

# Scott Technology

## Soft 1H25 Amidst Emerging Signs of a Rebound

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Scott Technology (SCT) delivered a soft 1H25 revenue result, albeit momentum should improve in 2H25 with several large contracts secured in the second quarter. Group revenue declined -14% from 1H24, reflecting unfavourable contract recognition timing and the lagged impact of a thin order intake through FY24. Net profit after tax was NZ\$4.3m, essentially flat on 1H24, as robust margins and cost efficiencies offset the revenue decline. We lower our FY25 sales forecasts to reflect the weaker first half, partly offset by improved margin assumptions. While our blended valuation eases slightly, we remain constructive on SCT's long-term outlook—albeit recognising the potential for President Trump's tariffs to be a headwind for capital investment. SCT trades at a 12-month forward EV/EBITDA multiple of ~6x, which we view as undemanding relative to its peers.

NZX code	SCT	Financials: Aug/	24A	25E	26E	27E	Valuation (x)	24A	25E	26E	27E
Share price	NZ\$2.02	Rev (NZ\$m)	278.7	265.8	286.0	301.4	PE	20.8	14.2	12.2	10.3
Spot Valuation	NZ\$3.11 (from 3.21)	NPAT* (NZ\$m)	7.7	11.8	14.3	17.4	EV/EBIT	16.4	10.9	8.7	7.5
Risk rating	Medium	EPS* (NZc)	9.7	14.2	16.6	19.5	EV/EBITDA	7.2	6.9	6.1	5.4
Issued shares	82.2m	DPS (NZc)	8.0	6.0	8.0	10.0	Price / NTA	1.5	1.4	1.4	1.3
Market cap	NZ\$166m	Imputation (%)	0	0	100	100	Cash div yld (%)	4.0	3.0	4.0	5.0
Avg daily turnover	19.6k (NZ\$44k)	*Based on normalised profits					Gross div yld (%)	4.0	3.0	5.5	6.9

### What's changed?

- **Earnings:** EBITDA falls -4%, -3%, and -3% over FY25, FY26, and FY27 respectively.
- **Spot valuation:** Our spot valuation falls -3% to NZ\$3.11 on short-term sales weakness, partly offset by a lift in long-run margins.

### Order shortfall dents 1H25 revenue

A weak order pipeline during FY24 weighed on SCT's 1H25 sales. **Materials Handling & Logistics** (MHL) revenue dropped -15% to NZ\$53.3m, as the result of timing delays in major North American projects. Transbotics AGV saw softer orders as clients deferred capital spending, although the new 'NexBot' product launch in March 2025 has garnered positive feedback. In **Protein**, revenue was largely flat at ~NZ\$30.5m (vs NZ\$31.3m a year ago) amid a tough global red meat market. BladeStop saw a +10% uptick in sales on higher service/parts demand, and SCT secured the significant JBS primal system sale, positioning the Protein segment with momentum heading into 2H25. **Mining & Minerals** revenue declined -9% to NZ\$23.4m following a record 1H24. Sales of standard Rocklabs crushing/pulverising equipment were strong, but Modular mining lab systems saw a lull. Encouragingly, new modular project wins with Rio Tinto and Kinross were secured during 1H25, which will contribute to 2H25.

### Margin improvements commendable

Despite the revenue downturn, SCT managed to preserve profit margins through active cost management and a favourable sales mix. MHL achieved manufacturing efficiencies that lifted its margin percentage to 22% in 1H25 (up from 19% a year ago). Protein saw a margin expansion to 35% (from 32% in 1H24) as execution improved and a greater mix of spare parts/service revenue kicked in. Minerals' margin was 35% (from 34%), thanks to the tilt toward higher-margin standard products.

### 2H25 rebound likely, supported by Service growth, new orders and a solid order book

Pleasingly, order flow began to improve toward the end of 1H25. Management noted a strong 2Q25 as several large contracts were won, which is already providing momentum heading into 2H25. Recurring Service revenues (having grown at a five-year CAGR of +10%) added NZ\$37m in revenue contribution in 1H25. SCT's forward order book lifted +3% half-on-half to NZ\$165m.

