

Scott Technology

Two of Three Segments Shining—ASM Review

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Scott Technology's (SCT) 2024 Annual Shareholder Meeting (ASM) highlighted the near-term challenges in North American beef and Australasian lamb markets. Despite these immediate pressures, the commentary optimistically underscored the long-term growth potential of SCT's three core sectors—Materials Handling (MHL), Minerals, and Protein. The ASM featured the first presentation by Mike Christman, SCT's newly appointed CEO, who brings extensive global experience in automation systems, including his former role as Global Vice President at Vanderlande Industries, a materials handling and logistics automation company. SCT's forward order book remains at NZ\$160m, consistent with FY24 year-end levels. We lower our near-term revenue estimates, given the ongoing challenges in global red meat protein markets, which prolong the expected recovery period for Protein. Further, we anticipate weak trading in 1H25, despite solid progress in MHL and Minerals. Our blended spot valuation decreases -24cps to NZ\$3.21.

NZX code	SCT	Financials: Aug/	24A	25E	26E	27E	Valuation (x)	24A	25E	26E	27E	
Share price	NZ\$2.04	Rev (NZ\$m)	278.7	278.6	297.0	315.1	PE	21.0	15.5	11.0	9.6	
Spot Valuation	NZ\$3.21 (from 3.45)	NPAT* (NZ\$m)	7.7	10.8	15.7	18.8	EV/EBIT	16.3	11.1	8.2	7.2	
Risk rating	Medium	EPS* (NZc)	9.7	13.1	18.5	21.3	EV/EBITDA	7.2	6.7	6.0	5.3	
Issued shares	81.2m	DPS (NZc)	8.0	8.0	10.0	12.0	Price / NTA	1.5	1.5	1.4	1.3	
Market cap	NZ\$166m	Imputation (%)	0	100	100	100	Cash div yld (%)	3.9	3.9	4.9	5.9	
Avg daily turnover	17.9k (NZ\$43k)	*Based on normalised profits						Gross div yld (%)	3.9	5.4	6.8	8.2

What's changed?

- **Earnings:** Our NPAT estimates fall -12%/-5%/-4% in FY25/FY26/FY27 respectively.
- **Spot valuation:** Our blended spot valuation falls -7% to NZ\$3.21 on continued protein market weakness and falls in peer multiples.

Challenges in protein markets continue

SCT continues to encounter challenges in its core Protein segment. However, several initiatives may help mitigate some of these challenges in 2H25, including: (1) a significant lamb primal order from JBS in Australia, (2) enhanced service revenues across its installed base, (3) the launch of the new, smaller BladeStop T300, and (4) ongoing developments in poultry trussing and white meat markets. We remain optimistic about the potential of the BladeStop T300 targeting new market segments such as grocery stores, supermarkets, and independent butchers during 2H25 and beyond, as well as for SCT's poultry trussing systems. Despite these positives, the severe, ongoing downturn in global red meat markets is expected to continue affecting SCT's financials, with our FY25 Protein revenue projections now down -13% year-on-year, following a -21% decline from FY23 to FY24.

Materials Handling (MHL) continues its impressive run to package up new clients

The outlook for growth within SCT's MHL segment remains solid after two years of +35% compound revenue growth, driven by robust demand for automated palletisation solutions. The forward order book for MHL stands at NZ\$95m, with recent deals secured with Agristo, Danone, Cranswick, and a major global potato processing company in North America.

Future prospects in Minerals (Rocklabs) remains rock solid

SCT's President of Minerals noted good growth despite macroeconomic challenges and pricing pressures in the global commodities market. We understand the deployment of the first two of Rocklab's Automated Modular Solutions (AMS) at Minerals Resources Limited (MRL AU) is progressing well.

