



# Euroz Rottnest Island Conference 2020



11 March 2020

# About SCEE



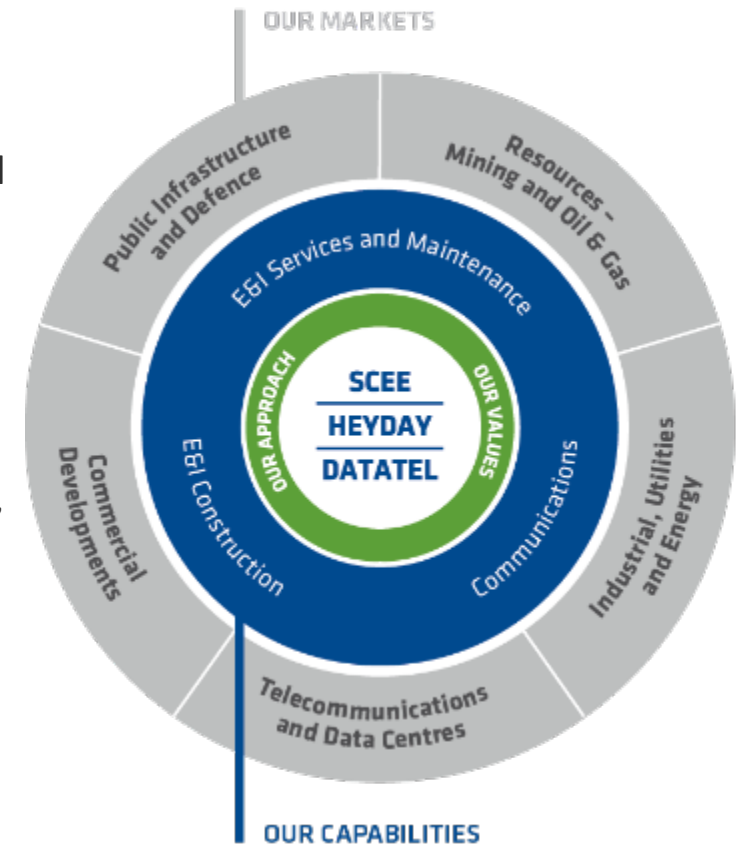
**E&I Contractor** Southern Cross Electrical Engineering (SCEE) is an ASX listed electrical, instrumentation, communication and maintenance services company recognised for our industry leading capabilities

**Combination** Established in 1978 in WA, the combination in 2016 with Datatel Communications (established 1998) and in 2017 with East Coast-based Heyday5 (business established 1978) has created a national group

**Markets** SCEE now operates across five sectors: Resources, Commercial, Public infrastructure and defence, Telecommunications and datacentres, and Industrial, energy and utilities

**People** Over 1,200 employees including over 140 electrical apprentices and telecommunications trainees

**Safety** Original SCEE business 15.2 million man-hours and over 15 years Lost Time Injury free in Australia



## Financial

Record half year revenue of \$230.3m up 27% on PCP

EBITDA of \$10.9m up 21%, EBIT of \$8.4m up 22% and NPAT of \$5.5m up 24% on PCP due to continuing growth in infrastructure and commercial activity

Balance sheet remains strong with total cash of \$53.3m and no debt

No interim dividend declared while conserving cash to pursue acquisition opportunities

## Operational

Commercial and infrastructure remain as largest revenue contributors

Resources activity at low levels in period but over \$90m of recent wins, including Kemerton Lithium Plant and Rio Tinto Gove, will generate growth

Ongoing activity at Westconnex M5 tunnels, Parramatta Square, RAAF Tindal, Westmead Hospital and the NBN roll-out

Substantial progress in period of commercial resolution of resources projects completed in early 2019

Integration initiatives ongoing across group businesses

## Outlook

On track to exceed FY20 revenue forecast of over \$420m

Expecting stronger H2 profitability

Order book of \$440m at similar level to start of period despite record amount of activity

