

Scott Technology Ltd

**Medium to Long-Term
Growth Objectives & Strategies**

September 2016

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Company Overview

- Established 1913
- Corporate office based in Dunedin
- Listed on NZX in 1997 following an in-specie distribution from Donaghys
- 2008 commenced an acquisition strategy with the aim of diversifying and growing the business:
 - 9 acquisitions in 8 years, across 5 countries
- Industrial Automation + Robotics
- Targeted Industries:
 - Agri-tech & food
 - Mining
 - Appliances
 - High temperature superconductors
 - Other industrial applications

Scott Group Vision:

As trusted product leaders we add value for our customers by supplying quality specialised manufacturing and industrial technologies that demonstrate our passion for engineering excellence and professional service.

Mission Statement:

Provide Automation and Robotics engineering equipment and services to businesses, anywhere in the world, which make, move, manipulate, monitor and track. We will do this by making processes safer, more productive, with increased yield or with better outcomes.

Company Overview cont'd...

Top 10 shareholders (Sept 2016)	% Stake
JBS Australia Pty Limited	50.1%
Oakwood Securities Limited	7.36%
New Zealand Central Securities Depository Limited	3.73%
Russell John Field & Anthony James Palmer	2.68%
Investment Custodial Services Limited	2.55%
JB Were (NZ) Nominees Limited	2.18%
Forsyth Barr Custodians Limited	0.74%
Leveraged Equities Finance Limited	0.71%
Southern Capital Limited	0.68%
Jarden Custodians Limited	0.64%

Board and Executive Team

Board

- ▲ **Stuart McLauchlan**
Chairman
- ▲ **Mark Waller**
Independent Director
- ▲ **Chris Staynes**
Independent Director
- ▲ **Chris Hopkins**
CEO & Managing Director
- ▲ **Edison Alvares**
JBS Representative Director
- ▲ **Brent Eastwood**
JBS Representative Director
- ▲ **Andre Nogueira**
JBS Representative Director

Executive

- ▲ **Chris Hopkins**
CEO & Managing Director
- ▲ **Greg Chiles**
CFO
- ▲ **Clyde Campbell (Australia)**
Ken Snowling (Asia & Europe)
Tony Joyce (Americas)
Regional Directors
- ▲ **Dr Barbara Webster**
GM of Business Development and R&D
- ▲ **Andrew Arnold, Alan Prince, Ross Garrick**
New Zealand General Managers
- ▲ **Kate Logan**
Human Resources

Company Overview cont'd...



- Shares traditionally thinly traded
- Sell down coincided with taking on more bank debt to fund US and Australian acquisitions.
- Delays in the completion of the 2015/16 Rights Issue / JBS transaction pushed the share price lower.
- Share price has recovered following the JBS shareholding and pending the release of the 2016 annual result.

Company Overview cont'd...

31 August	2012	2013	2014	2015	2016
	\$000	\$000	\$000	\$000	\$000
Revenue	63,778	60,034	60,316	72,298	Released mid-October 2016
EBITDA	9,948	8,423	6,081	10,936	
NPBT	8,738	7,146	4,231	8,102	
Total Assets	57,584	58,158	77,026	84,445	
Cash (net debt)	6,060	1,327	(13,312)	(16,084)	
Equity	40,593	43,752	47,265	50,618	

Company Overview cont'd...

Scott operates internationally providing advanced high technology engineered solutions to major companies around the world

- Close to 400 staff, providing engineering design, build, project management and administration services.
- Manufacturing facilities and extensive resources based in:
 - New Zealand (Dunedin, Christchurch, Wellington and Auckland)
 - Australia (Sydney, Melbourne, Perth and Brisbane)
 - USA (Marion, Ohio),
 - Germany (Kurnbach)
 - China (Qingdao) and
 - Chile (Santiago)
- Scott sales support offered via our offices in Italy (Milan) and Canada (Vancouver) and approximately 30 sales agents spread globally