Scott Technology (SCT)
Market Data (NZ\$)

Priced as at 20 Nov 2024	2.04
52 week high / low	3.53 / 1.80
Market capitalisation (NZ\$m)	165.6

Key WACC assumptions

Risk free rate	5.00%
Equity beta	1.30
WACC	10.0%
Terminal growth	2.0%

Profit and Loss Account (NZ\$m)

	2023A	2024A	2025E	2026E	2027E
Revenue	268.9	278.7	278.6	297.0	315.1
Normalised EBITDA	29.7	26.4	30.8	34.8	39.2
Depreciation and amortisation	(8.5)	(10.9)	(12.1)	(9.6)	(10.3)
Normalised EBIT	20.6	11.7	18.7	25.2	28.9
Net interest	(1.7)	(4.2)	(3.6)	(3.4)	(2.8)
Associate income	0	0	0	0	0
Tax	(3.8)	(3.2)	(4.2)	(6.1)	(7.3)
Minority interests	0	0	0	0	0
Normalised NPAT	15.4	7.7	10.8	15.7	18.8
Abnormals/other	0	0	0	0	0
Reported NPAT	15.4	7.7	10.8	15.7	18.8
Normalised EPS (cps)	19.3	9.7	13.1	18.5	21.3
DPS (cps)	8.0	8.0	8.0	10.0	12.0

Growth Rates

	2023A	2024A	2025E	2026E	2027E
Revenue (%)	20.2	3.6	0.0	6.6	6.1
EBITDA (%)	24.1	-11.0	16.4	13.1	12.7
EBIT (%)	29.5	-43.1	59.5	35.1	14.6
Normalised NPAT (%)	22.0	-50.0	40.1	45.1	19.7
Normalised EPS (%)	21.4	-49.7	35.3	40.7	15.5
Ordinary DPS (%)	0.0	0.0	0.0	25.0	20.0

Cash Flow (NZ\$m)

	2023A	2024A	2025E	2026E	2027E
EBITDA	29.7	26.4	30.8	34.8	39.2
Working capital change	(6.4)	(4.8)	(1.0)	(0.8)	(3.4)
Interest & tax paid	(0.0)	(3.1)	(3.9)	(5.9)	(7.0)
Other	(3.1)	(12.6)	1.2	1.2	0
Operating cash flow	20.2	6.0	27.0	29.3	28.9
Capital expenditure	(2.0)	(9.0)	(2.8)	(3.0)	(3.1)
(Acquisitions)/divestments	(2.5)	(1.9)	0	0	0
Other	(6.3)	(9.2)	(8.6)	(8.5)	(8.1)
Funding available/(required)	9.5	(14.1)	15.6	17.8	17.6
Dividends paid	(2.6)	(7.1)	(6.5)	(7.8)	(9.8)
Equity raised/(returned)	0	0	0	0	0
(Increase)/decrease in net debt	6.9	(21.2)	9.1	10.1	7.8

Balance Sheet (NZ\$m)

	2023A	2024A	2025E	2026E	2027E
Working capital	42.6	47.4	48.3	49.1	52.5
Fixed assets	18.4	23.6	26.9	30.1	33.4
Intangibles	5.6	3.4	0.0	0	0
Right of use asset	12.5	24.9	27.4	29.5	31.2
Other assets	113.3	103.4	101.7	99.9	99.4
Total funds employed	192.3	202.6	204.3	208.8	216.4
Net debt/(cash)	0.1	20.1	16.9	6.9	(1.0)
Lease liability	9.6	22.0	25.6	29.2	32.8
Other liabilities	69.9	50.0	51.5	53.0	54.6
Shareholder's funds	113.1	111.0	111.1	120.9	131.8
Minority interests	(0.4)	(0.5)	(0.8)	(1.2)	(1.8)
Total funding sources	192.3	202.6	204.3	208.8	216.4

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

Spot valuation (NZ\$)

Peers comparable	3.21
DCF	3.19

DCF valuation summary (NZ\$m)

Total firm value	431
(Net debt)/cash	(20)
Less: Capitalised operating leases	(61)
Value of equity	349

