18 October 2023
Company announcement

SCOTT TECHNOLOGY ANNOUNCES FY23 FULL YEAR RESULTS: CORE SECTOR PRODUCTISATION & MARKET EXPANSION DELIVERS RECORD GROWTH

- Strong growth and progress under the *Engineering Scott to High Performance* 2025 (Scott 2025) strategy after several years of stabilising and focusing the business
- Group revenue up 21% to $268m, margins grew from 24% to 27% driven by improved mix, and mix of repeatable core products and services
- Operating EBITDA increased 27% to $30.4m while net profit after tax was up 21% to $15.4m
- Sales and services in three core sectors delivered 79% of group revenue and 89% of margin
- Forward work remains strong heading in to FY24, $195m, particularly across protein and MHL, combined with ongoing demand for the higher margin mineral sample preparation products, BladeStop products and service businesses
- Dividend of 4.0 cents per share declared to take full year total to 8.0 cents

Automation and robotics solutions provider, Scott Technology Limited (NZX: SCT), has today released its results for the year ended 31 August 2023 (FY23).

The Scott 2025 strategy has continued to underpin the business' investment in the growth of its three core sectors protein, materials handling and logistics (MHL) and minerals. The focus has generated growth across core revenue ($211m, +26%), core margin percentage (30%), leading to a group operating EBITDA of 30.4m (+27%).

The business' sales pipeline remains ahead of expectation, with $195m in forward work comprising many MHL projects, continued strong minerals and protein product orders, as well as progress in securing additional service contracts.

Scott Technology CEO, John Kippenberger, says the business has delivered a strong financial performance. "At the end of our previous financial year, the world was opening post-COVID, and we had some good tailwinds. Our new ways of working, strategic priorities and core sectors were well entrenched across our global business. We were positioned to fly, and we have really seen that acceleration of growth take hold in FY23. Our record growth is as a direct result of our deliberate strategic focus on core sectors, repeatable core product sales and aftermarket service."

ESG update

Scott's commitment to sustainable growth extends beyond financial success, to its responsibility to society and the environment. The momentum behind Scott's ESG strategy has continued in FY23, with strong engagement at every level of the organisation and deep support at a Board and Executive level as Scott lives its commitment to playing a role in leading a sustainable future. In the past year, Scott has made positive steps in its sustainability journey, with the measurement and verification of its global carbon footprint for the first time, increased employee benefits and the development of deeper partnerships in education.

Employee safety and wellbeing continues to be the highest priority for Scott. The 'BeScott' Health and Safety programme continues to drive Scott's safety culture and more importantly a significant improvement across all safety metrics in FY23. Increases in lead indicators such as hazard reporting, have led to a decrease in Lost Time Injury's (LTI), Medical Treatment Injury's (MTI) and first aid injuries contributing to a 30% reduction in Lost time injury frequency rate (LTIFR) over the last 12 months

The increased investment in people-led initiatives has resulted in an outstanding eNPS engagement score of 83% across the group, alongside the highest-ever level of employee engagement survey participation (78%).

Finally, in March, as part of its commitment to encouraging women into engineering, Scott was proud to announce a partnership with the University of Canterbury Engineering School, including the launch of the Scott Technology Women in Engineering Scholarship. Scott has now awarded the first scholarship and looks forward to continuing to support these programs in FY24 and beyond.

Results overview

Results Snapshot $M	FY23	FY22[1]	var %
Revenue	267.5	221.8	21%
Operating EBITDA[2]	30.4	23.9	27%
Net Profit After Tax	15.4	12.7	21%
Dividend per share (cents, declared)	8.0	8.0	-
Net Cash / (Debt)	(0.1)	(8.0)	+99%
Operating Cash Flow	20.2	6.3	221%

[1] Continuing Operations (excludes the Robotworx business divested in F22), [2] Excludes non-trading adjustments

Revenue for the year increased 21% on the prior year to $268m, as Scott's strategy of generating more revenue from repeatable core products and services continued to deliver sales growth.

