



2014 AGM Presentation

Simon High – Managing Director / CEO

27 October 2014

Leading provider of specialised electrical and instrumentation services

Delivers services to large-scale resource projects across Australia and overseas throughout the project life cycle

Strong reputation for safety and excellence

Established in 1978 and listed on the Australian Securities Exchange in 2007 under the code SXE

Project life cycle support

scee infrastructure

design and construction of high voltage power line distribution, switchyards and substations

scee construction

installation and commissioning of greenfield projects

scee services

operations support, maintenance, brownfield upgrade and sustaining capital services

Exposure to six sectors



Iron ore



Australia

Minerals & metals



Australia & overseas

LNG



Australia

CSG



Australia

Coal



Australia

Power generation



Australia

2014 highlights



Financial

Full year revenue of \$218.2m and NPAT of \$7.7m

Strong balance sheet with \$35.2m of net cash at 30 June 2014

Fully franked dividend of 2.7 cents per share

Operational

Order book of \$111m at 30 June 2014 with \$119m of new awards post year end

Successful completion and close out of key contracts on time and on budget

Continued systems and process improvements which are reducing overheads and increasing productivity

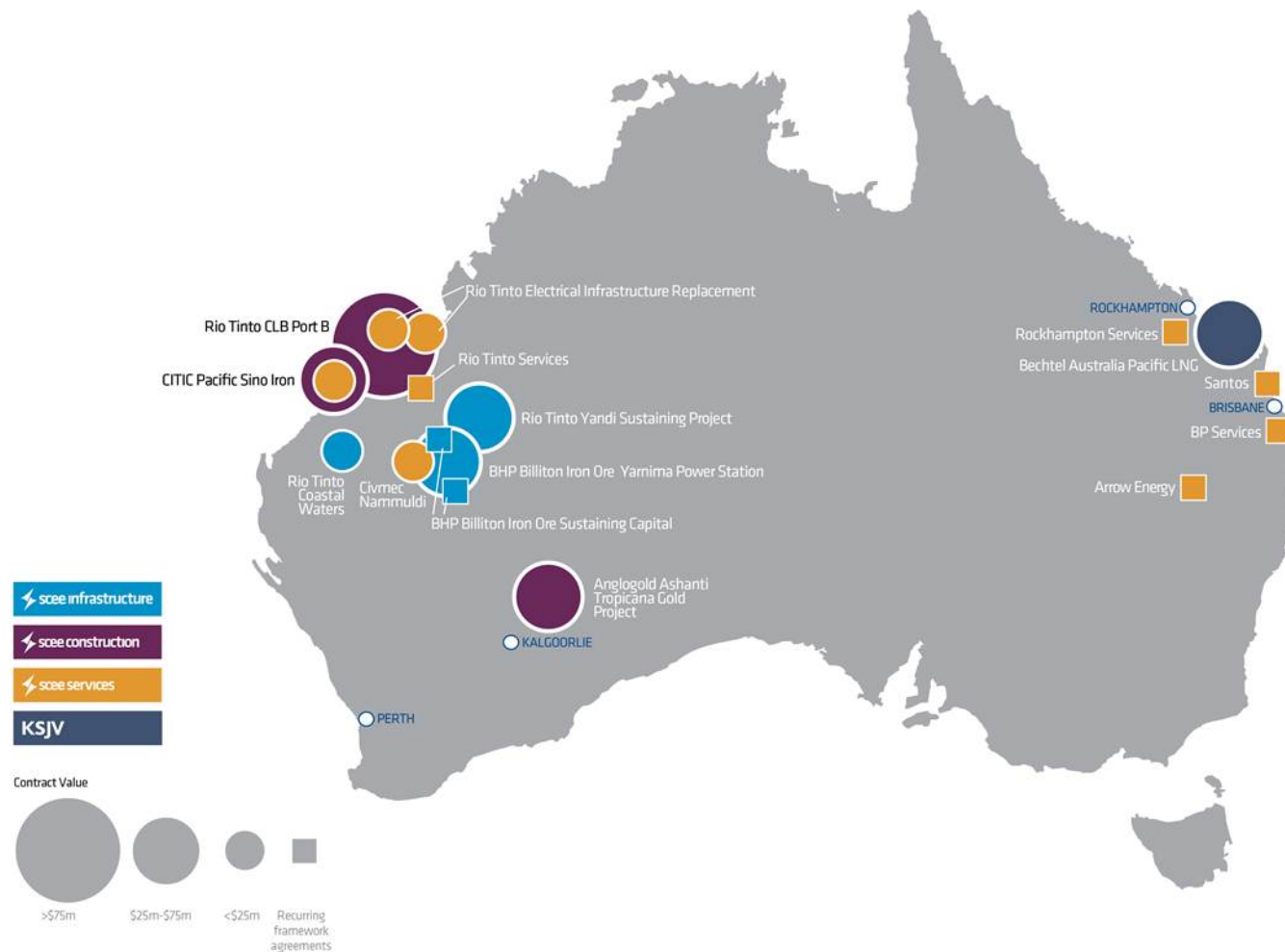
Strategic

Operations & maintenance and sustaining capital opportunities to increase as large scale capex projects are completed