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

Priced as at 16 Apr 2025	2.02
52 week high / low	3.30 / 1.80
Market capitalisation (NZ\$m)	166.1

**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	265.8	286.0	301.4
<b>Normalised EBITDA</b>	<b>29.7</b>	<b>26.4</b>	<b>29.6</b>	<b>33.6</b>	<b>38.1</b>
Depreciation and amortisation	(8.5)	(10.9)	(10.7)	(10.1)	(10.9)
<b>Normalised EBIT</b>	<b>20.6</b>	<b>11.7</b>	<b>18.9</b>	<b>23.5</b>	<b>27.2</b>
Net interest	(1.7)	(4.2)	(3.7)	(3.7)	(3.1)
Associate income	0	0	0	0	0
Tax	(3.8)	(3.2)	(3.3)	(5.5)	(6.7)
Minority interests	0	0	0	0	0
<b>Normalised NPAT</b>	<b>15.4</b>	<b>7.7</b>	<b>11.8</b>	<b>14.3</b>	<b>17.4</b>
Abnormals/other	0	0	0	0	0
<b>Reported NPAT</b>	<b>15.4</b>	<b>7.7</b>	<b>11.8</b>	<b>14.3</b>	<b>17.4</b>
Normalised EPS (cps)	19.3	9.7	14.2	16.6	19.5
DPS (cps)	8.0	8.0	6.0	8.0	10.0

**Growth Rates**

	2023A	2024A	2025E	2026E	2027E
Revenue (%)	20.2	3.6	-4.6	7.6	5.4
EBITDA (%)	24.1	-11.0	12.2	13.3	13.4
EBIT (%)	29.5	-43.1	61.7	24.1	15.8
Normalised NPAT (%)	22.0	-50.0	53.5	20.4	21.7
Normalised EPS (%)	21.4	-49.7	46.8	16.7	17.4
Ordinary DPS (%)	0.0	0.0	-25.0	33.3	25.0

**Cash Flow (NZ\$m)**

	2023A	2024A	2025E	2026E	2027E
<b>EBITDA</b>	<b>29.7</b>	<b>26.4</b>	<b>29.6</b>	<b>33.6</b>	<b>38.1</b>
Working capital change	(6.4)	(4.8)	(0.4)	1.1	(3.5)
Interest & tax paid	(0.0)	(3.1)	(3.0)	(5.3)	(6.5)
Other	(3.1)	(12.6)	1.2	1.2	0
<b>Operating cash flow</b>	<b>20.2</b>	<b>6.0</b>	<b>27.5</b>	<b>30.5</b>	<b>28.1</b>
Capital expenditure	(2.0)	(9.0)	(2.6)	(2.9)	(3.0)
(Acquisitions)/divestments	(2.5)	(1.9)	0	0	0
Other	(6.3)	(9.2)	(8.8)	(8.8)	(8.3)
<b>Funding available/(required)</b>	<b>9.5</b>	<b>(14.1)</b>	<b>16.0</b>	<b>18.9</b>	<b>16.7</b>
Dividends paid	(2.6)	(7.1)	(4.9)	(5.9)	(7.9)
Equity raised/(returned)	0	0	0	0	0
<b>(Increase)/decrease in net debt</b>	<b>6.9</b>	<b>(21.2)</b>	<b>11.1</b>	<b>13.0</b>	<b>8.8</b>

**Balance Sheet (NZ\$m)**

	2023A	2024A	2025E	2026E	2027E
Working capital	42.6	47.4	47.8	46.7	50.2
Fixed assets	18.4	23.6	26.7	29.9	33.0
Intangibles	5.6	3.4	1.4	0.8	0.2
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
<b>Total funds employed</b>	<b>192.3</b>	<b>202.6</b>	<b>205.0</b>	<b>207.0</b>	<b>214.1</b>
Net debt/(cash)	0.1	20.1	13.0	6.0	(2.8)
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	115.7	119.9	131.2
Minority interests	(0.4)	(0.5)	(0.8)	(1.2)	(1.7)
<b>Total funding sources</b>	<b>192.3</b>	<b>202.6</b>	<b>205.0</b>	<b>207.0</b>	<b>214.1</b>