ASIA
& EUROPE



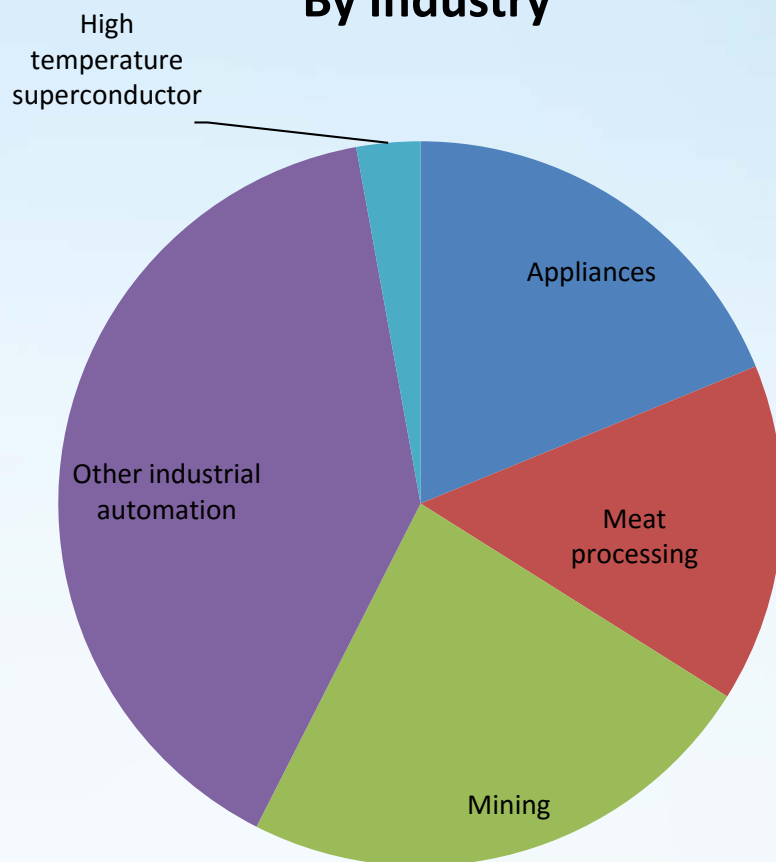
Company Overview cont'd...

Appliances Production Systems	Mining	Meat Processing – Vision and Cutting Technologies	Industrial & Robotic Automation Solutions	High Temperature Superconductor Electromagnets
<ul style="list-style-type: none"> ■ Worldwide (in particular North America, Asia and Europe) ■ 5 – 10 systems per year ■ Project values range from NZ\$1m to NZ\$18m ■ Preferred supplier to most of the major global appliance companies ■ Manufacturing sites: NZ, China, Germany 	<ul style="list-style-type: none"> ■ Worldwide in approximately 80 countries ■ 30 agents globally ■ Laboratory Sample Preparation (through 'Rocklabs') – crushers, pulverisers, ringmills, reference materials, etc for use in mining laboratories ■ Robotic applications to support the extraction process (through Scott Australia) – mobile inspection systems, refuelling systems, etc 	<ul style="list-style-type: none"> ■ Predominantly NZ and Australia ■ 3 – 5 projects per year with project values of up to NZ\$8m ■ Substantial R&D in areas that have traditionally been difficult to achieve automated solutions ■ Applying lamb automation knowledge to beef and pork through JBS relationship 	<ul style="list-style-type: none"> ■ NZ, Australia and USA ■ Multiple industries – less specialised ■ Largely robotic ■ Stepping stone (incubator) for future specialisation 	<ul style="list-style-type: none"> ■ Worldwide ■ Key products: high field electromagnets for Hard Disk Drive manufacturers and NMR for chemical analysis ■ Multiple industries – non specialised ■ Magnets supplied to original equipment manufacturers (OEM's) ■ On-going R&D for new products and applications

