

25 October 2018

Listed Company Relations  
 New Zealand Exchange Limited  
 PO Box 2959  
 Wellington

Dear Sir/Madam

RE: SCOTT TECHNOLOGY LIMITED 2018 FULL YEAR ANNOUNCEMENT

Highlights	2018		2017
Revenue	\$181.8m	+37%	\$132.6m
Operating EBITDA	\$19.8m	+21%	\$16.4m
Net surplus before tax	\$15.0m	+1%	\$14.9m
Cash flow from operating activities	\$0.6m		\$13.4m
Net cash on hand	\$12.5m		\$26.7m
Shareholder equity	\$102.9m		\$97.2m
Final dividend - fully imputed	6.0 cps		6.0 cps
Full year dividend	10.0 cps		10.0 cps

- Substantial growth in revenues across a range of sectors and geographies.
- Completed two strategic acquisitions.
- Substantial growth in North America and Europe revenue and surplus.
- Expanded Research and Development activities.
- Final dividend 6.0 cents per share with total dividend for the year 10.0 cents per share

The Directors of Scott Technology Limited are pleased to report another strong result for the year ended 31 August 2018, with total revenues up 37%, to \$181.8m on the \$132.6m revenues achieved in the prior year. Of this revenue growth, 14% was achieved by the business that we started the year with and acquisitions added 23%. Operating earnings before interest tax depreciation and amortisation (Operating EBITDA) of \$19.8m increased 21% from \$16.4m in the prior year. Operating EBITDA in 2018 excludes one-off due diligence and acquisition costs of \$0.5m that are now required by accounting rules to be expensed, rather than included in the purchase price, and in 2017 a \$0.9m fair value gain on purchase of business.

Two acquisitions were successfully completed in the second half of the year and this years' result includes five months from our Alvey operations in Europe and three months from our Transbotics operations in the USA.

Sales into our traditional markets of the Appliances, Meat Processing and Mining sectors all achieved double digit growth, with the Appliance sector being the stand out performer, with a 56% increase from the prior year. This reflects several large projects successfully sold, worked on and completed collaboratively across the company's New Zealand, German and Chinese operations.

At balance date the company had \$12.5m of cash in the bank, with total shareholders' funds of \$102.9m, compared to \$97.2m in 2017. During the year cash was used to settle the acquisitions of Alvey in Europe and Transbotics in the USA. Deferred settlements on these purchases will see our surplus cash, held for acquisitions, fully expended. With these acquisitions complete, our focus is now firmly on integrating the businesses

acquired, driving synergies, operational benefits and efficiencies expected from the combined business. The larger Scott Group is now well positioned to deliver significant growth supported and driven by our strategy.

During the year, the Company added many additional products and technologies to our offering from commercialising past Research and Development and through the acquisitions noted above. To ensure Scott stays relevant and to capitalise on the many opportunities yet to be exploited, the Company will maintain a strong commitment to Research and Development. Scott's total gross Research and Development exceeded \$11.0m in the current year, representing 6% of our total revenues. Our development focuses on extending our capability and range of technologies. In addition to developing new applications across all key industries served, the Company has commenced significant projects aimed at transferring our technology and capability from lamb deboning to other species, such as beef, pork and poultry.

Where possible, we seek technical and financial support for our Research and Development activities from customers, industry bodies and the Governments of Australia and New Zealand. With their help and Scott's commitment we have established the Company as a leader in this field and as a recognised developer of smart automation. We have also commenced our journey into digital platforms and now have a growing portfolio of products and applications ranging from warehouse management software through to machine visualisations and machine learning with artificial intelligence.

### **Dividend**

The Directors have declared a final dividend of 6.0 cents per share for the year ended 31 August 2018, payable on 27 November 2018.

With the interim dividend of 4.0 cents per share paid in April 2018, the total dividend for the year is 10.0 cents per share. The final dividend will be fully imputed and the Dividend Reinvestment Plan will apply.

### **Outlook**

The forward project work is at record levels and supports our objective of strong growth in the year ahead. Progressively commercialising our Research and Development and expanding our after sales service, spare parts and maintenance will ensure our growth is sustainable. We are looking forward to a full 12 months of operation of our acquisitions and achieving productivity increases and the synergy benefits that comes from embedding the acquired businesses into the Scott Group. In addition, good people are our greatest asset, which is why we will increase our development and training programmes to build skills and to create the opportunity for growth and progression.

The Company's diversification strategy has been delivered and the acquisition strategy is well advanced, so the focus now shifts towards operational excellence and delivery. The Directors look forward to continuing the growth path set over the past two years.

Yours faithfully



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