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

**Spot valuation (NZ\$)**

Peers comparable	3.00
DCF	3.21

**DCF valuation summary (NZ\$m)**

Total firm value	433
(Net debt)/cash	(13)
Less: Capitalised operating leases	(61)
Value of equity	359

**Valuation Ratios**

	2023A	2024A	2025E	2026E	2027E
EV/Sales (x)	0.7	0.7	0.8	0.7	0.7
EV/EBITDA (x)	6.0	7.2	6.9	6.1	5.4
EV/EBIT (x)	8.7	16.4	10.9	8.7	7.5
PE (x)	10.5	20.8	14.2	12.2	10.3
Price/NTA (x)	1.5	1.5	1.4	1.4	1.3
Free cash flow yield (%)	8.6	-4.5	12.1	13.7	12.1
Adj. free cash flow yield (%)	8.6	-4.5	12.1	13.7	12.1
Net dividend yield (%)	4.0	4.0	3.0	4.0	5.0
Gross dividend yield (%)	4.0	4.0	3.0	5.5	6.9

**Capital Structure**

	2023A	2024A	2025E	2026E	2027E
Interest cover EBIT (x)	12.2	2.8	5.1	6.4	8.8
Interest cover EBITDA (x)	17.6	6.3	7.9	9.2	12.3
Net debt/ND+E (%)	0.1	15.2	10.0	4.8	-2.1
Net debt/EBITDA (x)	0.0	0.8	0.4	0.2	n/a

**Key Ratios**

	2023A	2024A	2025E	2026E	2027E
Return on assets (%)	8.1	4.8	7.7	9.4	10.4
Return on equity (%)	13.9	6.9	10.1	11.8	13.1
Return on funds employed (%)	9.5	4.1	6.1	7.2	8.3
EBITDA margin (%)	11.0	9.5	11.2	11.7	12.6
EBIT margin (%)	7.6	4.2	7.1	8.2	9.0
Capex to sales (%)	0.7	3.2	1.0	1.0	1.0
Capex to depreciation (%)	31	103	30	30	29
Imputation (%)	0	0	0	100	100
Pay-out ratio (%)	41	82	42	48	51

**Operating Performance**

	2023A	2024A	2025E	2026E	2027E
<b>Protein (Meat)</b>					
Revenue (NZ\$m)	76.0	59.9	62.9	69.2	72.6
Revenue growth (%)	33%	-21%	5%	10%	5%
Gross margin (%)	33%	28%	34%	34%	34%
Gross profit (NZ\$m)	25.4	16.8	21.1	23.2	24.3
<b>Minerals (Mining)</b>					
Revenue (NZ\$m)	41.2	48.8	49.8	57.2	65.8
Revenue growth (%)	4%	18%	2%	15%	15%
Gross margin (%)	40%	36%	36%	38%	40%
Gross profit (NZ\$m)	16.6	17.4	17.7	21.8	26.3

**Materials Handling and Logistics**

	2023A	2024A	2025E	2026E	2027E
Revenue (NZ\$m)	94.4	127.3	120.9	133.0	139.7
Revenue growth (%)	35%	35%	-5%	10%	5%
Gross margin (%)	23%	22%	23%	23%	23%
Gross profit (NZ\$m)	21.6	28.3	27.2	30.1	31.8
<b>Other</b>					
Revenue (NZ\$m)	56.0	40.1	30.1	26.3	23.0
Revenue growth (%)	1%	-28%	-25%	-13%	-13%
Gross margin (%)	14%	26%	25%	24%	24%
Gross profit (NZ\$m)	7.8	10.6	7.4	6.4	5.5