Order book includes over \$250m of work already secured for FY21

Strong business development pipeline particularly NSW commercial and infrastructure

Awarded \$40m Sydney Metro Pitt Street Station development

Actively pursuing acquisition opportunities

# Record half year revenues



Revenue of \$230.3m a record for half year and up 26.7% on PCP

Significant contributors included Westconnex M5 tunnels, various Parramatta Square buildings and fit outs, RAAF Tindal, Westmead Hospital and NBN roll-out in various states

On track to exceed FY20 revenue forecast of over \$420m

Gross margins up 11.8% on PCP although average gross margin percentages lower than PCP because of taking prudent positions whilst negotiating changes on infrastructure projects

Overheads as a percentage of revenue continued to reduce from 7.1% in HY19 to 5.7% in HY20

EBITDA up 20.7% driven by volume and assisted by positive impact of new leasing standard but EBIT also up 21.5% as depreciation and non-leasing amortisation reduced from PCP

NPAT up 24.3% on PCP

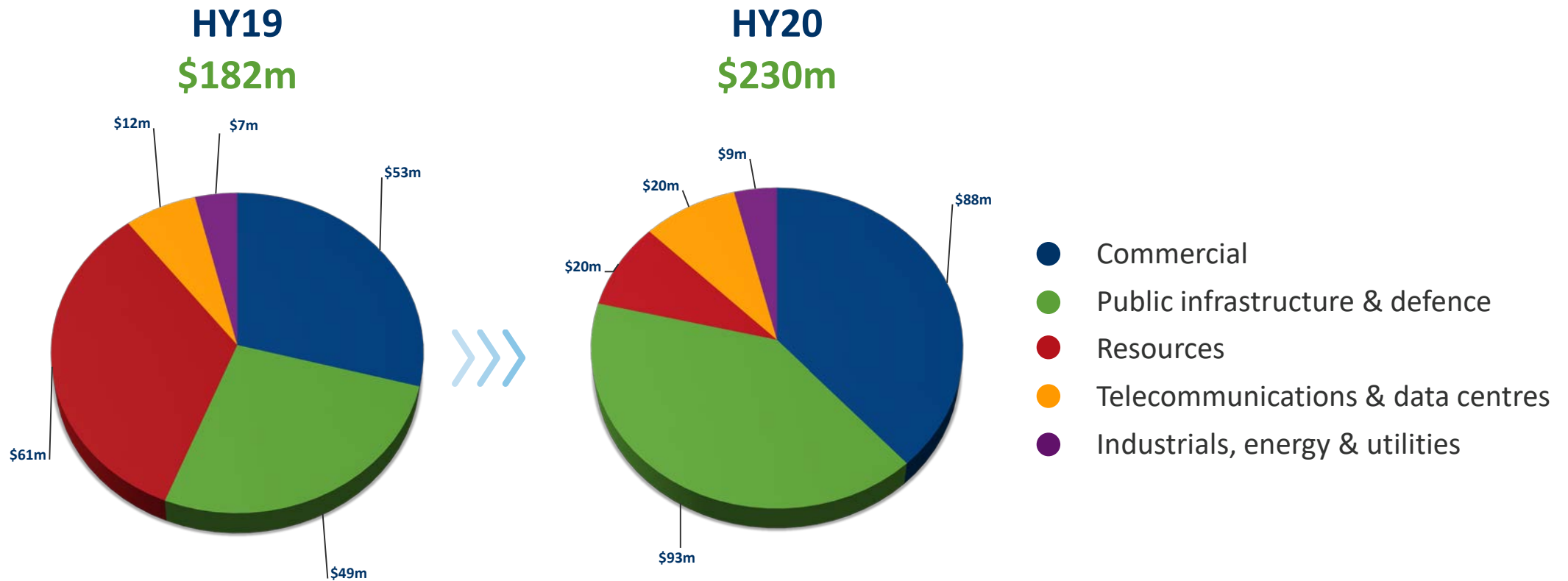
## Summary financials:

	HY20	HY19	Chg. %
	\$m	\$m	
Revenue	230.3	181.8	26.7%
Gross Profit	23.8	21.3	11.8%
<i>Gross Margin %</i>	10.3%	11.7%	-
Overheads	13.2	12.8	2.7%
EBITDA	10.9	9.0	20.7%
<i>EBITDA %</i>	4.7%	5.0%	-
EBIT	8.4	6.9	21.5%
<i>EBIT %</i>	3.6%	3.8%	-
NPAT	5.5	4.5	24.3%
<i>NPAT %</i>	2.4%	2.4%	-

# Revenue by sector

Infrastructure still largest sector followed by commercial

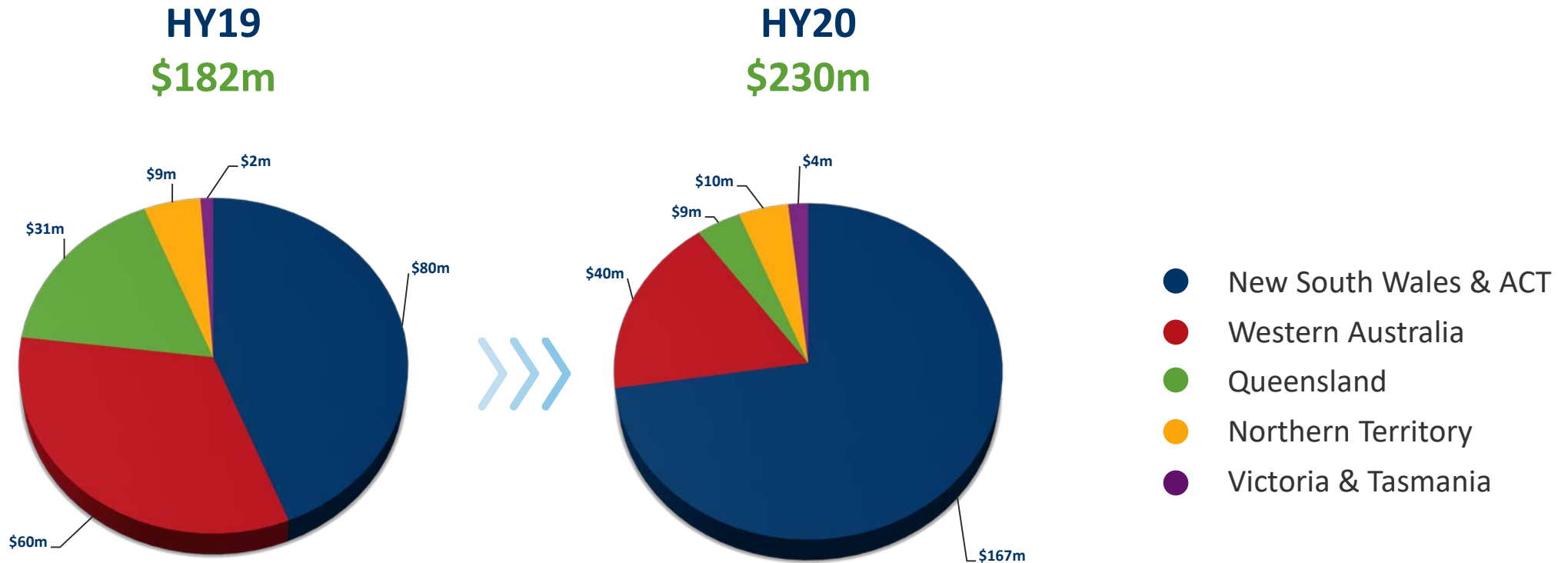
Resources declined as forecast but starting to grow again with recent significant project wins



# Revenue by geography

New South Wales remains very strong

Western Australia and Queensland fallen back with resources decline but now growing again



