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Scott Technology
Transforming Industry via Smart Automation

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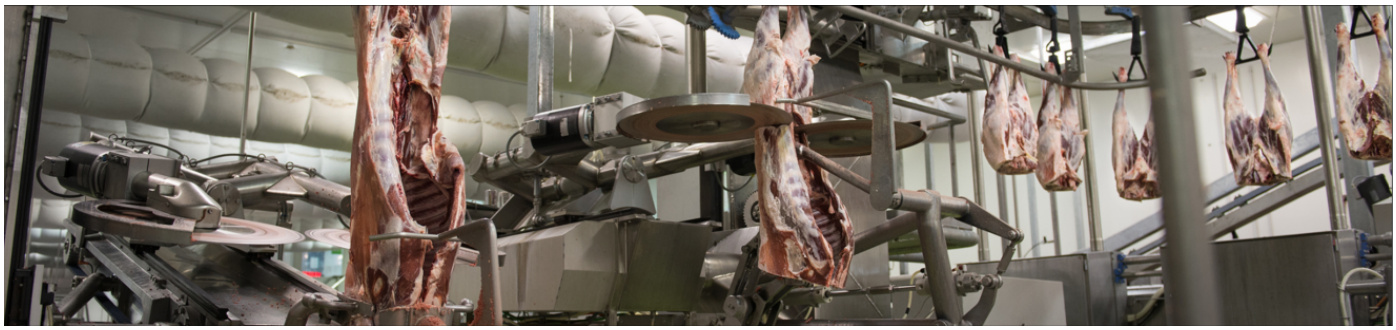


Scott Technology's (SCT) market-leading products are transforming industries by replacing dangerous, dirty, repetitive manual processes with cost-effective, productive, safe automation. SCT focusses on the design and manufacture of innovative automation solutions. SCT is executing on its 'Scott 2025' strategy, shifting away from bespoke designs towards productisation and service offerings. SCT is a global business operating across three core industries: meat processing, mining sample preparation and materials handling/logistics. Its products aid customers with labour and skills shortages, as well as rising health and safety awareness. SCT's brands are market leaders in their fields, and it continues to invest in innovation while remaining cognisant of being a profitable and repeatable sales business. SCT trades at an 18x blended one-year forward PE multiple and a FY23 fully imputed gross yield of 4%. We see opportunities for the business to grow earnings even as global economies slow, and forecast a +10% CAGR in NPAT over the next 10 years. SCT offers +55% upside to our blended spot valuation of NZ$4.26.

NZX Code	SCT
Share price	NZ$2.75
Spot Valuation	NZ$4.26
Risk rating	Medium
Issued shares	80.5m
Market cap	NZ$221m
Avg daily turnover	7.3k (NZ$22k)

Financials: Aug/	22A	23E	24E	25E
NPAT* (NZ$m)	12.7	11.2	13.8	19.0
EPS* (NZc)	15.9	13.9	17.1	23.6
EPS growth* (%)	47.2	-12.8	23.3	38.4
DPS (NZc)	8.0	8.0	10.0	12.0
Imputation (%)	0	100	100	100

*Based on normalised profits

Valuation (x)	22A	23E	24E	25E
PE	17.3	19.8	16.1	11.6
EV/EBIT	14.6	13.5	11.2	8.3
EV/EBITDA	9.7	9.2	7.9	6.3
Price / NTA	2.4	2.3	2.1	1.8
Cash div yld (%)	2.9	2.9	3.6	4.4
Gross div yld (%)	2.9	4.0	5.1	6.1

Core growth drivers support opportunities

Automation is becoming increasingly relevant in industrial processes as it can boost productivity, improve quality, reduce labour costs, increase safety, and provide additional flexibility. There is opportunity for SCT to grow revenue from its existing and upcoming products, while increasing the stability of earnings by focussing on more modular products and building its service offerings. SCT's long history of sector expertise and its R&D have created innovative automation products, offering significant global potential. Boston Consulting Group forecast the industrial automation market to grow at an +18% to +22% CAGR through to 2030.

Strong revenue and earnings growth is undervalued by the market

Our estimates are for SCT's products to see strong customer growth. We forecast a 10-year revenue and NPAT CAGR of +7% and +10% respectively. Our assumptions see gross margin improvement, with more consistent earnings as SCT executes on its 'Scott 2025' strategy. SCT is in a solid financial position, with net debt at FY22 of only NZ$8m. These factors and a strong order book (NZ$190m+) gives us confidence in SCT's prospects. We view SCT as undervalued by the market, given our NZ$4.26 spot valuation, with comparables suggesting a one-year forward PE of 20x as more appropriate for SCT.

Scott Technology (SCT)

Market Data (NZ$)	
Priced as at 19 Jan 2023	**2.75**
52 week high / low	3.38 / 2.46
Market capitalisation (NZ$m)	221.3

Spot valuation (NZ$)	**4.26**
Peers comparable	3.71
DCF	4.49

Key WACC assumptions	
Risk free rate	4.50%
Equity beta	1.30
WACC	9.4%
Terminal growth	1.5%

DCF valuation summary (NZ$m)	
Total firm value	422
(Net debt)/cash	(8)
Less: Capitalised operating leases	(49)
Value of equity	365

Profit and Loss Account (NZ$m)	2021A	2022A	2023E	2024E	2025E
Sales revenue	208.1	223.8	242.1	273.3	310.0
Normalised EBITDA	**21.0**	**23.9**	**25.1**	**28.4**	**35.6**
Depreciation and amortisation	(8.8)	(8.1)	(8.1)	(8.4)	(8.7)
Normalised EBIT	**12.1**	**15.9**	**17.0**	**20.0**	**26.9**
Net interest	(1.3)	(0.9)	(1.5)	(0.9)	(0.5)
Associate income	0	0	0	0	0
Tax	(2.5)	(2.3)	(4.3)	(5.3)	(7.4)
Minority interests	0	0	0	0	0
Normalised NPAT	**8.4**	**12.7**	**11.2**	**13.8**	**19.0**
Abnormals/other	1.1	(12.6)	0	0	0
Reported NPAT	**9.5**	**0.1**	**11.2**	**13.8**	**19.0**
Normalised EPS (cps)	10.8	15.9	13.9	17.1	23.6
DPS (cps)	6.0	8.0	8.0	10.0	12.0

Valuation Ratios	2021A	2022A	2023E	2024E	2025E
EV/EBITDA (x)	11.0	9.7	9.2	7.9	6.3
EV/EBIT (x)	19.0	14.6	13.5	11.2	8.3
PE (x)	25.5	17.3	19.8	16.1	11.6
Price/NTA (x)	2.4	2.4	2.3	2.1	1.8
Free cash flow yield (%)	4.4	1.1	8.4	7.6	9.0
Net dividend yield (%)	2.2	2.9	2.9	3.6	4.4
Gross dividend yield (%)	2.2	2.9	4.0	5.1	6.1

Growth Rates	2021A	2022A	2023E	2024E	2025E
Revenue (%)	9.9	7.5	8.2	12.9	13.4
EBITDA (%)	n/a	14.1	5.1	12.9	25.3
EBIT (%)	n/a	30.8	7.3	17.5	34.5
Normalised NPAT (%)	n/a	50.3	-11.9	23.3	38.4
Normalised EPS (%)	n/a	47.2	-12.8	23.3	38.4
Ordinary DPS (%)	n/a	33.3	0.0	25.0	20.0

Capital Structure	2021A	2022A	2023E	2024E	2025E
Interest cover EBIT (x)	9.5	16.7	11.1	22.3	58.7
Interest cover EBITDA (x)	16.4	25.2	16.4	31.7	77.7
Net debt/ND+E (%)	-1.3	7.5	-4.2	-14.6	-27.1
Net debt/EBITDA (x)	n/a	0.3	n/a	n/a	n/a

Cash Flow (NZ$m)	2021A	2022A	2023E	2024E	2025E
EBITDA	**21.0**	**23.9**	**25.1**	**28.4**	**35.6**
Working capital change	1.6	(15.7)	1.7	(2.4)	(4.6)
Interest & tax paid	(2.1)	(2.6)	(6.0)	(6.4)	(8.1)
Other	(8.4)	(0.9)	1.2	1.2	1.2
Operating cash flow	**12.0**	**4.8**	**22.0**	**20.8**	**24.1**
Capital expenditure	(2.3)	(2.3)	(3.5)	(4.0)	(4.1)
(Acquisitions)/divestments	(0.5)	(6.4)	0	0	0
Other	(4.0)	(2.5)	(3.6)	(3.8)	(3.9)
Funding available/(required)	**5.3**	**(6.4)**	**14.9**	**13.0**	**16.0**
Dividends paid	(1.6)	(6.3)	(6.4)	(7.2)	(8.9)
Equity raised/(returned)	0.9	3.5	3.7	4.2	5.1
(Increase)/decrease in net debt	**4.6**	**(9.3)**	**12.2**	**10.0**	**12.3**

Key Ratios	2021A	2022A	2023E	2024E	2025E
Return on assets (%)	6.2	7.7	8.1	9.1	11.6
Return on equity (%)	8.2	12.7	10.7	12.3	15.4
Return on funds employed (%)	6.3	9.0	7.9	9.6	12.6
EBITDA margin (%)	10.1	10.7	10.4	10.4	11.5
EBIT margin (%)	5.8	7.1	7.0	7.3	8.7
Capex to sales (%)	1.1	1.0	1.4	1.4	1.3
Capex to depreciation (%)	35	40	58	64	65
Imputation (%)	0	0	100	100	100
Pay-out ratio (%)	56	50	58	59	51

Balance Sheet (NZ$m)	2021A	2022A	2023E	2024E	2025E
Working capital	20.5	36.2	34.5	36.9	41.5
Fixed assets	17.7	17.1	17.2	17.3	17.4
Intangibles	10.9	7.2	5.9	4.7	3.5
Right of use asset	9.5	9.5	9.9	10.4	11.1
Other assets	93.5	93.3	91.5	89.8	88.1
Total funds employed	**152.2**	**163.3**	**159.1**	**159.2**	**161.5**
Net debt/(cash)	(1.3)	8.0	(4.2)	(14.2)	(26.5)
Lease liability	7.4	7.1	7.3	7.7	8.2
Other liabilities	47.9	47.7	51.0	53.3	54.8
Shareholder's funds	98.5	100.7	105.2	112.6	125.0
Minority interests	(0.3)	(0.3)	(0.2)	(0.2)	(0.1)
Total funding sources	**152.2**	**163.3**	**159.1**	**159.2**	**161.5**

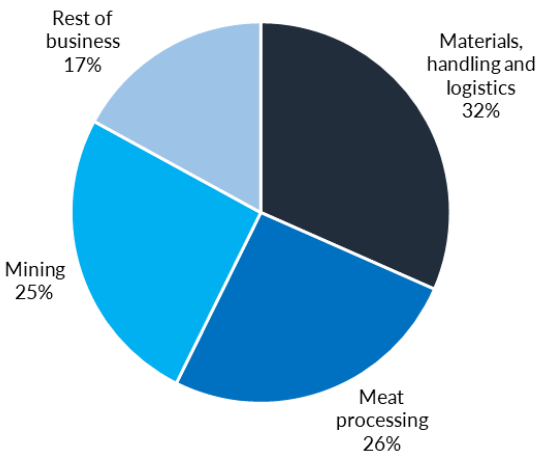
Operating Performance	2021A	2022A	2023E	2024E	2025E
Meat processing					
Revenue (NZ$m)	36.7	57.1	71.4	85.7	102.8
Gross margin (%)	28%	32%	32%	32%	33%
Gross profit (NZ$m)	10.3	18.0	22.9	27.6	33.4
Mining laboratory					
Revenue (NZ$m)	29.0	40.0	50.8	58.4	67.2
Gross margin (%)		40%	33%	33%	34%
Gross profit (NZ$m)		16.0	16.8	19.4	22.5
Materials Handling and Logistics					
Revenue (NZ$m)	68.2	70.0	80.6	90.2	101.0
Gross margin (%)	22%	20%	18%	18%	18%
Gross profit (NZ$m)	15.0	14.0	14.5	16.2	18.2
Other					
Revenue (NZ$m)	72.2	54.6	38.2	38.2	38.6
Gross margin (%)		9%	13%	13%	13%
Gross profit (NZ$m)		5.0	5.0	5.0	5.1

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

Executive summary: Attractive market-leading automation

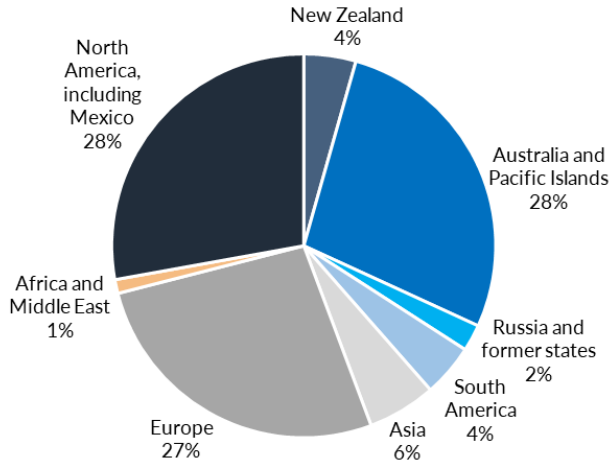
Scott Technology (SCT) is a New Zealand-based company focussing on the design and manufacturing of innovative market-leading smart industrial automation solutions. The use of automation is a growing trend in the industrial sector, especially where SCT operates. SCT's products are transforming industries by replacing hazardous, dirty, repetitive manual processes with cost-effective, productive and safe automation. SCT operates across three core industries: (1) meat processing, (2) mining sample preparation, (3) materials handling and logistics. These diverse capabilities make it one of the leading sector players for many of the world's bluechip brands. We believe SCT provides appealing exposure to automation trends at an attractive price. Three key areas contribute to our positive investment view of SCT — we detail below.

Figure 1. SCT's operations are diversified across core segments



Source: Company, Forsyth Barr analysis

Figure 2. SCT's revenue mix show its global presence

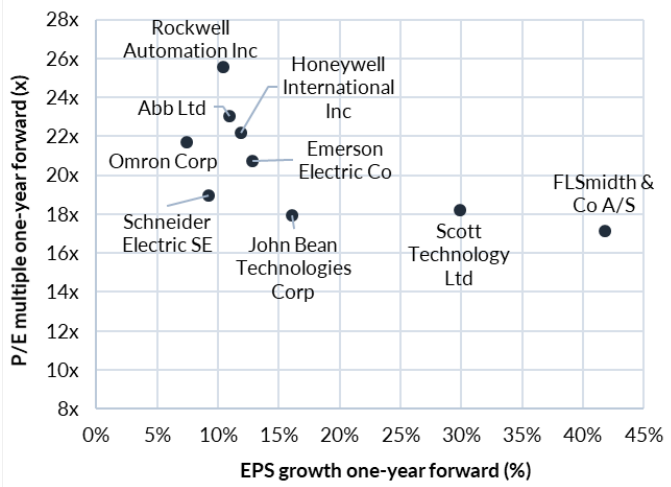


Source: Company, Forsyth Barr analysis

1) We believe SCT is undervalued by the market, with sizeable upside potential from the continued expansion of products

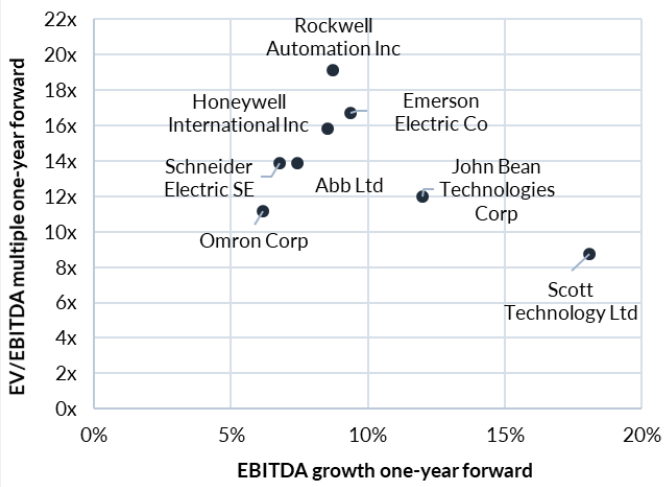
SCT trades below comparable companies on forward earnings multiples. Our blended spot valuation of NZ$4.26, from our DCF valuation and comparables analysis, is +55% above the prior closing price. We believe the market is failing to price both the growth potential and expected lower earnings volatility from the strategy shift to productisation and servicing, away from bespoke products.

Figure 3. PE versus EPS growth one-year forward



Source: Refinitiv, Forsyth Barr analysis, *EPS growth refers to 2yr forward EPS/1yr forward EPS

Figure 4. EV/EBITDA versus EBITDA growth one-year forward



Source: Forsyth Barr analysis, Refinitiv, *EBITDA growth refers to 2yr forward/1yr forward

SCT has invested heavily in R&D and CAPEX over many years. Future CAPEX should be well below operating cash flow, providing substantial free cash flow to SCT, see Figure 12. SCT has a history of making successful strategic acquisitions to expand product offerings and market reach. Since 2008, SCT has made 12 acquisitions totalling NZ$75m. Given its strong balance sheet and free cash flow, we envisage further acquisitions in the future. We consider this achievable alongside our estimates of a growing track of fully imputed dividends, see Figure 13.

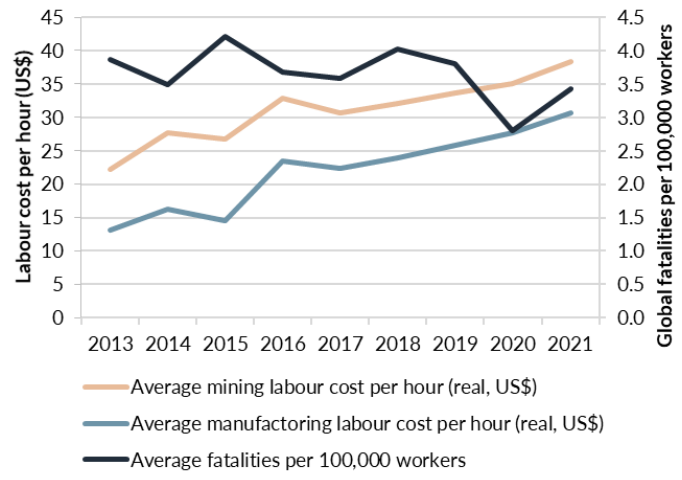
2) Demand drivers see opportunities for SCT's strong technology driven automation products

- **Limited staff availability, absenteeism, and a chronic industry skills shortage:** Automating tasks increases efficiency and productivity by decreasing the need for manual labour and eliminating human error, resulting in faster production times, higher output, and increased competitiveness for SCT's customers. As an example, SCT's poultry trussing line automates previously manual processes, freeing up employees in the poultry process to work elsewhere within customer operations.
- **Health and safety concerns:** Automation can improve workplace safety by reducing the need for human intervention in potentially hazardous situations, such as operating dangerous or heavy machinery. This can help reduce the risk of workplace accidents and injuries, improving employee safety and leading to cost savings. For example, SCT's BladeStop product has immense health and safety benefits with the fastest bandsaw stopping time in the market — after coming into contact with an operator — essentially eliminating user injuries.
- **Cost savings with a high ROI:** The increasing availability and affordability of the necessary technologies have reached a tipping point for adoption. The cost of implementing smart industrial automation solutions has decreased significantly in recent years, making them more accessible for industry. Software architecture development, for managing industrial systems, has made it easier for companies to connect and integrate different devices and systems. This has reduced the cost and complexity of these solutions. Alongside costs savings, efficiency gains from products can increase customer revenue, also contributing to an improved ROI. For example, SCT's lamb primal automation products yield up to 15% more high-value meat per carcass for meat processors.
- **Other factors:** Increased pressure on companies to reduce their environmental impact, the need to meet regulatory requirements and industry standards, and Industry 4.0 adoption are each driving demand. Industry 4.0 refers to the integration of advanced technologies, like artificial intelligence and the Internet of Things, into manufacturing processes, characterised by connected, intelligent systems that exchange data and enable companies to optimise operations and make better-informed decisions.

3) SCT's market-leading technology and track record of delivering innovative automation solutions

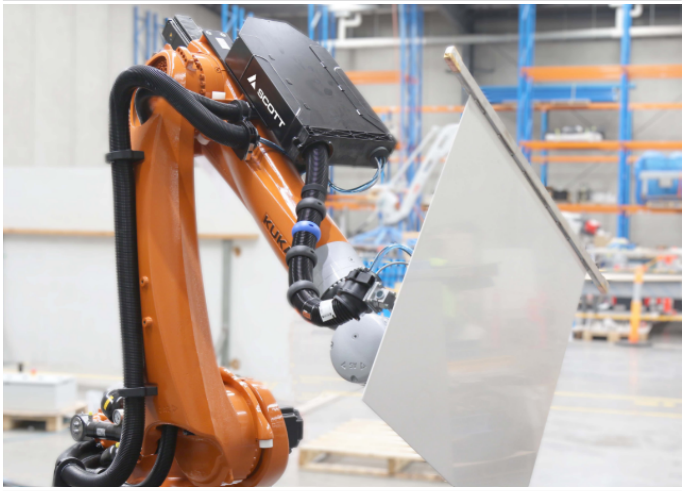
SCT is a leading global provider of smart automation and robotic solutions that improve businesses' productivity, safety and efficiency. With operations in multiple regions and over 100 years of engineering experience, SCT is a trusted choice for many major brands worldwide, providing automated and semi-automated solutions across the meat, mining samples, materials and logistics industries. SCT's customers across all segments are sizable businesses and include a large number of multi-national organisations (see Appendix 2 for further customer stories). Through organic growth and acquisitions, SCT's product array now offers a number of solutions for each industry. We have undertaken a deep dive into these market-leading offerings in Part 3 of this report. These solutions improve customer competitiveness through higher quality output, reduced health and safety risks, and a favourable ROI. We believe the market has yet to fully appreciate the potential of SCT's new product lines, such as its poultry trussing product, which could provide significant earnings growth for the company.

Figure 5. Labour costs continue to rise as health and safety remains a concern



Source: Forsyth Barr analysis, International Labour Organisation

Figure 6. SCT's automation products solve many industry issues



Source: Company

Part 1. Investment thesis and valuation

Valuation methodology

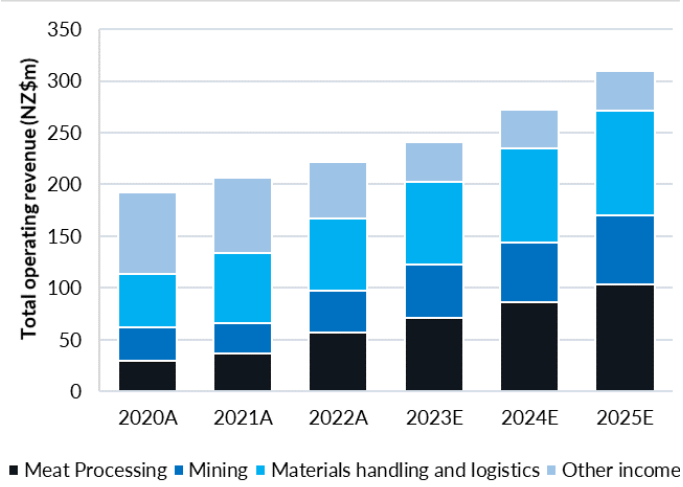
Our **spot valuation for SCT is NZ$4.26**, which is a combination of (1) a discounted cash flow (DCF) valuation (70%), and (2) an analysis of comparable listed peers, both direct competitors and industry players globally (30%).

1) Discounted cash flow (DCF) valuation

We have conducted a thorough analysis of SCT's financials, expansion opportunities and product development. Based on this analysis, we believe that using a discounted cash flow (DCF) model is the most appropriate way to evaluate the company's value. Our spot DCF valuation for SCT is NZ$4.49. This valuation uses a weighted average cost of capital (WACC) of 9.45%, an asset beta of 1.0, a risk-free rate (Rfr) of 4.50%, and a terminal growth rate of +1.50% per year. Our key forecast assumptions include:

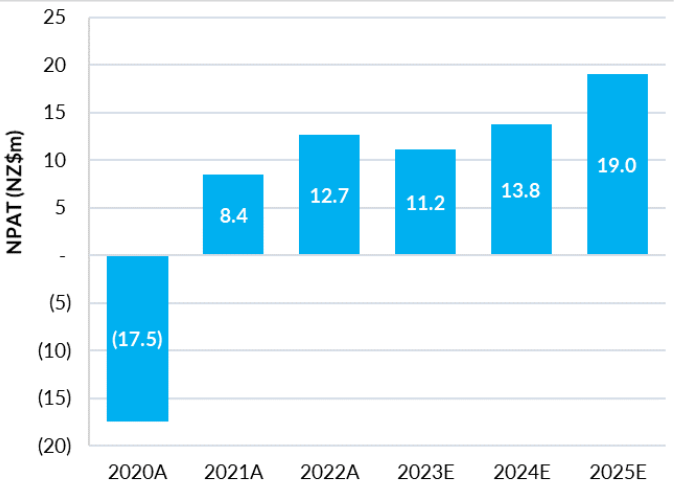
- A mild global recession in FY23/FY24 creating macroeconomic headwinds, however, SCT is able to continue its growth strategy.
- The company's strong order book (NZ$190m+) will help to dampen any revenue volatility.
- SCT's new poultry trussing line within the Meat segment will be successful on the global stage, plus ongoing wins of BladeStop and Lamb primal systems. Meat segment revenues grow from NZ$57.1m in FY22 to NZ$133.5m in FY27, an +18% CAGR.
- SCT will continue to focus on higher margin service revenues (growing it from 25% of revenue currently).
- Margin improvements are expected to come from a combination of scale, product mix (away from bespoke products), additional service revenues and management focus on pricing contracts appropriately. We forecast a terminal gross margin of 27% in FY32, up from 24% in FY22. EBITDA margin grows from 10.7% in FY22 to 13.1% over the next five years.