## 1H25 result summary and review

Total revenue for 1H25 was NZ\$121.7m, down -14% on 1H24. The decline was driven by a lag in order intake throughout FY24, particularly in Materials Handling and Protein. SCT's EBITDA of NZ\$12.2m was -14% year-over-year (or -27% when adjusting for non-recurring costs totalling NZ\$2.4m in 1H24) and slightly below our NZ\$12.5m forecast. NPAT held flat at NZ\$4.3m (vs NZ\$4.5m in 1H24), aided by improved margins and reduced central costs. An interim dividend of 3cps (unimputed with the DRP active) was declared. Operating cash flow improved materially to NZ\$14.5m (vs negative -NZ\$7.7m last year), allowing SCT to reduce its net debt position to NZ\$13.2m by period end.

By segment:

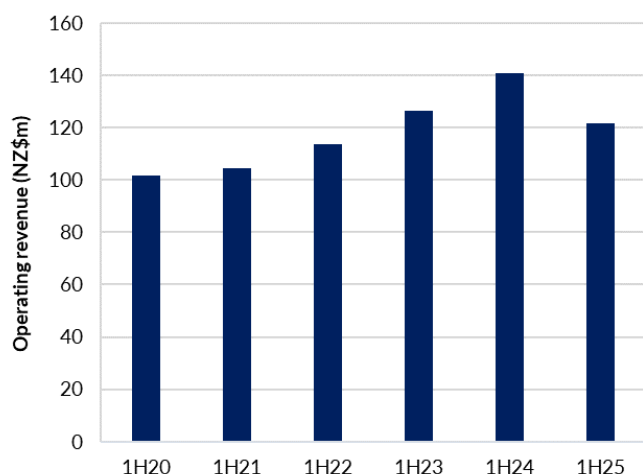
- **Protein** segment revenue was down -3% to NZ\$30.5m. Margin dollars rose +7% to NZ\$10.6m, with margin expanding to 35% (from 32% in 1H24), driven by increased service and parts mix.
- **Minerals** segment revenue fell -9% to NZ\$23.4m, cycling a record 1H24. Margin dollars fell -6% to NZ\$8.1m (margin was 35%, up slightly from 34% last year), helped by stronger sales of standard Rocklabs equipment.
- **Materials Handling and Logistics** revenue declined -15% to NZ\$53.3m due to North American project timing. Segment margin dollars fell -2% to NZ\$11.9m, although margin lifted to 22% (from 19% in 1H24).

Figure 1. 1H25 result summary (NZ\$m)

	1H24 Actual	1H25 Actual	Change
Operating revenue	140.9	121.7	-14%
Other operating income	1.2	0.7	-48%
Share of joint ventures' net surplus	(0.0)	(0.1)	n/a
Total operating expenses	(125.5)	(110.1)	-12%
<b>Operating EBITDA</b>	<b>16.6</b>	<b>12.2</b>	<b>-27%</b>
Other Adjustments	(2.4)	-	n/a
Interest revenue	0.0	0.2	n/a
Depreciation & amortisation	(5.9)	(5.3)	-11%
Finance costs	(2.2)	(2.2)	-2%
<b>Net Profit Before Tax</b>	<b>6.1</b>	<b>5.0</b>	<b>-18%</b>
Taxation (expense)	(1.6)	(0.6)	-60%
<b>Net Profit / (Loss) after Tax</b>	<b>4.5</b>	<b>4.3</b>	<b>-3%</b>
Diluted EPS (cps)	5.5	5.4	-2%