# Strong balance sheet



Cash remained at same level in period with \$53.3m at 31 December 2019 (30 June 2019: \$53.3m)

No debt

New leasing standard AASB 16 adopted on 1 July 2019

Resulted in recognition of \$5.6m of right of use assets and \$5.6m of lease liabilities in respect of operating leases

Franking account balance of \$14.2m

## Balance sheet summary:

	Dec 19	Jun 19
	\$m	\$m
Current assets	183.6	161.2
Non current assets	91.9	88.6
<b>TOTAL ASSETS</b>	<b>275.5</b>	<b>249.8</b>
Current liabilities	107.8	93.4
Non current liabilities	14.3	8.7
<b>TOTAL LIABILITIES</b>	<b>122.1</b>	<b>102.1</b>
<b>EQUITY</b>	<b>153.4</b>	<b>147.7</b>

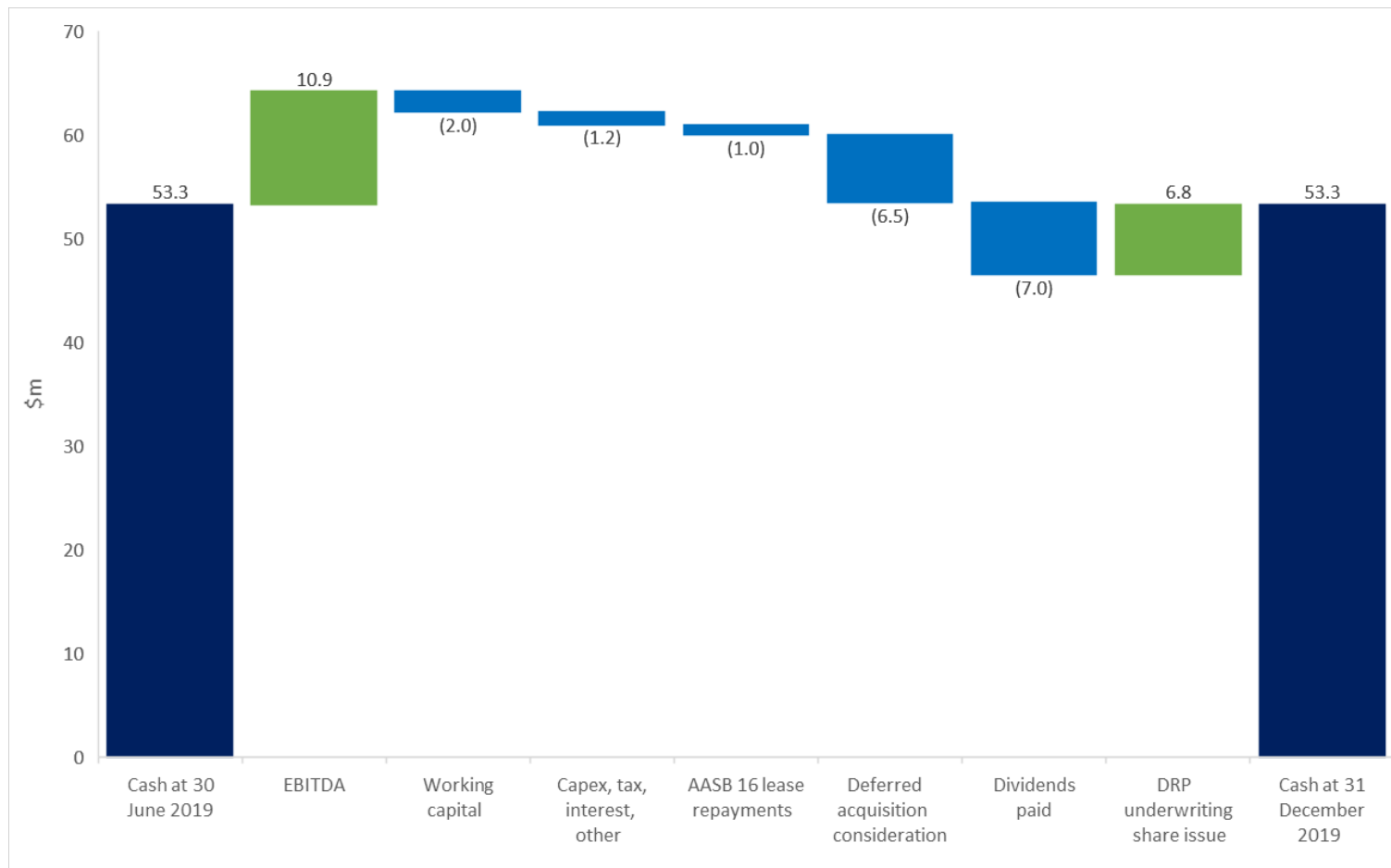
# Operating cash inflows



Cash remained at same level in period with small working capital outflow and \$6.5m paid to Heyday vendors for final earn out payment

FY19 final dividend paid with underwritten Dividend Reinvestment Plan

No interim dividend declared while conserving cash to pursue acquisition opportunities





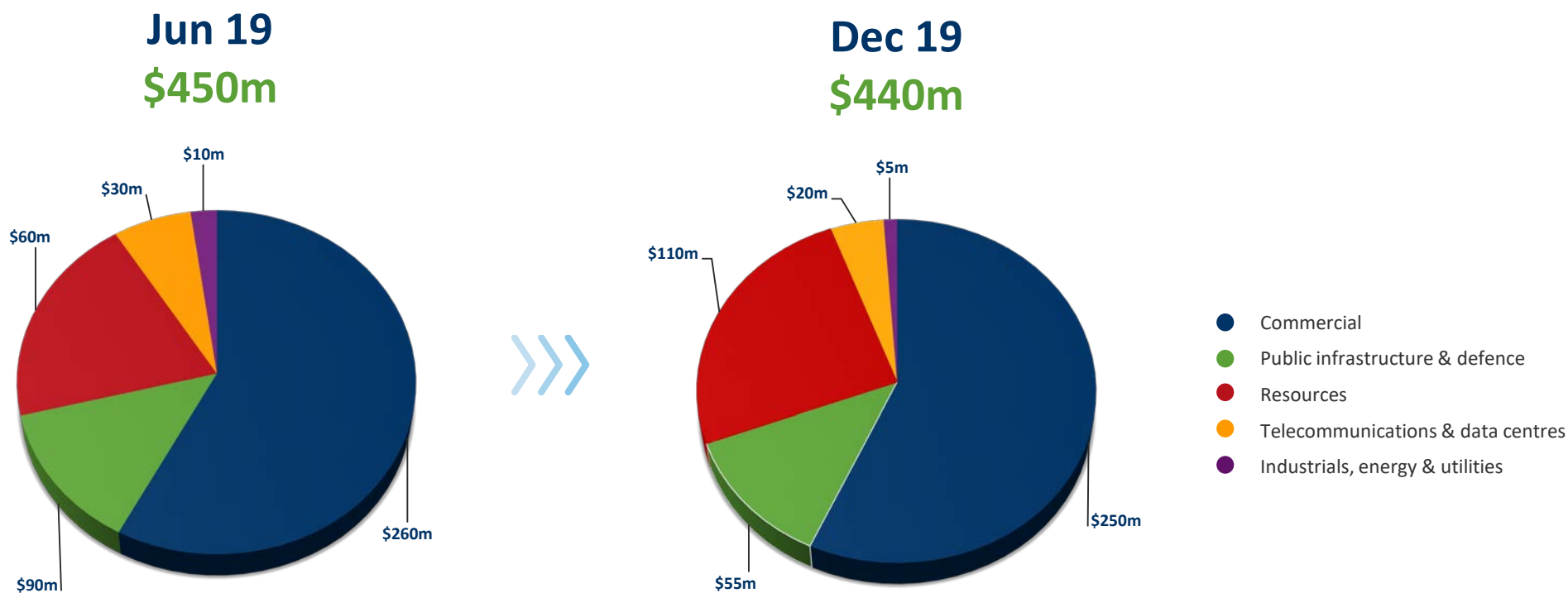
# Order book by sector

Order book of \$440m remains at similar level to start of period despite record amount of activity

