

24 October 2019

Listed Company Relations  
 New Zealand Exchange Limited  
 PO Box 2959  
 Wellington

Dear Sir/Madam

**RE: SCOTT TECHNOLOGY LIMITED 2019 FULL YEAR ANNOUNCEMENT**

Highlights	2019		2018
Revenue	\$225.1m	+24%	\$181.8m
EBITDA	\$20.0m	+4%	\$19.3m
Shareholder equity	\$111.8m	+6%	\$105.7m (restated)
Final dividend	4.0 cps		6.0 cps
Full year dividend	8.0 cps		10.0 cps

- Substantial growth in revenues across a range of sectors and geographies.
- Exciting Research and Development activities and outcomes.
- Continued growth in shareholder equity.
- Strategic acquisitions integrated.
- Substantial growth in North America and Europe.

The Directors of Scott Technology Limited ('Scott') report total revenues of \$225m up 24%, on the \$182m revenues achieved in the prior year. Revenue growth this year has primarily come from a full 12 months result from the two acquisitions completed in 2018.

The bottom line performance for the current year was impacted by a number of challenging projects. These projects were discussed in our market update released to the NZX on 9 July. The company is pleased to report that we are nearing completion of these projects, noted in our market updated dated 9 July, and do not expect the projects to greatly impact on profitability in the year ahead. A positive outcome from these projects is a suite of new technologies and products which we are already taking to market.

Through the year, Scott maintained a strong commitment to Research and Development ('R&D'). The Board made a conscious decision to accelerate R&D spend to make the most of Australian tax credits and the NZ Government's expiring R&D growth grant which is being replaced by the new tax credit scheme. Scott's total gross Research and Development exceeded \$14.0m in the current year, representing 6% of our total revenues (2018: \$11m). The Board has taken a conservative, but prudent, approach by expensing R&D. Significant progress has been made during the year toward expanding technologies and developing new solutions that will deliver results in the years ahead. Examples of technology developed during the year include:

- 3KG sample mill - the "Gryst" Mill
- Poultry trussing system developed in conjunction with Pilgrims Pride in the USA
- Bladestop connect software for Industry 4.0 application
- Automated fire assay system for Gold analysis
- Automated sample preparation systems for coal, aggregates and iron ore
- Cobotic (Collaborative Robot) solutions for welding and palletising
- Warehouse management software to enable complete turnkey systems for logistics and warehouse

- Customised and specialised heavy lift and natural navigation Automated Guided Vehicle (AGV) solutions
- Industry 4.0 enabled high level, high speed palletiser
- Beef scribing system
- Lamb loin deboner
- X-Ray enabled Pork Primal processing system

Our total IP portfolio has grown to over 200 patents covering 40 core product families and over 80 trademarks.

Earnings before interest tax depreciation and amortisation (EBITDA) of \$20.0m increased 4% from \$19.3m in the prior year. EBITDA in 2019 includes the impact of accounting changes required by the adoption of three new NZ International Financial Reporting Standards (NZ IFRS). The major impact of the adoption of new standards arises from the revised treatment of leases previously treated as operating expenses which are now recorded as a right-of-use asset and lease liabilities on the balance sheet with the lease expense replaced by a depreciation and interest expense. The net impact is an increase of assets by \$17.0m and an increase in Liabilities of \$17.4m with a \$0.4m decrease in the net surplus before tax and an increase in EBITDA of \$4.0m.

Sales into our Appliances, Industrial Automation and Materials Handling & Logistics sectors achieved double digit growth. The acquisition of Alvey in 2018 provided a major boost to the Materials Handling & Logistics sector where revenues increased 126% and the acquisition of Transbotics (AGV's) driving a 52% increase in revenues from the Industrial Automation sector.

Steps have been taken to improve our operational performance. Our German facility has been moved under the wider European management team with manufacturing consolidated into our Czech operations. We have narrowed our focus in Auckland to concentrate on standard products and increased our capacity in Melbourne, Sydney, Christchurch and Dunedin to provide the necessary skills and experience to ensure large projects are appropriately resourced.

At balance date the company had total bank debt of \$16.4m against total shareholder's funds of \$111.8m, compared to \$105.7m (restated) in 2018. During the year cash was used to settle the deferred portion of the Alvey acquisition completed in 2018 and to acquire the bolt on business of Normaclass, which provides beef grading technology with extensive installations in Europe and Uruguay. Cash was also applied to the building extension in Dunedin which is nearing completion. Management's focus is firmly on delivering the operational benefits and efficiencies expected from our expanded business. The Scott Group is well positioned to deliver significant profitable growth supported and driven by our strategy.

## **Dividend**

The Directors have declared a final dividend of 4.0 cents per share for the year ended 31 August 2019, payable on 26 November 2019.

With strong growth and an associated increase in working capital requirements, your Directors have held the dividend to a 70% payment ratio in order to fund these requirements.

With the interim dividend of 4.0 cents per share paid in May 2019, the total dividend for the year is 8.0 cents per share. The final dividend will not be fully imputed due to a greater portion of earnings being generated offshore. The Dividend Reinvestment Plan will apply.

## **Outlook**

We are in a good position to continue to grow but we will be cautious in our approach in order to protect cash flow and grow the bottom line. The learnings and challenges from the past year will strengthen the business and fine tune the skills and experience of our people.

Our forward order book and opportunities continue to grow at a steady rate, despite the fact of global economic uncertainty in our markets slowing the conversion of enquiries to orders. We have sufficient confidence in our sales prospects and operational developments to target further growth and a lift in performance in the year ahead.

Yours faithfully



**Stuart J McLauchlan**  
Chairman  
027 433 5481



**Chris C Hopkins**  
Managing Director  
021 815 975

**About Scott**

*At Scott we automate the future. The production line machinery we design and build deliver productivity gains and exceptional reliability to many of the world's leading manufacturers. We also go a step beyond engineering production solutions to actually revolutionising entire industries – using robotics to automate manual processes and create genuine competitive advantage.*

*For over 100 years Scott has looked to tomorrow and rapidly responded to shifting needs. Today, we have production bases in the United States, Belgium, Czech Republic, France, Germany, China, Australia and New Zealand, customers in 88 countries, and a real commitment to developing new technology and bringing it to market. Across everything we do you will discover true quality, advanced engineering and a renowned design aesthetic.*

*Scott. Quality that lasts. Quality that inspires.*