Actively monitoring and evaluating growth and acquisition opportunities

Period of consolidation expected in the sector

FY14 projects



Rio Tinto Cape Lambert Port B



Successfully completed Phase A during the year

Largest contract in the Company's history with an award value in excess of \$100m

Manning peaked at over 500

Phase B works with an award value of over \$80m secured and commenced in H2 FY14

Work continuing into FY15

Anglogold Ashanti Tropicana Gold



Electrical,
instrumentation,
communications and
process control plant
infrastructure at the
Tropicana Gold Mine

Award value in excess
of \$40m

Manning peaked at
over 200

Successfully completed
during the year

BHP Billiton Iron Ore Yarnima



Performing E&I works
at BHP Billiton's
Yarnima Power Station
near Newman

SCEE's first power
station project

Over \$25m of scope
awarded to date

Work continuing into
FY15

Rio Tinto Yandi Sustaining



Installation of 33kV overhead lines to Yandi mine facilities

Largest Infrastructure project in Company's history

Award value across both phases of approximately \$40m

Successfully completed during the year



Successfully performed the E&I works on Trains 1 and 2 and the conveyors to the primary crusher

Recently secured approximately \$80m of works on the next construction phase

Work expected to be performed over FY15 and FY16 with opportunities for further growth

SCEE Services has also performed work for the project

Other key contract wins



KSJV – Bechtel Australia Pacific LNG

- First LNG award for KSJV with expected value over \$50m
- Bechtel subcontract for electrical installation services

Rio Tinto Electrical Infrastructure Replacement

- Installation of new electrical equipment at Cape Lambert and East Intercourse Island
- Approximately \$20m awarded to SCEE Services to date

Civmec Nammuldi

- Performing E&I component of stockyard and train load out works at Rio Tinto's Nammuldi Below Water Table project
- Subcontractor to Civmec Limited with award value in excess of \$10m



Full year financial results



	FY14 \$m	FY13 \$m	Change %
Revenue	218.2	278.0	(21%)
Gross profit	43.8	61.3	(29%)
Gross margin	20.1%	22.1%	
EBITDA	17.9	31.2	(43%)
EBIT	10.6	25.3	(58%)
NPAT	7.7	17.3	(55%)
Net Margin	3.5%	6.2%	

Revenue and profits down on record FY13 results

Results impacted by later than anticipated award and commencement of key projects

H2 margins lower as a result of increasingly competitive resources sector

Steps taken to manage overhead base to ensure appropriately sized with monthly overhead expense reduced by 27% from start to end of the year

Balance sheet



	Jun 14 \$m	Jun 13 \$m
Current assets	98.6	106.7
Non current assets	48.0	51.0
Total assets	146.6	157.7
Current liabilities	34.6	43.8
Non current liabilities	7.8	12.6
Total liabilities	42.3	56.4
Equity	104.3	101.3

Strong balance sheet

Cash of \$37.9m at 30 June 2014 with a further \$10.9m of client receivables due in late June received in early July

Minimal debt of \$2.7m

Low capital expenditure of \$4.3m in the year following plant and equipment fleet expansion in FY12 and FY13

Capex for FY15 expected to remain low

Dividends



Fully franked dividend of 2.7 cps declared

Same as FY14 dividend in absolute terms

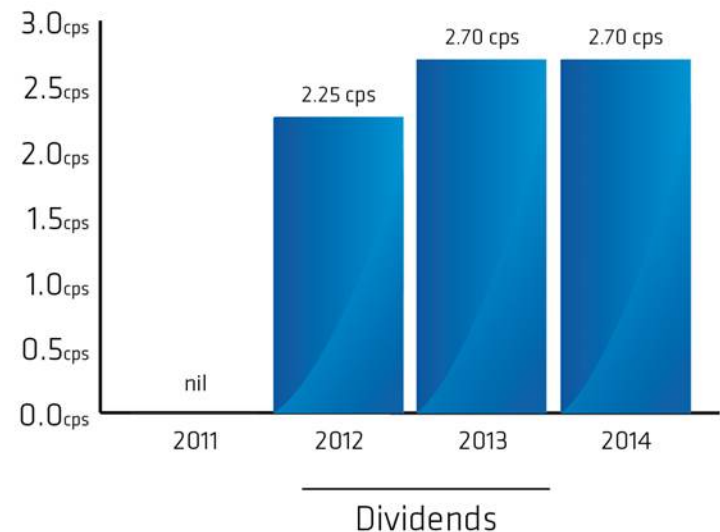
Payout ratio of 56% compared to 25% in FY14

