

3 April 2019

Listed Company Relations  
 New Zealand Exchange Limited  
 PO Box 2959  
 Wellington

Dear Sir/Madam

## COMMENTARY ON HALF YEAR REPORT TO 28 FEBRUARY 2019

The Directors are pleased to report the company has achieved revenues of \$111.4 million for the six months to 28 February 2019, an increase of 65% on the previous corresponding period (pcp) of \$67.5 million. For this six month period the company's operating EBITDA of \$8.5 million increased 33% on the pcp of \$6.4 million while the net surplus before tax of \$5.6 million was up 18%.

Highlights for the half year ended 28 February 2019:

	<b>6 Mths 28 Feb 2019 (Unaudited) \$000's</b>	<b>6 Mths 28 Feb 2018 (Unaudited) \$000's</b>	
Revenue	111,426	67,472	+65%
Operating EBITDA	8,476	6,390	+33%
Net Surplus Before Tax	5,595	4,760	+18%
Net Surplus After Tax attributable to shareholders	5,075	3,142	+62%
Earnings per share (cents)	6.6 cps	4.2 cps	+57%

The net surplus after tax attributable to shareholders increased 62% to \$5.1 million, delivering earnings per share of 6.6 cents, an increase of 57% on the 4.2 cents per share earned in the first half of last year.

### Review of Operations

The benefit of recent acquisitions and our diversification strategy continues to deliver the results expected. The company's operations in the Americas and Europe / Asia produced strong revenue and contribution increases. In America, the Transbotics' automated guided vehicle business acquired last year has been very successful in providing a base to support wider growth. In Europe, the Alvey business, also acquired last year, is being integrated with our existing German business and has provided growth and scale to our European operations.

Australasia manufacturing sales were up 6% although, due to heavy R&D spend and some project cost overruns, contributions were down. One project for the meat industry suffered longer than expected commissioning times. Two projects for the mining industry faced challenges brought on by deployment of new advanced technology which were underestimated and has had a significant impact on this

period's contribution. The new technologies add to our overall capability and have application into the future. While disappointing, problems with projects are to be expected from time to time. However, with the business now well diversified, these instances can now be absorbed by the Group.

The major factor contributing to the operating cash outflows of \$9.1m during the period was an \$11.4m increase in our contract work in progress. Large fluctuations in work in progress are a normal part of our business and have happened many times before. The current situation has been driven by the stage of completion of several key projects and associated payment terms. Working capital requirements for such projects changes as the projects are completed.

Final payments for businesses acquired and asset purchases, including progress payments for the Dunedin building extensions, also utilised significant cash during the period.

The company continues to invest heavily in research and development across all markets. Where possible, to share risk, Scott seeks to obtain support and funding for the development work undertaken. A good example of this is the Salmon Pin Bone Removal project which has been contracted to our customer partner as well as Government industry backed support. Government grants and tax credits from the New Zealand and Australian governments also provide incentive to undertake and accelerate research and development activities.

Dis-aggregation of revenues is required in this reporting period due to the introduction of new accounting standards (NZ IFRS15). The impact has been shown in note 2 to the accounts.

## Dividend

The Directors have declared an interim dividend of 4.0 cents, unchanged from 2018. The dividend will be fully imputed, payable on 14 May 2019 and the Dividend Reinvestment Plan will apply.

## Looking Ahead

We continue to see strong interest for smart automation solutions from customers across all industries and countries. In some instances the driver is labour shortages and in others it is a need for increased productivity, quality or safety. Global economics are not certain and we have seen disruption in multiple markets caused by trade disputes, economic and trade sanctions, as well as European events, including Brexit.

Despite these events, our business is seeing strong demand in most regions and we are fortunate that our core capability of automation, robotics and vision can be applied across our regions and industries to balance our overall workload.

A strong forward order book and sales pipeline provides confidence that we can deliver on our business objectives. With our acquisition cycle virtually complete, our management team is focussed on improving efficiencies and outcomes.

The company has been integrating widespread diverse business operations and processes after recent acquisitions. With fast revenue growth (15% organic and 50% from acquisitions) the company is rapidly changing. In addition to our efforts to streamline the business and drive operational and performance improvements we will also focus on enhancing our service and spare parts business. This includes further developing our after sales product and service offering to customers.

Yours faithfully



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**About Scott**

*At Scott we automate the future. The production line machinery we design and build deliver productivity gains and exceptional reliability to many of the world's leading manufacturers. We also go a step beyond engineering production solutions to actually revolutionising entire industries – using robotics to automate manual processes and create genuine competitive advantage.*

*For over 100 years Scott has looked to tomorrow and rapidly responded to shifting needs. Today, we have production bases in the United States, Belgium, Czech Republic, France, Germany, China, Australia and New Zealand, customers in 88 countries, and a real commitment to developing new technology and bringing it to market. Across everything we do you will discover true quality, advanced engineering and a renowned design aesthetic.*

*Scott. Quality that lasts. Quality that inspires.*