Figure 7. SCT — Revenue by segment (NZ$m)



Source: Company, Forsyth Barr analysis

Figure 8. SCT — NPAT (NZ$m)



Source: Company, Forsyth Barr analysis, *Higher tax rate in FY23 given tax losses used in FY22

Figure 9. SCT — Earnings estimates (NZ$m)

	FY20A	FY21A	FY22A	FY23F	FY24F	FY25F
Operating revenue	186.1	206.0	221.8	241.0	272.5	309.6
Other operating income	3.4	2.1	2.0	1.1	0.7	0.3
Share of joint ventures' net surplus	0.1	0.8	0.3	0.4	0.4	0.4
Cost of goods sold *	(176.8)	(174.7)	(186.2)	(200.4)	(224.8)	(253.1)
General and administration expenses *	(12.6)	(13.3)	(14.0)	(17.0)	(20.5)	(21.7)
Other Adjustments	(11.9)	0.0	0.0	0.0	0.0	0.0
EBITDA	**(11.6)**	**21.0**	**23.9**	**25.1**	**28.4**	**35.6**
Interest revenue	0.2	0.1	0.6	0.1	0.1	0.2
Depreciation & amortisation	(9.9)	(8.8)	(8.1)	(8.1)	(8.4)	(8.7)
Finance costs	(2.1)	(1.4)	(1.5)	(1.6)	(1.1)	(0.7)
Net Profit Before Tax	**(23.4)**	**10.9**	**14.9**	**15.5**	**19.1**	**26.4**
Taxation (expense)	5.9	(2.5)	(2.3)	(4.3)	(5.3)	(7.4)
Net Profit / (Loss) after Tax (from continuing ops)	**(17.5)**	**8.4**	**12.7**	**11.2**	**13.8**	**19.0**

Source: Company, Forsyth Barr analysis, *COGS and G&A are our restatements of 'Raw materials, consumables used and operating expenses' and 'Employee expenses' from SCT's financial statements

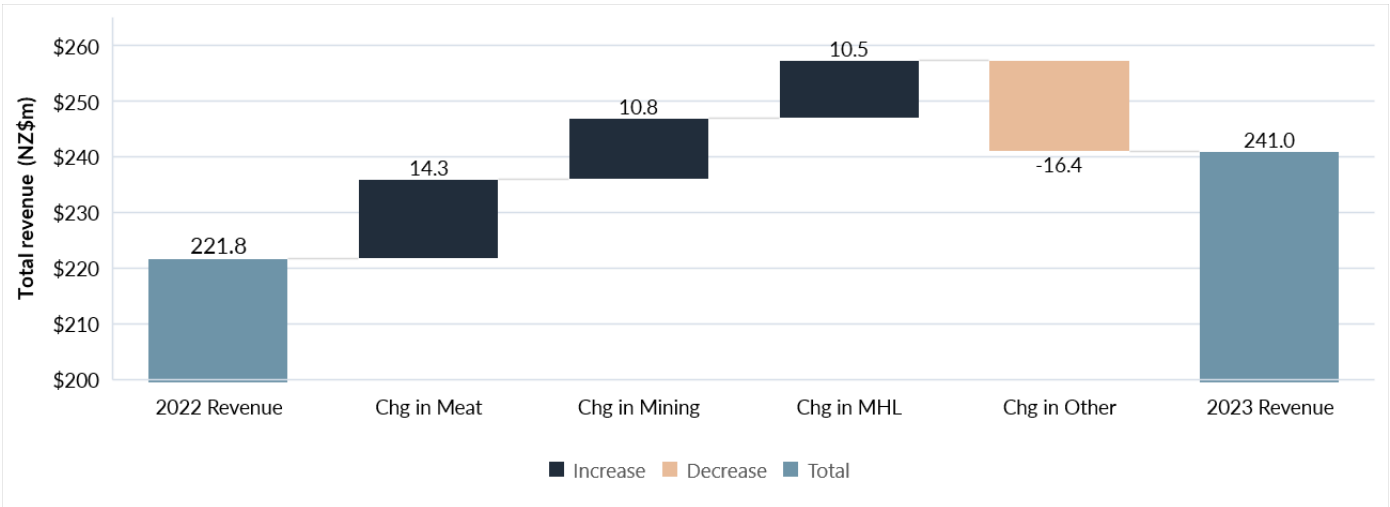
FY23 outlook

- We forecast **operating revenue** of NZ$241.0m, representing a +9% uplift on the NZ$221.8m in FY22.
- **Meat** segment estimates are for revenue of NZ$71.4m (representing ~30% of total revenue). Our forecasts represent a +25% increase over FY22. We expect SCT to benefit from the rollout of its newly developed poultry trussing line on the international stage and the continued success of BladeStop and Lamb primal systems.
- **Mining** division revenue is estimated at NZ$50.8m (~21% of total revenue). This would be +27% growth from FY22, after the solid +38% revenue growth in FY22, cementing the ongoing customer acquisition success for SCT's mining sampling products.
- **Materials Handling and Logistics** division revenue is estimated at NZ$80.6m (~33% of total revenue). This would be +15% on FY22 with further installations of its MHL technology outside of Europe and through North America and Australasia.
- **Other** revenues estimated to fall from FY22 to NZ$38.2m in FY23 (~16% of total revenue) with SCT continuing its shift away from the one-off products represented in this division and the end of mining systems contribution.

We have factored in some consideration of a slowing global economy. However, SCT's strong order book, which ended FY22 at NZ$190m, considerably higher than history, provides us with the confidence of continued revenue growth. We expect the company to continue to execute its 'Scott 2025' strategy that targets growth in the three core segments and explores margin opportunities. SCT should leverage the growing demand for smart industrial automation, improvements in product mix and the introduction of new products while benefitting from economies of scale. This will be most noticeable in the Meat processing segment, given that the global market opportunity for BladeStop and its new poultry trussing line appear substantial.

Our estimate for EBITDA in FY23 is NZ$25.1m, +5% from the NZ$23.9m achieved in FY22. The relatively small rise in EBITDA compared with revenue is due to inflationary pressures and expansionary growth on the corporate cost base, and lower gross margins in the Mining and MHL segments. SCT used its remaining tax losses in FY22, meaning a higher effective tax rate in FY23; allowing for dividends to be fully imputed. This should contribute to a slightly lower NPAT from continuing operations in FY23.

Figure 10. SCT — Operating revenue bridge from FY22 to FY23 (NZ$)

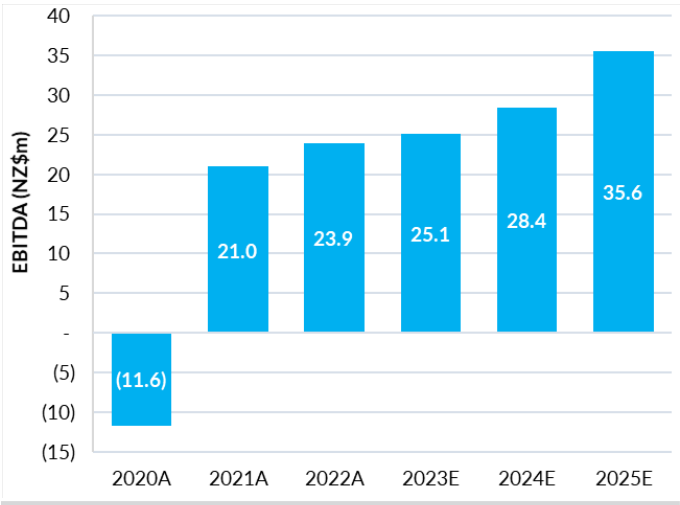


Source: Company, Forsyth Barr analysis

Macroeconomic outlook displaying headwinds

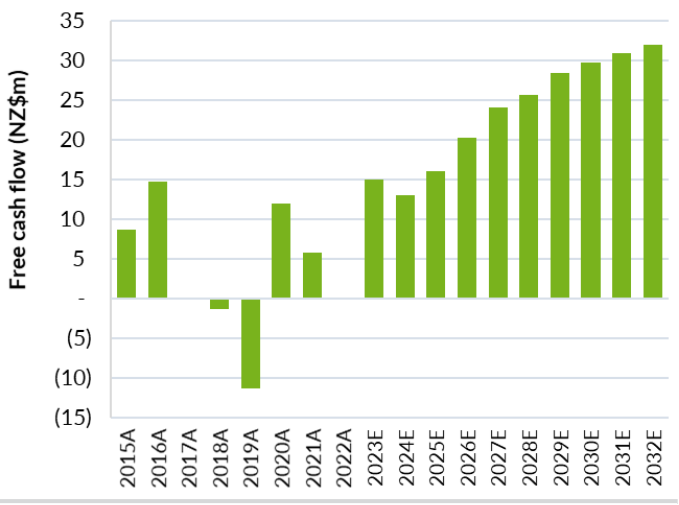
The current economic climate is uncertain as the world emerges from the COVID-19 pandemic and the easing monetary policies implemented to combat it. In 2023, global growth should slow to just +1.8% due to a combination of factors, including the diminishing effects of reopening, tightening fiscal and monetary policies, China's COVID-19 restrictions and property slump, and the Russia-Ukraine war. One key question for the coming year is whether central banks can control inflation without causing economies to enter a recession. History suggests that this can be challenging. The US Federal Reserve's decision to raise interest rates from 0.25% in March 2022 to 4.5% by the end of 2022 raises concerns about the potential for a downturn. However, inflation in the US peaked in June 2022 at 9.1% and has decreased since then. This is due to falling energy prices and slowing consumer spending due to higher interest rates and inflation. North America represented 28% of SCT's revenue in FY22. Meanwhile, the Euro area will likely experience a mild recession due to surging energy bills. Europe constituted 27% of the revenue for SCT in FY22. A resurgence of COVID-19 and declining retail sales are impacting the Chinese economy. China is expected to have a slow first half of the year due to a reopening. Asia contributed only 6% of SCT's revenue in FY22. Remaining revenue comes from Australasia 32% and other 7%.

Figure 11. SCT — EBITDA (NZ$m)



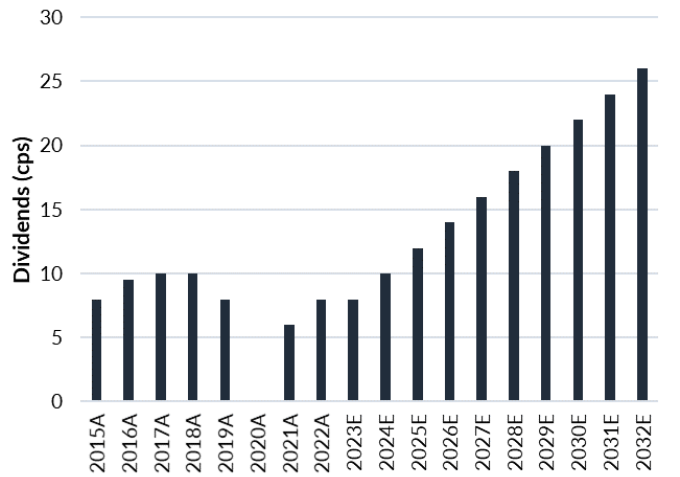
Source: Company, Forsyth Barr analysis

Figure 12. SCT — Free cash flow (NZ$m)



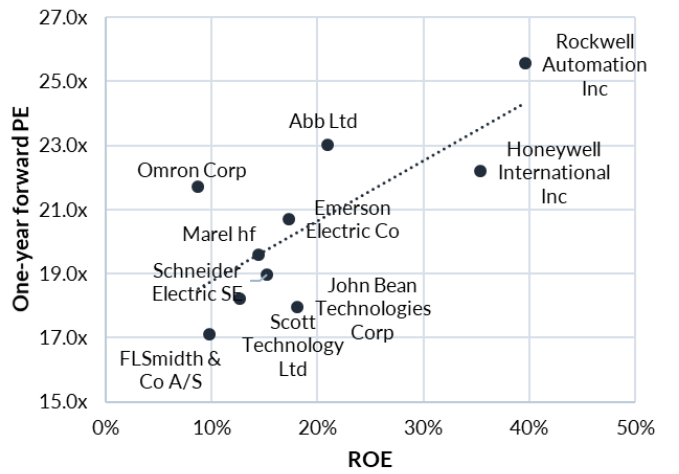
Source: Company, Forsyth Barr analysis, * FCF excludes acquisitions

Figure 13. SCT — Dividends (NZ cps)



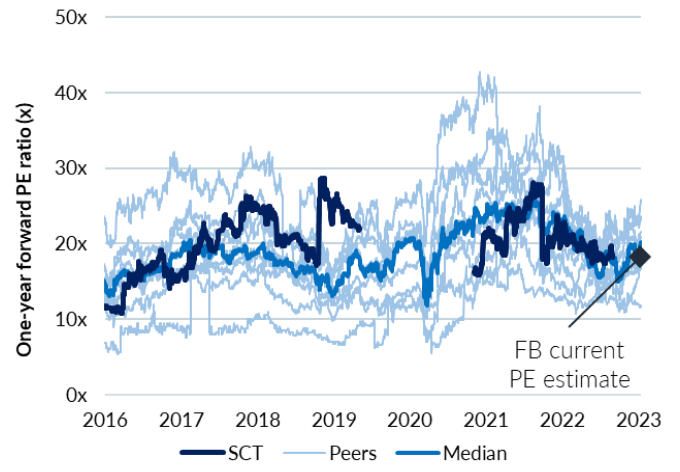
Source: Company, Forsyth Barr analysis

Figure 14. Peers ROE versus PE



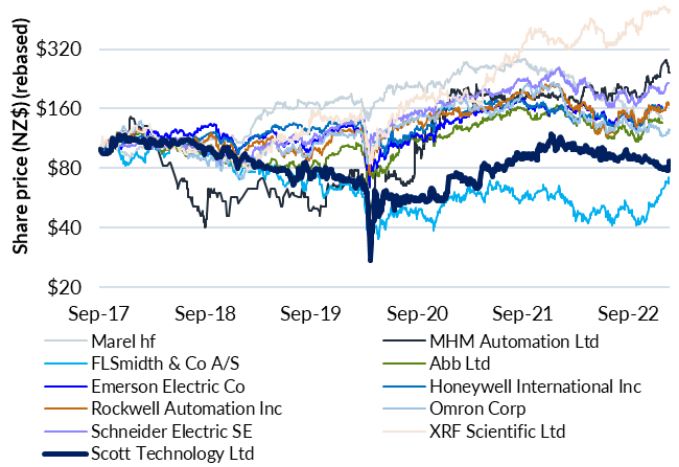
Source: Refinitiv, Forsyth Barr analysis

Figure 15. PE ratio of peers over time



Source: Refinitiv, Forsyth Barr analysis, *SCT PE ratio is calculated with reported EPS given lack of consensus forward EPS

Figure 16. Share price of peers



Source: Forsyth Barr analysis, Refinitiv, *logarithmic scale

2) Assessment against comparable listed companies

We conducted a review of a number of comparable listed companies in the global industrial automation sector. Some of these companies offer products that compete with those of SCT's in one or more of the company's business segments, while others do not (see Appendix 1 for further competitor analysis). The latter group is not considered to be direct competitors of SCT, although smaller divisions or parts of these companies may provide substitutes for some of SCT's products. Despite this, these companies are still relevant to consider in our peer analysis because they operate in the same industry and their inclusion helps us to understand the macroeconomic context, market expectations and industry-specific opportunities and threats. Our peer-based spot valuation for SCT is NZ$3.71, +35% above the current share price. SCT has a superior growth profile relative to assessed peers, further cementing the market price as undervalued. SCT's one-year trailing PE multiple has ranged between 12–25x over the last five years, with a median multiple of 20x (see Appendix 4), currently we estimate the one-year forward PE multiple for SCT at 18x.

When analysing companies in the industrial automation sector we find it useful to compare price-to-earnings (PE) and enterprise value-to-EBITDA (EV/EBITDA) multiples. We assess both the one-year and two-year forward multiple of SCT and the peers given the significant growth profile of SCT. We assess multiples on a one-year (and two-year) forward basis, blending FY23 and FY24 forecasts to standardise across the comparable companies varying balance dates (versus SCT's August year-end), allowing for a more accurate comparison. Performance of these peers and historic multiples can be found in Appendix 4. The relevant details on PE and EV/EBITDA ratios are (see Figure 3 and 4):

- **PE:** The competitor companies (the first four on the table below) have an average one-year forward PE multiple of 18x. The wider comparables list has an average one-year forward PE of 22x. SCT currently trades at a 18x PE on our forward earnings estimates. The global industrial automation sector trades in a range between a 17x and 26x PE. We believe the fair one-year and two-year forward PE multiples for SCT are 20x and 18x respectively. These fair PE multiples are +10% and +31% ahead of SCT's current one-year and two-year forward PE multiples, indicating undervaluation on a PE multiple basis.
- **EV/EBITDA:** The close peer companies have an average one-year forward EV/EBITDA multiple of 11x. The wider comparables list has an average EV/EBITDA multiple of 15x, as compared with SCT currently on a 9x EV/EBITDA multiple — indicating some undervaluation by the market. The global industrial automation sector trades on a wide range between 9x and 19x EV/EBITDA multiple. We believe the fair one-year and two-year forward EV/EBITDA multiples for SCT are both 12x. These fair multiples are +36% and +61% ahead of SCT current one-year and two-year forward multiples.

Figure 17 below shows key metrics for a group of publicly listed companies that were used as comparables in our valuation analysis. These companies are representative of the types of competitors that SCT may encounter in the market. However, it is important to note that there are many other companies that offer products and services in the automation and robotics industries. SCT's NZ$221m market capitalisation is also significantly smaller than most comparables assessed, we believe this small-cap risk is offset by SCT's superior growth profile and therefore view the comparables average as appropriate.

Figure 17. SCT — Table of competitor and comparable companies with relevant financial metrics

Ticker	Company	Headquarters	Market capitalisation (NZ$m)	Next FY revenue growth	Gross profit margin	EBITDA margin	ROE	12m forward PE	12m forward EV/EBITDA
MARL.IC	Marel hf	Iceland	$4,753	11.1%	36.3%	14.6%	10.0%	19.6x	12.1x
JBT	John Bean Technologies Corp	Iceland	$4,881	7.3%	30.3%	13.0%	17.8%	17.9x	12.0x
MHM.NZ	MHM Automation Ltd	NZ	$55		37.9%	5.8%			
FLS.CO	FLSmidth & Co A/S	Denmark	$3,723	15.5%			6.3%	17.1x	9.0x
XRF.AX	XRF Scientific Ltd	Switzerland	$123		42.8%	23.5%	14.2%		9.8x
Competitor average				**11.3%**	**36.8%**	**14.2%**	**12.1%**	**18.2x**	**10.7x**
ABB	Abb Ltd	USA	$104,598	1.1%		16.1%	18.3%	23.0x	13.9x
EMR	Emerson Electric Co	USA	$81,911	5.4%	39.9%	24.1%	27.2%	20.7x	16.7x
HON.O	Honeywell International Inc	USA	$213,189	3.7%	32.0%	25.3%	32.3%	22.2x	15.8x
6645.T	Omron Corp	USA	$16,987	-1.0%	45.5%	14.8%	9.3%	21.7x	11.2x
ROK	Rockwell Automation Inc	USA	$48,888	4.9%	40.0%	20.2%	40.7%	25.6x	19.2x
SCHN.PA	Schneider Electric SE	USA	$141,889	2.2%	40.9%	20.9%	15.6%	19.0x	13.9x
Wider comparables average				**2.7%**	**39.6%**	**20.2%**	**23.9%**	**22.0x**	**15.1x**
Total competitor & wider comparables average				**4.9%**	**39.9%**	**18.1%**	**16.7%**	**20.0x**	**12.0x**
SCT.NZ	Scott Technology Ltd	NZ	$221	8.2%	37.6%	12.9%	10.9%	18.2x	8.8x

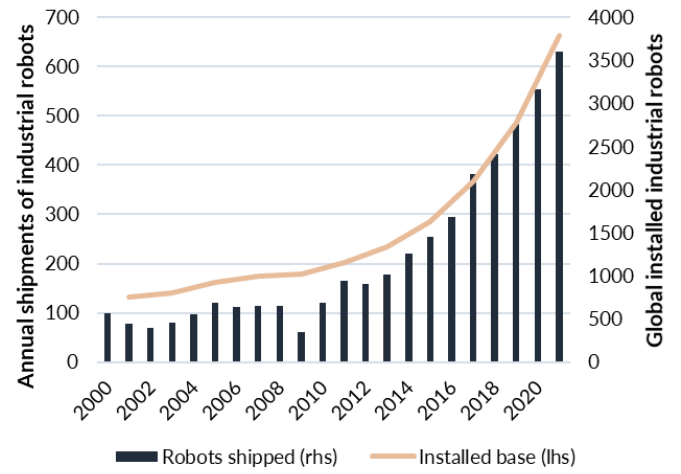
Source: Refinitiv, Forsyth Barr analysis

Part 2. Robotics and automation industries

2.1 Overview

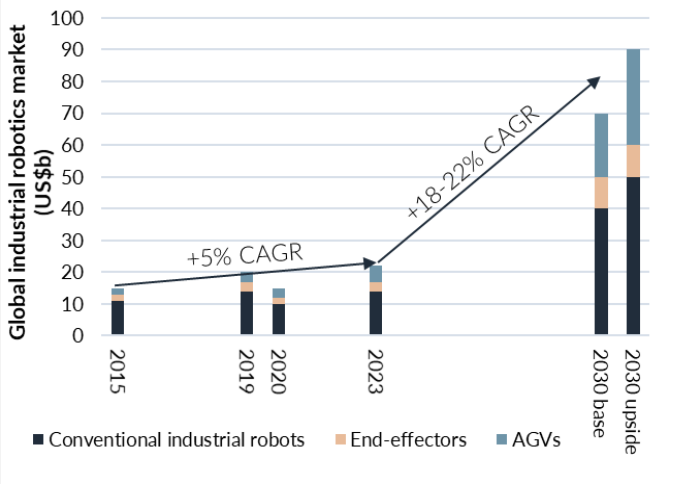
The industrial robotics and automation sector has seen significant growth since the first installed robot in the 1960s. According to a 2021 report by Boston Consulting Group (BCG), titled, 'Robotics Outlook 2030: How Intelligence and Mobility Will Shape the Future', the total global robotics market is expected to reach a value of between US$160b and US$260b by 2030 from just US$25b in 2020, with industrial and logistics robots contributing approximately US$80b. This forecasted growth is largely due to labour costs increasing, capacity pressures, health and safety concerns, and labour availability issues facing the manufacturing, mining, food processing and material handling industries. These issues have been further exacerbated by the COVID pandemic and the conflict in Ukraine, leading businesses to prioritise adoption of new robot automation technologies and systems.

Figure 18. Growth for industrial robots has accelerated



Source: Forsyth Barr analysis, McKinsey, IFR World Robotics

Figure 19. Industry forecasts show a large market still ahead



Source: Forsyth Barr analysis, BCG, IFR World Robotics, MarketsandMarkets

2.2 Future outlook for smart automation in industrial workplaces

Smart automation can improve efficiency, lower costs, and enhance safety and quality. By automating repetitive or complex tasks, smart automation can reduce the risk of human error and improve the overall quality of products. It can help to reduce waste, further enhancing efficiency through higher yields and reduced costs. Automating time-consuming or labour-intensive tasks can free human workers to focus on more complex and value-add tasks or fill vacancies in other parts of customer operations. This can result in higher output and faster turnaround times, which can be particularly beneficial in fast-paced or high-volume production environments.

As automation technology advances, organisations are increasingly adopting sophisticated automation systems that can perform an array of tasks and processes. Artificial intelligence and machine learning technologies are commonly used to improve the accuracy and efficiency of automation systems. This allows them to adapt to changing conditions and optimise performance over time. New developments in robotics and AI are making it easier and more cost-effective for companies to implement automation systems, while improvements in connectivity and data analytics are helping to improve the performance and efficiency of these systems.

Another reason for adopting smart automation is the need to stay competitive in an increasingly globalised and fast-paced business environment. Organisations can improve their output and turnaround times by automating tasks and processes. This should give them a competitive edge in the market at relatively high **ROI business cases of two to five years payback.**

Smart automation has the potential to revolutionise many industries, including the meat, mining, and materials handling and logistics sectors that SCT focusses on:

- **Meat**: The meat processing industry has recently seen an increasing adoption of robotics and automation technologies, with robots being utilised for tasks such as sorting, cutting and packaging. One example is the company Danish Crown, which has implemented a robotic system for sorting and packing pork products, increasing the company's production capacity by 25%. Smart automation has seen robots taking on tasks such as deboning and trimming, and the potential for automation to improve food safety through real-time monitoring and analysis of the production process while raising yields per animal.

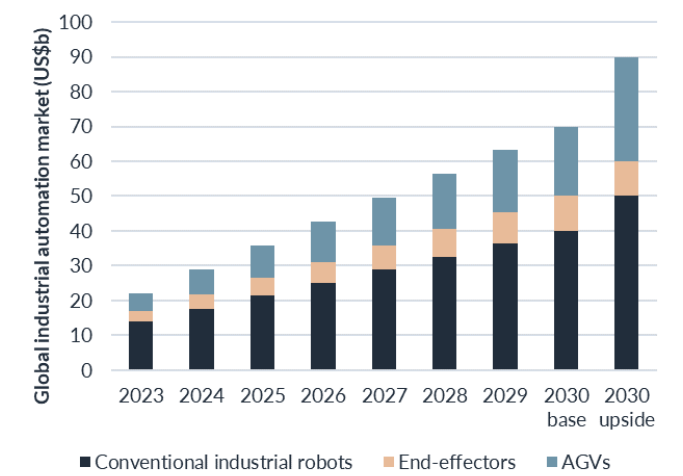
- **Mining**: Automation is expected to play a significant role in the mining industry, with the potential to improve safety, efficiency and lowering costs by reducing the need for human workers to perform hazardous tasks in the mines, laboratories, and refilling vehicles. Several examples of technology are already being implemented in the mining sector, such as autonomous vehicles, automated geochemical analysis and sample crushing. Machine learning algorithms can analyse data from sensors and other sources to identify patterns and optimise mining processes. Caterpillar Inc's electric mining trucks are going to utilise SCT's automated connection systems to support stationary charging of electrified machines without driver intervention.
- **Materials handling and logistics (MHL)**: Automation is already being used to improve efficiency and reduce costs. For example, robots and automated conveyor systems sort, transport and store materials. Smart automation allows for the optimisation of warehouse layouts, improving the flow of materials and reducing the time and effort required to move and store them.

2.3 Total addressable market and growth prospects

Boston Consulting Group (BCG) projections imply an +18% to +22% CAGR until 2030 for the wider industrial automation sector from the current US$20b reaching US$80b annualised in 2030. See Figure 20. We utilise these forecasts and SCT's own market research to analyse the potential for SCT's automation products. Our forecasts for SCT's revenue over the medium term remain conservative based on industry growth forecasts and also to a lesser degree SCT's own obtainable market estimations. BCG has projected +14% CAGR in conventional industrial robots and cobots (collaborative robots) until 2030.