Strikes balance between delivering returns to shareholders and retaining capital for growth opportunities

Record date: 22 September 2014

Payment date: 16 October 2014

Franking account balance at 30 June 2014 of \$8.2m



Health and safety



Lost Time Incident free in the period

Over ten years LTI free in Australia

Reflective of the proactive safety culture across the whole of SCEE from the Board to our project teams

SCEE awarded the NECA-WA 2014 “Health & Safety Award” for work on Rio Tinto Yandi Sustaining Project



Training and people



Approximately 1000 employees at 30 June 2014 and remain at similar levels as activity continues on key projects

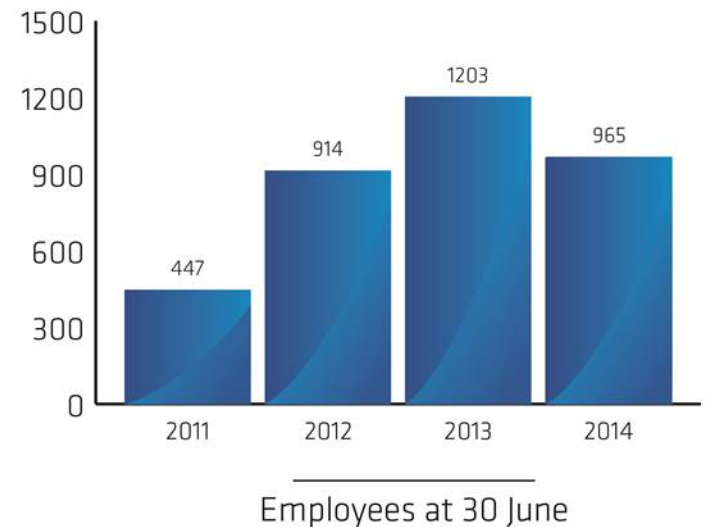
Dedicated training centre provides cost effective and flexible training schedules to ensure efficient mobilisation of project teams

Strong commitment to indigenous participation

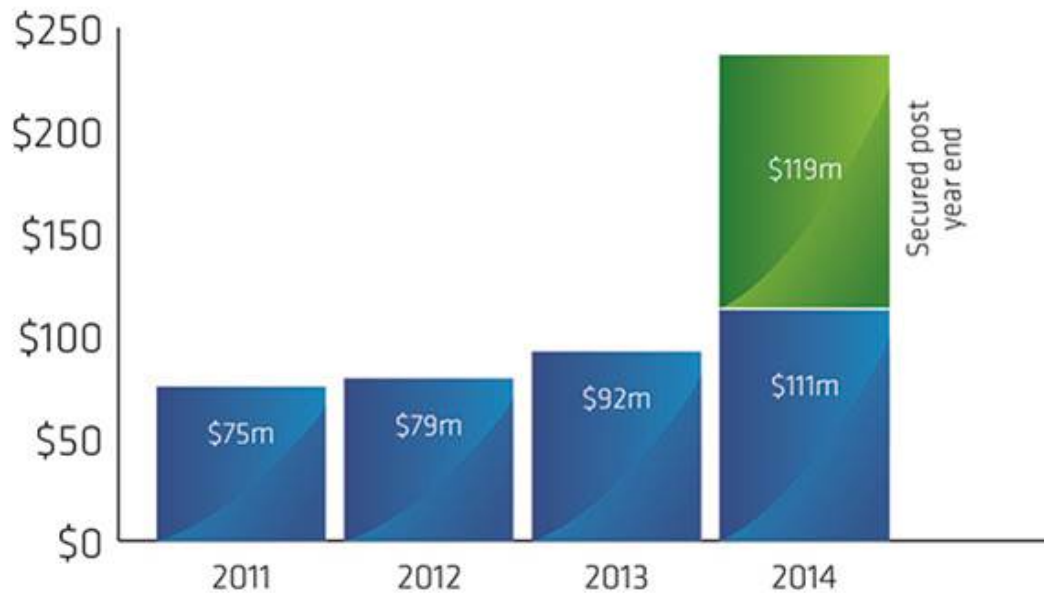
Kyle Matsumoto awarded NAIDOC Employee of the Year Award at Rio Tinto's Cape Lambert site

Apprenticeship program has been running since 1979

SCEE apprentices won the NECA-WA 2014 Excellence and Apprentices Awards in the 3rd and 4th year categories



Order book



Order Book at 30 June

Order book at 30 June 2014 of \$111m excludes work under recurring framework agreements

A further \$119m of orders secured post year end

Construction awards at CLB Phase B and Sino Iron provide good visibility into FY15

Business development and tendering activity remains high across the business

Market conditions



Competition increased significantly during the year as volume of new construction work decreased