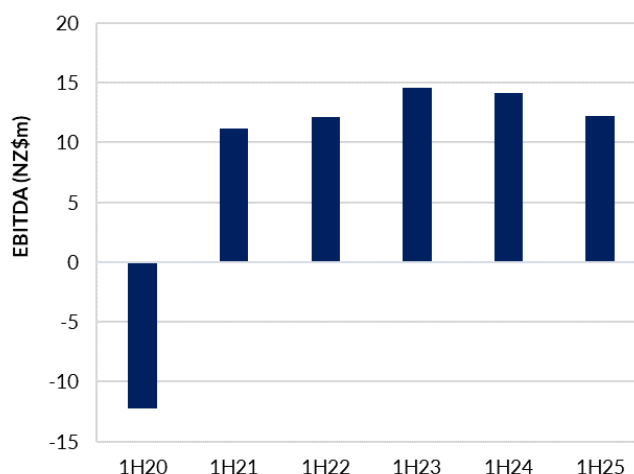
Source: Company, Forsyth Barr analysis

Figure 2. SCT—Half year revenue



Source: Company, Forsyth Barr analysis

Figure 3. SCT—Half year EBITDA



Source: Company, Forsyth Barr analysis

## Earnings revisions

We make cuts to our group revenue forecasts following SCT's 1H25 result. Divisionally, we now model weaker revenue growth in FY25 for Materials Handling and Minerals after sales surprised to the downside in 1H25. This is partially offset by stronger Protein revenue, with segment sales more resilient than anticipated. Our operating EBITDA estimate falls -4% in FY25 on weaker revenue and flows through to similar falls in FY26 and FY27 despite stronger segment margins (particularly in Protein and appliances) and a favourable mix shift in our revenue estimates (increased Protein revenue and lower Materials Handling). Below the line, we reduce our D&A forecasts in FY25 but make upward revisions in FY26 and FY27, as we no longer expect SCT's intangible assets to be amortised to ~zero this year. We also reduce our effective tax rate (12.9% in 1H25) for FY25.

We cut our near-term dividend trajectory to NZ6cps (unimputed) in FY25, from NZ8cps, and now expect imputations to recommence in FY26, not in FY25.

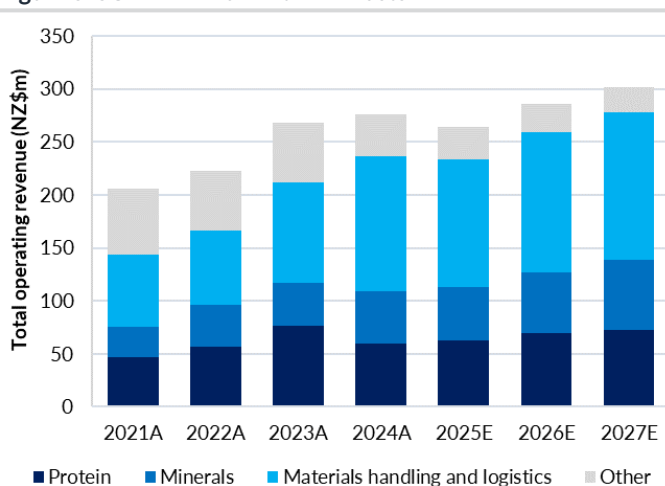
SCT's new CEO, Mike Christman, has begun work on a strategic refresh looking out to 2030. More details will be provided at an upcoming investor day that we anticipate likely in June or July 2025.

Figure 4. Earnings revisions (NZ\$m)