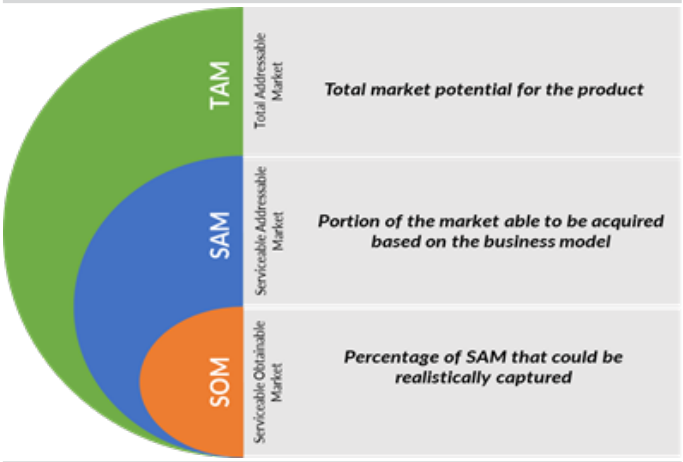
We assess the opportunity in front of SCT in a three-stage model. The assessment framework is shown in Figure 21 below.

Figure 20. Wider industry automation opportunity growing



Source: BCG, Forsyth Barr analysis

Figure 21. Our TAM/SAM and SOM framework for assessing market potential



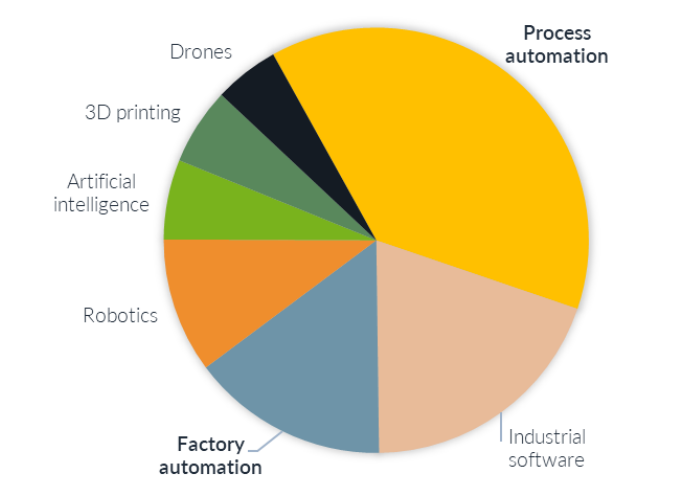
Source: Forsyth Barr analysis

Total Addressable Market (TAM)

We have used various measures to assess TAM in each market segment. Where we have limited information or a general lack of segment drivers we have made relative assessments of industry potential, added-in risk factors and pushed out market entry to provide a more conservative assessment. In segments where we hold greater confidence in our assessment methodology, in the Meat division as an example, the risk assessment is much lower and provides a more reasonable assessment of possible outcomes.

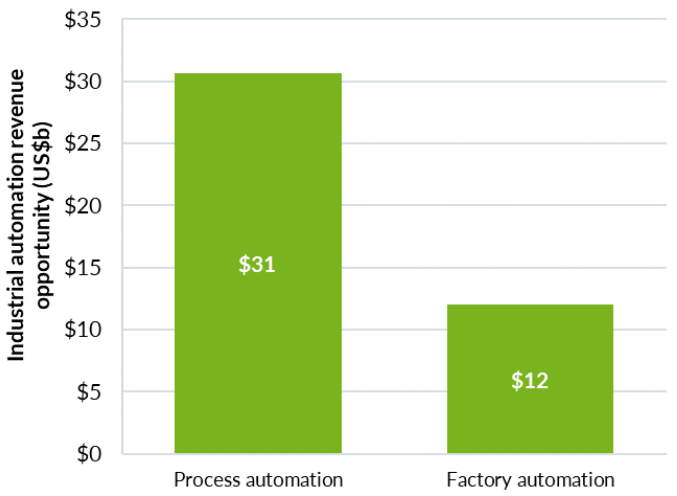
TAM is an improbable level of revenue achievable across all industry participants with full market penetration across a wide definition of the market. As such, it creates a potential total industry demand, albeit we consider it unrealistically large. Our TAM calculation utilises global research and data, segmented by industry. We assess the **TAM at US$43b**. This looks specifically at the 'Process Automation' and 'Factory Automation' segments of wider industrial automation market. See Figures 22 and 23. Flowing a TAM assessment into more realistic terms requires identifying the Serviceable Addressable Market (SAM) within the TAM.

Figure 22. Segments of industrial automation (FY30)



Source: Statista data, Forsyth Barr analysis

Figure 23. Industrial automation segments of SAM (US$b FY30)

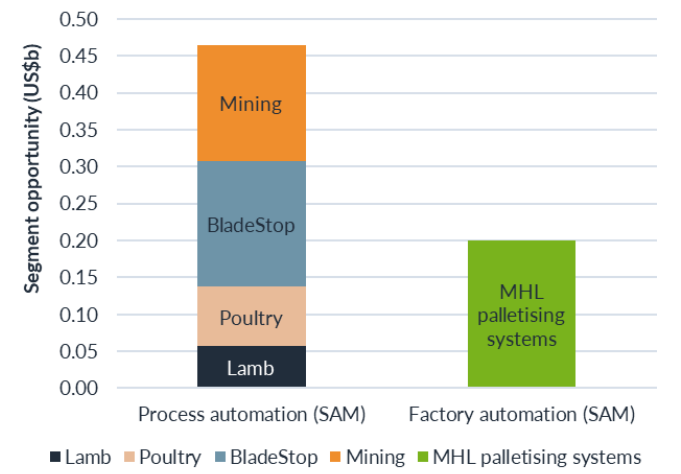


Source: Forsyth Barr analysis

Serviceable Addressable Market (SAM)

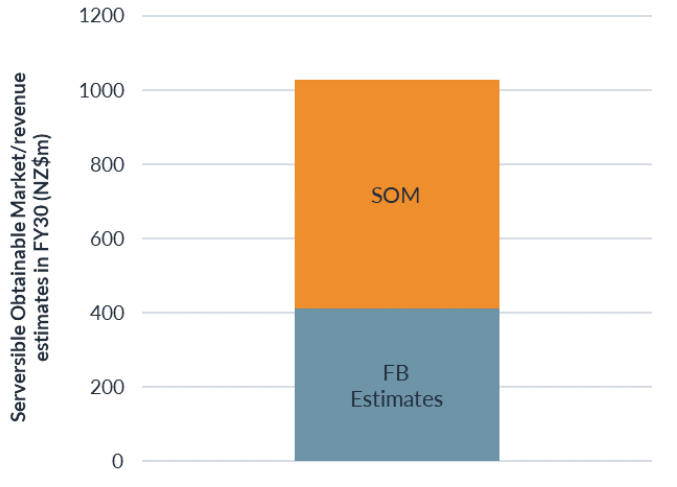
There are, in fact, limitations on any business model, be they geographic limitations, local differences of use, or language barriers. Therefore, the SAM is more helpful in assessing businesses to objectively estimate the portion of the market a business could acquire in the most optimistic of outcomes. We assess the **SAM at US$6.4b**. The third stage of assessing the market size is to make this more realistic and calculate the obtainable portion of the SAM.

Figure 24. Annualised market opportunity/SOM of SCT's top five products (US$b FY30)



Source: Forsyth Barr analysis

Figure 25. Estimates versus SOM estimates(NZ$m in FY30)

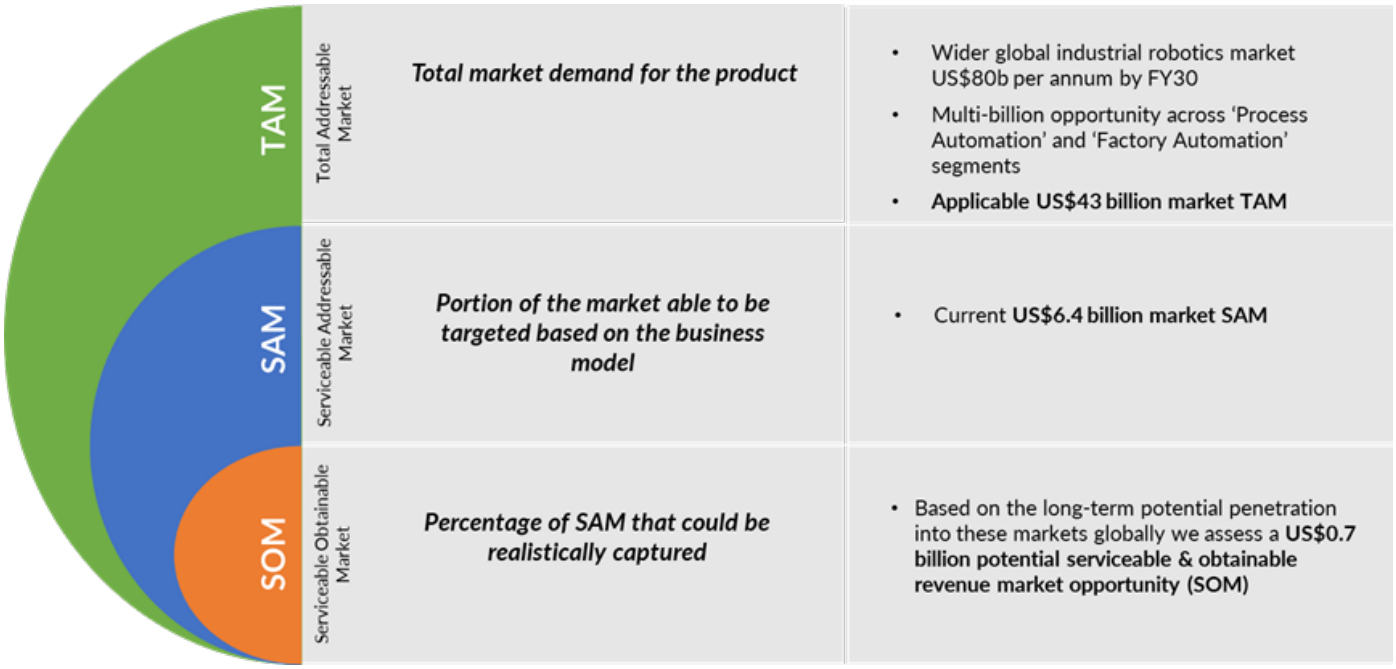


Source: Forsyth Barr analysis

Serviceable Obtainable Market (SOM)

Given market share limitations, it is unlikely that any business could practically capture 100% of a market. Additionally, given that SCT cannot enter each market segment at once, competitors will likely adapt and replicate the product or service offerings, making achieving high market shares in markets entered years later much more difficult. Further, it is often difficult or impossible to convince all potential customers in a market, no matter how compelling the network effect and product benefits are. Given this, an important additional measure is to calculate the Serviceable Obtainable Market, or SOM, to determine how many customers would realistically benefit from buying SCT's product and system offerings. We have used our assessment of SAM to determine a level of achievability in our distinct period revenue estimates. We currently estimate the global **Serviceable and Obtainable Market (SOM) for SCT to be US$665m or NZ$1,027m.** This compares with our SCT distinct period assessment of revenues in FY30 of NZ$410m, providing plenty of scope for exceptional management execution (see Figure 25 above).

Figure 26. Our TAM/SAM and SOM framework in action



Source: Forsyth Barr analysis

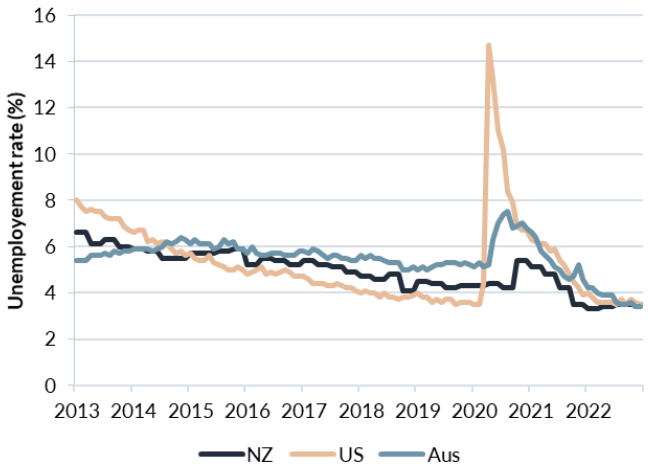
2.4 Key drivers of automation demand

i) Limited staff availability, absenteeism and chronic industry skills shortage

One key driver of growth in the industrial automation market is labour shortages across most industries. According to the 'The Future of Manufacturing: Opportunities to Drive Economic Growth (2022)' report undertaken by Deloitte in collaboration with the World Economic Forum, an estimated global shortage of 10m manufacturing jobs have been unable to be filled due to a growing skills gap. While some relief on labour markets may occur as international borders re-open, allowing for the flow of low-cost labour into western nations, we see the growing demand for automated systems underwritten for many years to come, as organisations try to reduce supply chain gaps.

Border closures and limited worker migration have caused many businesses to face critical staff shortages and record-low unemployment rates. The global manufacturing industry was projected to face a labour deficit well before COVID, due to ageing population trends and declining apprenticeship uptake and trainee completion rates, particularly in developed economies. This has been exacerbated by wage escalation. Since 2007, factory worker wages have more than doubled in China and India. AI and technology improvements are leading to a tipping point for technology, providing a compelling solution to supply chain issues. Automation of one area of a factory can free up workers to fill shortages in other parts of the factory, which further improves investment metrics.

Figure 27. Unemployment at historic lows globally

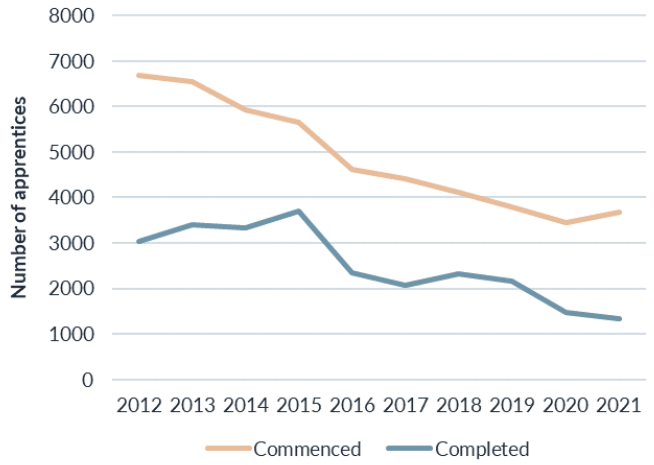


Source: Forsyth Barr analysis, Stats NZ, FRED, ABS

Industry deep dive: Meat processing

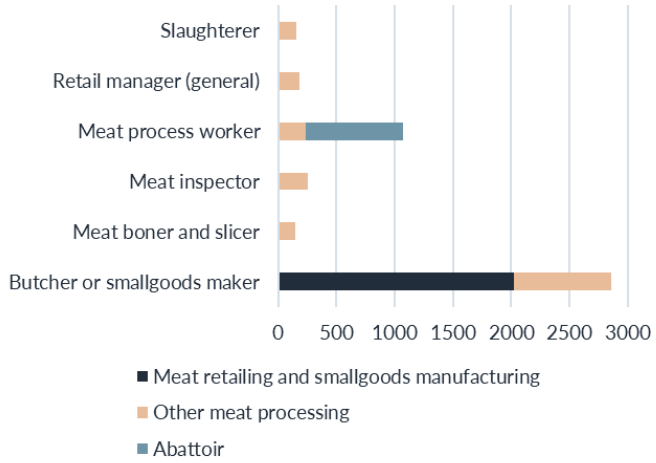
Meat factory automation has traditionally been difficult and uneconomic due to the variability in the size and shape of carcasses. However, chronic industry labour shortages, safety concerns and forced factory closures during the COVID pandemic have driven many meat processors to accelerate the timelines of their automation plans. This has been facilitated by the lower cost of technology and advancements in robot vision technologies. In July 2022, the Australian Meat Industry Council claimed the industry was short 10,000 workers. This has caused supply chain issues and empty meat shelves in supermarkets. This is echoed in other regions around the world. Nick Allen, Chief Executive of the British Meat Processors Association, stated that the UK needed 10,000–12,000 more pork butchers and had 15,000 vacancies in the beef sector as of 2021.

Figure 28. Number of apprentices and trainees commencements and completions in Australia



Source: ASIC, Forsyth Barr analysis

Figure 29. Meat processing training package apprentices and trainees by occupation and qualification cluster in Australia



Source: ASIC, Forsyth Barr analysis

Automation enables meat processors to redirect scarce labour resources into more meaningful, safe and less repetitive work and toward higher-value tasks with more flexibility to raise wages. This is one solution by attracting skilled or semi-skilled labourers to operate and manage automated systems. As a result, robotics and automation generate more significant returns on human capital. In the current environment of labour shortages this will have far more value (and higher ROI) than merely removing headcount.

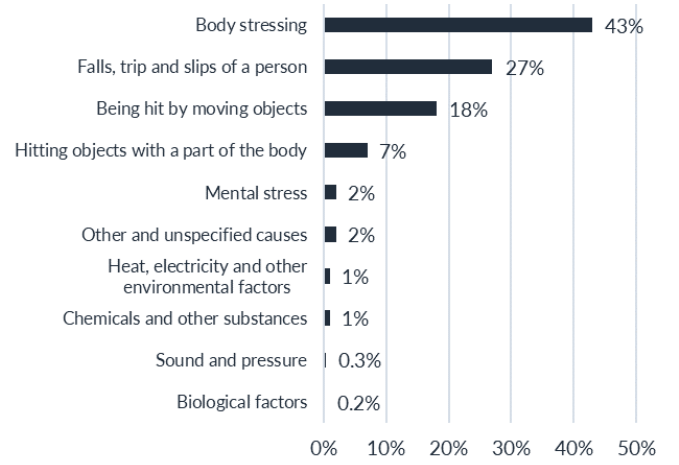
ii) Health and safety concerns

In 2021 US private industry employers reported 2.6m non-fatal workplace injuries and illnesses (US Bureau of Labour Statistics), with 2.3 injury cases per 100 FTE workers. These incidents cost businesses millions of dollars each year despite workplace injury numbers trending down. In 2019 and 2020, Workplace Health and Safety (WHS) authorities across Australia undertook 234,917 workplace interventions, issued 55,210 WHS breach notices and issued a total of A$23.7m in court-ordered fines. Additionally, the National Safety Council estimated that all US work injuries in 2020 amounted to US$169.3b in total cost, when wage costs, productivity losses, medical expenses, administrative expenses, employers' uninsured costs, equipment damage and fire losses were taken into consideration.

Workers in the meat packing industry are exposed to many serious health and safety hazards. They include high noise level exposure, musculoskeletal disorders, hazardous chemicals, dangerous equipment, slippery floors and biological hazards associated with handling carcasses and live animals. These hazards were accentuated during COVID, when the essential nature of the industry and crowded work conditions meant that staff were more vulnerable to COVID exposure, as a result of poor air quality. This is evident in the way meat-processing plants were reported as COVID hotspots in the United States, Brazil, Britain, Germany and Australia. In the US alone, over 200 deaths due to COVID occurred in 2020 across 100 US meat processing plants, according to the Food and Environment Report Network.

Similarly, workers in the mining industry are exposed to airborne contaminants, excessive heat and humidity, prolonged high noise exposure, and other accidents. In addition, they are also subjected to musculoskeletal disorders and the possibility of being hit by moving objects or machinery. In Western Australia, one of the biggest mining capitals in the world, 2,696 workers' compensation claims were lodged, and A$152m of claim payments were paid, up from A$134m in the previous year. The most common injury was traumatic joint/ligament and muscle-tendon injury, which comprised 62% of claims. Technicians, trade workers, machinery operators and drivers lodged the most lost-time claims for injury or disease. SCT's automation in the mining sector largely focusses on process in the laboratory, such as sample preparation.

Figure 30. Lost-time claims proportions by mechanism of incident 2020/21 in Western Australian mines



Source: Forsyth Barr analysis, Work Cover WA

Figure 31. Lost-time claims proportions by occupation 2020/21 in Western Australian mines

Source: Forsyth Barr analysis, Work Cover WA

Case study: JBS Australia

In 2019, JBS Australia was fined A$90,000 for failing to reasonably practice and provide a safe working environment. This was after an employee's left hand was severed at the Brooklyn plant in Victoria. The worker was removing sheep carcass hides that were missed by the primary hide puller machine when a chain wrapped around his wrist, becoming entangled with a back-up hide puller. He was dragged by his left hand and his wrist was fractured. Following the incident, JBS Australia decommissioned the back-up hide puller and invested in new machinery. SCT's BladeStop product is now being installed at all JBS plants across Australia.

Case study: Epic Machinery

In September 2021, an employee had four fingers amputated while using a sheering guillotine to cut sheet metal at Epic Machinery Pty Ltd's factory workshop in Picton, New South Wales. It was reported that the incident occurred when the front guard of the guillotine had been removed for inspection and repair, leaving the machine's blade exposed. However, despite being left unattended for an indefinite period, the machine was not marked as being under repair. He turned away from the machine to locate its foot pedal when the machine activated and the blade descended, crushing four fingers on his right hand and the tips of his left hand's first and second fingers. Epic Machinery was fined A$150,000 by the District Court of NSW for negligence and failing to comply with its health and safety duties.

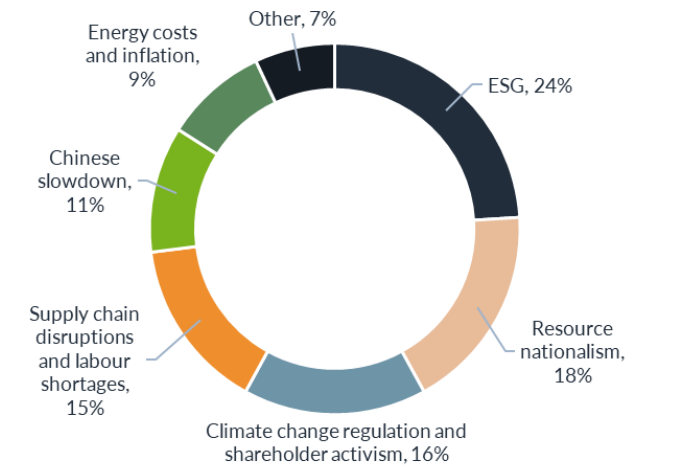
Case study: Newman & Company

In 2015, a worker's leg was amputated after being run over twice by a forklift. The operator admitted to operating the forklift in reverse while counting bales of stacked material and violating all basic forklift safety rules. As a result, one worker did not see another, who needed to undergo nine surgeries to save his leg. In 2019, the worker settled a US$9m lawsuit against Mill Corp, Newman and Company, Bridge View Paper Company, United States Recycling and the staffing agency that stationed him at the warehouse, Corestaff Inc.

ESG considerations building, employee well-being is a critical social component

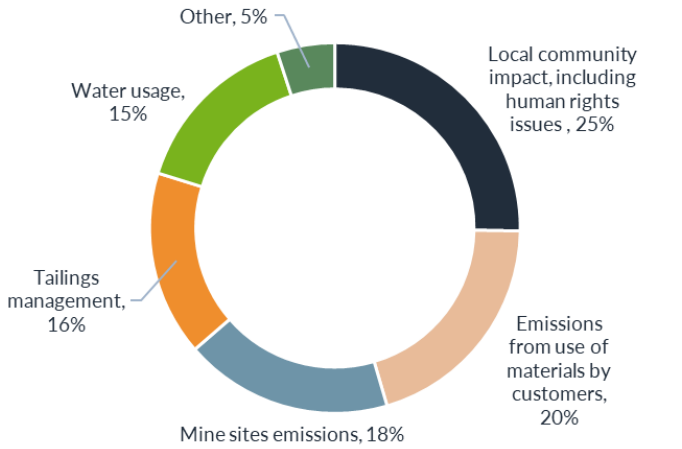
With ESG continually a focal point, management and boards face increasing scrutiny from regulators and pressure from investors to boost their ESG credentials. In White and Cases' 6th annual survey, 24% of senior-decision executives viewed ESG as the biggest threat to the mining and metals industry. This provides the opportunity for robotics and automation to reduce worker exposure to health and safety hazards whilst reducing carbon emissions. Swiss technology company ABB revealed that early adoption of technologies to enable autonomous operations could enable oil and gas companies to lower their annual carbon emissions by 25%.

Figure 32. The key risks and threats for mining and metals



Source: White & Case, Forsyth Barr analysis

Figure 33. Areas of mining and metals facing the most scrutiny



Source: White & Case, Forsyth Barr analysis

iii) Cost savings for customers at high ROI

The adoption of automation and robotics has been on the rise in recent years. This is because businesses seek to improve accuracy, quality, precision, and performance in their industrial manufacturing and processing systems. This is driven by a desire for consistent quality control and the reduction of waste and downtime to boost productivity. For example, an estimated 12% of global meat production is lost between slaughter and retail, while manufacturing lines are estimated to produce US$8 trillion of waste per year. These issues lead to suboptimal product yields, higher input costs and reduced profit margins.

Current advancements in 2D and 3D vision systems have transformed industries such as manufacturing, which have traditionally relied on human inspections and other manual quality control methods. These systems allow product size, shape, and colour inspection to occur without human intervention and with real-time data acquisition. By utilising flexible, configurable and robust technologies, manufacturers can quickly change production lines, reduce waste and lower production costs. The data collected can also be used to identify bottlenecks, monitor energy consumption, and prevent future quality control issues, thereby eliminating costly and harmful risks such as product recalls. In addition, robots and machines do not suffer from fatigue or injuries and do not make human errors. This leads to reduced unscheduled downtime and increased productivity through the reduction of rework.

While automation and robotics offer many benefits, businesses often base their final decision on the return on investment (ROI), given the high upfront capital expenditure required for implementation and installation. However, most automation projects have a payback period of around two to five years, depending on the price and complexity of the robot. This is once the savings in employee salaries, benefits, downtime costs and scrap costs are considered. The cost of technology is also approaching a tipping point where it provides a compelling solution, due to increased competition and the resulting reduction in cost. In combination with the cost savings enjoyed by manufacturers from improved productivity and efficiency with lower waste and labour costs, these factors are critical drivers of the industrial automation and robotics industries.

iv) Competitive need and Industry 4.0

As businesses seek to improve efficiency, reduce costs and enhance quality, they increasingly turn to automation technologies as robotics, artificial intelligence and machine learning become more sophisticated and implementable. Another factor driving growth in the industrial automation market is the adoption of Industry 4.0, which refers to integrating advanced technologies into the manufacturing and production process. Industry 4.0 technologies, such as the Internet of Things (IoT) and big data analytics, enable businesses to monitor and analyse production processes in real-time, identify patterns, and optimise operations, are necessary for a business to remain competitive (see Appendix 6 for further information).