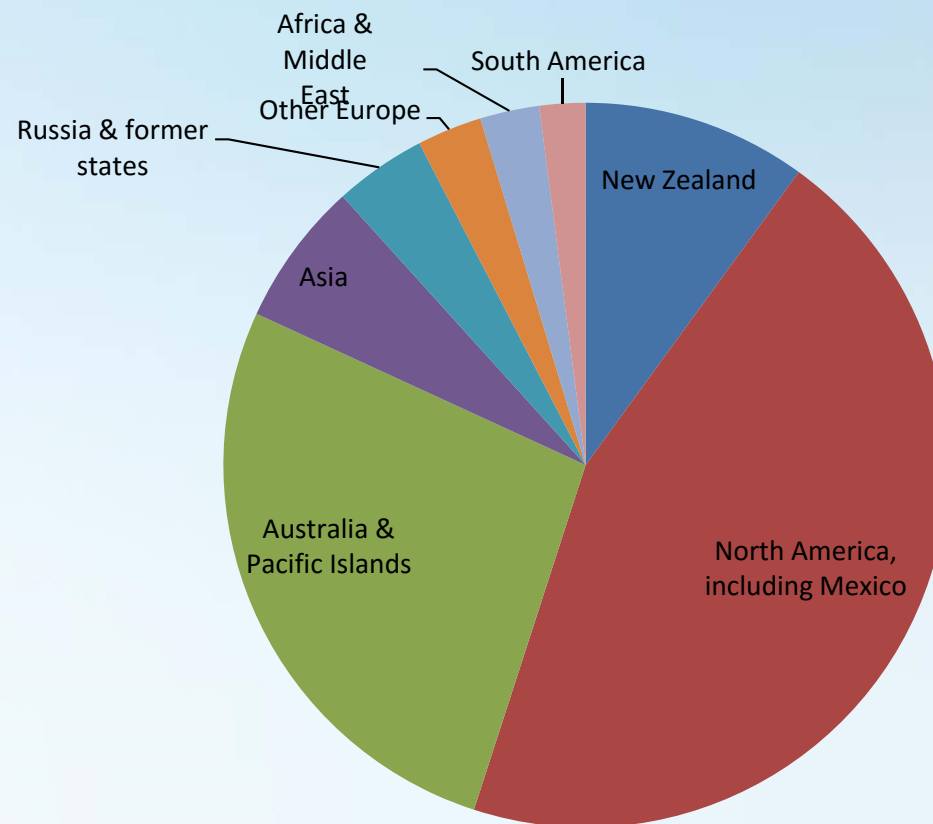
Company Overview cont'd...