Net margin grew from 24% to 27% due to the improved mix, and blend of repeatable core products and services, despite the still present inflation, supply chain pressures and talent availability challenges.

This strategically driven revenue and margin approach has resulted in EBITDA growth of 27% and to generate $30m of operating EBITDA for the period.

Net profit after tax (NPAT) for the period was $15.4m, +21% on a like-for-like basis versus the prior year.

Operating cash flow of $20.2m was higher than the prior year due to the strong underlying performance of the business but also the timing of significant cash deposits relating to large projects won, which in turn boosted the group's cash position to be debt free.

In recognition of the progress made by the company, the Directors declared an (unimputed) dividend of 4.0 cents per share, payable on 21 November 2023, to take the full year dividend to 8.0 cents. The Directors have determined that, in light of the ongoing strategic review process, the Dividend Reinvestment Plan will not apply and will be suspended for this dividend.

Core sectors

The Scott 2025 strategy emphasises the imperative of growing sales through product areas where Scott has established world-leading technology and away from the more bespoke design projects which are unproven and present higher risk to Scott.

This focus has seen core sector revenue grow by 27% in the year and move from 75% to 79% of total group revenue.

Protein

- This sector largely comprises BladeStop safety bandsaws, lamb processing systems and products and poultry trussing. Customers include industry leaders such as Walmart, Silver Fern Farms and Costco Wholesale.
- Sales revenue up 23% from poultry trussing and continued strong sales of the BladeStop safety bandsaw.
- The protein service business grew strongly, up over 60% on prior year, whilst delivering higher margin from 30% to 33%, mainly due to BladeStop parts and service.
- The second poultry trusser site installation is on track with two machines on the water to Costco Wholesale in North America and due to be installed late 2023. The next eight are in production to be installed throughout 2024. There is significant interest in seeing this product in action after winning the IPPE best new processing product of 2023.
- The BladeStop range expansion is underway with the development of a smaller T300 saw which will service large supermarkets and independent butcheries. Testing is well progressed with anticipated release early 2024.

Materials handling and logistics (MHL)

- MHL has delivered impressive growth of 35% on prior year. The growth is coming from both of Scott's key markets for MHL, Europe and the US.
- In particular, Europe sales revenue grew 59% during the year, converting last year's record order book including the design and production of Clarebout's new French facility and Incom Leone's Slovenian ice cream facility.
- Growth in MHL revenue in US and Europe follows the successful change in management structure to bring the US business under the leadership of Scott Europe. This enables greater expansion into the US market as global processor relationships from Europe are extended into the US.
- This strategy has produced its first result with McCain Foods ordering a $12m palletisation system for one of its North American sites.
- The forward order book for MHL globally at $127m is very healthy, with other new orders, including A-ware Food Group and Colruyt.

Minerals

- Anchored off strong and reliable Rocklabs sample preparation sales, the minerals business continues to be a core part of the Scott group. These products are well proven in the large global minerals sector.
- After a great prior year of 39% growth, minerals revenue consolidated with growth of 4% as the Energizer charging project with Caterpillar started the design phase.

- The Ukraine war forced a withdrawal from sales to a well-established dealer in Russia in 2022 resulting in a significant loss of revenue. This was offset by its newly designed Automated Modular Solution (AMS) into Mineral Resources Limited (MRL) and 16% growth in Rocklabs service parts business.
- A focus on price, product mix, aftermarket growth and operational efficiency, has dollars increase by 5% to be 40% of the consolidated revenue.
- As noted above, production is underway on MRL's $11m contract for the Rocklabs AMS Solution. This AMS solution is generating interest with many mining and laboratory customers in Australia, Africa and the Americas.

Service and aftermarket business

The service business across core sectors also experienced significant revenue growth, up 28% on the prior year. This is due to the continued focus on core sales growth over the last few years which is translating into aftermarket demand from customers.