Several regions worldwide are likely to see significant growth in the industrial automation market over the next few years. For example, the Asia-Pacific region should be a significant contributor to the growth of the industrial automation market due to the increasing adoption of automation technologies in countries such as China, Japan, and South Korea. Other regions that are expected to see strong growth in the industrial automation market include North America, Europe, and Latin America.

The industrial automation market will likely continue to grow as businesses increasingly adopt advanced technologies to improve efficiency, reduce costs and enhance quality. As automation technologies become more sophisticated and widespread, they will likely be further integrated into industrial applications. As a result, the industrial automation market is becoming an increasingly important and integral part of the global economy. As a result, manufacturers and other businesses will need to adapt to automated processes to remain competitive.

2.5 Key industry players

Our analysis of competitors products and valuation found that SCT has no individual competitor to rival the company across all its market segments; however, players do exist when isolating one or more of SCT's business segments. We have assessed 11 key competitors across the core solutions. It is challenging to derive market share by segment for two reasons:

1. The more prominent players sometimes only have a division of the business competing against SCT's product offerings, making it challenging to assess scale.
2. Many players are privately owned. This created challenges in finding accurate financial measurements of each company's relative size and scale of competition.

We evaluate four companies to provide solutions within SCT's Meat processing segment. These are 1) Guardian, 2) Frontmatec, 3) Marel, and 4) MHM Automation. Our assessment identified three companies SCT competes with in the Mining segment: these are 1) FLSmidth, 2) Herzog and 3) Orbis. Our analysis also highlighted three players providing services in opposition to the company's Material handling and logistics segment: these are 1) Mecalux, 2) Tavil, and 3) CSI. We also analyse JBT which operates in both Meat process automation and MHL segments. An extensive review of these direct competitors can be found in Appendix 1.

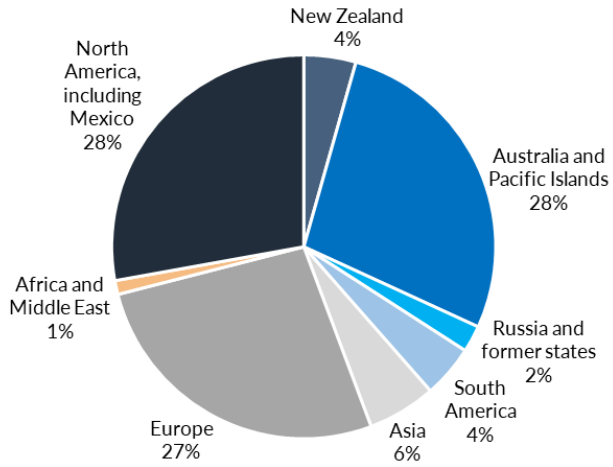
We also reviewed a broader range of comparable companies providing industrial automation solutions in a global context. Many of these companies are significantly larger than SCT and are not direct competitors across any of SCT's business segments; however, these companies are relevant by operating in the industrial automation space. These companies include the super-nationals ABB, Emerson Electric, Honeywell International, Omron, Rockwell Automation, and Schneider Electric. See more information on this competitor set in 'Part 1. 2) Assessment against comparable listed companies'.

Part 3. Scott Technology: A sizable growth opportunity

3.1 Overview of Scott Technology

SCT's market-leading technology is transforming industries by replacing dangerous, dirty, repetitive manual processes with cost-effective, productive, safe automation. SCT has delivered intelligent automation and robotic solutions for over 100 years. Initially established in Dunedin in 1913 as an engineering company, it has developed over time and diversified through acquisitions and organic strategy shifts. SCT's diverse capability makes it one of the leading sector players for many of the world's leading brands across the three core industries: 1) meat process automation, 2) mining sample preparation, 3) materials handling and logistics automation, only a small focus is on other industrial solutions automation. SCT is a global business with operations in 10 countries and customers in over 100 countries. SCT has design and build operations across Australasia, China, Europe and America. SCT listed on the NZX in 1997.

Figure 34. SCT — Revenue by geography in FY22 (NZ$m)

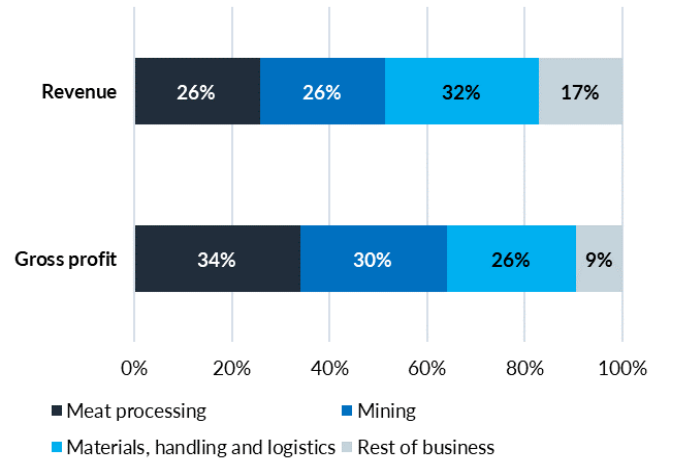


Source: Company, Forsyth Barr analysis

SCT is undergoing a strategy shift away from custom projects and towards productisation utilising its engineering expertise

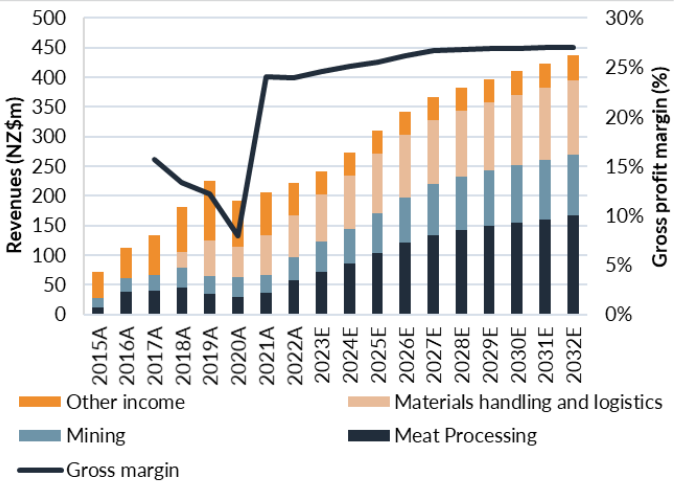
'Scott 2025' is a strategy undertaken by management to pivot the business away from the reliance on bespoke design and build automation projects to driving sales of its world-leading automation products within its three core segments. SCT's productisation will take advantage of SCT's proven reputation for engineering excellence and quality, helping customers solve complex problems with smart products and solutions that strengthen operations and help future-proof its success. SCT's brands are market leaders in their automation categories and SCT continues to invest in innovation while being cognisant of being a profitable business. SCT is redefining end-to-end automation that covers all stages within multiple industries, from design to commissioning and service. We believe through this strategy shift and industry outlook with significant growth drivers, SCT should see sizable revenue growth through the medium-term. We forecast SCT's revenue to grow at a +7% CAGR over the next decade, and with small margin improvements due to (1) economies of scale earned from repeat sales of singular products, and (2) less bespoke projects that have often ended up loss making. We estimate an impressive +10% CAGR for SCT's NPAT over the next decade. The productisation strategy should also aid SCT in smoothing earnings compared with its historic volatility with more predictable product margins.

Figure 35. SCT — Revenue and gross profit by segment



Source: Company, Forsyth Barr analysis

Figure 36. SCT — Group revenue and gross margin (NZ$m)



Source: Company, Forsyth Barr analysis

3.2 Meat process automation

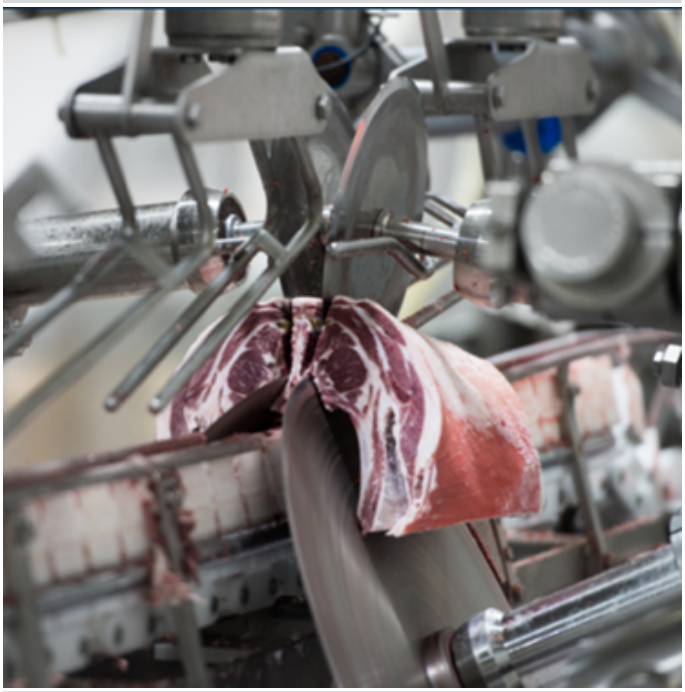
SCT is a leading global provider of automated and semi-automated meat processing solutions, designed and manufactured to help meat processors improve their productivity, throughput and efficiency, whilst enhancing food and operational safety improvements.

Designed specifically for the meat industry, SCT's automated cutting equipment is available to the lamb, poultry, beef and other meat processing industries. X-ray and vision technology provides accurate and exact cutting specifications, tailored to the exact measurements of each carcass. It also offers automated composition grading, deboning, scribing and cutting equipment to help processors extract more value from each carcass. This helps increase their competitiveness by deriving a higher quality product with a higher yield while reducing health and safety risks and a relatively fast return on investment.

STC's solutions include:

- X-ray Primal
- BladeStop^{TM} safety bandsaw
- Poultry trussing
- Cutting/Boning systems

Figure 37. SCT cutting system in action

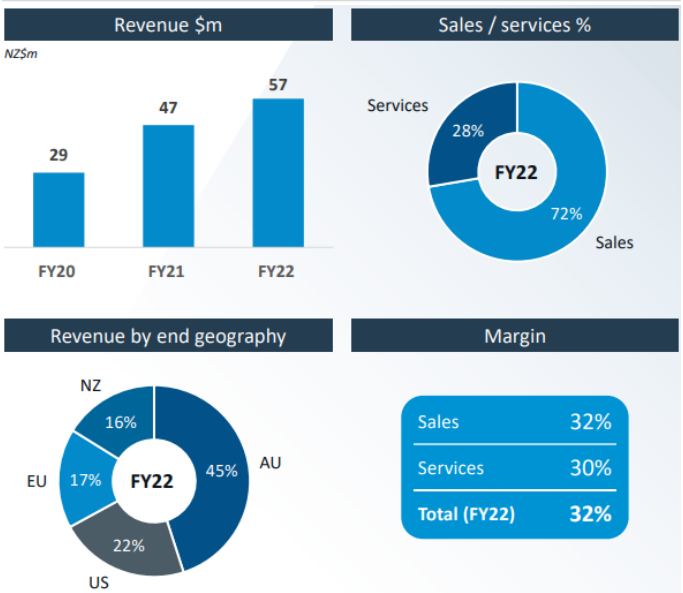


Source: Company

Demand for market leading meat products should drive continual high revenue growth and small margin improvement

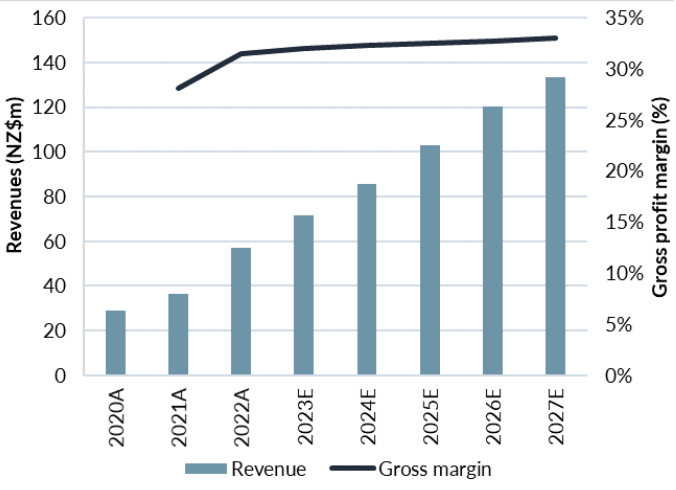
Meat processing is SCT's fastest growing sector. We forecast revenue growing at a +18% CAGR over the next five years, driven by customer uptake due to increased health and safety awareness alongside industry wide skills and labour shortages. In FY22, strong demand for BladeStop safety bandsaws and the Lamb primal systems saw revenue for the division grow by +56% to NZ$57.1m (NZ$36.7m in FY21), constituting ~26% of SCT's total revenue at a 32% gross margin. The meat processing business has grown revenue at a +8% CAGR over the last five years, with higher growth seen in the services revenue line. SCT's meat automation systems have successfully established a global presence, contributing ~45% of Australian revenue, ~17% of European revenue, ~24% of American revenue and ~18% of New Zealand revenue. In addition to the strong revenue growth we forecast continual gross margin improvement from the 31.5% achieved in FY22 to 33.0% in FY27.

Figure 38. Key meat division charts (FY22)



Source: Company

Figure 39. SCT — Meat revenue and gross margin

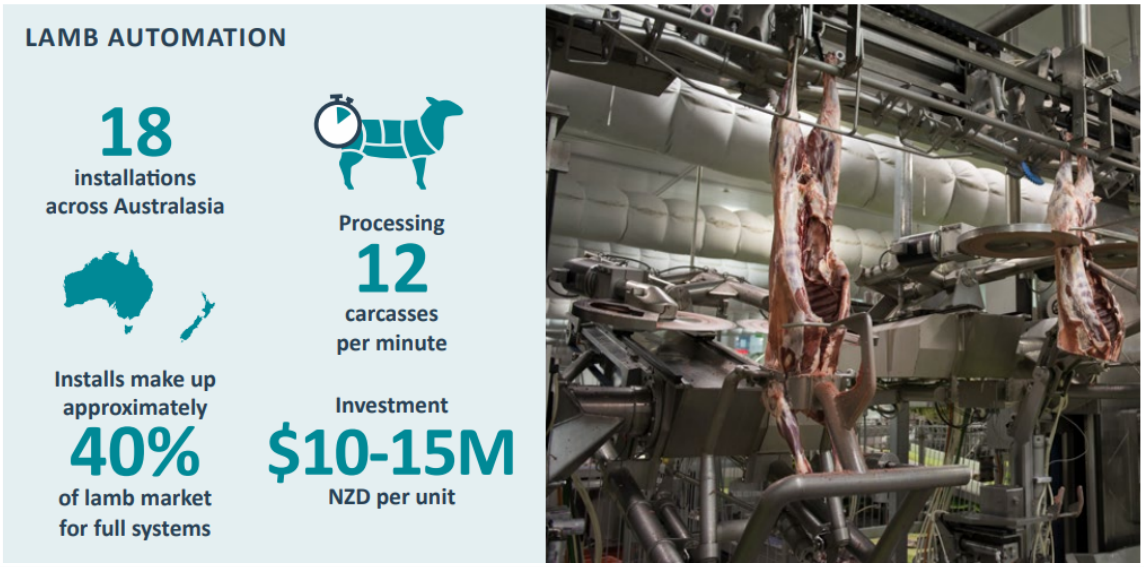


Source: Company, Forsyth Barr analysis

i) Lamb automated boning room with X-ray Primal system

The SCT's automated boning room system processes "bone-in" meat products at 12 carcasses per minute. At NZ$10m to NZ$15m per unit, this system maximises yield, minimises waste and increases food safety whilst reducing operational costs. Our estimates include one or two lamb primal systems units sold annually over the forecast horizon. Six machines are seamlessly integrated for a smooth transfer of product from one unit to another. Before being processed, the carcass passes through the X-ray grading system, to provide cut specifications tailored to each carcass. The X-ray data is provided to all downstream boning room modules.

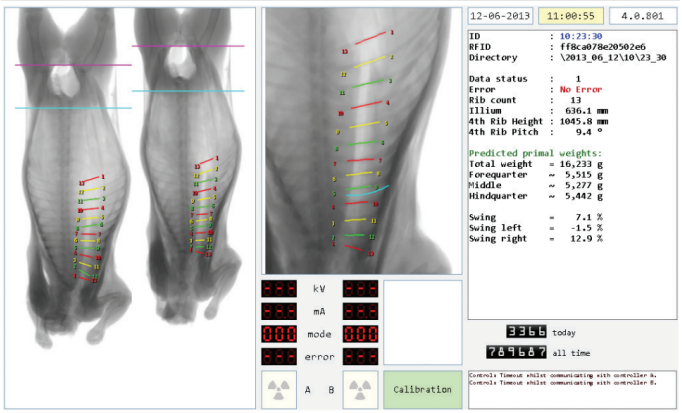
Figure 40. Lamb automation



Source: Company

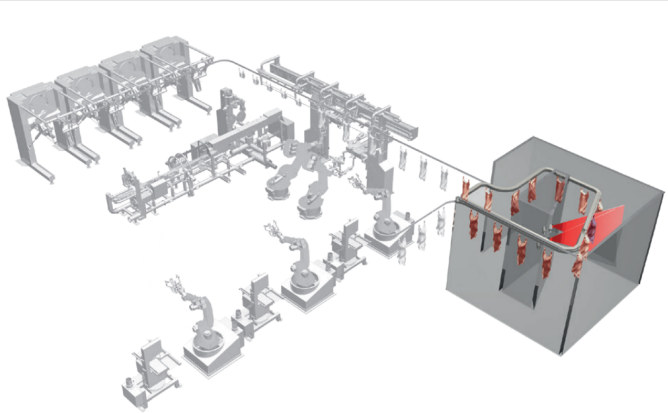
The X-ray Primal system creates a precise 3D map of the bones within a carcass which guides the primal cutter to make clean, precise cuts separating the product into the three primal sections. The primal cutter's unique dual rotating circular knife reduces contamination and yield loss from bandsaws, adding 40g more loin on average due to its ability to make an inverted cut close to the bone. These sections are then passed to the forequarter, middle and hindquarter systems for further processing. A knuckle tipper system finally removes the knuckle tip from the hind leg. The middle system can process 10 carcasses per minute, increasing yields by 60g on average per carcass. In the forequarter system, a robot arm grabs the forequarter uses a bandsaw to make marketable cuts of meat calculated by the 3D imaging system, which scans each forequarter with a 3D vision camera.

Figure 41. The X-Ray grading system output



Source: Company

Figure 42. Schematic of the lamb automation system



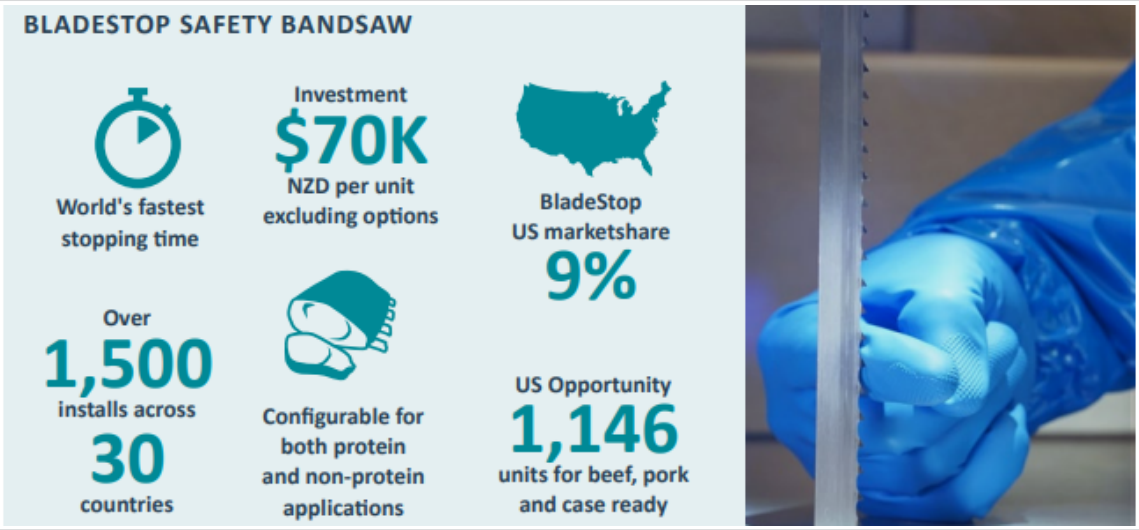
Source: Company

With 18 lamb automation systems installed across Australasia, approximately 30% of all New Zealand lambs are processed on a SCT automation line. SCT believes 60% of the market still needs to be captured. In September 2022 SCT secured an NZ$11m deal with Silver Fern Farms, a New Zealand lamb processor. This deal will deliver a fully automated lamb processing system for the Silver Fern Farms Finegand plant in South Otago. SCT also secured a NZ$10m contract to design and build a lamb-boning system for Thomas Foods International's plant in Tamworth in April 2022.

ii) BladeStop™ safety bandsaw

SCT acquired the business assets of Bladestop Pty Limited in late 2016 for NZ$6.4m. The BladeStop™ safety bandsaw is a SCT multi-award-winning product with 1,500 units installed across 30 countries. The BladeStop braking mechanism boasts the fastest stopping time on the market. It reduces the risk of serious injury by mechanically stopping the blade within milliseconds of detection that an operator has come in contact with the blade. It is the only safety bandsaw tested and certified by a notified body with DGUV certification. BladeStop is also a unique dual-sensing system for maximum operator safety. In addition to its touch-sensing capability, it is also integrated with the GloveCheck system, which detects high-speed operator glove movements occurring in a zone immediately upstream from the blade. Hence, BladeStop is ideal for quick and hand-flick-cutting tasks. The machine is available in three models and has a fast restart function without needing to change blades between stops. It was recently updated with new coated jaws to increase the product's service life by extending the number of triggers by 50%.

Figure 43. BladeStop safety bandsaw



Source: Company

The enhanced safety features of BladeStop benefit companies by reducing the prevalence of workplace injuries, enabling meat processors to benefit from less employee downtime after incidents and sick leave. Increasing employee productivity whilst minimising their likelihood of being socially, psychologically, emotionally and financially impacted by severe injury or amputation. Processors benefit from reduced expenses related to rehabilitation costs for injured workers and lower insurance premiums.

Sizable market opportunity ahead for BladeStop

SCT estimates its penetration of the US safety bandsaw market to be ~9%. With a number of bandsaws in the large US market yet to be converted to cutting edge technology, SCT estimates there is an opportunity for another 1,146 BladeStop products to be sold. This equates to NZ$80.2m in revenue at the current NZ$70,000 price. This does not include possible market share gain and opportunities outside the US market or other market segments. Continual global uptake of this product should be a leading driver of strong revenue growth in the meat processing division over the next five years. In FY22, BladeStop saw solid uptake in the Europe and US markets. SCT foresees accelerated sales in FY23 due to more robust demand for increased operator safety. Due to the product's high adaptivity, in the future SCT aims to increase the product's market potential by penetrating non-protein industries like aluminium and carbon. Our estimates include between 300 and 700 BladeStop safety bandsaws sold annually over the forecast horizon.

Figure 44. BladeStop in use

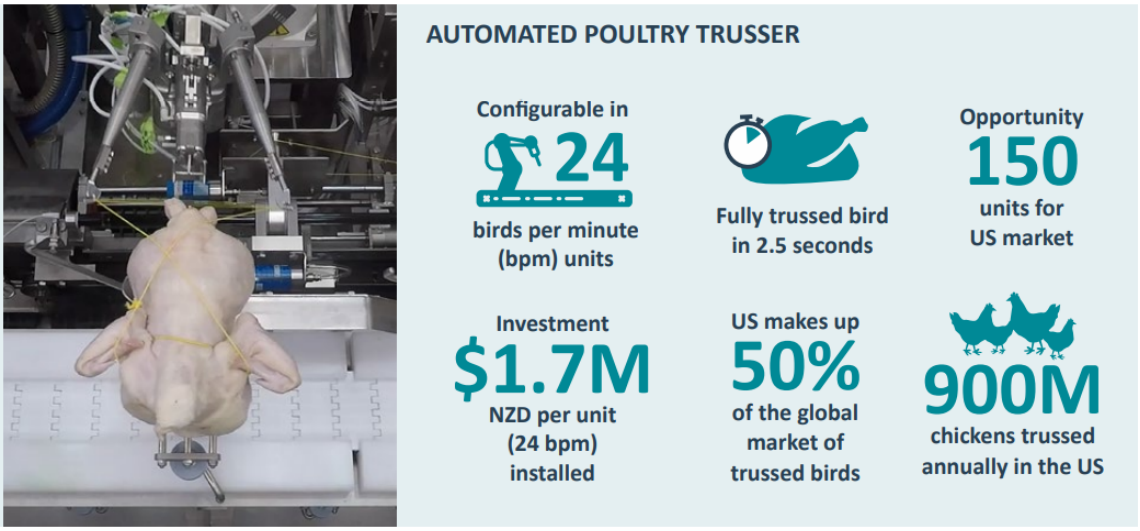
Source: Company

iii) Automated poultry trusser

The SCT automated trussing system is adaptable and flexible, with options for trussing 24, 48, 72 or 96 birds per minute. Each 24-bird-per-minute line can operate independently, consisting of two Kuka robots, each capable of trussing a bird in five seconds, a shackle conveyor and two trussing supply string-making machines. In addition to being modular and configurable, the system is also hygienic and wash-down ready whilst being water efficient to minimise operating costs.

SCT designed this revolutionary proprietary technology for Pilgrims, one of the largest bird processors in the US market. This market comprises 50% of the global fully trussed bird market, with over 900m chickens trussed annually in the US, representing an opportunity for 150 units for SCT. At an investment cost of NZ$1.7m, gradually converting these unit opportunities will be a key driver of revenue for the meat processing division alongside BladeStop and Lamb primal systems. By automating this traditionally labour-intensive process, SCT's technology is helping to reduce the prevalence of repetitive strain injuries and associated staff turnover rates, enabling poultry processors to enjoy significant labour savings. In January 2023 SCT announced they had signed a significant partnership with retail giant Costco Wholesale for an initial order of two poultry trussing machines with an additional eight anticipated in the coming months. Our estimates include between four and 18 poultry trussing systems sold annually over the forecast horizon as the product gains customer traction.