2015 Group Sales – Total \$72m

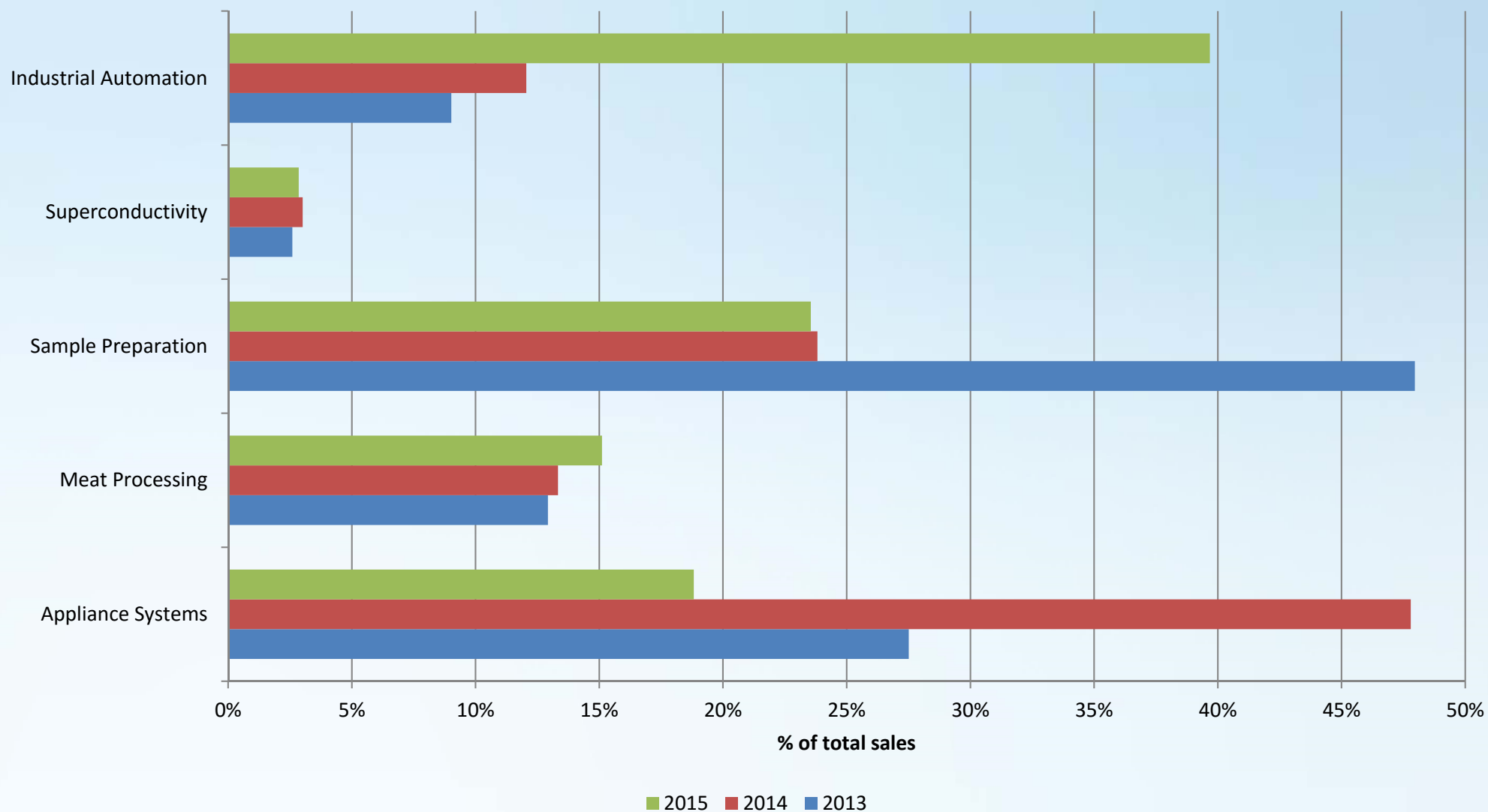
By Industry



By Geography



Company Overview cont'd...





- April 2016 JBS Australia acquired a 50.1% shareholding in Scott
- Ultimate Parent company: JBS S.A. (Brazil)
- Second largest global food company
- > 215,000 employees globally
- Three JBS Directors appointed
- All bank debt repaid
- NZD 25m in the bank to fund future acquisitions

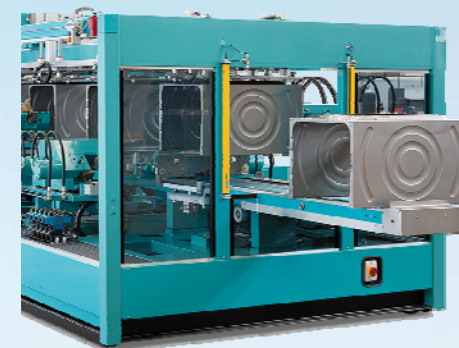


- > 200 processing plants globally.
- Scott provides JBS with a technology partner to help grow production efficiencies.
- JBS provides Scott with scale to significantly grow operations.
- Joint Steering Committee established to co-ordinate engagement and projects.
- Contract with JBS on an arms-length basis and free to contract with other meat companies.