	FY25E			FY26E			FY27E		
	Old	New	Change	Old	New	Change	Old	New	Change
Operating revenue	276.5	263.7	-5%	296.7	285.8	-4%	314.9	301.2	-4%
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	+0%	0.1	0.1	+0%	0.1	0.1	+0%
Raw materials, consumables used & operating expenses	(228.8)	(217.2)	-5%	(242.6)	(232.9)	-4%	(255.8)	(243.2)	-5%
Employee benefits expense	(19.1)	(19.1)	+0%	(19.6)	(19.6)	+0%	(20.2)	(20.2)	+0%
<b>Operating EBITDA</b>	<b>30.8</b>	<b>29.6</b>	<b>-4%</b>	<b>34.8</b>	<b>33.6</b>	<b>-3%</b>	<b>39.2</b>	<b>38.1</b>	<b>-3%</b>
Interest revenue	0.3	0.4	+50%	0.2	0.3	+23%	0.3	0.3	-8%
Depreciation & amortisation	(12.1)	(10.7)	-11%	(9.6)	(10.1)	+5%	(10.3)	(10.9)	+5%
Finance costs	(3.9)	(4.1)	+5%	(3.6)	(3.9)	+8%	(3.1)	(3.3)	+8%
<b>Net Profit Before Tax</b>	<b>15.0</b>	<b>15.2</b>	<b>+1%</b>	<b>21.8</b>	<b>19.8</b>	<b>-9%</b>	<b>26.1</b>	<b>24.1</b>	<b>-8%</b>
Taxation (expense)	(4.2)	(3.3)	-20%	(6.1)	(5.5)	-9%	(7.3)	(6.7)	-8%
<b>Net Profit / (Loss) after Tax</b>	<b>10.8</b>	<b>11.8</b>	<b>+10%</b>	<b>15.7</b>	<b>14.3</b>	<b>-9%</b>	<b>18.8</b>	<b>17.4</b>	<b>-8%</b>
Diluted EPS	13.1	14.2	+8%	18.5	16.6	-10%	21.3	19.5	-8%

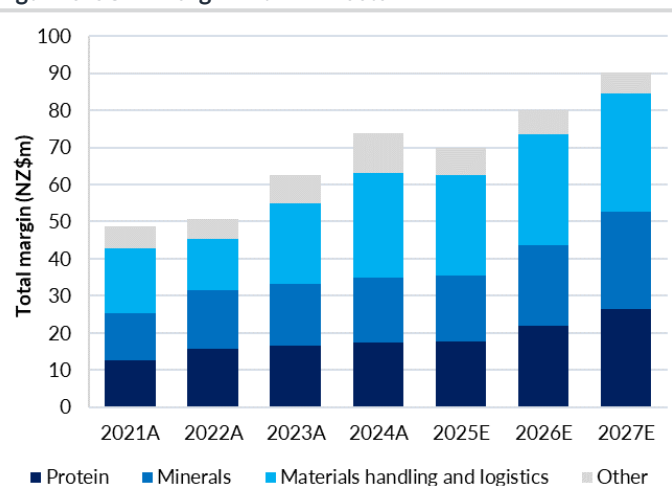
Source: Forsyth Barr analysis

Figure 5. SCT—Revenue with forecasts



Source: Company, Forsyth Barr analysis

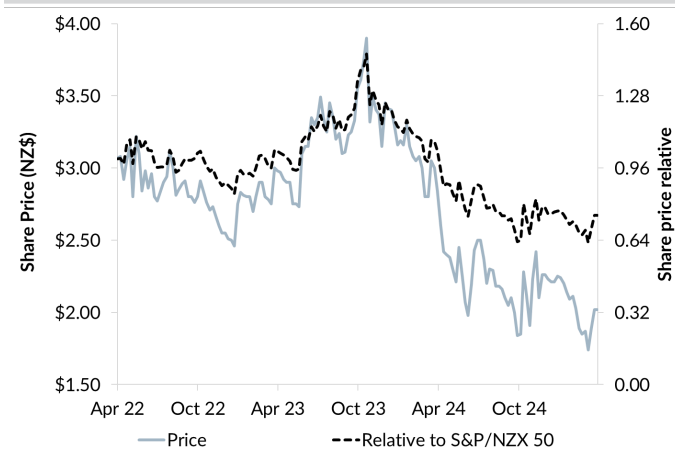
Figure 6. SCT—Margin with forecasts



Source: Company, Forsyth Barr analysis

## Additional data

Figure 7. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 8. Substantial shareholders