Figure 45. Automated poultry trusser



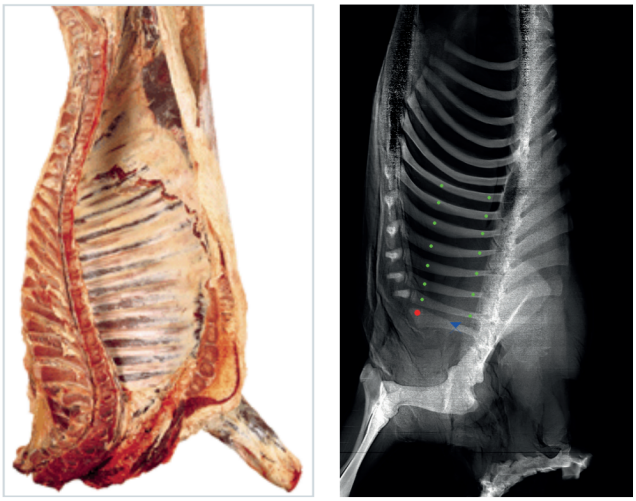
Source: Company

iv) Beef processing equipment

SCT developed a range of beef processing equipment following the success of its lamb processing solutions. In 2021, SCT signed an NZ$18.9m deal with Teys and Meat & Livestock Australia to design, build and commission the first automated beef-boning system. SCT expects the system to process 200 carcasses an hour and anticipates it to be launched by 2023. We consider the potential for the beef processing system to be as significant in the long-term as the lamb primal system.

- **Beef boning unit:** The beef boning unit is a flexible, powerful mechanical arm that replaces the traditional boner's meat hook to allow for easier boning of aitchbones and knuckles. The unit has a pull force of up to 230kg and a pull stroke of 950mm. All power is removed from the system once the handpiece is released.
- **Beef rib cutter/scriber:** This robotic system uses a combination of X-ray, 3D scanners, colour cameras and robotics to maximise accuracy and yields. DEXA technology provides objective information on the lean meat, bone and fat composition of each carcass in a timely and accurate manner. Prior to boning, the beef sides are scribed using a robot with an integrated scribing saw and sensing technologies that precisely establish positions and profiles prior to cutting. Thus this unit frees processors of skilled labour shortage constraints in a task that traditionally could not be undertaken by unskilled operators. This is due to the accuracy required to maximise yields, resulting in a labour reduction of two to three operators per working shift.

Figure 46. Accuracy via technology



Source: Company

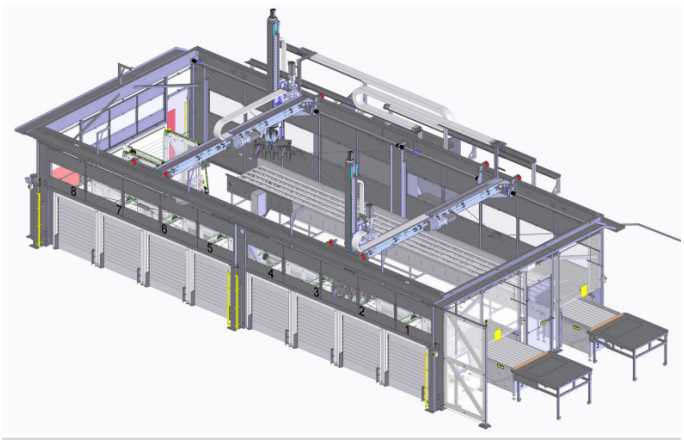
Figure 47. Beef boning unit

Source: Company

v) Hide palletising system

The hide palletiser machine automatically weighs folded beef hides and palletises them to one of 10 pallet stations of designated quality, weight grades and/or destination. This system can process more than 450 hides per hour, reducing the workload of up to six staff per shift, resulting in a payback of approximately two years.

Figure 48. Hide palletising system schematic



Source: Company

Figure 49. Striploin saw

Source: Company

vi) Striploin saw

The striploin saw efficiently and safely removes the striploin from the chin bone. A laser is employed to line the cut made by an angled blade to ensure high-yielding, consistent cuts. The operator must grip two control handles, keeping their hands safe from the bandsaw blade. A moving table was recently developed to allow the operator more flexibility to set the appropriate cut profile.

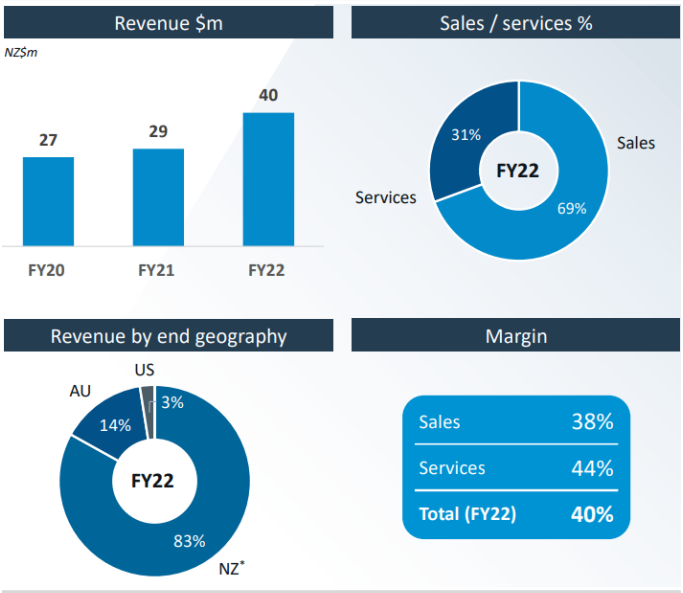
SCT's primary focus for FY23 will be to sell more lamb primal systems and extend this technology into beef and pork, as well as to implement new poultry trussing systems in the US and across other relevant markets such as Australia and the UK.

3.3 Mining sample preparation

Mining was SCT's highest margin sector in FY22, consisting largely of Rocklabs brand products: sample preparation equipment and modular sample preparation systems. Today, SCT exports Rocklabs automation equipment to over 100 countries and is a leading global supplier of crushers, pulverisers and sample dividers for gold, silver, platinum, iron and palladium mining operations. SCT estimate they have captured between 5-10% of the mining automation market globally. SCT is also a leading producer of high-quality certified reference materials, which are tested, certified and internationally recognised as the most accurate and reliable reference materials.

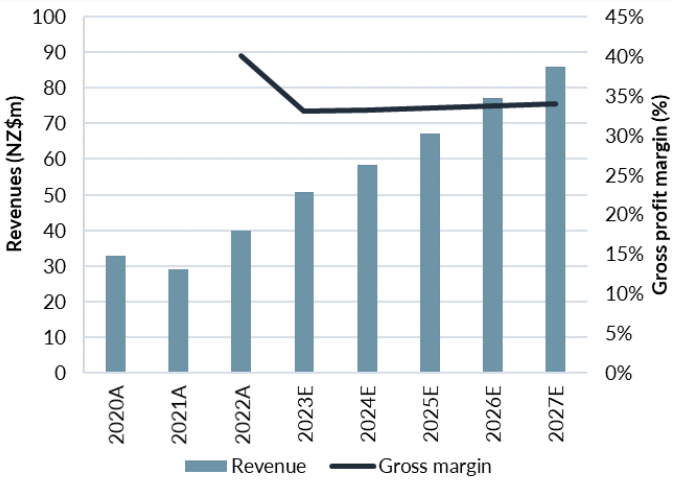
As a result of the company's established global reputation in the global mining sector and strong sample preparation product demand, SCT's mining division continues to grow. It achieved a five year revenue CAGR of +9% up to FY22, including revenues growing +38% to NZ$40m in FY22. We forecast mining division revenue to grow at a +16% CAGR over the next five years. Rocklabs mining products achieved a 40% gross margin in FY22, supported by high-margin recurring services, which accounted for 31% of FY22 revenue. We forecast mining gross margins to fall to 33% in FY23, before rising to 34% in FY27. Mining solutions make up ~65% of New Zealand revenues (including sales to international distributors), ~10% of Australia and ~2% of US revenues.

Figure 50. Key Mining division charts



Source: Company

Figure 51. SCT — Mining division revenue and margins



Source: Company, Forsyth Barr analysis

Figure 52. SCT's automated mining sample preparation equipment in action

Source: Company

Mining automation market continues to look appealing, SCT's strategy shift should see more consistently high margins

Despite geopolitical pressures and supply chain logistics issues, SCT's mining laboratory and automation products continue to be in high demand. Surging global precious metals prices have encouraged mining operations across Australia, Europe, North America and Africa to invest in increasing mining capacity and output. This has enabled SCT's revenue to be largely unaffected by government-imposed sanctions that have suspended the supply of SCT mining products supplies into Russia, a previously expanding market. On a macro scale, high demand for SCT's automated solutions and services will be supported by the mining industry's growing acceptance of embracing new technologies and analytical techniques. This will be alongside the increased prioritisation of ESG value alignment amongst environmental and operator safety concerns.

SCT's efforts and resources over the past two years have been largely directed towards executing its multimillion-dollar contract with Rio Tinto to design and build the Gudai Darri automated mine laboratory, which when completed "*will be the safest, most productive and highest quality iron ore facility in the world*". SCT has also placed value on the ramp-up and commercialisation of a complex automated mining system in Australia for MinAnalytical. In November 2022, SCT announced an agreement with Caterpillar to design an automated charging system for electric mining vehicles that require more frequent refuelling than traditional diesel vehicles.

In the past five to seven years SCT suffered from significant margin erosion due to high complexity and highly tailored end-to-end systems. In FY23, SCT will continue to focus on transitioning its mining segment offerings towards a more 'modular' product approach. This strategy has proven to be a successful, more efficient and high margin strategy that allows SCT to deliver competitively priced solutions with lower risk. Our estimates include between 450 and 800 mining sales annually, where mining unit prices range from NZ$40,000 to NZ$200,000 per unit, averaging ~NZ$85,000.

Rocklabs

Established in 1969, Rocklabs was a commercial mining sample specialist for geochemical analysis. In 1975, the company began producing sample preparation equipment on a grander scale. In 1997, Certified reference materials for gold were added to the product portfolio. In 2008, SCT acquired Rocklabs and in 2010 for NZ$10m, acquired a key supplier of reference materials to the Rocklabs business. Since then, Rocklabs has extended its automation product offerings and automated solutions, and expanded its reference materials range to include Silver, Platinum and Palladium. Rocklabs products are manufactured under Telarc-certified management systems to the following standards:

- ISO 9001:2015 Quality Management System
- ISO 14001:2015 Environmental Management System
- ISO 45001:2018 Occupational Health and Safety Management System

Rocklabs equipment is utilised in mining in more than 100 countries, exploration and scientific research organisations in various applications and industries. These include commercial and academic labs, research centres, glass makers and cement factories.

i) Boyd crushers

The Rocklabs Boyd crusher was the world's first double-acting jaw crusher. Available in various sizes and configurations, the product revolutionised sample processing. It is the crusher of choice for many laboratories as it is operationally reliable, easy to maintain and consistently high performing. The Boyd crushers offer the highest crushing performance with a consistent 90% passing the 2mm result and the ability to shrink samples by up to 35 times their original size. The crushers are also equipped with strict safety features for operator safety. A crusher can be used either standalone or in combination with other Rocklabs machines.

Figure 53. Smart Boyd RSD combo

Source: Company

Figure 54. Boyd crushers comparisons

	Boyd Elite	Mid Boyd	Big Boyd
Input Size	70mm	110mm	160mm
Output	2mm	4mm	10mm
Jaw Width	300mm	300mm	400mm
Capacity	5 kg	15kg	20kg

Source: Company

ii) Rotating sample dividers

With a customizable split ratio, single or duplicate outputs, best practice impartial, proportionate subsampling, the Rocklabs rotating sample divider is designed to separate a representative sample. There are two models, the Standalone RSD, which offers two splitting options and the more compact Benchtop RSD, which can be used with the Benchtop Ring Mill. Both products can take a representative split of any portion between 2% and 50%. The standalone RSD can perform a single split and remainder, or a duplicate split and remainder with the available bypass bin.

Figure 55. Standalone RSD & Benchtop RSD

Source: Company

Figure 56. Sampling performance

Method	Standard deviation (%)
Cone and quartering	6.81
Scoop sampling	5.14
Riffle splitting	1.01
Table sampling	2.09
Rotating splitting	**0.125**
Random variation	0.076

Source: Company, Forsyth Barr analysis

iii) Pulverisers

The Rocklabs Pulverisers range is reliable, secure and robustly designed to process a wide range of sample materials, from 1g–10kgs to a final size of ~75 microns with very low sample contamination. Outputs can then be analysed by instrumental methods or chemistry.

Figure 57. Rocklab's pulveriser

Source: Company

Figure 58. Rocklab's pulveriser range

Product	Max input size	Product Size	Sample Size	Machine Mass
CRM	8mm	Single tier: ~300µm (+80%) Double tier: ~100µm (+95%)	1-10kg	475 kg
ABM 3000	5mm	95% ~75µm	1500g	
RM1000	8mm	75µm	1-1000g	390kg
RM2000	10mm	75µm	200-1500g	390kg
Benchtop Ring Mill	8mm	100µm (95%)	1-100g	67kg

Source: Company, Forsyth Barr analysis

iv) Certified reference materials

Reference materials are essential for quality assurance and quality control management. Exploration companies and laboratories use them because they are made from pulverized rock with known mineral content for analysis by fire assay or aqua regia digestion. Rocklabs reference materials have gained international recognition for offering reference materials of the highest accuracy and reliability, certified for Gold, Silver and Platinum group elements. Production details and characteristics of the reference material are included in a certificate issued with each consignment of sachets or jars sold.

SCT's team of chemists, geologists, and statisticians provides guidance on the use of reference materials and result analysis. One sachet per sample batch or one sachet for every 50 samples for large batches can be sent by exploration and mine geologists to the laboratory for gold analysis.

The homogeneity, correctness and precision of the assigned analyte concentration are rigorously verified. Each manufacturing cycle is subjected to an international proficiency test, usually involving 50–60 reputable mining laboratories worldwide. A qualified statistician independently determines the final numbers.

v) Roboprep automated sample preparation system

Roboprep robotic sample preparation technologies provide commercial and mine site laboratories with enhanced flexibility and capacity by offering a fully enclosed, highly efficient and productive process that ensures the continual preparation of high-quality samples for analysis. This product can process Drill Core, Reverse Circulation and Blast Hole samples, featuring the Rocklabs Gryst Mill, which can handle 3kg samples at a grinding performance that exceeds 90% passing 75µm. Each RoboPrep system is a customised solution built to meet individual client's requirements. Bins are loaded with samples before the first robot picks them up and passes them through the crushing cell in which there is a Big Boyd Crusher, three Boyd Elite Crusher modules, bypass feeders and linear sample dividers. The samples are then transferred to the pulverising cell which contains six automated Batch Mills. The samples undergo sand washing before being split into Pulp Aliquot, Replicate and Archive splits and then loaded into cassettes for changeover and subsequent analysis.

Figure 59. Roboprep robotic sample technology in action

Source: Company

Figure 60. Rocklab's automated preparation/analysis machine

Source: Company

vi) Rocklabs linear automated preparation and analysis

Linear automated sample preparation systems involve machine modules linked to control and automate sample handling and processing across the stages of crushing, splitting, pulverising and weighing. These systems enable safe, dependable, reproducible, low-contamination sample preparation at rates of 10 to 40 samples per hour. Due to the modular nature of the linear automation systems, they can be designed and built to cater to the client's specific needs, utilising modular components.

Mining automated solutions — Robofuel

In automated refuelling, conventional mining equipment is refuelled using a robotic arm, eliminating the need for refuelling facilities to be staffed by personnel. This helps improve operator safety by eliminating risks associated with exposure to flammable liquids, potential tyre failures, falling objects, and manual, repetitive strain activities. It also reduces costs and increases the site's productive hours. Mine site trucks are safer and more available as refuelling stations can be placed "on the circuit" or even "in the pit". This saves truck operators up to an hour each day, from time used to refuel in isolated areas away from the pit.

Robofuel does not require any additional equipment on the vehicle and can be configured to fit all commercial fuel nozzles and receivers. State-of-the-art vision sensing and detection technology allows Robofuel to accurately locate the position and orientation of the truck's fuel tank, which enables it to couple the fuel nozzle to the tank. Controlled coupling, pumping and monitoring are used to minimise fuel spillages and mitigate environmental contamination risks. Robofuel can be used in a variety of applications.

Figure 61. Robofuel in action

Source: Company

SCT has partnered with Caterpillar to apply its proprietary Robofuel technology to electric vehicles. This is in anticipation of Caterpillar's electric vehicle fleet rollout for BHP and a Nouveau Monde graphite mining project. SCT's solutions will be integral to accelerating EV mining vehicle uptake, as electric vehicles need to be refueled more frequently compared with diesel trucks. This will help reduce the carbon emissions of trucks currently in use, which on average consume 250,000 gallons of fuel per year and emit 2,430 tons of CO_2.

3.4 Materials handling and logistics (MHL)

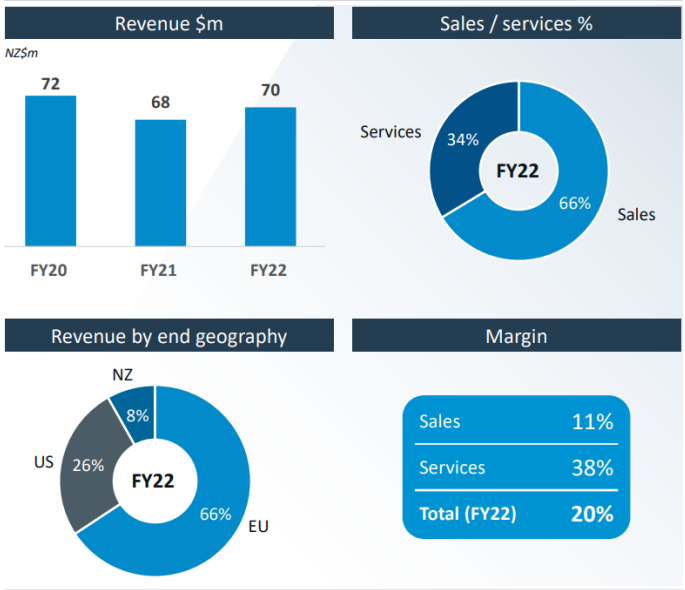
SCT offers a comprehensive array of internal logistics and materials handling solutions. This division primarily comprises automated palletising and sorting equipment which operates in manufacturing and warehouse operations. Key clients include large food manufacturers such as Danone, McCain Foods Ltd and Friesland Campina. Automating materials handling and logistics procedures boosts production line efficiency and saves costs whilst increasing employee health and safety.

Products include multi-line palletising systems for limited space and medium-speed production lines, end-of-line palletising for manufacturing sites with very high production volumes and robotic palletising systems for slower production lines. These robotic and automated systems facilitate all product movement, packing, palletising, warehouse storage and distribution. They can also handle a variety of packaging materials, including cases, cartons, trays, crates and pallets.

In 2020 SCT announced its global partnership with Savoye, a French high-speed storage and retrieval system organisation. This will enable SCT to integrate Savoye's X-PTS® storage solution and thus include automated carton storage and retrieval technology within SCT's own conveying, sorting and palletising applications.

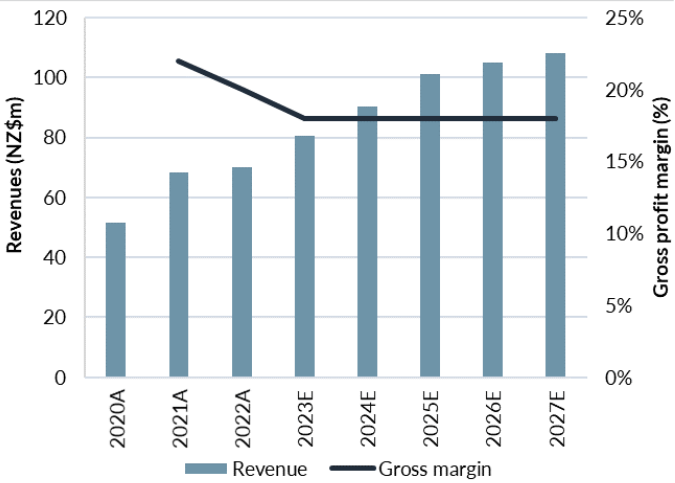
In FY22, the MHL segment contributed to 32% of total revenue, growing revenue +3% in FY22 to NZ$70.0m from NZ$68.2m in FY21 (restated). This was at a 20% gross margin despite the adverse supply chain disruptions and pressures faced by SCT's European operations, which are close to the conflict in Ukraine. MHL makes up ~79% of Europe revenues, ~34% of US and ~11% of New Zealand revenues. We forecast MHL division revenue to grow at +9% CAGR over the next five years, at a flat gross margin of 18%.

Figure 62. Key Materials Handling and Logistics (MHL) charts



Source: Company

Figure 63. SCT — MHL revenue and margins



Source: Company, Forsyth Barr analysis

Alvey

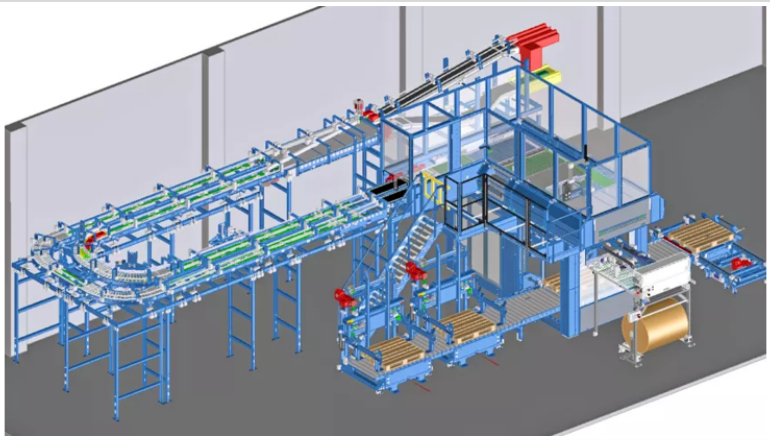
SCT acquired Alvey from Maarten van Leeuwen, Frederic Hermier and Olivier Claerbout and Aaron Vanwalleghem in 2018 for NZ$26.7m at a 4.5x EV/EBITDA multiple. SCT's material handling and logistics segment specialises in producing tailor-made industrial automation projects with a focus on end-of-manufacturing lines. Alvey is based in Belgium and has operations in France, the Czech Republic and the United Kingdom. Alvey's key strength lies in solutions that involve multiple lines where mixed products are sorted, consolidated, palletised and distributed to the warehouse. In January 2023 SCT announced it has been contracted to build a system for Australian fibre cement company James Hardie. Our estimates include one incremental automated warehouse system sold annually, but we consider there to be a significant upside opportunity upside if the introduction into the US is successful. Complemented by its Maestro+ software package, Alvey offers a wide portfolio of industrial services and systems:

- Conventional layer and robot palletisers
- Pallet or case conveyors
- Order preparation systems
- Automated storage and retrieval systems (ASRS)
- Other material handling equipment (crates, boxes of various sizes and open trays)

i) Multi-line palletising systems

In these systems, several production lines are linked to one or more palletisers. Finished production is automatically transferred to a buffer area. When enough products are accumulated to fill a complete pallet, the system calls up the product and transports it to the palletisers. To ensure the highest hygiene, safety and quality, palletising machines are not usually placed within the production hall itself. The system is fully automatic and a large number of parameters can be configured to the needs of the manufacturer and end user. These include the type of pallet, the stacking pattern, separator sheets and wrapping. Installation can be fully computer driven but is enhanced when combined with SCT's Maestro+ software, which provides a user-friendly operator interface. The software allows for better error messaging and reporting for production and maintenance.

Figure 64. 3D layout of an end-of-the-line palletising project



Source: Company

ii) End-of-line palletising systems

End-of-line palletising systems are typically installed in food and beverage producers, where transit cases must be accurately aligned to maximise stacking strength. SCT's robotic servo driven layer palletisers are designed to handle between 20 and 150 packs per minute. The latest 4.0 generation boasts high reliability, fast recovery times and energy efficiency with little required maintenance. This means that processors can enjoy increased capacity, financial returns and line efficiencies. Depending on the required rate of production and type of product, SCT's solutions are based on two types of technology:

1. The multi-axis robot. The four or six-axis system is coupled with gripping tools, which enable access to products from low or high levels depending on the location.
2. Layer palletisers with high level infeeds and no need to grip the product allow for a more controlled and precise layer alignment.

Figure 65. Benefits of end-of-line solutions

End-of-line solution benefits	Multi-line solution benefits
■ High capacity	■ Clear separation between production and logistics
■ Excellent operator visibility and access	■ Significantly enhanced line efficiency due to the buffering and accumulation process
■ Greater line efficiencies	■ Reduced upstream stoppages
■ Greater tolerance of "imperfect product"	■ Ideal for temperature sensitive products
■ Flexibility for operators to program new patterns	■ Buffering and accumulation can operate in chilled or frozen environments
■ Accuracy of locating layers of interlocking product	■ Utilises "free" headspace
■ High level palletisers offer greater accessibility between production lines	■ Fully automatic operation
■ High financial returns thanks to great flexibility (products and patterns), proven reliability and low cost of maintenance	■ Limited number of operators
■ Customised to the customer's application	■ None, or very limited, fork-lift truck movement
■ Robustness and reliability	■ Minimal & efficient footprint
■ Flexibility regarding the diversity of products to be palletised	■ Remote diagnosis and monitoring by the customer and/or SCT
■ Minimal footprint whilst using "free" headroom	■ Flexible solution, permits addition of production lines and palletisation patterns
■ Very satisfied, repeat customers	■ Energy efficient operation.
	■ Low cost of ownership

Source: Forsyth Barr analysis

Transbotics

SCT acquired Transbotics in 2018 for NZ$4.9m. Established in 1982, Transbotics is a US-based manufacturer of automatic guided vehicles (AGV) and automatic guided carts (AGC), alongside other custom engineered vehicles to provide material handling solutions for production and warehouse facilities. Transbotics' automation products are used by Fortune 500 companies and operations in various industries including primary metals, food and beverage, aerospace and defence, automotive and tier one suppliers, plastics and paper and allied products. AGVs offer an economical, automated solution to transport pallets, cartons and products throughout warehouses or manufacturing facilities twenty-four-seven. Transbotics provides advanced fast charging technology and superior navigation and positioning proficiency, powered by the 3D user interface system for remote system monitoring and analytics alongside humane machine interface graphics to provide constant system status information. In January 2023 SCT announced they had contracts with Microsoft, Novelis and Gulfstream for various AGVs.

iii) Forked AGVs

A variety of goods, such as palletised loads, paper goods, bins or racks can be transported with a Transbotics forked AGVs. With a favourable ROI, increased safety and improved throughput efficiency, they can replace tasks performed by forklifts and pallet jacks.

