

Media Release

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SCALES CORPORATION UPGRADES 2016 EARNINGS GUIDANCE, LIFTS INTERIM ORDINARY DIVIDEND

The directors of Scales Corporation Limited (NZX:SCL) have raised EBITDA guidance for the twelve months to 31 December 2016 to between \$66 million and \$69 million, an increase over the 2015 financial year underlying EBITDA of between 7.5 and 12.4 per cent. The Board had previously advised EBITDA was expected to be between \$55 million and \$62 million.

The resulting underlying Net Profit after Tax is expected to be between \$37.2 million and \$39.4 million. Previous guidance was for a NPAT of between \$29.6 million and \$34.6 million. An interim ordinary dividend of 8 cents per share has been declared and will be paid in January 2017. This represents a 23% increase on the 2015 interim ordinary dividend of 6.5 cents per share.

Key 2016 highlights include:

- All divisions expected to trade ahead of 2015 actual results.
- A particularly strong performance from the Horticulture division due to a significant uplift in export volumes, with fruit quality, particularly towards the end of the season, being a real highlight.
- Interim 2016 ordinary dividend of 8 cents per share declared and to be paid on 18 January 2017.

Managing Director Andy Borland says the company expects the financial results from all divisions within Scales to be higher than the 2015 actual results.

“This is another pleasing outcome reflecting the tireless efforts of everyone within the Scales team.

“We’ve achieved a number of positive developments and milestones in our Horticulture division. We increased our ownership stake in Fern Ridge Produce Limited to 72.9 per cent in January, achieved a 2020 volume target by exporting more than 3.5 million TCEsⁱ, and completed the year with the acquisition of the Longview apple business. This is a compelling strategic addition to our existing Horticultural footprint. In addition to its strong brand, Longview increases the volume of premium and traditional apple varieties we manage as well as providing access to post-harvest infrastructure with surplus capacity to accommodate expected future increases in apple volumes.

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“The Storage & Logistics division has benefitted from network expansion, improved utilisation of our bulk liquid storage business, and improved cargo volumes in our freight forwarding operation.” Mr Borland says.

“The Food Ingredients division is likely to deliver a record sales year, both in terms of volumes and revenue.

“Finally, notwithstanding acquisitions and growth investments made during the year, our balance sheet remains in a strong position. Net Debt at 31 December 2016 is forecast to be approximately \$31 million. Average Net Debt at 31 December 2016 is likely to be approximately \$42 million.ⁱⁱ”

Chairman Jon Mayson says the directors have elected to increase the interim ordinary dividend to 8 cents per share as a result of the stronger than expected performance for the group.

“The 2016 final dividend amount will be declared in May 2017 and paid in July 2017 subject, as always, to directors’ approval at the time.” Mr Mayson says.

Looking ahead to the 2017 financial year, the directors expect EBITDA to be between \$55 million and \$62 million. This reflects:

- The inclusion of earnings from Longview.
- Lower budgeted yields and revenue from Mr Apple.

The 2016 annual result will be released on 28 February 2017.

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 500 staff New Zealand wide. Find out more at www.scalescorporation.co.nz.

Contact

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ⁱ Tray Carton Equivalent, a measure of apple and pear weight, defined as 18.6kg packed weight which equates to 18.0kg sale weight.

ⁱⁱ Average Net Debt is calculated as the average of term debt and the net working capital facility balance as at 30 June 2016 and 31 December 2016 (forecast).