Valuation Ratios

	2023A	2024A	2025E	2026E	2027E
EV/Sales (x)	0.7	0.7	0.7	0.7	0.7
EV/EBITDA (x)	6.0	7.2	6.7	6.0	5.3
EV/EBIT (x)	8.6	16.3	11.1	8.2	7.2
PE (x)	10.6	21.0	15.5	11.0	9.6
Price/NTA (x)	1.6	1.5	1.5	1.4	1.3
Free cash flow yield (%)	8.6	-4.6	11.8	13.0	12.5
Adj. free cash flow yield (%)	8.6	-4.6	11.8	13.0	12.5
Net dividend yield (%)	3.9	3.9	3.9	4.9	5.9
Gross dividend yield (%)	3.9	3.9	5.4	6.8	8.2

Capital Structure

	2023A	2024A	2025E	2026E	2027E
Interest cover EBIT (x)	12.2	2.8	5.1	7.4	10.3
Interest cover EBITDA (x)	17.6	6.3	8.4	10.2	13.9
Net debt/ND+E (%)	0.1	15.2	13.1	5.3	-0.7
Net debt/EBITDA (x)	0.0	0.8	0.6	0.2	n/a

Key Ratios

	2023A	2024A	2025E	2026E	2027E
Return on assets (%)	8.1	4.8	7.7	10.1	11.0
Return on equity (%)	13.9	6.9	9.6	12.9	14.1
Return on funds employed (%)	9.5	4.1	5.7	7.9	9.0
EBITDA margin (%)	11.0	9.5	11.0	11.7	12.5
EBIT margin (%)	7.6	4.2	6.7	8.5	9.2
Capex to sales (%)	0.7	3.2	1.0	1.0	1.0
Capex to depreciation (%)	31	103	32	31	30
Imputation (%)	0	0	100	100	100
Pay-out ratio (%)	41	82	61	54	56

Operating Performance

	2023A	2024A	2025E	2026E	2027E
Protein (Meat)					
Revenue (NZ\$m)	76.0	59.9	52.1	63.6	66.8
Revenue growth (%)	33%	-21%	-13%	22%	5%
Gross margin (%)	33%	28%	29%	29%	29%
Gross profit (NZ\$m)	25.4	16.8	14.9	18.4	19.4
Minerals (Mining)					
Revenue (NZ\$m)	41.2	48.8	52.7	65.9	77.4
Revenue growth (%)	4%	18%	8%	25%	18%
Gross margin (%)	40%	36%	40%	40%	40%
Gross profit (NZ\$m)	16.6	17.4	21.1	26.4	31.0

Materials Handling and Logistics

	2023A	2024A	2025E	2026E	2027E
Revenue (NZ\$m)	94.4	127.3	142.6	142.6	149.7
Revenue growth (%)	35%	35%	12%	0	5%
Gross margin (%)	23%	22%	23%	23%	23%
Gross profit (NZ\$m)	21.6	28.3	32.8	33.0	34.9
Other					
Revenue (NZ\$m)	56.0	40.1	29.1	24.7	21.0
Revenue growth (%)	1%	-28%	-28%	-15%	-15%
Gross margin (%)	14%	26%	22%	22%	22%
Gross profit (NZ\$m)	7.8	10.6	6.4	5.4	4.6

Earnings revisions

On the back of continued market weakness across global red meat protein markets, we reduce our estimates and prolong the expected recovery period. This sees our FY25 NPAT estimates cut -12% relative to prior expectations, with somewhat more minor reductions in NPAT estimates across FY26 and FY27 of -5% and -4% respectively. Further, we expect 1H25 trading to be weak, which sees our revenue estimates in 1H25 to now be down -6% relative to 2H24 trading.

