21 October 2021
Company Announcement

SCOTT TECHNOLOGY ANNOUNCES FY21 RESULTS: SOLID PERFORMANCE AS 2025 STRATEGY PASSES FIRST ANNIVERSARY

- Ongoing momentum as the Scott 2025 strategy becomes well established following its first year, with a streamlined cost structure, a focus on core areas of proven expertise, and improved performance
- Delivery of year-on-year increases in revenue and stronger gross margin percentages which both combine in the form of the Group's highest EBITDA
- Revenue up 16% to $216.2m, gross margin up from 13% to 23%, EBITDA of $22.1m, and net profit after tax of $9.5m
- Strong programme of forward work with new system design and build contracts in Europe, USA, China, and Australasia, and continuing growth in product and service businesses
- Dividend of 4.0 cents per share declared

Automation and robotics solutions provider, Scott Technology Limited (NZX: SCT), has today released its audited results for the twelve months to 31 August 2021 (FY21).

The results demonstrate double digit growth in both revenue and margin, affirming the progress made with the Scott 2025 strategy, and as each of the regions reach different stages in their recovery from COVID-19. This has seen forward work programs transition in-line with the business's core focus areas, as evidenced by today's announcement of a NZ$20 million contract to deliver an automation solution for a US-based, leading global appliance manufacturer. This is supported by Scott's established repeatable products business, specifically across Rocklabs, BladeStop, Meat Processing and Materials Handling. The shape of the business's sales pipeline has similarly transitioned as the capability of its sales teams matures in-line with the strategy.

While all three of Scott's categories have achieved significant revenue growth, it was the Products category which grew the most (30%), taking its share of total revenue to 23%, up 250 basis points. Rocklabs, Scott's mining products and parts business, together with the BladeStop product revenues into the meat industry, both showed strong growth on the prior year.

Service revenues across several key markets have also grown, with the Group up 11%, as the team places increasing importance on executing up-front service level agreements with key customers. Growing Service is a strategic priority which is underpinned by a strong execution plan for FY22 and beyond.

The streamlined operating cost structure now in place following last year's restructuring activity, has supported an increase in margins in each of the Scott regions.

Employee health and safety across the Group was once again a big focus for Scott, resulting in a large increase in reported near-misses. These are a forward-looking indicator and enable the business to avoid potential future risk. 'Lag' indicators of lost time injuries fell 63% at year end. This is great progress and a result of the deep and sincere commitment from leadership, management, and employees across the Scott Group.

Scott Technology Chief Executive Officer, John Kippenberger, says, "At Scott we are proud of our team, together with our local and global partners. Through their combined efforts, we have successfully recovered the base business operating performance from the harsh impacts of 2020, and we are positively positioned to achieve sustained, profitable growth across our key industry sectors and geographic regions for years to come.

"We will continue to progress our Scott 2025 strategy and focus our energy, talent and investment in those areas where we believe we have proven world-leading, technology, systems, and products."

Results overview

Results Snapshot $M	FY21	FY20	FY19
Revenue	216.2	186.1	225.1
EBITDA	22.1	(11.6)	20.0
Non-trading adjustments[1]	0.0	11.9	0.0
Normalised EBITDA	22.1	0.2	20.0
Net Profit After Tax	9.5	(17.5)	8.6
Net Cash / (Debt)	1.3	(3.4)	(16.4)
Net Cash / (Overdraft)	12.2	7.7	(4.7)
Bank Loans	(10.9)	(11.2)	(11.7)
Operating Cash Flow	13.4	19.6	0.7

1: Non trading adjustments in FY20 relate to impairment of assets and restructuring expenses.

FY21 revenue of $216.2m increased 16% on the prior comparative period (pcp) as Scott's strategy of generating more revenue from proven systems, products and service continued to deliver revenue growth.

With an EBITDA of $22.1m, the Group reached its highest ever profit, superseding its pre-COVID FY19 performance of $20.0m. This was despite lower revenue when compared to the same period, reflecting margin growth as a result of the ongoing execution of the Scott 2025 strategy.

