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## **SCALES CORPORATION UPGRADES 2015 EARNINGS GUIDANCE, LIFTS DIVIDEND**

The directors of Scales Corporation Limited (NZX:SCL) have raised EBITDA<sup>i</sup> guidance, for the twelve months to 31 December 2015, to between \$60 million and \$63 million, an increase over the prospectus forecast EBITDA (\$41.2 million) of between 45 per cent and 53 per cent. The resulting underlying NPAT<sup>ii</sup> is expected to be between \$34.7 million and \$36.8 million (compared with the prospectus forecast of \$20.8 million). Interim and special dividends totalling 10.5 cents per share, fully imputed, have been declared and will be paid in January 2016. The 2014 interim dividend was 3 cents per share.

Key 2015 highlights include:

- All divisions trading ahead of both 2014 actual results and prospectus forecasts for 2015<sup>iii</sup>.
- A particularly strong performance from the Horticulture division.
- Lower finance costs as a result of a better than expected debt position and reduced interest rates.
- Interim 2015 dividend of 6.5 cents per share, and special dividend of 4.0 cents per share declared and to be paid on 20 January 2016.

Managing director Andy Borland says the company expects the financial results from all divisions within Scales will be higher than the 2014 actual results and the prospectus forecasts for 2015.

“This is an extremely pleasing outcome and I am incredibly proud of the hard work and dedicated effort of the entire Scales team.

“Mr Apple started the year well with a record crop that included especially strong volumes of premium varieties. As the year progressed we have continued to benefit from our strong brand positioning in the markets we operate in, as well as improvements in FX rates and better than usual shipping rates. Proceeds from hail insurance also offset some loss of apple volumes due to the hail events in the 2014/15 season.

“The Storage & Logistics division has continued to benefit from solid volumes through the network driving improved utilisation. Our Auckland coldstore is now open and is experiencing better than anticipated demand. Our bulk liquid storage business is benefitting from a new long-term edible oil storage contract, and our freight forwarding operation is continuing to attract new business,” Mr Borland says.

### **Scales Corporation Limited**

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“The Food Ingredients division is likely to deliver a record sales year, both in terms of volumes and revenue, and our juice concentrate activities have been working 24/7 for the vast majority of the year.

“Finally, our balance sheet has never been stronger. By the end of the year we expect our Average Net Debt will have reduced to between \$33 million and \$36 million<sup>iv</sup>. Average Net Debt in 2014 was \$40.8 million.”

Chairman Jon Mayson says the directors have elected to increase the interim dividend to 6.5 cents per share as a result of the stronger than expected performance for the group.

“It is anticipated that a final dividend of the same amount will be declared and paid in July subject, as always, to directors’ approval at the time. Furthermore, in recognition of exceptional aspects of 2015’s financial performance, a special dividend of 4.0 cents per share will also be paid on 20 January 2016,” Mr Mayson says.

Looking ahead to 2016 the directors expect EBITDA to be between \$48 million and \$55 million for the twelve month period. This lower level of financial performance, compared to 2015, mostly reflects:

- the absence of hail insurance proceeds;
- a previously signalled return to more ordinary harvest volumes of approximately 3.0m TCEs<sup>v</sup> compared with 3.155m TCEs for the 2015 season; and
- provisions for reduced utilisation across the coldstore network.

A partial offset to these impacts will come from minor improvements in FX rates.

“It should be noted however that overall group performance in this range for 2016 would be an improvement over prospectus forecasts for 2015 by between 16 per cent and 33 per cent,” Mr Mayson says.

## **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 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](http://www.scalescorporation.co.nz).

## **Contact**

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<sup>i</sup> EBITDA is earnings before interest, tax, depreciation and amortisation.

<sup>ii</sup> Underlying NPAT is Net Profit After Tax but before asset revaluations, or other IFRS fair value adjustments, which have yet to be determined for 2015 and which may be positive or negative.

<sup>iii</sup> The twelve months to 31 December 2015 marks the final period for which forecasts were provided in the June 2014 prospectus

<sup>iv</sup> Average Net Debt is calculated as the average of term debt and the net working capital facility balance as at 30 June 2015 and 31 December 2015 (forecast).

<sup>v</sup> Tray Carton Equivalent, a measure of apple and pear weight, defined as 18.6kg packed weight which equates to 18.0kg sale weight.