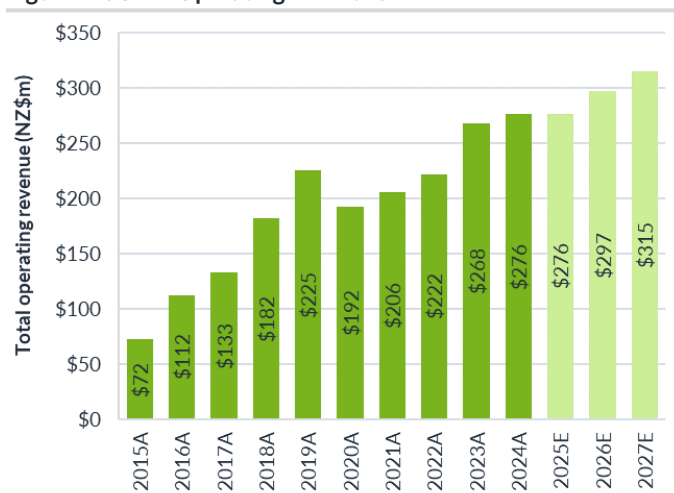
No new contracts were announced at the ASM; however, on 17 October 2024, SCT secured an additional lamb primal order for Australia from major shareholder JBS, preceding the 29 October 2024 announcement of six major contracts worth NZ\$30m for its MHL business, with leading food processors in Europe and North America. As part of this, SCT's NexBots, a modular Automated Guided Vehicle (AGV), has secured pre-orders from a major North American food processor for its 1H25 launch.

Figure 1. Earnings revisions

	FY25E			FY26E			FY27E		
	Old	New	Change	Old	New	Change	Old	New	Change
Operating revenue	285.5	276.5	-3%	300.6	296.7	-1%	318.9	314.9	-1%
Other operating income	2.1	2.1	+0%	0.3	0.3	+0%	0.3	0.3	+0%
Share of joint ventures' net surplus	0.1	0.1	n/a	0.1	0.1	n/a	0.1	0.1	n/a
Raw materials, consumables used & operating expenses	(235.7)	(228.8)	-3%	(245.4)	(242.6)	-1%	(258.7)	(255.8)	-1%
Employee benefits expense	(19.1)	(19.1)	+0%	(19.6)	(19.6)	+0%	(20.2)	(20.2)	+0%
Operating EBITDA	32.9	30.8	-6%	35.9	34.8	-3%	40.4	39.2	-3%
Other Adjustments	-	-		-	-		-	-	
Interest revenue	0.3	0.3	+0%	0.2	0.2	-10%	0.3	0.3	-6%
Depreciation & amortisation	(12.1)	(12.1)	-0%	(9.6)	(9.6)	-0%	(10.4)	(10.3)	-0%
Finance costs	(3.9)	(3.9)	+0%	(3.6)	(3.6)	+2%	(3.0)	(3.1)	+1%
Net Profit Before Tax	17.1	15.0	-12%	22.9	21.8	-5%	27.3	26.1	-4%
Taxation (expense)	(4.8)	(4.2)	-12%	(6.4)	(6.1)	-5%	(7.6)	(7.3)	-4%
Net Profit / (Loss) after Tax (from continuing ops)	12.3	10.8	-12%	16.5	15.7	-5%	19.6	18.8	-4%
Diluted EPS	14.9	13.1	-12%	19.4	18.5	-5%	22.3	21.3	-4%

Source: Forsyth Barr analysis

Figure 2. SCT – Operating revenues



Source: Company, Forsyth Barr analysis

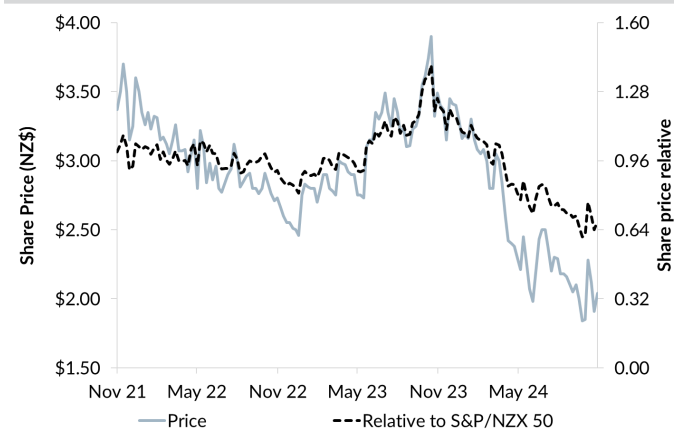
Figure 3. SCT – EBITDA



Source: Company, Forsyth Barr analysis

Additional data

Figure 4. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 5. Substantial shareholders