Margins increased from 8% in FY20, to 23% in FY21, as Scott focused on expanding repeatable solutions, such as BladeStop and Rocklabs, whilst taking opportunities to increase price where their customer proposition is strong. The Group also captured the benefit from last year's significant right sizing program, with employee numbers now sitting at 622 in FY21, down from 784 for FY19.

Net profit after tax (NPAT) for the year was $9.5m, significantly ahead of pcp and 10% higher than FY19.

Operating cash flow of $13.4m was lower than the pcp of $19.6m as the company's revenue growth, in the form of higher trade debtors and contract work in progress, consumed a portion of the higher net profit after tax ($9.5m) earned in FY21. The Group had cash in the bank of $12.2m on 31 August 2021.

The Group net debt position moved to a net cash balance of $1.3m, despite the demands on cash of a growing top line.

In recognition of the progress made by the company, the Directors declared an (unimputed) dividend of 4.0 cents per share, payable on 22 November 2021. The Dividend Reinvestment Plan will apply.

COVID-19 update

The disruptions from the global pandemic have impacted the many countries and continents in which Scott operates, albeit to varying extents. Ongoing travel restrictions and lockdowns continue to disrupt in-person sales meetings, project commissioning, and resource allocation within several of the company's operating markets. However, despite the challenges of these unpredictable environments, the Scott team has remained steadfast in its commitment to achieving the best possible customer outcomes, safely and efficiently, at all times.

As vaccination roll-outs progress, the business looks forward to the world returning to a more open travel and operating environment in 2022.

Regional business updates

Scott Europe – Strong order book and EBITDA rebound

Scott's European business has broken free from the constraints of COVID-19 as the year has ended. It has delivered an order book which stretches forward close to six months and includes materials handling projects for European food manufacturers, including as examples Poco Loco and McCain, and New Zealand red meat cooperative, Alliance.

Service revenue grew (+27%), as did the meat product business of BladeStop (+130%), through a maturing sales and operations process and growing market demand.

Most pleasing was the significant recovery in EBITDA with the restructuring program lowering the cost base and the strategically aligned revenue mix change lifting margins.

Europe	FY21		FY20	
Results Snapshot	$M	%	$M	%
Revenue	54.0		67.4	
EBITDA	4.6	8.6%	0.5	0.7%

Scott Australasia – Strong product demand supported by positive new projects

Profitability growth has continued for the project type business in New Zealand and Australia. This is a result of new project work in the form of large, repeatable meat automation systems, most notably Alliance (NZ), Thomas Foods Australia, and poultry trussing (USA), as well as a continuous flow of mid-size industrial automation projects. The latter is reinforced by today's announcement regarding a multi-million-dollar contract to develop a fully automated, high-quality, appliance production line for a global leader in the branded white goods sector.

Strong global demand in Scott's mining product business, Rocklabs, has provided important cashflow and margin generation within its Australasian business. The BladeStop product business is also seeing steady domestic and global demand, as more focus and capability is applied to this important part of the business.

The Scott mining team is deeply embedded in the commissioning of two large complex automated laboratory systems for Rio Tinto and Min Analytical respectively. The team is progressing well on a separate semi-automated system for Rio Tinto. Meanwhile, a second proprietary heavy machinery Robotic Fuelling system for a large mining customer, is in the implementation stage.

Australasia	FY21		FY20	
Results Snapshot	$M	%	$M	%
Revenue	112.1		71.4	
EBITDA	17.5	15.7%	3.3	4.6%

Scott China – Growing workloads trigger a move to a new larger production facility

The Scott China team has grown revenue by a factor of 2.3 times versus FY20, through ongoing demand for their quality automation solutions into the whitegoods appliance sector for global customers, such as Whirlpool.

To maintain this growth trajectory, a move to a new facility almost three times the size of the prior location, took place in the second half of the year.

Comparatively, the China business is in its infancy but the FY21 results demonstrate clear growth opportunities. Scott's ambition to build a much larger business in China continues, with opportunities to play an increasing role in its supply strategy for the European and American markets, a key part of this expansion.

