

NZX & Media Release

25 August 2021

## **SCALES CORPORATION DELIVERS EXCEPTIONAL PERFORMANCE DURING A PERIOD WITH SIGNIFICANT CHALLENGES**

### **Highlights – 6 months to 30 June 2021 (1H21)**

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- Underlying<sup>1</sup> NPAT<sup>2</sup> of \$33.3 million (1H20: \$28.9 million), up 15.4%
- Underlying EBITDA<sup>3</sup> of \$54.8 million (1H20: \$49.4 million), up 11.0%
- Mr Apple own export volumes of ~3.6 million TCEs<sup>4</sup>
- Strong performance from Food Ingredients reflecting sustained pet food demand
- Sufficient containers procured by Scales Logistics to allow businesses to successfully export their finished product

Diversified agribusiness group Scales Corporation Limited (NZX:SCL) today reported its 1H21 results. Reported NPAT for the Group was \$32.6 million (1H20: \$27.8 million), an increase of 17.5%.

Scales Corporation Chair Tim Goodacre noted: “Despite the challenges experienced by each of our divisions, our businesses have delivered an exceptional performance both financially and operationally.”

“We continue to benefit from our diversified agribusiness approach and from the strategic benefit that Scales Logistics brings to the Group. The result is also testament to the outstanding performance of our team and the strong culture within the divisions.”

### **Divisions**

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The Horticulture division delivered an Underlying EBITDA of \$38.0 million (1H20: \$36.9 million), up 2.9%. Mr Apple total own grown export volumes are forecast to be 3.6 million TCEs (1H20: 3.9 million TCEs). Managing Director Andy Borland commented: “The Horticulture division delivered

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<sup>1</sup> We have adjusted our definition of “Underlying” so that it now includes the effects of NZ IFRS 16 Leases. This is in line with current market practice. All Underlying result numbers, including comparatives, are now inclusive of NZ IFRS 16 effects

<sup>2</sup> Net Profit After Tax

<sup>3</sup> Earnings Before Interest, Tax, Depreciation and Amortisation

<sup>4</sup> Tray Carton Equivalents

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a very strong performance despite being impacted by a shortage of skilled RSE workers together with ongoing disruptions in global markets and supply chains. Volumes were affected by inclement weather in the key growing season. However, higher pricing offset these lower volumes as well as the increased labour and shipping costs that were incurred.”

“We are cognisant of the need to focus on increasing labour cost and availability issues and, accordingly, are pleased to note that we have commenced a 10-year strategy to improve efficiency and returns through automation. The first step of this journey was the development of our new Whakatu coolstore, which has already delivered a number of efficiencies this year.”

The Food Ingredients division delivered another excellent first half result with Underlying EBITDA of \$16.1 million (1H20: \$11.0 million). Mr Borland noted: “This strong performance reflects the sustained global demand for petfood, with the division experiencing a 30% increase in volumes sold compared to 1H20. Whilst COVID-19 continued to impact the Australasian supply chain, Shelby benefitted from its domestic customer base, supporting our geographical diversification strategy.”

Logistics delivered an Underlying EBITDA of \$2.7 million (1H20: \$3.6 million). Mr Borland said “The strategic value of Scales Logistics is significant. During a period of global supply chain issues, together with a domestic shortage of refrigerated containers, Scales Logistics ensured all its horticulture customers were able to ship their 2021 harvests. This expertise provides a significant strategic advantage to the Group.”

## Outlook

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Mr Goodacre noted “Due to a strong 1H21 result, Scales has upgraded its full year guidance. Underlying Net Profit is now expected to be between \$32.0 million and \$37.0 million<sup>5</sup>, implying an Underlying EBITDA of between \$65.0 million and \$72.0 million<sup>6</sup>.

We continue to anticipate disruptions to domestic and international operations including labour availability, global markets and supply chains due to the ripple effects of COVID-19. This can be evidenced by the current lockdown in New Zealand. However, we believe our diversified focus will go some way to mitigate these issues. We are also aware that our ability to operate during lockdowns is not possible without our team, and their health and safety will continue to be our foremost priority”

Mr Goodacre again expressed his thanks and gratitude on behalf of his fellow Directors and Shareholders to all Scales’ employees for their ongoing exceptional commitment and dedication which is delivering this current strong financial performance.

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<sup>5</sup> Before the deduction of Non-Controlling Interests. This is inclusive of the effect of NZ IFRS 16 Leases of approximately \$0.5 million

<sup>6</sup> This is inclusive of the effect of NZ IFRS 16 Leases of approximately \$11.0 million

***About Scales Corporation***

Scales Corporation is a diversified agribusiness portfolio. It comprises three operating divisions: Horticulture, Food Ingredients 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 and the USA. Find out more at [www.scalescorporation.co.nz](http://www.scalescorporation.co.nz).

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