Shareholder	Latest Holding
JBS Australia	53.0%
Oakwood	6.8%

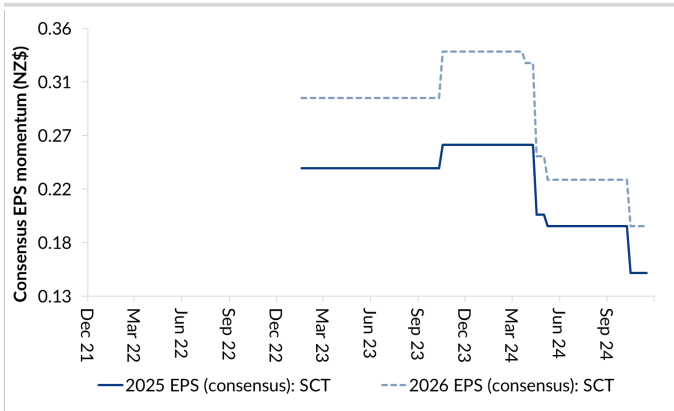
Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 6. International valuation comparisons using consensus data (one and two year forward)

Company	Code	Price	Mkt Cap (m)	PE		EV/EBITDA		EV/EBIT		Cash Yld 1yr
				1yr	2yr	1yr	2yr	1yr	2yr	
Scott Technology	SCT NZ	NZ\$1.98	NZ\$161	12.5x	10.1x	6.8x	6.2x	10.4x	8.5x	4.2%
Marel Hf	MAREL NA	€596.00	€459,521	>75x	>75x	>75x	>75x	>75x	>75x	0.0%
Flsmidth & Co A/S	FLS DC	kr372.20	kr21,457	14.9x	12.5x	8.4x	7.4x	10.7x	9.2x	2.6%
Xrf Scientific	XRF AT	A\$1.66	A\$233	21.3x	19.5x	13.1x	11.9x	14.4x	13.0x	227.7%
Abb-Reg	ABBN SW	US\$49.28	US\$91,691	19.9x	18.3x	13.7x	12.7x	15.8x	14.5x	2.1%
Emerson Electric	EMR US	US\$129.16	US\$73,647	21.4x	19.8x	16.7x	15.8x	21.5x	19.5x	1.7%
Honeywell International	HON US	US\$228.85	US\$148,809	20.9x	19.1x	14.9x	14.0x	16.6x	15.5x	2.1%
John Bean Technologies	JBT US	US\$117.78	US\$3,750	20.8x	18.7x	12.3x	11.3x	17.2x	15.7x	0.3%
Omron	6645 JP	¥5065.00	¥1,044,630	25.8x	16.1x	12.4x	10.3x	18.6x	14.3x	2.1%
Rockwell Automation	ROK US	US\$283.13	US\$31,964	29.0x	24.9x	21.2x	19.0x	23.8x	20.8x	1.8%
Schneider Electric	SU FP	€239.60	€137,920	26.0x	23.0x	17.0x	15.3x	19.7x	17.8x	1.7%

Source: Forsyth Barr analysis, Bloomberg, NOTE: all multiples based on Bloomberg consensus estimates, EV = market cap+net debt+lease liabilities+min interests-investments

Figure 7. Consensus EPS momentum (NZ\$)



Source: Bloomberg, Forsyth Barr analysis

Figure 8. Consensus one year forward PE (x)



Source: LSEG, Forsyth Barr analysis, NOTE: Data excluded when PE<0x or >75x

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