

# Otago Daily Times

HD        **Scott mulls funding for acquisitions**

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{In **China**, the thirst for automation is driving a rapid increase in robot sales . . . We intend to be part of that growth|

\_Chris Hopkins DUNEDIN'S listed Scott Technology has bought an Australian robotics **company** for \$A13 **million** (\$NZ14 **million**), and is considering a capital raising from shareholders early next year.

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At Scott's annual shareholders' meeting in Christchurch yesterday, chief executive Chris Hopkins outlined three acquisitions, the trading year and robotic growth opportunities in **China**.

Following other recent acquisitions, of RobotWorx in the US and Melbourne-based Applied Sorting Technologies, Mr Hopkins said a purchase agreement had been made with Machinery, Automation and Robotics (MAR) of Australia, to settle on January 31.

"MAR is an established and very successful Australian automation and robotics **company** that is closely aligned to Scott, with products and markets that are complementary to Scott," Mr Hopkins said.

MAR is expected to contribute immediately to Scott's bottom line result, while RobotWorx' annual sales are about \$9 **million**.

By necessity, Scott deals globally in US dollars and its balance sheet is often adversely affected.

Mr Hopkins highlighted the strength of the kiwi had stripped \$2 **million** from revenues, meaning before-tax profit could have been more than \$6 **million**, a lot closer to the previous year's result.

Mr Hopkins said a key strategy for the year ahead was the focus of its robotics division, noting **China** was a "stand-out performer" of robotic use.

"In **China**, the thirst for automation is driving a rapid increase in robot sales ... We intend to be part of that growth," Mr Hopkins said.

Scott's mainstay manufacturing for decades has been assembly line systems for international **sale**, and during the year it shipped seven lines, with total sales of \$29 **million**.

However, in recent years it has diversified into robotic meat machinery, niche-market machinery for the mining sector, specialist superconductor motors and is preparing to go commercial into the **dairy** sector, with auto-milking machines.

Mr Hopkins said aside from MAR's work in the mining and meat sector, it was also involved in food production and packaging.

He noted that although mining sector sales were down about 50% on a year ago, that was offset by the increased appliance assembly line sales.

MAR offered a complete product design, manufacture and project management through to 24-hour product support services.

"MAR's strengths in electrical, programming and controls, complements Scott's strengths in mechanical design and vision," Mr Hopkins said.

The MAR purchase was being initially funded by bank debt, and Scott's **board** is to consider a capital raising in 2015, to reduce the increased **company** debt from the RobotWorx and MAR acquisitions. Scott last raised \$9.5 **million** in a rights issue in 2011.

Craigs Investment Partners broker, Peter McIntyre, said a capital raising would "test shareholder confidence".

For its financial year to August, Scott reported flat trading revenue and a 40% decline in after-tax profit, down from \$5.14 **million** to \$3.02 **million**, and was at the time carrying \$7.7 **million** debt.

Revenue for the year was up slightly, from \$60 **million** to \$60.3 **million**, while earnings before interest and tax were down from \$7.14 **million** to \$4.23 **million**.

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