achieved following record 2016 prices (2) an increase in on-orchard costs, following adverse weather conditions, to ensure the highest possible export quality packout, and (3) the impact of slightly reduced Mr Apple volumes (excluding Longview). Investments made during the season paid off with overall export volumes sold being maintained at 3.55 million TCEs⁴.”

“Ongoing investment is being made in new and exciting plant variety rights for our export markets. New varieties will be launched during FY2018 and redevelopment of our orchards will continue accordingly.” Mr Borland says.

Storage & Logistics

The Storage & Logistics division delivered an excellent result with EBITDA of \$19.1 million in FY2017, an increase of 18 per cent on FY2016 Underlying EBITDA of \$16.2 million.

Mr Borland commented. “We saw a strong EBITDA uplift of 24 per cent from Coldstore activities, reflecting a return to more ordinary levels of trading. Scales Logistics acquired OceanAir in August 2017 and this, together with organic growth opportunities, resulted in a 46 per cent increase in EBITDA compared to 2016. Both TEUs⁵ shipped and airfreight tonnes managed were up on prior year.”

Food Ingredients

The Food Ingredients division generated Underlying EBITDA of \$8.0 million (FY2016: \$9.2 million).

³ Scales declared a final dividend of 10.0 cents per share for FY2016 on 2 May 2017, which was paid on 7 July 2017 and declared an interim dividend of 9.0 cents per share for FY2017 on 5 December 2017, which was paid on 19 January 2018.

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

⁵ Twenty-foot equivalent unit, based on the volume of a 20-foot-long intermodal shipping container.

Mr Borland noted “Within the division, Meateor sold close to 28,000 tonnes of pet food ingredients, an increase of 20 per cent on its record FY2016 volumes, although a competitive environment resulted in increased margin pressures. Profruit continued to deliver a robust result.”

Outlook

Looking ahead, Mr Goodacre commented: “Apple picking for the FY2018 crop has recently begun, slightly ahead of normal harvest times. In spite of the wet weather experienced by the region, early indications are positive. We anticipate that the Storage & Logistics division will build upon its FY2017 result and that volumes will continue to grow within the Food Ingredients division.”

“Based on these, and other, factors known to us at the present time, the Directors support previously provided guidance for FY2018 EBITDA of between \$58 million and \$65 million.”

Contact

Andy Borland, Managing Director, Scales Corporation Limited, Mob: 021 975 999,
email: andy.borland@scalescorporation.co.nz

About Scales Corporation

Scales Corporation is a diversified agribusiness group. It currently comprises three operating divisions: Horticulture, Storage & Logistics and Food Ingredients. The company’s diverse spread of activities gives Scales broad exposure to New Zealand’s agribusiness sector. Scales Corporation was founded in 1897 as a shipping business by George Herbert Scales. Today it employs more than 700 staff New Zealand wide. Find out more at www.scalescorporation.co.nz.