Includes over \$250m of work already secured for FY21

Resources component of order book starting to grow again following recent project announcements

Order book included \$40m Sydney Metro Pitt Street Station development at 31 December as in advanced stage of negotiation



# Strategy and sector outlooks

## WA

Rio Tinto - Cape Lambert, Dampier  
 EIR, Tom Price, Paraburdoo,  
 Brockman 2, Yandi  
 BHP – Newman, Port Hedland, Mt  
 Whaleback, South Flank  
 Sino Iron  
 Boddington Gold  
 Talison Greenbushes Lithium  
 MARBL JV Kemerton Lithium  
 NorthLink Central Section  
 Forrestfield Airport Link  
 UWA, City of Belmont, Health  
 Services maintenance  
 Causarina Prison  
 Woodman Point Waste Water  
 Treatment  
 NBN construction and  
 maintenance  
 Wireless networks construction  
 Carrier networks construction  
 Minor commercial works and  
 services  
 Agnew Windfarm

## NT

RAAF Tindal  
 Rio Tinto Gove  
 ERA Ranger Mine MSA

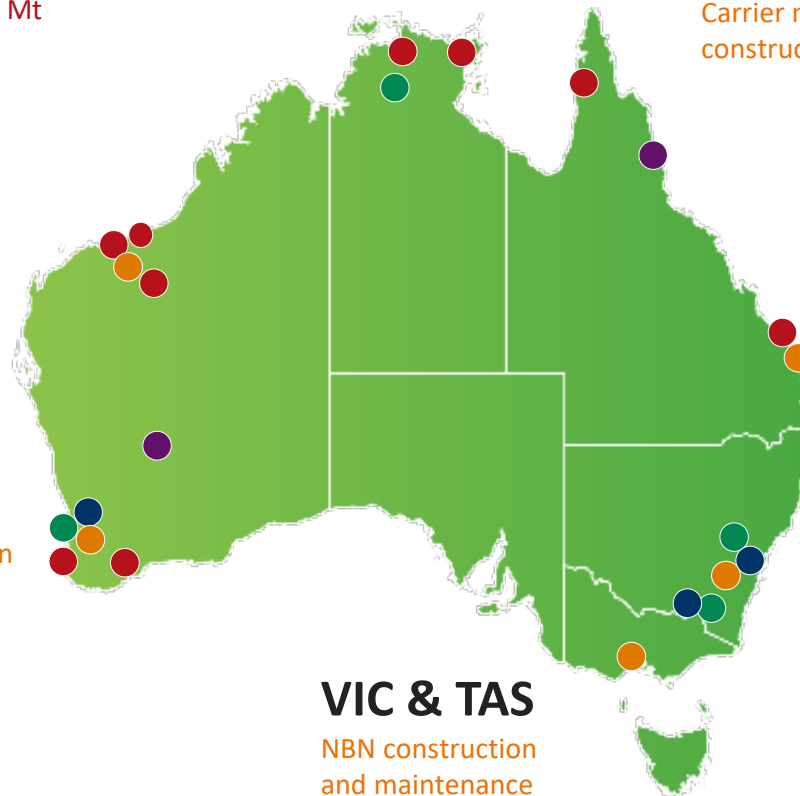
## QLD

Rio Tinto Amrun  
 Arrow MSA  
 Ergon Energy Agreement  
 NBN construction  
 Carrier networks  
 construction

