

8 December 2023

## **MARKET UPDATE**

### **2023 TRADING**

The directors of Scales Corporation Limited (NZX:SCL) have reiterated market guidance for the twelve months to 31 December 2023, of an Underlying Net Profit after Tax Attributable to Shareholders range of \$14.0 million to \$19.0 million.

Managing Director Andy Borland notes “2023 has been a very challenging year, particularly for our Hawke’s Bay staff and the wider community, following Cyclone Gabrielle. We are very proud of the resilience shown by all of our team members in response to this event. Their ability and effort in resuming operations and remediating damaged orchards was outstanding. It is very pleasing to see the “fruits” of this work with all affected orchard area now cleared of silt and remediated, and with a promising 2024 apple crop currently on the trees.

As previously reported, Scales continues to benefit from our diversified nature and, once again this year, from the performance of the Global Proteins division. Trading has continued positively in the second half of the year, despite the impact of post-COVID rebalancing of inventories amongst petfood manufacturers.

We are particularly pleased with the expansion into the European petfood ingredients market this year, via joint venture Esro Petfood BV. This investment is further positive progress in the international expansion of the Global Proteins division and we look forward to providing further commentary on the division at the time of the 2023 results release, in February next year”.

### **2024 GUIDANCE**

Looking ahead to the 2024 financial year, directors advise an Underlying Net Profit after Tax Attributable to Shareholders Guidance range of \$30.0 million to \$35.0 million.

In providing Guidance for 2024, directors note:

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- The Horticulture division is forecast to return to more normal trading following the negative impact of Cyclone Gabrielle in 2023. More detail regarding Mr Apple's trading expectations is provided below;
- In the Global Proteins division, a continued strong performance is anticipated, albeit with some proteins, in particular lamb, being affected by the inventory rebalancing noted above;
- Our most recent investments in the Global Proteins division, Meateor Australia and Esro Petfood, commenced production in 2023. The start-up nature of both of these businesses means they are not forecast to contribute positively to 2024 Group earnings;
- The Guidance range implies:
  - an Underlying Net Profit after Tax range of between \$47.0 million and \$55.0 million; and
  - an Underlying EBITDA range of between \$81.0 million and \$91.0 million.

## **DIVIDENDS**

The directors have also declared a fully imputed interim cash dividend for the 2023 financial year of 4.25 cents per share, to be paid on 18 January 2024. The directors note that, in line with the current dividend policy, they would expect total dividends for 2023 to be split approximately evenly between interim and final (with the final dividend to be paid in July 2024), and that total 2023 dividends would be between 50% and 75% of Underlying Net Profit after Tax Attributable to Shareholders.

The directors also note that based on the profit guidance for 2024, it is expected that dividends paid in respect of 2024 would be higher than that likely for 2023.

Lastly, due both to the increasingly offshore nature of the Group's earnings and the impact of Cyclone Gabrielle on the Horticulture divisions earnings this year, it is likely that dividends after the 2023 year will be partially, rather than fully, imputed.

## **MR APPLE UPDATE**

Whilst Cyclone Gabrielle took a significant toll on orchard production for the 2023 season, we are pleased to report that damage extending beyond the 2023 season is limited.

Total planted orchard area is currently 1,100 hectares, which is approximately 5% below the total area at the same time last year. The reduction in planted area relates to cyclone damage that has yet to be replanted and relinquished orchard leases. Assuming a return to normal levels of production, current indications are for a crop of approximately 3.4 million export TCEs in 2024.

Our PVRs Dazzle™ and Posy™ continue to perform strongly through the Asia markets and we have taken the opportunity to accelerate development of both of these varieties during 2023. We are very pleased with how they are performing and look forward to increased sales volumes becoming available as historical plantings continue to mature. The business is also expected to benefit in 2024 from favourable tailwinds in foreign exchange rates and shipping prices.

### ***About Scales Corporation***

Scales Corporation is a diversified agribusiness group. It comprises three operating divisions: Global Proteins, Horticulture, and Logistics. The company's diverse spread of activities gives Scales broad exposure to the agribusiness sector. Scales Corporation was founded in 1897 as a shipping business by George Herbert Scales. Today it has operations across New Zealand, Australia, United States and Europe. Find out more at [www.scalescorporation.co.nz](http://www.scalescorporation.co.nz).

### ***Contact***

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