Figure 66. Forked AGVs

Source: Company

Figure 67. Unitload AGVs

Source: Company

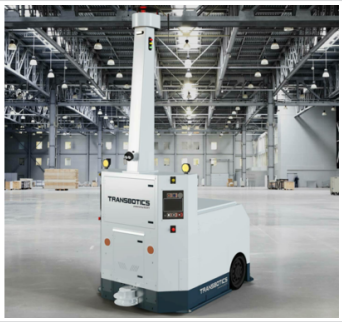
iv) Unit load AGVs

Unit load AGVs are designed to transport single or many unit loads simultaneously to and from conveyors, stands, end-of-line machinery (palletisers, wrappers, robots), as well as automated storage and retrieval systems (ASRS). Conveyor Deck AGVs are suitable for moving pallets to and from conveyors, whereas lift deck AGVs work well for transporting pallets and racks to and from stands. Conveyor deck AGVs are also able to move loads not suitable for forklifts.

v) Tugger AGVs

The Tugger AGV can tow a variety of loads including carts, trolleys and trailers at a maximum towing capacity of up to 29,000kg. The vehicle is suitable for almost any industry and in both indoor and outdoor environments. Its optional automatic hitch capability allows it to automatically couple or decouple from a load. Tugger AGVs also feature a safety bumper, status and safety lights, an optional bumper guard and soft stop and e-stop buttons. Additionally, it is easily interfaced with various automated machinery and adapted to the needs of the customer, and operators have access to twenty-four-seven support from the Transbotics team via phone or online.

Figure 68. Tugger AGVs



Source: Company

Figure 69. Tugger applications and performance

Product	Towing capacity	Application
Jackpin	1,000kg	Assembly systems, supermarkets & kitting, line fulfilment/staging, and finished goods
ST25	2,500kg	Light to medium weight applications
ST50	5,000kg	Medium weight applications
ST100	10,000kg	Medium to heavy duty applications
ST290	29,000kg	Heavy duty applications

Source: Company

The Materials handling and logistics (MHL) operating environment continues to look promising for SCT

SCT's MHL European operations, which are largely based in Belgium and the Czech Republic, were impacted by the conflict in Ukraine and macroeconomic pressures. This has led to cost increases and multiple project delays. However, ongoing global distribution and supply chain pressures combined with labour shortages should also drive continued demand for SCT's automated material handling equipment, especially in the e-commerce and essential grocery goods sectors.

In FY22, significant raw material delays and price increases negatively impacted margins for the AGV business. However, AGV products continue to receive high demand from the automotive industry, which is one of the largest unmanned fork-truck adopters. SCT expects to leverage its strong relationship with global tyre manufacturers to grow Transbotics.

SCT's focus for FY23 lies in continuing to execute its 'Scott 2025' strategy of extending its MHL technology outside of Europe into the North American and Australasian markets, with a focus on frozen foods and meat processing. In May 2022, SCT announced a US$37m project to build a fully automated warehouse with a 100,000 carton capacity for JBS Canada. The system will manage 600 stock keeping units, pick 3,000 cartons per hour, ship 40,300 cartons a day, palletise over 120 pallets per hour and provide high-density storage for 85,000 cartons. This is an important inroad to establishing a presence in the US warehousing and intralogistics space alongside its joint venture partner, Savoye. In 2020, SCT was also awarded a second contract by Alliance Group in New Zealand to design and build a carton handling, sorting and palletising system for their Lorneville plant. As a result of SCT's proven reputation and capability, new and returning customer opportunities continue to emerge in SCT's MHL business.

3.5 Remainder of the business

i) Appliance cabinet automation

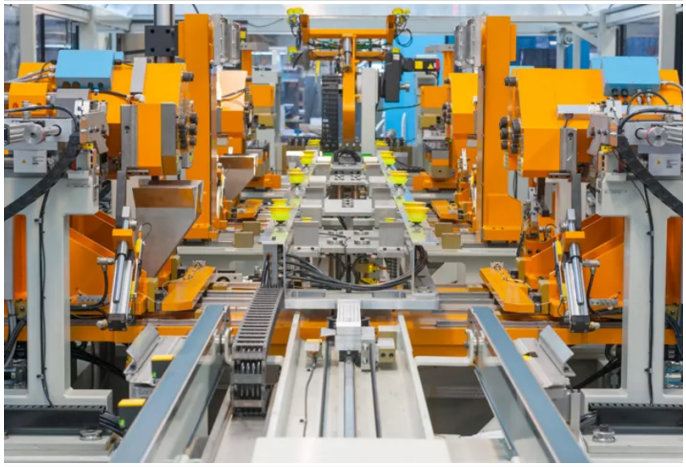
SCT offers a range of standalone equipment units and fully automated production lines that are specifically built to meet the needs of modern appliance manufacturing. Globally, SCT offers appliance cabinet manufacturing solutions in the following sectors:

- Cooking: Oven cavity and cooktop manufacturing systems
- Refrigeration: Refrigerator door manufacturing lines
- Laundry: Washer cabinet assembly line and washer cabinet press and assembly line
- Water heating: Hot water case and cylinder manufacturing systems

These flexible fabrication and assembly solutions incorporate a range of functions such as embossing, stamping, notching, piercing, rolling, forming, clinching and welding to produce consistent quality products that can easily respond to changes in design and product variance in a cost-effective manner.

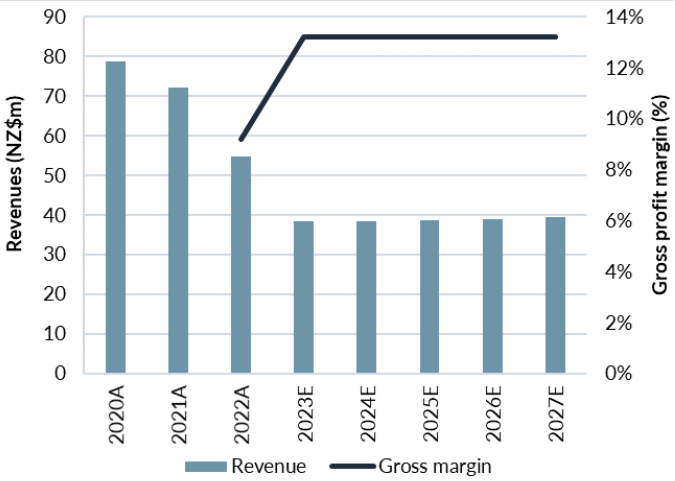
In FY22 revenue from other operations fell -24% to NZ$54.6m. We forecast a further fall in FY23 given the mining systems that contributed NZ$17.1m of revenue at a 0.7% gross margin are not expected to contribute further. Following FY23 we do not expect this division to see high growth similar to the three core divisions. This is due to the strategy pivot to focus on selling more module products away from bespoke design and build projects. As such we forecast +1% revenue growth in this division and gross margins to remain ~13%, while up on FY22, after stripping out the low gross margin mining systems no longer continuing, are flat on FY22.

Figure 70. Laundry equipment line



Source: Company

Figure 71. SCT — Other revenue and margins



Source: Company, Forsyth Barr analysis

ii) Robotic solutions automation

SCT leverages its 25 years of experience in the robotics space and custom integration expertise to establish itself as an industry leader. SCT offers a range of easily integrated, turn-key, automated robotic solutions that improve operator safety and reduce injuries associated with repetitive tasks such as welding, milling, robotic handling, machine tending and assembling. SCT also distributes several aftermarket grippers, tooling and accessories.

With SCT's flexible tooling and cutting systems, milling robots can be programmed and configured to process a wide array of different materials and objects of any size and shape. These robots can carry out six or seven-axis milling, grinding, sanding, edge trimming, hot wire cutting or hot knife cutting.

SCT's robotic welders can also achieve a repeatable accuracy of ± 0.04mm, enhancing productivity and quality through its speed, accuracy and reduced need for rework. In addition to its customised welding cells, three types are offered:

- Compact rotary table welding cell
- Flexible track system
- Back-to-back welding cell

Figure 72. Robotic milling and drilling system

Source: Company

Figure 73. Robotic welding system

Source: Company

Operating environment: Rest of business

SCT's appliance sector has faced increased competition from Italian automated solution providers as large whitegoods manufacturers continue to seek investment in capacity expansion. Segment revenue in FY22 was largely from two large appliance lines built for GE Roper and Whirlpool. In January 2023 SCT announced a NZ$7.5m contract with Fortune 500 company Midea Group to deliver another washer cabinet line they had sold them in 2021.

SCT's focus for FY23 is to target the premium-end market with its quality design options while striving for competitive pricing with minimumal risks involved. With the relocation of SCT's China operation to a larger facility, SCT has gained increased manufacturing capacity and skills. This will enable it to support the wider SCT group with this shared facility approach. An appliance line in the coming months will be delivered from its China design and build platform to a global whiteware manufacturer site in South America.

Appendices

Appendix 1: Competitor analysis

There are no apparent global competitors across all aspects of SCT's business. However, there are competitors within SCT's core segments. We have reviewed these businesses to provide context for their size and scope of operations.

Meat:
- Guardian
- Frontmatec
- Marel
- MHM Automation

Mining:
- FlSmidth
- Herzog
- Orbis

MHL:
- Mecalux
- Tavil
- CSI
- John Bean Technologies (also meat)

Guardian: Overview

The Guardian Bandsaw was designed by the team at Kando, a New Zealand-based engineering and automation company with more than fourteen years in operation. Auckland-based Kando specialises in designing and manufacturing smart machines. Kando engineers work closely with companies across different industries to uncover unique solutions to automate or improve manual, repetitive or potentially dangerous processes. Home to the Guardian Bandsaw, this concept began in 2015, starting from the ground up and working in unison with members of New Zealand's meat processing industry. Today, Kando has 51 employees with 1356 completed projects. The Guardian Band Saw system has produced 230 million cuts and run 350 thousand hours with an 8-second reset time on average after safety activation and with zero injuries.

Flagship brands and products:

- **Guardian bandsaws and cutting tables** are designed to be used 20 hours a day, seven days a week. The band saws feature automatic blade tensioning, a 265kW braking system, contact and 3D vision-based sensing systems. Bandsaws are available in both left and right-hand configurations and can also be integrated with various table designs and attachments, which include but are not limited to: Guardian, Static, Slide, Heated and Conveyor tables. The Guardian industrial bandsaws, in addition to the main bandsaw features, can also be supplied with coolant or vacuum systems for dust and swarf management (a term that encompasses many different shapes, sizes and substances of removed material during a machining process). All Guardian Band saws are linked to the cloud-based Guardian portal, which provides the operator access to global data on runtime, safety and power usage.

Principles and values

Kando was formed with the vision of increasing safety, productivity and confidence within the NZ workplace by leveraging the development of modern technologies. Alongside Guardian, the company is on a mission to revolutionise industries and manufacturing on the international stage by aiding businesses and industry leaders to set global benchmarks for performance and safety.

Strategy, funding and financials

The Guardian Bandsaw is a brand of Kando, is a privately owned New Zealand company.

See https://www.guardianbandsaw.com/ and https://www.kandoinnovation.com/ for more information.

Frontmatec: Overview

Headquartered in Kolding, Denmark, Frontmatec is a leading end-to-end automated solutions provider in the food industry, specialising in the red meat processing sector alongside other hygiene-sensitive industries and the utilities industry.

Flagship brands and products:

- **Pork Solutions** — Frontmatec systems are provided for the entire value chain of the pork meat industry, handling capacities from 100 to 1,400 pigs per hour with the support of intelligent and user-friendly software that helps to ensure high processing efficiency and minimal risk of work-related injuries. Its pork processing equipment includes primal cutting, deboning and trimming, logistics and packaging.
- **Beef Solutions** — Solutions in addition to primal cutting and deboning of cattle and calves including logistics and packaging. Frontmatec offers equipment and systems for unclean and clean lines in the beef processing industry, which includes stunning, dehiding, conveyor systems, dressing lines, offal removal, carcass grading, cooling and by-product processing.
- **Lamb solutions** — The Company also provides cutting and deboning, packing and chill room solutions to the lamb sector for capacities from 100 to 800 animals per hour.
- **Hygiene division** — Provides disinfection and hygiene systems for businesses throughout the food, pharmaceutical, cosmetics, and packaging industries and public organisations. Solutions come in the form of boot and sole cleaners where customers choose between a continuous process or a separate unit, such as a hygiene station located at the entrance. Frontmatec has a patented self-cleaning system for sole brushes and a two-track Compact Hygiene Station.
- **Logistics Systems** — The simple, flexible and automatic transportation of products in trays. Frontmatec's logistics solutions include tray handling, storage, packing and ergonomic systems. Tray handling includes transport systems of several kinds of different trays to sorting stations, stackers, lifts and shafts, and pallet lifts. Storage systems involve fully automatic storage of internally and externally filled trays. Packing systems involves film wrappers, bulk packing, automatic bin filling, cartonising and palletising whilst ergonomic systems entail everything from simple lifting and tilting units to complete weighing and measuring devices, as well as trolleys and meat bins.
- **Software and Automation** — In addition to the equipment, these systems are designed for control, monitoring and improving yield, throughput, uptime, effectiveness and food safety. The Company's Food Processing Software allows tracking of raw materials to finished goods. It can also solve everything related to PLC and HMI technology, ranging from small single-machine controls to large complex and redundant solutions.

Principles and values

Frontmatec's values define who the Company is and serve as the foundation for its global organisation. It values putting the customer first while never compromising on its craftsmanship and expertise. Its principles and beliefs are its DNA, which involves four facets. First, the Company delivers high-quality customised solutions with true craftsmanship, and timely, professional responses to any issues. Secondly, the Company guarantees to fulfil its promise to provide high-quality solutions that are innovative, thoroughly tested and reliable. Thirdly, the Company is proud of its culture of flexibility, strong work ethic and unyielding customer dedication. Fourthly, the business states that quality, dedication, reliability and personal service "runs in its blood".

Strategy, funding and financials

Frontmatec is a privately owned company. In FY21 the group had revenues of DKK1.4b with a 30.4% gross margin and EBITDA margin of 13.0%. For HY22, the company had total revenue of DKK955m alongside a gross margin of 29.4% and EBITDA margin of 15.2%.

See https://www.frontmatec.com/ for more information.

Marel: Overview

Marel is an Iceland-based global leader in food processing equipment. Its products target the production of high quality, safe and affordable food with solutions, services and software for the poultry, meat and fish processing industries. The company has recently acquired exposure to pet food, aqua feed and plant-based proteins. With a network of around 7,000 people in over 30 countries, the company considers it is always close by and ready to help. From the first spark of inspiration to implementing a solution, Marel is committed to excellence in all its operations.

Flagship brands and products:

Operating across six core industries, including poultry, meat, fish, prepared foods, water treatment and intralogistics, plus additional noncore operations. In more detail:

- **Poultry** — offering solutions and services for processing all usual types of poultry, at all possible stages in the process and at any required production capacity. Besides broiler processing, Marel also specialises in technology and systems for processing turkeys, ducks and other breeds such as layers and parent stock. Poultry represents ~47% of revenue.
- **Meat** — delivering state-of-the-art meat processing equipment, systems and software across the entire production value chain, from the reception of live animals to the dispatch of finished products. It works across processes in the slaughter, cutting and processing hall as well as case ready and food service packing, all integrated with software. Meat represents ~38% of group revenue.
- **Fish** — a global supplier of advanced standalone equipment and integrated systems to the fish industry helping to optimise yield, quality, throughput and other critical factors across the whole value chain. Ranging from individual units for specific processes such as weighing, cutting and bone removal, to complete solutions such as grading, filleting, portion-cutting and slicing lines, Marel's equipment is built for the harsh fish processing environment, with hygiene and safety foremost. Fish represents ~12% of revenue.
- **Prepared food** — fully integrated lines to standalone equipment at every step in the process. Solutions include software that collects and collates data, allowing customers to improve performance and enhance productivity.
- **Water Treatment** — processes minimise water stress with internationally recognised water treatment solutions for all types of food processing wastewater. These help processors minimise wastewater, enhance efficiency and increase sustainability. Marel has more than 50 years of experience in wastewater treatment in the food processing industry, specialising in meat, poultry and fish.
- **Intralogistics** — solutions help organisations optimise, integrate, automate, store and manage the flow of crated goods within a facility, primarily within the food processing industry where products are conveyed, moved, buffered and stored at various stages of the value chain.
- **Other** — Marel also has products and services across retail, baked goods, food servicing, pet food and fruit and vegetables.

Mission, purpose, principles and values

In partnership with customers, Marel is attempting to transform the way food is processed. Its vision is of a world where quality food is produced sustainably and affordably. Marel is guided by three core values: unity, innovation and excellence. Sustainability is at the core of the business, with ground-breaking solutions reducing waste while improving yields and creating economic value.

Strategy, funding and financials

In FY22 Marel is expected to produce revenues of EU$1360m and NPAT of EU$97m. Gross margin was 36.3% in the FY21 year with a net margin of 7% and ROE of ~10%. The stock trades on a forward PE multiple of 18x and is anticipated to pay a 1.6% dividend yield.

See https://www.frontmatec.com/ for more information.

MHM Automation Group: Overview

MHM Automation is a New Zealand based company, founded in 1884, that offers innovative food processing and packaging equipment globally. It operates in four main segments: (1) Automation which consists of the Group's Automation brands H&C markets and Milmeq; (2) Fabrication which includes the Mercer Stainless and SCE workshops that sell, design and manufacture proprietary equipment for industries across New Zealand and Australia; (3) Mercer Technologies which comprises the Group's research and development activities, and (4) Corporate which includes the Group's head office activities. MHM has completed more than 500 installations for food processing companies globally.

Flagship brands and products:

MHM's four flagship brands are Mercer, Milmeq, H&C (formerly Haden and Custance) and the recently acquired Southern Cross Engineering (SCE).

- **MilMeq** — automated chilling and freezing systems for chilling, freezing meat, poultry and dairy products in carton or crates. The brand established its global reputation for innovation when it introduced automatic chilling, freezing tunnels and plate freezers to the meat and dairy industries. The Company's systems are typically custom designed and installed onsite as well as ongoing maintenance and support services.
- **H&C** — automated reverse packaging and product handling systems, specialising in removing packaging from products that are ready for further processing. These technologies have been applied to meat processing and e-commerce fulfilment since they were originally developed for the cheese industry. Equipment provided can be standalone or part of a complete process solution. The H&C Brand also includes the BetaVac and Aico product ranges.
- **Mercer** — is a leader in the stainless steel fabrication industry, specialising in the design and manufacture of plant and equipment for the Australian and New Zealand dairy, wine and food processing sectors. The Company's products include cooking vessels, acid tanks, stainless silos and tanks, wine and beer tanks, road and rail tanks, powder bins and hoppers, dished and flanged heads and even architectural features for sculptures.
- **SCE** — provides design, manufacture, installation and servicing of equipment for the Australian and New Zealand meat, dairy, grain, timber and infrastructure sectors. SCE offers heavy fabrication services, pressure vessels and related boiler systems, timber processing equipment, grain stackers, as well as agricultural application solutions.
- MHM in December 2022 announced the conditional agreement to acquire NZ based Wyma Engineering. Wyma is a world leading manufacturer of post-harvest vegetable and fruit handling equipment. Like, MHM, Wyma is based in Christchurch NZ, but with operations in Europe and the UK. The acquisition values Wyma at NZ$60m. Settlement date is targeted for 1 April 2023.

Mission, purpose, principles and values

MHM Automation's vision is to be a global designer and supplier of innovative food processing and packaging systems. The company aims to be hard working, resilient, solution-focussed, innovative, attentive to detail, always accountable, honest, respectful and inclusive whilst adhering to stringent health and safety standards. Its values are to be bold, aspirational, incorporating togetherness and integrity.

Strategy, funding and financials

MHM Automation serves a wide range of industries including agriculture and fertiliser, dairy, food processing, horticulture, industrial, logistics, meat and timber, and sawmilling. Half of its revenue comes from the meat sector, 12% from timber, 16% from dairy and cheese, and 6% from the chemical sector. The company has undertaken four acquisitions in the last 10 years, including Haden and Custance in 2016 for $2.25m, Milmeq Ltd's Chilling and Freezing Business in 2019 and Southern Cross Engineering in 2021. The company has a market capitalisation of NZ$53.8 million, revenue of $67.6 million and EBITDA of $4.76 million. It has a gross margin of 13.2%, EBITDA margin of 5.3% and an FY22 EV/EBITDA multiple of 8.2x.

See https://www.mhmautomation.com/ for more information.

FLSmidth: Overview

Danish engineering company FLSmidth and Co. was founded in 1882 and is a provider of engineering, equipment and service solutions across the global mining and cement industries. Although unique, FLSmidth's involvement in both industries has allowed it to gain synergies, providing it with the unique advantage of sharing resources and best practices. The company's solutions aim to increase productivity, lower the total cost of ownership, and reduce environmental impact. The engineering company also provides a range of products, solutions and services to adjacent industries, similar to cement and mining. These include chemicals, oil and gas refining, power utilities and steel. Today the company has ~12,000 employees across 60 nations.

Flagship brands and products:

FLSmidth's products aim to overcome the most demanding challenges faced by the mining and cement industries today, including scarcity of raw materials, stringent environmental regulations, and complex processes. Product brands and associated services offered by the company include:

- **Abon** — a market-leading brand for mineral handling and processing. Niche in its low-speed sizing and screening, enabling customers to benefit from higher mineral output quality. This product is offered in standardised and customised applications targeted mainly at the mining industry; however, its use is growing across adjacent industries.
- **Airloq** — designed for pyro-process gas and emissions monitoring within the cement industry, with increasing uptake across related pyro-process industries delivering valuable process insight and easy reporting.
- **Airtech** — an air pollution control product that significantly reduces particulate matter and gaseous emissions leading to a smaller carbon footprint, by removing not only dust but also heavy metals, NH3, NOx and a range of organic gaseous compounds.
- **Krebs** — a product brand for particle separation, enhancing productivity in the mining industry with applications across processing coal, hard rock, oil sands, potash and phosphates, aggregates and other industrial minerals.
- **Maag Gear** — provides modular solutions for gears and drive systems. Its compact design brings easy transportation, installation, operation and maintenance benefits to both the mining and cement industries, with use-cases across other industries, including for power utilities.
- **Pfister** — aids weighing, feeding and dosing with high accuracy, driving productivity in the cement industry and with growing prevalence across the power, mining and steel industries.

Mission, purpose, principles and values

FLSmidth uses in-depth process expertise, digital solutions, innovative technology and strong partnerships to deliver what the company refers to as Sustainable Productivity to the cement and mining industries. To be successful in its commitment to building a sustainable future, the company is developing its business around three strategic pillars: 1) life-cycle approach, 2) full-service provider, and 3) full flow-sheet.

Strategy, funding and financials

FLSmidth has a market capitalisation of DKK14.4b (NZ$3.25b) Traditionally, the company has reported using two business segments, Mining and Cement. However, as of September 2022 (Q3 FY22), the company began reporting a third segment of Non-core activities. In the first nine months of FY22 revenues were DKK10.7b in mining and DKK4.6b in cement. Revenue guidance for FY22 across the group is DKK21.0–22.0b alongside an EBITDA margin of ~4%, and for the segments, DKK14.5–15.0b, DKK6–6.5b, and DKK0.5b across mining, cement, and non-core activities respectively. Alongside internal development and growth, FLSmidth has evolved purposefully through the strategic acquisition of companies in the mining and cement world. The largest of these was finalised in 2022 with the acquisition of Thyssenkrupp's Mining business.

More information can be found on the company website: https://www.flsmidth.com/

HERZOG
Your partner for automatic sample preparation

Herzog: Overview

Established in 1958, Herzog has headquarters in Osnabrueck, located in northwest Germany. The company is a significant provider of manual and automatic laboratory systems for quality assurance, with expertise in implementing laboratory systems for optimum control of production processes. Herzog works closely with its customers to design custom-made solutions in all matters of quality assurance and sample preparation. The company builds end-to-end solutions from concept to installation, spanning stand-alone manual solutions via linear systems to robot-controlled automation. Herzog's ~200 employees currently develop innovative solutions for leading customers across the metal, cement, mining and recycling industries. The company operates through subsidiaries in the USA, China and Japanese markets alongside a significant trading and service agency network, aiming to ensure it can maintain a close relationship with its customer base to provide an efficient service adapted to local needs and priorities.

Flagship brands and products:

The company's offering encompasses the entire spectrum of sample preparation within the primary industry, with considerable flexibility to meet the specific demands of customers. This includes:

- **Standard automation** — a suite offering standard lab solutions across industrial applications.
- **Prepmaster analytics** — an Industry 4.0 application tailored to meet the varying requirements across different laboratories. These products automate and simplify processes in the laboratory, increasing the likelihood of improving the repeatability and accuracy of sample preparation and analysis.
- **Separating and stamping** — machines built to optimise safety when collecting samples.
- **Grinding** — the company has designed an extensive range of grinding machines to optimise surface preparation.
- **Airtube** — HERZOG offers a wide variety of pneumatic systems that swiftly transport carriers to different tube stations.

Mission, purpose, principles and values

Herzog places significant importance on customer orientation, innovation, topmost standard quality, and environmental protection, forming its key strategic corporate goals. The company's phrase "Made by HERZOG" represents intelligent solutions, premium products manufactured in Germany and market-leading quality of service.

Strategy, funding and financials

Since its establishment, Herzog has remained a wholly family-owned business, currently being operated by the second generation. A strong focus on product quality and service, innovation and the acquisition of new business fields are the pillars of Herzog's corporate policy.

See https://herzog-maschinenfabrik.de/en/ for more information.

ORBIS

Orbis Mining Pty Ltd: Overview

Orbis Mining Pty, located in Erskine, Australia, is a construction and mining machinery and equipment wholesaler. Orbis is a supplier of high-quality sample preparation equipment for mine sites and commercial laboratories worldwide. Its chemists, engineers and designers give Orbis an understanding of the requirements and protocols of sample preparation procedures within mining and research laboratories. Orbis offers installation and maintenance services for laboratory equipment and can install and service all types of laboratory preparation equipment, from crushers and pulverisers to automated batch mills.

Flagship brands and products:

- **Crushers** — the Orbis OM50, Wide-mouth and OM100 crushers will reduce samples from up to 70mm–110mm top size to as low as 90–95% passing 2mm in a single pass. The OM50 is a robust crusher that is simple to maintain and operate.
- **Pulverisers** — the 420kg Orbis 222 Pulveriser is a shaft-driven pulveriser designed to process samples from as small as 200g to as large as 1500g down to ~75 microns. The Orbis 222 has a metal cabinet with a reinforced subframe, a powerful 2.2kw motor and enhanced safety features.
- **Laboratory Automation Consulting** — Orbis advisory and consulting services are designed to make moving into laboratory automation simple. Orbis aims to guide customers through the entire process. This ranges from ideas and planning to the awarding of the project. Orbis does not provide Automated Laboratory Solutions, so it sees its advice as independent.