Clients became more commercially focussed

Increase in time taken to bid and negotiate contracts leading to delayed awards

Move away from EPCM model as clients seek contractors providing an integrated offering resulting in increased combined SMPE&I packages

We expect these trends to continue into FY15 and beyond



Iron Ore



Peak construction in iron ore has passed but will remain main revenue contributor

Current order book for CLB Phase B and Sino Iron provide solid base of construction work for FY15 and into FY16

Secured approximately \$80m of Sino works to date across process lines 3 to 6 with opportunity for further growth as the project progresses

Visibility of new mine developments in Rio and BHP to maintain production levels



Sustaining Capital and Operations & Maintenance



SCEE strongly positioned with Rio Tinto, BHP and Sino Iron and exposed to construction, sustaining capital and operations phases - E&I component of spend increases from 3-5% in capital phase to 12-15% in later phases

BHP Iron Ore Sustaining Capital framework agreement provides growth opportunity in FY15

Expect growth in Rio Tinto sustaining capital spend

Positioning for Sino operations & maintenance works as now in production



Peak construction in LNG and CSG still to come

Disappointing not to secure more of initial awards on LNG plants but hopeful of securing further work

KSJV subcontract for electrical services with Bechtel on APLNG provides presence on Curtis Island into FY15

Positioning for operations & maintenance and sustaining capital workflow over long term as LNG plants completed

Second wave of upstream CSG works on East Coast now being tendered and clients shifting from tier one to tier two contractors



Visibility of new base metals projects in copper, gold and nickel sectors

Actively pursuing EPC model with partners to perform some of these projects

Signs of recovery in thermal coal market on East Coast (Adani, Cockatoo)

Continuing to monitor opportunities to return to international construction work



Longer-term pipeline



Construction pipeline in Iron Ore with Sino likely to extend into FY16 and FY17 and new mine developments required by BHP and Rio Tinto

LNG construction phase to continue through to FY17 – targeting secondary opportunities

Upstream CSG requires long term expenditure to maintain production

New base metals projects and signs of recovery in coal



Maintaining and growing construction opportunities (\$133.8m revenue in FY14) but in different form through combined offering with SMP and EPC

Focused on substantially increasing recurring revenues from operations & maintenance and sustaining capital over three to five years through organic growth and acquisition opportunities (targeting \$100m-\$150m p.a. by FY16)

Actively monitoring and evaluating potential growth and acquisition opportunities particularly in SMP

Expect consolidation in the sector as companies seek to maintain scale, capability and service required by clients



Solid operating platform



Strong balance sheet and order book at 30 June 2014

Proven operational processes and systems successfully delivered CLB Phase A and Tropicana Gold on time and budget

Actively managing overhead base to ensure appropriate balance between cost control and operational effectiveness

New ERP and SCEEtrak suite of project controls implemented during the year and are driving efficiency improvements to counter margin pressure

Over \$35m invested in systems and fixed assets since FY12 which provides operational benefits as well as savings from reduction in hired equipment

Andy Ozolins commenced as COO in August 2014 and brings significant industry experience. SCEE's management team has good breadth and depth for the right acquisition target



Conclusion



FY14 saw significantly tougher resource sector conditions which we expect to continue into FY15

But we enter the year with a solid balance sheet and near record order book and continue to see a strong pipeline of available work

Operations & maintenance and sustaining capital opportunities are increasing as capex projects are completed

Actively managing overheads through leveraging investments in systems and process improvements to increase efficiency and counter margin pressure

Monitoring and evaluating potential growth and acquisition opportunities in a consolidating market



Non-IFRS financial information



SCEE's results are reported under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Company discloses certain non-IFRS measures that are not prepared in accordance with IFRS and therefore considered non-IFRS financial measures. The non-IFRS measure should only be considered in addition to, and not as a substitute for, other measures of financial performance prepared in accordance with IFRS.

EBIT and EBITDA are a non-IFRS earnings measure which do not have any standard meaning prescribed by IFRS and therefore may not be comparable to EBIT and EBITDA presented by other companies. EBIT represents earnings before interest and income tax. EBITDA represents earnings before interest, income tax, depreciation and amortisation.

EBIT and EBITDA Reconciliations:

	FY11 \$m	FY12 \$m	FY13 \$m	FY14 \$m
Profit before tax	(1.9)	19.7	25.0	10.5
Finance expense	1.0	0.8	1.2	1.1
Finance income	(0.2)	(1.1)	(0.9)	(1.0)
EBIT	(1.1)	19.4	25.3	10.6
Depreciation	1.6	2.7	5.8	7.1
Amortisation	0.1	0.1	0.1	0.2
EBITDA	0.6	22.2	31.2	17.9

Disclaimer



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Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from Southern Cross Electrical Engineering Limited’s current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained herein with caution.