- Commercial
- Resources
- Public Infrastructure & defence
- Telecommunications & data centres
- Industrials, energy & utilities

## NSW & ACT

Parramatta Square 3 & 4 and fit-outs  
 Wynyard Place  
 Australian Technology Park Building 4  
 231 Elizabeth Street  
 Sovereign Resort Expansion  
 Edmondson Park  
 Ribbon Project  
 32 Smith Street  
 Greenland Tower  
 Republic  
 Sandstone Precinct  
 City 7 Development  
 The Parade  
 Westmead Hospital  
 Westconnex M5  
 University of Canberra Public Hospital  
 Australian National University  
 RU Data Centre



## VIC & TAS

NBN construction  
 and maintenance

SCEE primarily sees itself as an electrical contractor

Historically focussed in resources, over the last four years we implemented a strategy to diversify into commercial, infrastructure, defence, telecommunications, industrial, energy and utilities work

Our growth strategy continues so as to realise further sector and geographic diversity including targeting maintenance and recurring earnings

Resources activity having been at a low point is increasing again across multiple commodities

We are actively pursuing acquisition opportunities



# Public infrastructure and defence

Infrastructure SCEE's largest sector for revenue in FY19 and remains so in this period

Sector primarily driven by government expenditure. Significant investment sanctioned, with peak activity to come and electrical work generally later in cycle

Work continuing at RAAF Tindal in Northern Territory and completed at RAAF Townsville in Queensland. Significant pipeline of defence base work

Ongoing transport projects at Westconnex M5 in NSW and at Forrestfield Airport Link on Metronet rail program in WA. Completed at Northlink in WA. Actively bidding multiple opportunities at Sydney Metro

Continuing at Westmead Hospital in Sydney and Australian National University in ACT. Other hospital opportunities presenting in NSW

Ongoing maintenance programs at Curtin University and UWA

## Infrastructure revenue:

	HY20	HY19
	\$m	\$m
Revenue	92.5	48.6





# Pitt Street Station

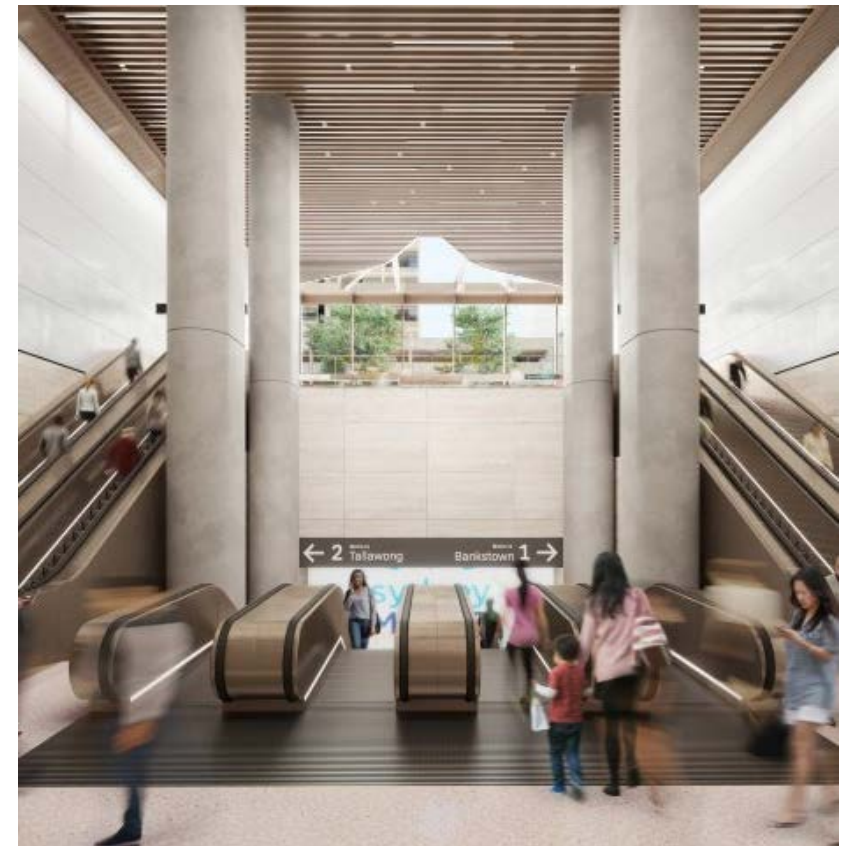
Sydney Metro is Australia's biggest public transport project