Shareholder	Latest Holding
JBS Australia	52.4%
Oakwood	6.8%

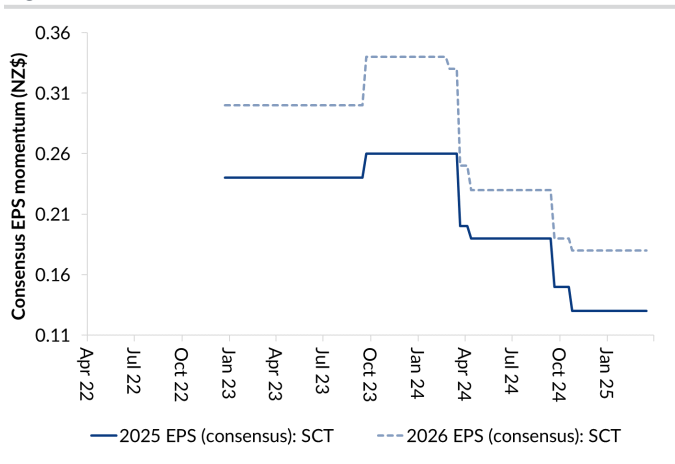
Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 9. 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\$2.02	NZ\$166	12.5x	10.2x	7.0x	6.2x	10.3x	8.5x	4.6%
Flsmidth & Co A/S	FLS DC	kr288.80	kr16,649	11.1x	9.7x	6.5x	5.9x	8.3x	7.2x	3.5%
Xrf Scientific	XRF AT	A\$1.60	A\$224	19.9x	17.7x	12.1x	10.8x	13.3x	11.8x	3.0%
Abb-Reg	ABBN SW	US\$41.77	US\$77,718	16.5x	15.1x	11.6x	10.7x	13.2x	12.1x	2.5%
Emerson Electric	EMR US	US\$100.44	US\$56,638	16.2x	14.9x	13.2x	12.3x	16.1x	15.1x	2.1%
Honeywell International	HON US	US\$198.81	US\$127,886	18.6x	16.9x	14.1x	13.3x	15.6x	14.5x	2.4%
John Bean Technologies	JBT US	US\$96.27	US\$5,003	16.8x	12.9x	8.5x	7.3x	11.0x	9.1x	0.4%
Omron	6645 JP	¥4119.00	¥849,523	16.1x	12.5x	9.9x	8.3x	14.9x	11.7x	2.7%
Rockwell Automation	ROK US	US\$233.05	US\$26,352	23.1x	19.8x	17.5x	15.6x	19.7x	17.2x	2.3%
Schneider Electric	SU FP	€208.70	€120,134	21.1x	18.8x	13.4x	12.1x	15.5x	14.0x	2.1%

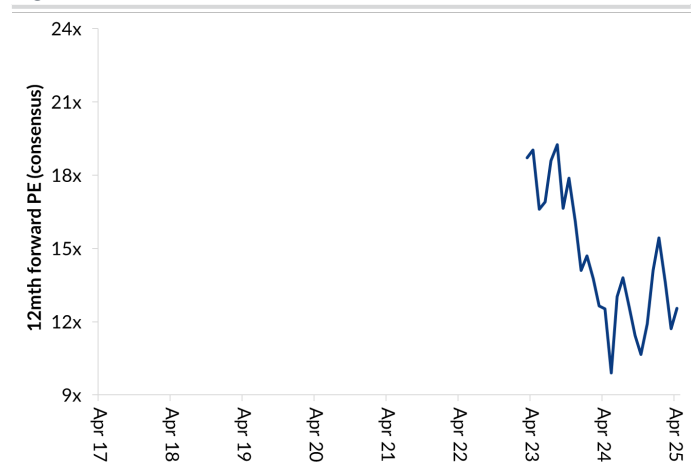
Source: Forsyth Barr analysis, Bloomberg, NOTE: all multiples based on Bloomberg consensus estimates, EV = market cap+net debt+lease liabilities+min interests-investments

Figure 10. Consensus EPS momentum (NZ\$)



Source: Bloomberg, Forsyth Barr analysis

Figure 11. Consensus one year forward PE (x)



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

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