Growth Objectives & Strategies

Appliance Systems

- Continues to be the foundation business from which other industrial applications have grown
- Biggest competition is out of Italy
- Haier recently purchased GE's appliance business – our Chinese business keeps close to them
- Our recent purchase of a German competitor (Somako):
 - Opportunistic – purchased it for a low cost out of administration
 - Access to complementary skills and technology
 - Closer to key customers
 - New large European customers
 - Gives us critical mass in Europe which is seen as positive by European customers
- **Medium to long term prospects:**
 - Grow market share from adding the Scott Germany business and leverage off the combined NZ, Germany and China appliance systems knowledge and skills
 - Applying value add features to existing technology platforms, e.g. energy efficiency, visual inspection



Growth Objectives & Strategies cont'd...

Mining

- **Laboratory sample preparation equipment (Rocklabs):**
 - Provides regular strong cash flows
 - Two large competitors, while there has been some oversupply from the 2005 – 2010 boom period
 - Medium to long term prospects:
 - Move with the market as it raises off the bottom of the cycle
 - Continue to develop new products, larger integrated systems, use of robotics, etc. leveraging off wider Scott group skills
- **Extraction operations (Scott Australia):**
 - Robotic: robotic refuel systems, robotic inspection, etc.
 - Bringing greater efficiencies and safety to the pit operations
 - Medium to long term prospects:
 - Full commercialisation of the above products
 - Leverage off Rocklabs' global mining reach to take these products beyond the Australian market



Growth Objectives & Strategies cont'd...

Industrial Automation & Robotics

- Increasing demand across most industries for automation and the introduction of robotics
- Purchase of RobotWorx in the US in 2014 provided us critical mass in our largest market
- RobotWorx' traditional business is the refurbishment and resale of industrial robots
- **Medium to long term prospects:**
 - Wider Scott group leveraging off the large volume of leads from RobotWorx' web marketing platform – opportunities not just for robotics, but to offer alternative automation solutions to customers
 - Scope to grow RobotWorx to be more of an integrator, as well as a manufacturing site for other Scott equipment
 - Expansion of the RobotWorx business model into other geographic regions
 - Continue to seek opportunities where there are the prospects of multiple builds



Growth Objectives & Strategies cont'd...

High Temperature Superconductors

- HTS-110 business that Scott purchased out of Callaghan Innovation
- Small business which recently moved to its own premises in Lower Hutt
- Sale conversion period is typically long as often selling to scientific research laboratories who need capex approval
- Has had a full order book over the last 12 months once traction was gained in the marketplace
- **Medium to long term prospects:**
 - Steady growth in sales volume
 - Opportunities to apply the technology to other parts of the Scott group, e.g. NMR scanning of carcasses, cartons, etc.



Growth Objectives & Strategies cont'd...

Meat Processing

- Acquisition of Australian competitor, Machinery Automation & Robotics, in 2015 positions us as a clear market leader
- Strong year with multiple sales of major lamb processing systems
- JBS' 50.1% shareholding in Scott demonstrates confidence in our technology and skills
- **Medium to long term prospects:**
 - Wide market acceptance in NZ / Australia of our current commercial lamb products
 - Develop additional modules to add to our current offering and resize larger products for smaller processors
 - Leverage off lamb technology and JBS relationship into beef and pork automation, particularly into Australia and additionally into USA and Brazil
 - Opportunities to provide multiples of the same product across the JBS network – build efficiencies
 - Leverage off wider Scott group skills to provide automation solutions to the back end of the plants with scanning, pick & place and packaging automation



Future Acquisition Path

- Ambition is to significantly grow our turnover / profit / market capitalisation over the next 3 – 5 years.
- Not all future growth will be organic.
- Actively looking for complementary acquisitions that will add value to the business.
- NZD 25m in bank from JBS share issue to help fund future acquisitions
- Established acquisitions criteria, including:
 - High technology industry or product
 - Engineering, automation or robotics
 - Established leader (number 1 or 2 in field)
 - Synergies with Scott (culture, processes, markets and products)
- Preference is one or two large (strategic) acquisitions, rather than multiple small acquisitions