SCEE's first award is for \$40m of electrical services from CPB Contractors at Pitt Street Station

Completion due second quarter 2023

Scope is for design and construction of electrical services for the station boxes, concourses, platforms and other infrastructure

Also assisting CPB Contractors and Oxford Properties Group working towards design and construction of two high-rise buildings above station which would be further and separate award



Commercial largest component of SCEE order book

Multiple base-builds and fit-outs in Sydney and Canberra with eleven projects contributing at least \$4m of revenue each in period.

Most significant contributors were Parramatta Square 3 & 4, Edmondson Park and Wynyard Place

NSW activity forecast to remain at high level and targeting commercial developments related to Sydney Metro

Bidding first commercial projects in Brisbane

## Commercial revenue:

	HY20	HY19
	\$m	\$m
Revenue	88.0	52.6



As forecast resources activity at low level in period as Wheatstone LNG completed in H2 FY19 and no other significant construction opportunities replaced it

Significant resources wins announced at end of period particularly at Kemerton Lithium Plant and Rio Tinto Gove mean activity forecast to grow again

Ongoing sustaining capital and maintenance projects at multiple Rio Tinto and BHP facilities and mine sites and continuing MSA work at Boddington Gold and Sino Iron

Pursuing other opportunities particularly in iron ore

## Resources revenue:

	HY20	HY19
	\$m	\$m
Revenue	20.1	61.2





# Telecommunications and data centres

Sector revenue increased as data centre projects awarded in May 2019 ramped up

NBN construction roll-out passing peak nationally but works continued in WA, QLD and VIC

Commenced first NBN maintenance and upgrading contracts

Bidding on 5G related works but volumes still low

## Telco revenue:

	HY20	HY19
	\$m	\$m
Revenue	20.3	12.1



# Industrials, energy & utilities

Sector stable and tendering variety of industrial projects

Agnew wind farm electrical works performing successfully in WA

Still pipeline of opportunities for SCEE for electrical construction portion of renewables projects

Ergon Energy Service Agreement in northern QLD ongoing and tendering further works

## Industrials revenue:

	HY20	HY19
	\$m	\$m
Revenue	9.4	7.4



# Conclusion and outlook

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- EBITDA of \$10.9m up 21%, EBIT of \$8.4m up 22% and NPAT of \$5.5m up 24% on PCP due to continuing growth in infrastructure and commercial activity
- Balance sheet remains strong with total cash of \$53.3m and no debt
- On track to exceed FY20 revenue forecast of over \$420m
- Expecting stronger H2 profitability
- Order book of \$440m
- Strong business development pipeline particularly NSW commercial and infrastructure
- Significant resources wins at Kemerton Lithium Plant and Rio Tinto Gove
- Actively pursuing acquisition opportunities

## Capital Structure

ASX Code	SXE
Share Price (20 February 2020)	62.0c
No. of ordinary shares	247.6m
Market Capitalisation (20 February 2020)	\$153.5m
Number of performance rights	3.8m
Total Cash (31 December 2019)	\$53.3m
Debt (31 December 2019)	Nil
Enterprise Value (20 February 2020)	\$100.2m

## Shareholders at 31 January 2020

Thorney Investments	18.5%
First Sentier Investors	8.4%
Other Institutions	29.7%
Frank Tomasi	18.9%
Others (Retail, Private, Employees, Directors)	24.5%
Total	100.0%

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