The service business also includes a significant portion of high-margin consumables, accounting for over 50% of total service revenue providing a steady revenue stream from consumables that customers regularly require.

Overall service revenue grew across the total group (including non-core business) by 25% and continued to deliver strong margins of 35%. This demonstrates the importance of the service / aftermarket business to the overall performance and profitability of Scott.

Regional update

Results Snapshot	FY23			FY22		
$M	Revenue	Margin	%	Revenue	Margin	%
New Zealand	49.9	16.8	34%	51.0	14.3	28%
Australia	41.5	7.8	19%	56.7	12.0	21%
Europe	88.9	22.1	25%	57.9	11.7	22%
North America	82.2	24.2	29%	52.5	14.7	25%
China (+RoW)	4.9	0.6	13%	3.7	0.4	12%
Group	**267.5**	**71.5**	**27%**	**221.8**	**53.4**	**24%**

Scott New Zealand – Strong core performance as global hub for protein and Rocklabs

- A key focus of the New Zealand business has been production execution, resulting in revenue growth in a lamb boning room at Silver Fern Farms Finegand plant and continued growth in lamb modular products for many Australian customers.
- Poultry Trussers are being produced to meet Costco Wholesale's orders plus expected further demand out of North America.
- Despite Russia sanctions weighing on sales volumes, New Zealand as the global hub for Rocklabs has managed price, mix and aftersales to maintain margin dollars. It is also moving to a larger site in Auckland to increase capacity for the AMS and standard product growth.

Scott Australia – Revenue drops but margin percentage increases with move out of complex mining systems

- The most significant contributor to the revenue fall is the tail of the strategic withdrawal from the last of the large complex legacy mining systems projects.
- Investment in the capacity and capability of service has seen revenue increase by close to 50% in the year, especially in BladeStop and protein service.

Scott Europe – Continued strong BladeStop and MHL converts large forward work to revenue

- Revenue stepped up delivering elevated growth of 53% as the COVID and supply chain pressures began to ease, allowing faster conversion of the large forward order book.
- With confidence in the continued forward order book, Scott expanded its assembly facilities in the Czech Republic by another 3,000 sqm.
- MHL service revenue grew at 16% as the installed base continued to grow in Europe, increasing demand for parts. Service margin grew by 8%.
- Protein revenue grew 36% to $13m on the back of continued growth in BladeStop saw sales. This included aftermarket sales of $3.2m, which was up 63% on the back of a growing install base.
- Europe also enjoyed growth from the sale of two appliance line projects which were manufactured by Scott China, delivering good margins for the group.

Scott North America – Leadership change brings stability and focussed growth

- With the change in structure to bring North America underneath the leadership of Scott Europe, revenue grew by over 50%.
- North America is a key sales and aftermarket growth region within Scott with core protein and MHL solutions expanding into this market.
- Growth has come in the form of a second significant customer for our proprietary poultry trussing product, Costco Wholesale, and a long time European customer, McCain Foods, ordering Scott's MHL palletisation solution.
- BladeStop sales remained strong in what is the largest installed market by unit, with sales revenue being up 51% on prior year. New customers including Walmart have purchased the saws this year.
- Automated Guided Vehicles (AGVs) secured new business centred around core capabilities and with blue chip organisations including Microsoft and Gulfstream.

Scott China – Provided manufacturing capacity and procurement services to Scott group

- Strong demand driving record contract wins of $20m in FY23
- China is becoming more important to the wider Scott group using its procurement abilities to source raw materials, components and sub-assemblies for the wider group including into Rocklabs this year. Further work is being done in the protein space looking for cost saving opportunities for the group.

ENDS

For more information, visit www.scottautomation.com or contact:

John Kippenberger
Chief Executive Officer, Scott Technology
T: +64 21 964 045
E: j.kippenberger@scottautomation.com

Media and investor contact:
Amber McEwen
T: +64 21 194 0429
E: amber.mcewen@grcpn.nz

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

Scottautomation.com