Mission, purpose, principles and values

Orbis aims to offer performance, reliability and design and is built to withstand the rigours of mining and commercial laboratories.

Strategy, funding and financials

In September 2021, XRF Scientific Ltd (XRF.AX) acquired the remaining 50% interest in Orbis Mining Pty Ltd (Orbis) for a total of A$3.2m. XRF Scientific Limited has a A$116m market capitalisation. The Australian-based company manufactures equipment, distributes equipment and chemicals to production mines, construction material companies and commercial analytical laboratories in Australia and overseas and is used to prepare samples for analysis. The Company's segments include Capital Equipment, Precious Metals and Consumables. The Capital Equipment segment manufactures automated fusion equipment, high temperature test and production furnaces, laboratory jaw crushers and general laboratory equipment. The Precious Metals segment manufactures products for the laboratory and industrial platinum alloy markets. The Consumables segment manufactures chemicals and other supplies for analytical laboratories. Its products and services include fusion equipment, flux and chemicals, platinum labware, precision platinum and lab equipment. XRF Scientific's technology is used to measure the composition and purity of materials.

See https://www.orbismining.com/ and https://www.xrfscientific.com/ for more information.

MECALUX

Mecalux: Overview

Mecalux is a global intralogistics technology company founded in 1966, offering warehouse automation and software development solutions. Headquartered in Spain, the company specialise in pallet racking, picking shelves, automated warehouses and logistics software, as well as offering advice on storage systems. Mecalux brings over 50 years of experience and sells to over 70 countries with 20 offices, 11 production centres and 7 research and development centres for technological development. The company is the leading storage company in Spain and #3 in the world in its field. The Mecalux group also encompasses the brands Esmena and Interlake.

Flagship brands and products:

- **Automated warehouses** — this division offers automated solutions for managing, optimising storage, preparing and dispatching goods. It includes stacker cranes, conveyors, and shuttle systems for pallets and boxes.
- **Warehouse management software solutions, Easy WMS** — is scalable, user-friendly and manages over 1,000 warehouses across all sectors. It can be installed in both SaaS (cloud) and on-premise mode, and integrated with automated systems. The software claims that it can increase storage capacity by up to 40%, decrease handling operations by up to 30% and eliminate errors by up to 99%.
- **Mecalux Pallet racks** — designed to enable palletisation with direct access to each pallet or by compacting. The Company also offers clad-rack warehouses in which the racking forms part of the building's construction.
- **Mecalux Picking shelves** — are designed to store individual boxes or single products, which are ideal for manually stored or retrieved goods. Longspan shelving is suitable for manually picking products, while Movibloc mobile shelving units can be mounted upon mobile bases that move along rails.

Mission, purpose, principles and values

The Company has aggressively targeted growth and development since its inception, driven by strategically opening new branches, advancing its sales distribution networks, the continuing emphasis on R&D, its automated warehouse division, and the logistics portal Logismarket. This strategy has allowed Mecalux to develop a superior, high-quality product offering, alongside excellent client service.

Strategy, funding and financials

Mecalux is a private company with approximately 5,500 employees. The Company operates in many international markets, designing, manufacturing and servicing its logistics and warehouse automation software for customers globally.

More information can be found on the company website: https://www.mecalux.com/

TAVIL Group: Overview

Located in Spain, TAVIL dates back to 1925. TAVIL has a 102,000m^2 production site specialising in the construction of machinery and automatic lines for packing, palletising and handling. TAVIL designs, develops and produces customised solutions and turnkey projects worldwide. Its brands cover various industries, including meat products, ready meals, snacks and confectionery, nutritional products, paints, stationery, dairy products, pet food and body and home care. It sees its competitive advantage coming from its one installation — multiple formats systems that allow for automatic changeovers of the packing and palletising line via operator touch-screens. Its new autonomous trolley system will be launched shortly. It sees its automation systems as helping to save long-term costs and inflation within clients' operations.

Flagship brands and products:

- **Multi-format packing high-speed line** — compact and modular configuration, allowing push-button operation for different products and boxes.
- **Multi-format packing multiline** — multi-line and modular configuration, making simultaneous work possible with different products and boxes.
- **Multi-format palletising centres** — complete automatic solutions with multi-pallet and interlayer dispensers, pre-mosaic tables, finished pallet transfer, wrapper, labeller and other devices. Versatile installations with a universal gripper to simultaneously palletise boxes, trays, totes, pails and bales. Pallet software for the easy edition of pallet patterns, SCADA communication and customised control architecture.
- **Handling complete lines** — automatic transport and warehouse for crates and boxes including elevators, automatic loaders, palletisers/de-palletisers and crate washers. Reading and identification of crates and boxes by RFID and scanning. Data management software for global control of transport and storage systems.

Mission, purpose, principles and values

TRAVIL values its global awareness and drive for quality, safety and the environment. Within quality it is focussed on long-lasting equipment, 5s quality management, 'fat' and 'sat' for all projects and Industry 4.0. Safety drivers include adaptability to international safety regulations, installation audits by certified safety organisations in all countries and performance level D. Environmentally, its technology is designed for smart energy-saving patterns. TRAVIL sees itself as a green company, environmentally friendly, with a commitment to 100% recycling.

Strategy, funding and financials

TRAVIL is a privately held Spanish company. Its revenues are approximately EU$80m and over the past twenty-five years the company has grown at around +5% per annum.

See https://tavil.com/ for more information.

CSi palletising: Overview

CSi commenced operations in 1964. CSi is a Netherlands-based company that has installed systems across the globe but primarily focussed in Europe, the US and Asia. It provides complete end-of-line palletising solutions to some of the world's most significant consumer packaged goods (CPG) and fast-moving consumer goods (FMCG) companies. The company utilises autonomous mobile robots (AMR) to help fully automate the transport of heavy pallets of materials within CPG/FMCG facilities. CSi palletising has a variety of equipment, from standard belt conveyors, roller conveyors, case accumulation conveyors, case elevators and sorters to the more specialist conveyors types, such as zone accumulation conveyor and tote handling systems. Its "MOre" software suite, targeting Industry 4.0 applications, helps FMCG companies to increase their productivity by closing the information gap between IT systems and factory floor controls.

Flagship brands and products:

- **Case Transport Line** — the vital link between the production packing lines and downstream case handling systems are belt conveyors, roller conveyors, case accumulation conveyors, case elevators and sorters to the more specialist conveyor types, such as zone accumulation conveyors and tote handling systems.
- **Palletising solutions** — CSi palletising has a wide range of palletising technology, from simple robot palletising cells to fast and sophisticated multi-load palletising machines.
- **Pallet handling** — pallet handling modules such as roller and chain conveyors, transfer cars, elevators and turntables are often integrated with labelling and barcode equipment.
- **Industry 4.0** — its software suite aims to increase productivity and achieve maximum performance from its product handling and internal logistics systems. CSi's software suite is called "MOre". Designed to provide the required data the way customers demand and when to close the information gap between IT systems and factory floor controls.

Mission, purpose, principles and values

CSi is proud that it is a "family type" organisation. The well-being of their personnel, collegiality and development are stated as key. Its goal is to help customers in their goals to create higher throughputs and higher efficiency.

Strategy, funding and financials

The company is management owned following a management buyout in 2001.

See www.csiportal.com for more information.

John Bean Technologies (JBT): Overview

John Bean Technologies Corporation (JBT) is a global technology solutions company and provides services to the food and beverage, aviation support, and other automated industries. JBT operates through three segments: FoodTech, AeroTech and Automated Systems. JBT operates globally and serves multi-national and regional markets. JBT is listed on the NYSE with a market capitalisation of US$3.2b.

Flagship brands and products:

- **FoodTech** — segment provides a range of process automation solutions throughout the food production value chain extending from primary processing through to packaging systems for a variety of food and beverage groups. This includes poultry, beef, pork, seafood, ready-to-eat meals, fruits, vegetables, dairy, bakery, pet foods, soups, sauces and juices.
- **AeroTech** — segment supplies customised solutions and services used for applications in the air transportation industry, including airport authorities, airlines, airfreight, ground handling companies, militaries and defence contractors.

- **Automated Systems** — involve JBT's AGVs they have designed and built to serve clients' needs across numerous industries. JBT offers an array of AGVs from forked, towing, unit load or special application solutions.

Principles and values

JBT was founded in the 1880s with an innovative continuous spray pump for orchard spraying, through numerous acquisitions and organic growth JBT have evolved into a global technology solutions company. JBT have a single purpose and set of values across the entire group, underpinned by a strong foundation of putting its customers first. The customer first philosophy is aimed at increasing customer profitability through high levels of engagement and understanding their business to propose the best automation solutions, enable higher growth rates and margin expansion. JBT focus on relentless continuous improvement to ensure its competitive advantage remains while growing. JBT also target disciplined acquisitions that add complementary solutions across its portfolio.

Strategy, funding and financials

JBT is a publicly listed company. In FY21 JBT achieved US$1.9b in revenue a growth of +8% growth from FY20. JBT saw a 30.4% gross profit margin in FY21 with US$118m in net income for the year (up +9% from FY20). JBT's 3Q22 results were strong with revenue of US$557m and net income of US$34.2m for the quarter (up from US$478m and US$29.3m in 3Q21 respectively).

See https://www.jbtc.com/ for more information.

Figure 74. JBT AGVs in action

Source: JBT website

Appendix 2: Customer stories

Figure 75. Authentic customer partnerships

Source: Company

ANZCO FOODS

Meat processing: ANZCO Foods

Established in 1984, ANZCO Foods is a Christchurch-based multinational company and one of New Zealand's largest exporters, providing beef and lamb products that have generated over NZ$1.7b in sales in more than 80 countries globally.

SCT aided in designing and building an automated lamb boning room in ANZCO's Rangitikei plant. Empowered by X-ray technology working seamlessly with automated cutting equipment, SCT developed a system that enhanced ANZCO's traditional operations. The automated cutting equipment improves yield through highly accurate cutting to the exact dimensions of each carcass, with additional benefits across operator safety, food safety, and productivity increase. ANZCO and SCT were committed to ensuring the successful delivery of the most advanced X-Ray Primal and Middle System throughout the entire development process. The two companies collaborated closely, completing the project in half the standard installation period while enabling the site to remain operational for the entirety of the project.

This venture led to the development of new and pioneering vision accuracy methods alongside the addition of a clean-in-place system by SCT, emphasising the machine's reliability and the overall system's robustness. Using SCT's X-ray technology brings greater yields through improved accuracy, enabling ANZCO to extract more value from the carcass. Daryl Tones, ANZCO General Manager Operations, believes SCT's system will have a positive financial impact, "*for instance, achieving an extra 5mm on French racks, compared to it being on the flap, is substantial*".

Mining: Industrias Peñoles

Founded in 1887 and with nearly 135 years of experience, Industrias Peñoles is Mexico's second-largest mining company. The company is at the forefront of global silver production and was the first Mexican producer of gold, zinc and lead.

Peñoles tasked SCT to design, build and commission a complete sample preparation system. The system would be one of SCT's largest and most sophisticated builds. Leveraging its capabilities in automation and its expertise as a world-leading provider of sample preparation equipment, SCT was successful in designing and building an innovative solution.

This created the Automated Sample Preparation and Fire Assay System. The complex solution consisted of four cells, 1) a Crushing Robot Cell, 2) Pulverising Robot Cell, 3) Dosing Robot Cell, 4) a Fire-Assay Robot Cell, to go along with SCT's ABM3000 mills. The build took around five months, despite the challenges, including collaboration between locations across the globe. While spread over multiple workshop locations, Juan Manuel Cortinas from Penoles stated the time difference between Mexico and Australia was not noticeable.

Through integrating several essential Rocklabs products, the system developed for Peñoles is a complete sample preparation solution offering significant safety, productivity, and quality improvements. Overall, SCT provided a safer and more productive mining operation. "*It gives peace of mind to work with suppliers of serious and professional solutions such as Scott*", Juan Manuel Cortinas, Peñoles.

KILCOY Global Foods

Material handling: Kilcoy Pastoral Company

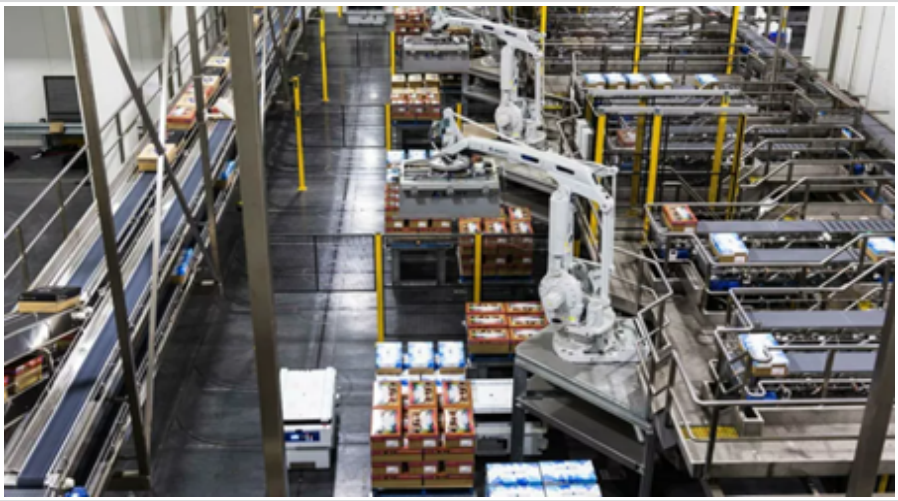
Established in 1953, Kilcoy Pastoral Company has become one of Australia's top five meat processors. The company's abattoir in southeast Queensland, Kilcoy, processes over 800 premium grain-fed cattle daily for domestic and international consumption.

Before engaging SCT, Kilcoy would have its product arbitrarily flowing into the sorting room, resulting in the mixing of frozen and chilled pre-packed meat cartons. Consequently, tracing the whereabouts and accounting for specific cartons became time-consuming while also increasing the difficulty of sorting cartons into pallets. Through an existing relationship and established trust in SCT's know-how in automation, alongside its excellence in the meat automation and material handling industries, Kilcoy engaged SCT to solve its intricate problem.

Kilcoy requested an end-to-end system that could easily be implemented into its current business processes. SCT approached the building of this turnkey solution from a process perspective to better understand the requirements of the sorting room. The result is a four-robot palletising hall featuring carton sorting, AGVs, and pallet barcode scanning, meeting Kilcoy's throughput, reliability, and running cost needs. The system also includes traceability of individual cartons throughout the process. SCT leveraged a combination of automation technologies, making them unique in their ability to deliver and supply the entire spectrum of elements necessary for this project. This outcome benefitted Kilcoy, who avoided contracting multiple suppliers across different stages of the solution.

SCT designed a system capable of handling up to 60 pallets per hour, above Kilcoy's prior system of 40–50 pallets an hour. During the design process, SCT revolutionised the traditional AGV, which had never been able to stop inside a wrapping machine. Implemented in 2017, Kilcoy has benefitted from faster production speed, greater product traceability, improved fault tolerance, and lower labour costs with only two operators in the room. Over time, Kilcoy will also benefit from the flexible layout that allows for future improvements or expansion. After SCT implemented this process at Kilcoy, it has also been widely adopted in many other materials handling lines.

Figure 76. Kilcoy's palletising hall



Source: Company

Appendix 3: FY22 result highlights

SCT reported a solid FY22 result on 18 October 2022, with revenue of NZ$222m up +8% on FY21. Results in the three core divisions of Meat, Mining and Materials handling and logistics delivered sales growth of +15% and now represent ~76% of revenue and ~90% of gross profit. Gross margin was 29%, down slightly from the 30% seen in FY21 but higher than the 26% experienced in FY20. On the EBITDA line, FY22 was +14% on FY21 at NZ$24m. SCT ended the period with a record forward book of NZ$190m. The increase in forward work has been impressive and is +47% on that seen at the end of FY21. SCT's net debt position was NZ$8.0m at the end of FY22 as the company invested in growth (a net ~NZ$8m was spent on capex) and working capital increased (+NZ$17m). To mitigate supply chain risks and maintain operational excellence. "*Our solution was to invest in working capital, pushing up inventories to secure supply and price, which helped us to ensure we could fulfil customer orders and, ultimately maintain our margins*". Full-year dividends were 8cps with a DRP.

Result highlights by division include:

- **Meat**. BladeStop and Lamb Primal Systems displayed continued strength. Solid margin performance from these two products has been the key reason for divisional growth over the past two years. Revenue was +21% to NZ$57m. The Meat division's gross margin was 32%, representing 34% of the group's total gross profit.
- **Mining**. SCT saw strong demand over the period and a solid margin profile underpinned by a growing proportion of repeatable Rocklabs products. Revenue was +38% to NZ$40m. The Mining division's gross margin was 40%, representing 26% of the group's total gross profit.
- **Materials handling and logistics**. The division has been growing strongly in Europe, and with the recent leadership amalgamation of Europe and the USA, established solutions have started to flow into the US. Revenue was +3% to NZ$70m. The MHL division's gross margin was 20%, representing 30% of the group's gross profit.
- **Service.** Management's focus on increasing the service line has paid off, with NZ$19m of service revenues being +115% in FY21 and well ahead of the NZ$5m seen in FY20. This growth has provided significant benefits as the service margin by division was Meat 30%, Mining 44%, MH&L 38%, thereby quickly providing overall group benefits. Overall, service revenues have a 37% margin.

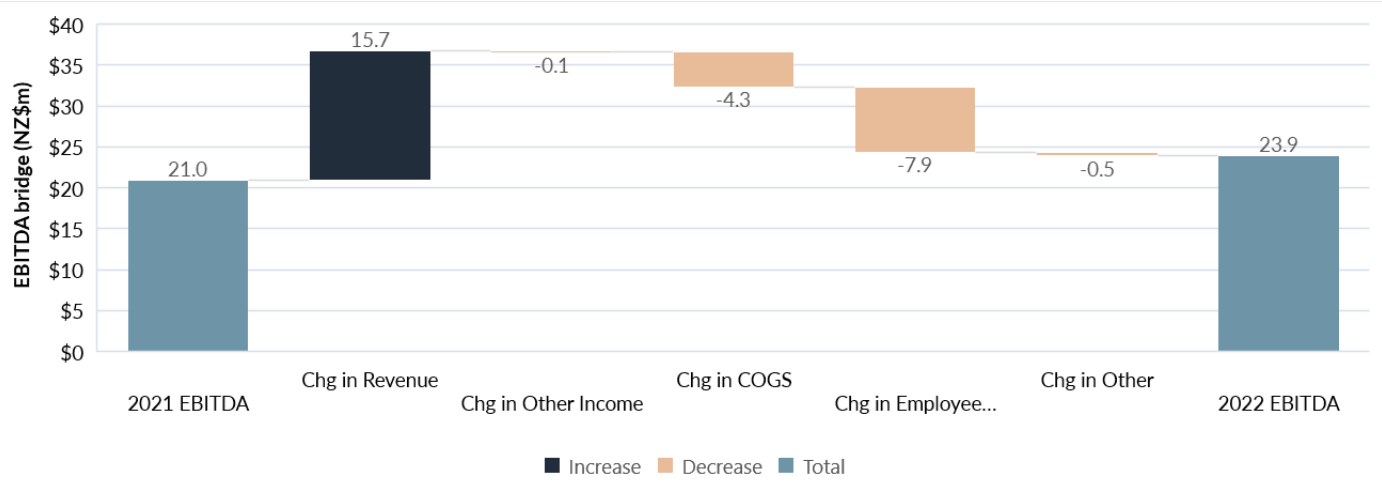
The outlook for FY23 looks impressive, despite the growing challenges experienced by global economies. Supported by the large order backlog, the company is anticipating strong order inflows as large food companies recover from reduced labour supply, shortened customer lead times and a desire to manage inflation in production processes.

Figure 77. Result summary

	FY21A	FY22A	Change
Operating revenue	**206.0**	**221.8**	**+8%**
Other operating income	2.1	2.0	-5%
Share of joint ventures' net surplus	0.8	0.3	-59%
Raw materials, consumables used & operating expenses	(126.2)	(130.4)	+3%
Employee benefits expense	(61.8)	(69.7)	+13%
Other Adjustments	-	-	
EBITDA	**21.0**	**23.9**	**+14%**
Interest revenue	0.1	0.6	+449%
Depreciation & amortisation	(8.8)	(8.1)	-8%
Finance costs	(1.4)	(1.5)	+9%
Net Profit Before Tax	**10.9**	**14.9**	**+37%**
Taxation (expense)	(2.5)	(2.3)	-9%
Net Profit / (Loss) after Tax (from continuing ops)	**8.4**	**12.7**	**+50%**
(Loss)/Profit from discontinued operation (net of income tax)	1.1	(12.6)	
Cash Flow Hedge	-	-	
Translation of foreign operations	(3.4)	4.8	
Comprehensive Profit (Loss)	**6.2**	**4.9**	**-20%**
Diluted EPS	10.80	15.90	

Source: Company, Forsyth Barr analysis

Figure 78. SCT — EBITDA bridge from FY21 to FY22 (NZ$m)



Source: Company, Forsyth Barr analysis

Appendix 4: SWOT

We highlight below our assessment of SCT's Strengths, Weaknesses, Opportunities, and Threats (SWOT) as a tool to evaluate the business.

Figure 79. Strengths, Weaknesses, Opportunities, and Threats (SWOT)

Strengths	Weaknesses
■ Market-leading technology in smart automation for industrial markets, including meat processing, mining, materials handling, and other industrial automation ■ Diverse capabilities and experience in a range of industries, including food processing, appliance cabinet manufacturing, and mining sample preparation ■ Global presence with operations in 10 countries and sales in many others, including the US, China, and Europe ■ Strong brands and a focus on innovation, including research and development efforts to bring new products to market ■ Products address labour and skills shortages, and rising health and safety awareness, providing solutions for customers facing these issues ■ Strong order book (NZ$190m) ■ New product lines with significant global market potential, including the poultry trussing line ■ Management focus on building service revenues, providing a more stable and dependable source of income ■ Strong financial performance, including positive earnings growth and cash yield	■ Dependence on global economic conditions and customer demand, which can affect demand for automation solutions ■ Competition from other automation providers, including global companies with similar offerings
Opportunities	**Threats**
■ Growing trend towards automation in the industrial sector, providing potential for increased demand for SCT's products and services ■ Opportunities for increased productivity and quality, reduced labor costs, improved safety, and increased flexibility through automation, which can lead to cost savings and increased competitiveness for SCT's customers ■ Possibility for expansion through the development of new and existing product lines and the expansion of service offerings ■ Potential to enter new markets and increase sales through globalisation efforts	■ Economic downturns and slowdowns that can affect customer demand and purchasing power ■ Competition from other automation providers, leading to price competition and potential loss of market share ■ Changes in customer demand and preferences, which can affect the demand for SCT's products and services ■ Political and economic instability in international markets, which can affect the ability to do business and access new markets

Source: Forsyth Barr analysis

Appendix 5: JBS S.A.

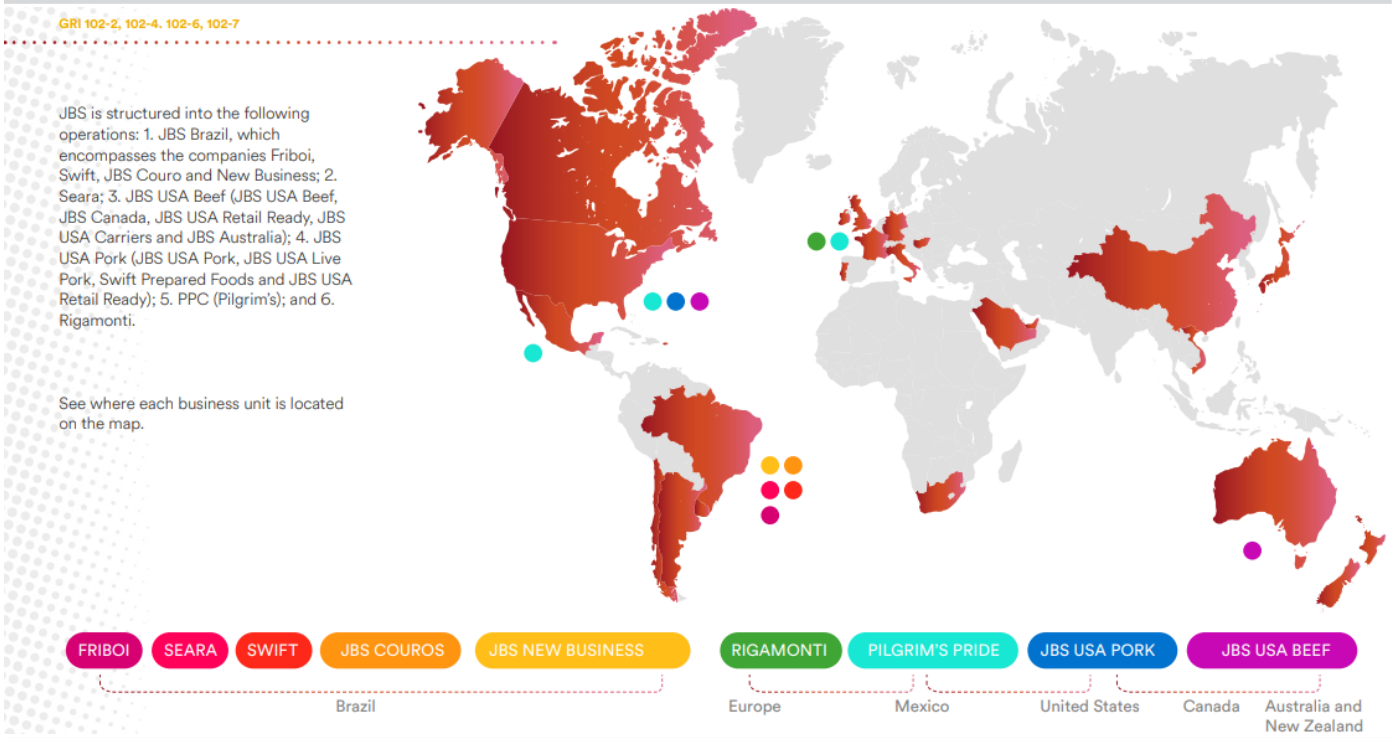
JBS S.A. is the world's largest meat processing company, a Brazilian multinational corporation. The company is the majority owner of SCT, with a 52.54% shareholding. In 2022, it overtook Nestle/Pepsico and Tyson Foods to become the largest food company globally in terms of revenue. JBS has forecast revenues of US$72 billion in FY22. With a history of almost 70 years, the company operates in over 20 countries (including Brazil, the United States, Canada, Australia, the United Kingdom, France, Mexico, Argentina, and Paraguay, among others) on five continents. It has 250,000 employees and is headquartered in Sao Paulo. JBS serves around 275,000 clients in around 180 nations worldwide.

