

NZX Release

14 December 2018

**SCALES CORPORATION ACQUIRES 60% OF US PETFOOD INGREDIENTS MANUFACTURER SHELBY JV LLC FOR US\$23.2M**

Diversified agribusiness Scales Corporation Limited (NZX:SCL) today announced an agreement to extend its existing petfood ingredients business Meateor through the acquisition of 60% of Shelby JV LLC (Shelby), a large independent US buyer, processor, and seller of ingredients for the petfood industry. The acquisition, for consideration of US\$23.2 million, is from Brett Frankel, the founder and President of Shelby who will retain a 40% shareholding post transaction. The transaction is unconditional but for the satisfaction of Completion obligations. Completion is scheduled to take place prior to the end of the 2018 calendar year.

Managing Director Andy Borland says “Shelby operates in a sector that we know and understand well. We are pleased and excited to be extending our existing petfood activities through this partnership with Shelby, its founder Brett Frankel, and its management team, all of which are very highly regarded in the market. Whilst undertaking our commercial due diligence we were encouraged by the strength of the relationships that Shelby has with both its customers and suppliers, and the high regard in which they hold Shelby.”

“In addition, the Shelby partnership has a strong strategic alignment with the operations of our existing petfood ingredients business, Meateor. Shelby extends the range of proteins that Meateor presently offers whilst also offering an in-market point of contact for customers that are shared between the two businesses. Shelby adds approximately 80,000 MT of product sales to Meateor’s sale volume of ~27,000 MT<sup>1</sup>.”

Brett Frankel, President of Shelby says “Shelby believes Scales is an ideal partner to help Shelby continue to move forward as a leading independent petfood ingredients processor. We are excited to partner with the Meateor and Scales team, and look forward to leveraging the opportunities available to both businesses to grow the breadth of solutions that we offer to our customers.”

Tim Goodacre, Chairman of Scales Corporation said “the acquisition of Shelby demonstrates our commitment to our strategy refresh. Scales has experienced strong growth in its Food Ingredients

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<sup>2</sup>2017 sales volume

division and believes that this division continues to offer both attractive market opportunities and strong financial returns that meet or exceed our long-run ROCE target of 15%.”

“We believe the Food Ingredients division can replace the earnings from the pending sale of our Coldstore business in the medium term. To this end, we are setting an EBITDA earnings target of \$25.0 million from this division in the next five years and have ear-marked further funding of up to \$50.0 million over this period to meet these targets. Meateor and the Food Ingredients division is, and will continue to, consider various acquisition and strategic growth opportunities to extend the breadth and depth of its supply base and product range in particular.”

Scales was advised by Maher & Associates (lead buy-side advisor), PwC (financial and tax), and Sills, Cummis & Gross (legal).

### **Contact**

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### **About Scales Corporation**

Scales Corporation is a diversified agribusiness group. It currently comprises three operating divisions: Horticulture, Storage & Logistics and Food Ingredients. The company's diverse spread of activities gives Scales broad exposure to New Zealand's agribusiness sector. Scales Corporation was founded in 1897 as a shipping business by George Herbert Scales. Today it employs more than 700 staff New Zealand wide. Find out more at [www.scalescorporation.co.nz](http://www.scalescorporation.co.nz).