China	FY21		FY20	
Results Snapshot	$M	%	$M	%
Revenue	12.9		5.5	
EBITDA	2.5	19%	(0.2)	-3.6%

Scott North America – BladeStop (meat) growth and margin % drives improved EBITDA

Despite the erratic presence of the pandemic throughout the year, the Scott America team has continued to experience inbound interest in its core AGV (autonomous guided vehicles) business. This demand from the industrial and automotive sectors, together with a stable revenue performance of its refurbished robot business, Robotworx, has seen a solid financial performance for FY21, despite the external headwind.

Scott's BladeStop safety saw product generated strong growth in revenues (+130%) with over 100 machines sold during the year. This reinforces the company's belief that there is still significant unmet demand for BladeStop in the North American market, as the protein industry looks for safer alternatives to the traditional bandsaw.

The significant poultry trussing automation project has been successfully installed and is in production. US customer Pilgrims, one of America's largest bird processors, is heavily engaged with this project, including the roll-out of this new technology throughout its operations.

North America	FY21		FY20	
Results Snapshot	$M	%	$M	%
Revenue	37.2		41.8	
EBITDA	5.8	15.4%	3.0	7.1%

Scott 2025 Strategy update

Good progress has been made on the *Scott 2025* strategy that is now past its first anniversary.

- **Authentic Customer Partnerships:** Secured significant repeat business across all sectors, e.g. Rio Tinto, Yumi, Alliance, Little Swan, Bosch, Candy Haier, McCain, Whirlpool.
- **Leading Edge Technology:** Focus and higher capability generating strong growth across our Rocklabs sample preparation and BladeStop product businesses.
- **One Global Team:** Significant decrease in lost time injuries and continued focus on employee retention, development, and wellness.
- **Operational Excellence:** Delivered sustainable margin improvement across all regions.
- **Robust Global Platforms:** Strategically aligned pipeline of forward work operating off a reduced and more streamlined cost structure. Centre of excellence model bringing focus and efficiency to the Group.

Sector updates

Meat: Strong, ongoing demand for Scott's industry leading BladeStop safety saw product continues, with over 1200 units now installed globally. In the system space, Scott remains focused on sales of lamb primal systems into the ANZ meat sector and rolling out the new poultry trussing systems across Pilgrims in the US and other relevant markets.

Mining: Scott's mining business continues to move ahead in two key directions. The products business – Rocklabs' crushing, splitting, and pulverising equipment, and reference materials – continues to trade well across virtually all its global markets. This strength in demand is a testament to the global reputation of the Rocklabs brand, a talented production and sales team, combined with the continuing strong global precious metal prices driving capacity globally.

The systems-end continues to focus on strategically and thoughtfully expanding the semi-automated offering of Scott's laboratory range to bring speed and efficiency to mine operators and independent laboratory managers.

Sound progress has also been made in the rollout of the Scott Robofuel systems. These robotic refuelling stations allow the large mining trucks to be refuelled safely without human intervention and in an efficient manner that keeps trucks circulating without the need to take them offline.

Appliances: While this sector is seeing positive investment in capacity from the world's largest whitegoods manufacturers, Scott is experiencing increasing competition from automation solution providers from the likes of Italy, however today's announcement is further testament to the quality of Scott's automation solutions in this sector. The company's focus remains on providing quality design options towards the premium-end of the market, while driving for competitive pricing, without exposing Scott to unacceptable risk.

Scott's China business will continue to drive local growth and support global projects, when appropriate, from its competitive design and build platform in Qingdao, China.

Material handling and logistics: Scott has seen ongoing pressure on global distribution and supply chains because of COVID-19 and believes this will continue in its aftermath. This, in turn, drives the ongoing demand for the material handling equipment offered by Scott and with particular demand in areas such as the e-commerce and essential grocery goods sectors.

In the AGV part of the segment, the automotive industry continues to be one of the largest adopters of unmanned fork-trucks, due to the autonomy and efficiency they bring to daily operations. With strong relationships amongst the global tire manufacturers, as an example, Scott sees a positive future for its United States based AGV business, Transbotics.

A year into the new strategy, and 18 months into the pandemic, Scott Technology, one of New Zealand 's few truly global companies, begins to soar.

ENDS

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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 100 years of engineering excellence, Scott is the global expert in automation.

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