JBS processes beef, pork, lamb, chicken, and plant-based products, producing convenience and high-quality foods and more added value. It is the global #1 beef producer, #1 poultry producer and #2 pork producer. The company also commercialises leather, hygiene and cleaning products, collagen, metallic packaging, and biodiesel. JBS has a diversified product portfolio, from fresh and frozen meats to prepared meals, commercialised through brands recognised in Brazil and other countries, such as Friboi, Swift, Seara (chicken and pork), Pilgrim's Pride (chicken and pork processing), Swift Prepared Foods, Plumrose, and Primo, among others. The company also operates with correlated businesses, such as Leather, Biodiesel, Collagen, Natural Casings for cold cuts, Hygiene & Cleaning, Metal Packaging, Transportation, and solid waste management solutions and recycling. The company's focus on the meat processing industry and its strong market position in key regions position it well for continued growth in the future.

Related party deals:

- SCT on 31 May 2022 signed a deal to deliver its first fully automated warehouse system to JBS Canada's Brooks plant in Alberta. The project, valued at US$35m will be the largest in Scott's history. It will involve integrating existing technology from across the group and systems from its joint venture partner Savoye to design and build an end-to-end material handling solution capable of handling 85,000 cartons. This will replace a fully manual system and improve product handling efficiency, increase safety, reduce storage costs, and improve inventory turns. The system will provide complete monitoring, management, and control of goods
- In FY22 SCT had sales to JBS companies of NZ$8.5 million (2021: $6.9 million), the majority of which were BladeStop machines
- SCT has not purchased any products from JBS Companies
- As at FY22 balance date SCT had NZ$2.0m in receivables from JBS (2021: NZ$1.0 million)
- Dividends paid to JBS were NZ$3.1 million in FY22, all of which were reinvested under SCT's dividend reinvestment plan

Figure 80. JBS's global operations — https://jbs.com.br/en/

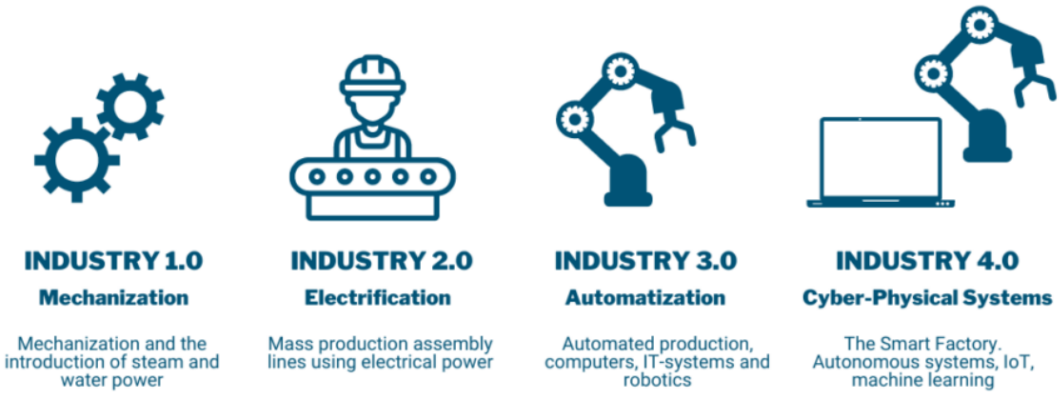


Source: Company

Appendix 6: Industry 4.0

Industry 4.0, also known as the Fourth Industrial Revolution, integrates advanced technologies such as artificial intelligence, the Internet of Things, and robotics into the manufacturing industry. This integration can revolutionise how goods are produced by increasing efficiency, reducing costs and improving product quality. The Fourth Industrial Revolution builds on the previous three, beginning with the mechanisation of the production process in the 18th century, the introduction of assembly lines in the 19th century, and information technology in the 20th century. Industry 4.0 takes this process to the next level by connecting machines, devices, and systems to create a smart factory that can operate autonomously.

Figure 81. Industrial Revolutions



Source: Calsoft, Forsyth Barr analysis

One of the critical aspects of Industry 4.0 is the use of data and analytics to optimise production processes. Smart sensors and devices can collect and transmit data in real time, allowing for real-time monitoring and control of the production process. This data can then be analysed to identify patterns and trends, which can be used to improve efficiency, reduce waste, and increase productivity. Another important aspect of Industry 4.0 is artificial intelligence and machine learning. These technologies can enhance or automate decision-making and control processes, predict and prevent equipment failures, and potentially reduce downtime and increase productivity.

Industry 4.0-related technologies that are becoming more prominent on factory floors include the Internet of Things (IoT), the Industrial Internet of Things (IIoT), Smart Manufacturing, Connected Manufacturing, Smart Factories, Cloud Computing, Cognitive Computing, Artificial Intelligence and Cyber-physical Systems (CPS). The full potential of Industry 4.0 comes to life when used together. The implementation is expected to have a significant impact on the manufacturing industry. It should increase efficiency, productivity, reduce costs, and improve product quality. It should lead to increased competitiveness and growth in the manufacturing sector. However, implementation comes with challenges, such as the need for significant investment in technology and infrastructure.

Figure 82. Industry 4.0

Source: Calsoft, Forsyth Barr analysis

Appendix 7: Company history

Figure 83. Company history

Year	Month	Event
1913	Apr	Dunedun based J & A P Scott was established, specialising in general repairs to gas, oil, and petrol motors
1938		J & A P Scott expands the parts department and opens a branch in Invervargill
1939		The war lead to the government supplying the company with precision equipment, thus introducing the firm to manufacturing
1997	Jul	Scott Technology listed on the New Zealand stock exchange (SCT.NZ)
2008	Jul	SCT acquires Auckland-based Rocklabs, manufacturers of sample preparation and suppliers of reference materials to the mining industry
2010	Nov	Acquisition of Reference Materials, a major supplier of reference materials to Rocklabs
2011	Sep	75% of a Chinese manufacturing facility acquired enhancing scope within China and Asia
2014	May	North American opportunity significantly increased through acquisition of Ohio based RobotWorx
	Jun	Australian presence advanced through acquistion of Applied Sorting Technologies, a manufacturer of X-ray food inspection equipment
2015	Jan	Complementary to Applied Sorting Technologies, SCT completes acquistion of Machinery Automation and Robotics, growing its offering in the mining, meat processing and robotics industries
2016	May	European market advanced through acquistion of German-based Somako, a business within the Appliance manufacturing industry sector
	Oct	Purchase of BladeStop Pty Limited's, adding BladeStop, a bandsaw safety techonology to SCT's products for the meat processing industry
2017	June	SCT completes acquistion of DC Ross, a Dunedin company pioneering in fine blanking technology
2018	Feb	Acquistion of Alvey Group for NZ$19.3m expands SCT's product range, software capabilites and European precence; the company having headquaters in Belgium with operations across France, Czech Republic and the UK
	June	US-based AGV manufacturer, Transbiotics is acquired allowing SCT to complete goal of building a complete end-to-end offering for the overall production process, while also placing SCT to grow US market
2019	Apr	France-based Normaclass is acquired by SCT; a company providing beef grading technology extensively used across Europe and Uruguay
	Nov	John Kippenberger begins tenure as the company's next Chief Executive Officer after appointment from Board of Directors
2020	May	Chris Steedman appointed as COO, Casey Jenkins to take on responsibilites of the People and Marketing Director role
	Sep	Change to company's finance structure and Cameron Mathewson announced in the position of CFO, starting 11 January 2021
	Oct	Awarded contract to design and build an X-ray lamb boning system for Alliance Group, New Zealand's most advanced lamb processing system
	Dec	Significant new partnership with Savoye, a world leading high-speed storage and retrieval system, extends capabilties of SCT's MHL systems to become an end-to-end solution, with potential to intergrate functionality across other business segments and intenational markets
2021	Feb	SCT announces multiple contract wins as global markets recover from COVID. Increased demand for automation has resulted in all business segments benefitting from several new multi-million dollar contracts, including Whirlpool, Poco Loco and advancements in the Pilgrims project
	Aug	HTS-110 business sold to free up management time and allow capital injection into organic growth areas, in line with SCT's 2025 Strategy
	Oct	US-based leading appliance manufacturer contracts SCT (NZ$20m) to design, build and commission a fully automated appliance production line, furthering the company's appliance business
	Nov	SCT signs AUD$18m contract with industry leading Australian partners which sees expansion of its meat processing business, to deliver a first in market solution expected to revolutionise the industry with significant potential for upscaling after expected 2023 launch
2022	May	Achieves company record US$35m deal enabling expansion of its materials handling business into North America through project with JBS Canada, bringing the first SCT end-to-end MHL system in the region
	Sep	Silver Fern Farms, signs NZ$11.2m contract for SCT to produce fully automated lamb processing system for plant in South Otago
	Nov	Globally recognised as one of the leading manufacturers of construction and mining equipment, Caterpillar signs SCT to collaborate and deliver an automated connection system to support stationary charging of electrified machines

Source: Company, Forsyth Barr analysis

Figure 84. Acquisition history

Company	Location	Portion	Date	Cost (NZ$m)
Normaclass	France	100%	May-2019	2.94
Transbotics	USA	100%	May-2018	4.87
Alvey	Europe	100%	May-2018	19.30
BladeStop	Australia	100%	October-2016	6.38
Somako Hirsch and Attlg GmbH	Germany	100%	April-2016	0.88
Machinary Automations and Robotics	Australia	100%	January-2015	14.22
Applied Sorting Technologies	Australia	100%	June-2014	1.29
RobotWorx	USA	100%	May-2014	9.00
QMT Machinary Technology (Qingdao) Co Limited	China	70%	September-2011	0.91
HTS Limited	New Zealand	51%	March-2011	4.41
Malcom Smith Reference Materials	New Zealand	100%	November-2010	0.97
Rocklabs	New Zealand	100%	April-2008	10.0

Source: Company, Forsyth Barr analysis

Appendix 8: Board and management profiles and remuneration

Figure 85. Board profiles

Board Member	Position	Description
Stuart McLauchlan	Independent Chair	Stuart is a Senior Partner of GS McLauchlan & Co Business Advisors and Accountants, a businessman and company director. He was appointed a director of SCT in 2007. He is also a director of Scenic Hotels Limited, Dunedin Casinos Limited, Ngai Tahu Tourism Limited, EBOS Group Limited (EBO.NZ) and several other companies. Mr McLauchlan is also Chairman of the NZ Sports Hall of Fame, Chairman of AD Instruments Pty Limited and Chairman of UDC Finance Limited. He is also a past President of the New Zealand Institute of Directors. Mr McLauchlan is a qualified accountant with a Bachelor of Commerce degree from the University of Otago, an FCA from Chartered Accountants Australia and New Zealand and is a Chartered Fellow of the New Zealand Institute of Directors.
John Kippenberger	Executive Director / CEO	See management profiles below.
Brent Eastwood	Non-executive Director representing JBS	Brent is CEO of JBS Foods Australia, a position he has held since September 2012. Prior to this, he was Chief Operating Officer for JBS Australia (Northern). Brent has international experience in business leadership and the sales and marketing of animal protein. He has worked in executive roles within JBS USA including Head of JBS Trading Worldwide, Vice-President Beef Sales USA and President of JBS Carriers USA. His prior experience in Australia included time with JBS' predecessor company, Australia Meat Holdings, as General Manager of AMH Trading Division for five years, eight years in meat trading with the DR Johnson Group and three years as CEO of the ConAgra Trade Group in Sydney. Brent is also a graduate and Member of the Australian Institute of Company Directors.
John Berry	Non-executive Director representing JBS	John is a director and Head of Corporate and Regulatory Affairs of JBS Australia Pty Limited. He has held senior executive roles in the Australian Meat Industry for over 18 years and has responsibility for industry, government and corporate relations, industrial relations, environmental operations and sustainability within the JBS Australia business. John has been involved in the acquisitions JBS Australia has undertaken over the past decade. Along with being a director of JBS Australia Pty Limited, he is also Chairman of the Australian Meat Processor Corporation and a Fellow of the Australian Institute of Company Directors.
Alan Byers	Non-executive Director representing JBS	Alan was most recently the President of US Regional Beef, retiring from that position after 43 years in the industry. Alan is now serving as a Senior Advisor to Andre Nogueira and the collective JBS US business. Prior to joining JBS USA, Alan held a number of senior executive roles, including CEO/President of Meyer Natural Foods, President of ConAgra Signature Meats, and 18 years with Hormel culminating in an assignment as President of Dubuque Foods. Alan's career experience has included positions as Plant Personnel Manager, Corporate Labour Relations Manager, Industrial Engineering Manager, Corporate Operations Manager, Plant Manager, Product Marketing Director, and Executive Vice President of Sales. Alan is a Drake University graduate with a degree in Industrial Communication. He also holds an MBA from Kellog School of Business/ Northwestern and was appointed a SCT director in 2020.
John Thorman	Independent Director	BCom, CA, MInstD | New Zealand, Appointed Director 2018. John is the Co-Founder and Managing Director of Corporate Services New Zealand and a director of a number of other overseas-owned New Zealand businesses. John has had a career with global professional services firms working in Europe and New Zealand as well as holding the position of CFO of an internet start-up. John has considerable experience in assisting companies to expand into new markets, acquire and integrate businesses and maintain compliance globally. John was appointed to the board in 2018.
Derek Charge	Independent Director	Derek is an executive with a background in textiles manufacturing, heavy manufacturing, mining and minerals processing, and logistics and port operations. He has experience in establishing supply chains and marketing throughout Asia, particularly China and Japan. Derek is Chief Operating Officer of Mohawk Flooring Australasia, a division of the world's largest flooring company. Prior to joining Mohawk, he held a number of executive roles with BlueScope Steel Limited, and before that was a partner of an Australian law firm, Sparke Helmore, specialising in mineral resource development and environmental planning law.
Penny Ford	Emerging Director	Penny is the Chief Customer Officer for Corporate & Institutional Banking for BNZ. Responsible for leading Corporate and Institutional businesses, supporting customers across a range of industries including infrastructure, government, financial institutions, agriculture and property. Further to this she has held governance roles on the ANZ Investments and UDC Finance boards. Penny holds a Chemical and Process Engineering degree from the University of Canterbury and Masters in Applied Finance from Victoria University of Wellington. Additionally, Penny has attended executive education at both Columbia Business School and MIT- Sloan School of Management. Penny is a graduate of the Australian Institute of Company Directors.

Source: Company, Forsyth Barr analysis

Figure 86. Remuneration for the Board of Directors

Name	Category	Total (NZ$)	#Shares	Shareholding %
Stuart McLauchlan	Chairperson and Independent Director	140,000	413,453	0.5%
John Kippenberger	Executive Director		106,821	0.1%
Brent Eastwood*	Director		41,950,535	52.5%
John Berry*	Director			
Alan Byers	Director	74,000	0	0.0%
John Thorman	Independent Director		5,089	0.0%
Derek Charge	Independent Director	65,000	5,112	0.0%
Penny Ford	Emerging Director			
	Total	**279,000**	**42,481,010**	**53.2%**

Source: Company, Forsyth Barr analysis

* The non-beneficially held shares of Brent Eastwood and John Berry are in their capacity as Directors of JBS Australia Pty Ltd the majority shareholder of SCT.

Figure 87. Remuneration for Executive Directors

Name	Category	FY22 total (NZ$)
John Kippenberger	CEO and Managing Director	$1,065,000
	Base salary (NZ$)	$751,000
	STI (NZ$)	$169,000
	LTI (NZ$)	$145,000
	STI as % of Base	22.5%
	LTI as % of Base	19.3%

Source: Company, Forsyth Barr analysis

Figure 88. FY22 employee remuneration and incentives in excess of $100,000 pa, excluding Directors and CEO of the group

Remuneration	Number of Employees
100,001-110,000	43
110,001-120,000	38
120,001-130,000	41
130,001-140,000	22
140,001-150,000	29
150,001-160,000	18
160,001-170,000	12
170,001-180,000	10
180,001-190,000	9
190,001-200,000	14
200,001-210,000	5
210,001-220,000	5
220,001-230,000	5
230,001-240,000	6
240,001-250,000	6
250,001-260,000	1
270,001-280,000	2
280,001-290,000	1
290,001-300,000	3
300,001-310,000	2
310,001-320,000	1
330,001-340,000	1
340,001-350,000	3
400,001+	4
Totals	**281**

Source: Company, Forsyth Barr analysis

Figure 89. Management profiles

Management	Position	Description
John Kippenberger	CEO and Executive Director	John joined STC as CEO in late 2019 as a business leader with a career as CEO of several international business-to-business and consumer branded companies. This has included time in Australia as CEO of several industrial companies of George Weston Foods Limited before leading its large meat & dairy organisation which included 1,200 people operating across seven factories. After returning to New Zealand in 2006, John was a part-owner and the Chief Executive of Premier Beehive NZ Limited. More recently, John led the growth and development of Manuka Health NZ Limited. This included expansion of the company's agricultural and factory operations, along with an acquisition in Germany and the opening of company operations in Australia, the United States, the United Kingdom and parts of South East Asia and China.
Cameron Mathewson	Chief Finance Officer	Cameron was appointed Chief Financial Officer in January 2021. He has experience in leading business transformation and organisational performance improvement. Cameron has held a number of senior financial and commercial leadership roles with large listed companies and co-operatives in both the UK and New Zealand. This includes Chief Financial Officer for Alliance Group, a $2bn farmer-owned Red Meat co-operative. Previously he has been Chief Financial Officer/General Manager Corporate Services for Brand Developers Ltd, Australasia's leading Direct Response Television company, and also Commercial Finance Manager Sales and Marketing for Fonterra Brands. He has a Bachelor of Management Studies, Economics and Finance from the University of Waikato.
Casey Jenkins	Director - Marketing and People	Casey joined the company in 2014 and manages the global Marketing and People functions of the Group. Responsible for the delivery of the overall Marketing, Communication and HR strategies for the SCT group. Casey's role as Marketing Director includes communications, branding and marketing strategy. Her role also extends to cover the people side of the business, focussing on building a high-performance organisational culture, team values, employee branding and communication. Prior to joining SCT, Casey held marketing roles in various business-to-business and consumer branded companies, including R&R Sport and Icebreaker.
Aaron Vanwalleghem	President Europe & North America	Aaron joined SCT in 2013 (then Alvey). Responsible for sales, engineering, operations and services in material handling, BladeStop and appliances for the European Market. Aaron was a key part and shareholder of the Alvey Group and joined SCT alongside the acquisition in 2018. During his time with Alvey, and now SCT, he has held many key positions within the company, including Project Manager, Head of PMA, Service Manager and Operations Manager. Aaron has a Master in Economics from the University of Leuven (BE).
Cathy Zhang	Regional Director - China	Cathy joined SCT in 2007 and manages the operation of SSQ. Responsible for the sales, manufacturing and service of the sheet metal forming machine within China, and meanwhile providing the cost-saving parts and assembly for SCT.
Gerry Farnell	General Manager - Australia	Gerry is a business, operations and integrated supply chain executive who possesses a range of global career experiences with corporates such as Procter & Gamble — Head of Supply Chain ANZ, Beauty Care Logistics leader ANZ ASEAN and India, McCain's Foods Limited — Vice President of Integrated Supply Chain Asia Pacific, Middle East and Africa, GPC (REPCO) — GM Distribution ANZ.
Andrew Arnold	General Manager - New Zealand	Andrew is responsible for the development and commercialisation of SCT's meat processing technology. He has been actively involved in this technology since it started seven years ago and is responsible for developing the patented technology which is recognised as world-leading in the field. Andrew has over 30 years' experience in working with automated machinery for SCT. Andrew is also a director of Robotic Technologies Limited and NS Innovations Pty Limited.
Ian Enright	Director - Mining	Ian joined SCT in December 2021 as director of Mining. He is an executive with a pedigree in minerals and EPCM, having spent ten years in global director and project execution roles at BOC / Linde Group throughout Asia and the South Pacific. In these roles, Ian has led large cross-functional teams and driven businesses. Ian spent seven years at the director level at Worley Parsons Australia and Africa leading market segments including large project execution. He is a qualified engineer.
Frederic Hermier	Director - Materials Handling & Logistics	Frederic has been involved in the Alvey business since 1995 in different sales positions. He is now responsible for the business development of Materials Handling & Logistics for SCT globally.

Source: Company, Forsyth Barr analysis

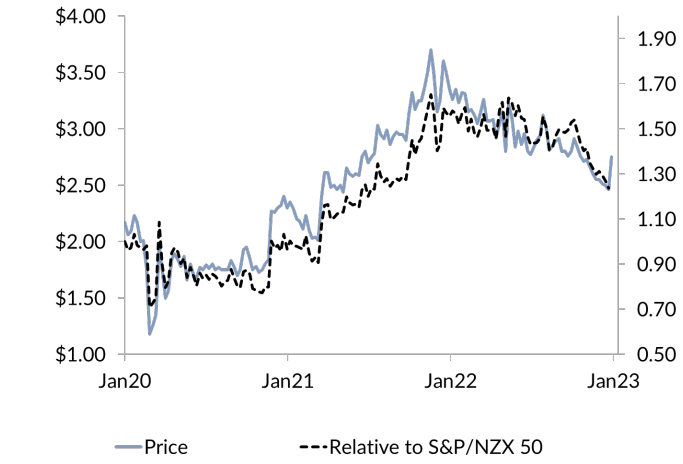
Appendix 9: Key terms & definitions

Figure 90. Scott Technology (SCT) — Key Terms & definitions

Term	Definition
AEC	The architecture, engineering and construction sector
AGV	Automated Guided Vehicle
AI	Artifical Intelligence
ASRS	Automated storage and retrieval system
BCG	Boston Consulting Group
CAGR	Compound annual growth rate
Cobot	Collaborative robots
COGS	Cost of Goods Sold
DCF	Discounted cash flow
DPS	Dividend per share
DRP	Dividend reinvestment plan is a scheme which allows investors to exchange their cash dividends into additional SCT shares (or fractional SCT shares).
EAM	Enterprise asset management (EAM) is a combination of software, systems and services used to maintain and control operational assets and equipment. The aim is to optimize the quality and utilization of assets throughout their lifecycle, increase productive uptime and reduce operational costs.
EBITDA	Earnings before interest, taxes, depreciation and amortisation
End-effectors	Device at the end of a robotic arm
EPS	Earnigs per share (EPS) describes the amount of profit a company makes per outstanding share of common stock. EPS is indicative of the profitability of a company.
ESOP	Employee Share Option Plan
EV	Enterprise value
EV/EBITDA	Enterprise value-to-EBITDA is a financial ratio that measures how much it would cost to purchase a company's value in terms of its EBITDA.
EV/Sales	Enterprise value-to-sales is a financial ratio that measures how much it would cost to purchase a company's value in terms of its sales.
FTE	Full time equivilent employees
G&A	General and Administration expenses
IoT	Internet of things
Machine learning	A sub-sector of AI and computer science focussing on leveraging data and algorithms to replicate the way that humans learn, progressively improving its accuracy
MHL	SCT's material handling and logistics business segment
NPAT	Net profit after tax
PE	Price-to-Earnings is a financial ratio measuring a company's current share price to its EPS
R&D	Research & Development expenses
ROI	Return on investment
S&M	Sales and Marketing expenses
SAM	Serviceable Addressable Market
SC	Safety Code
SEC	Securities and Exchange Commission
Smart automation	Automating processes leveraging the use of technology that resemble the human senses, memory, auditory capabilities and physical hand eye coordination movements.
SOM	Serviceable Obtainable Market
TAM	Total Addressable Market
White goods	Large electrical products

Source: Various, Forsyth Barr analysis

Figure 91. Price performance



Source: Forsyth Barr analysis

Figure 92. Substantial shareholders

Shareholder	Latest Holding
JBS Australia Pty	52.0%
Oakwood Securities	6.8%

Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 93. International valuation comparisons

Company	Code	Price	Mkt Cap	PE		EV/EBITDA		EV/EBIT		Cash Yld
(metrics re-weighted to reflect SCT's balance date - August)			(m)	2023E	2024E	2023E	2024E	2023E	2024E	2024E
Scott Technology	**SCT NZ**	**NZ$2.75**	**NZ$221**	**19.8x**	**16.1x**	**9.2x**	**7.9x**	**13.5x**	**11.2x**	**3.6%**
Marel Hf	MAREL NA	€3.70	€2,853	n/a	16.4x	16.1x	12.0x	27.5x	17.1x	1.8%
Flsmidth & Co A/S	FLS DC	kr286.80	kr16,534	22.4x	15.5x	10.7x	8.0x	19.8x	12.8x	2.8%
Xrf Scientific	XRF AT	A$0.84	A$114	16.5x	n/a	10.4x	n/a	11.6x	n/a	n/a
Abb-Reg	ABBN SW	US$31.41	US$61,713	19.9x	18.3x	13.7x	12.4x	16.7x	15.0x	3.0%
Emerson Electric Co	EMR US	US$89.21	US$51,947	21.2x	19.3x	15.0x	14.6x	17.8x	16.9x	2.4%
Honeywell International Inc	HON US	US$204.24	US$137,315	22.6x	20.7x	16.1x	15.0x	18.3x	16.9x	2.1%
John Bean Technologies Corp	JBT US	US$98.69	US$3,144	19.4x	16.4x	13.0x	11.3x	18.6x	15.5x	0.4%
Omron Corp	6645 JP	¥6843.00	¥1,411,334	21.7x	21.3x	11.4x	11.2x	14.8x	14.6x	1.5%
Rockwell Automation Inc	ROK US	US$274.42	US$31,489	26.3x	23.5x	19.8x	18.3x	22.0x	20.1x	1.8%
Schneider Electric Se	SU FP	€148.34	€84,716	20.0x	18.4x	13.6x	12.8x	16.5x	15.5x	2.4%
			Compco Average:	**21.1x**	**18.9x**	**14.0x**	**12.8x**	**18.4x**	**16.0x**	**2.0%**
EV = Mkt cap+net debt+lease liabilities+min interests-investments			**SCT Relative:**	**-6%**	**-15%**	**-35%**	**-38%**	**-26%**	**-30%**	**79%**

Source: *Forsyth Barr analysis, Bloomberg Consensus, Compco metrics re-weighted to reflect headline (SCT) companies fiscal year end

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