



**Full Year Results Presentation  
Year Ended 30 June 2015**

26 August 2015

# About SCEE



Leading provider of specialised electrical and instrumentation services

Delivers services to projects across Australia and overseas throughout their life cycles

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

# Highlights



## Financial

Statutory loss after tax of \$9.8m; underlying trading profit after tax of \$4.2m\*

Underlying trading revenue increased by 10% on PCP but was offset by lower margins

Strong balance sheet with \$44.6m of cash and no debt at 30 June 2015

Fully franked dividend of 2.7 cents per share declared

## Operational

Current market conditions expected to continue through FY16

Restructuring initiatives implemented and overhead base significantly reduced

Order book of \$111m at 30 June 2015

Activity ramping up on key projects and employee numbers now around 1000

## Strategic

Committed to targeting growth organically and through acquisition

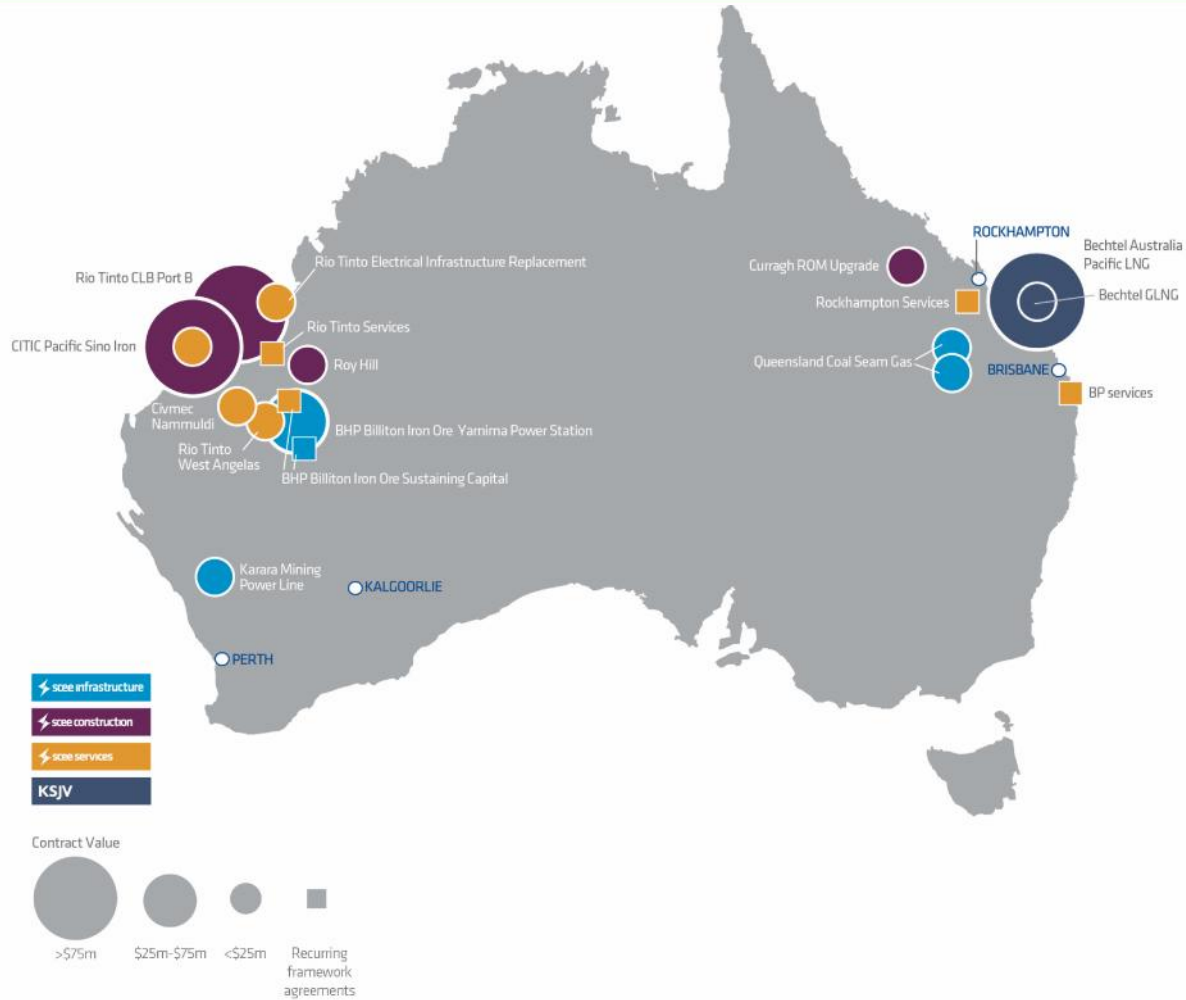
Evaluating expansion both geographically and into adjacent or complementary sectors

Increasing recurring revenues remains a key strategic objective

Continued management of overheads to ensure business appropriately sized for activity

\* - a detailed reconciliation of statutory to underlying trading results can be found on slide 23

# FY15 projects



# Significant FY15 projects



## **Rio Tinto Cape Lambert Phase B - *Completed***

- E&I works included the car dumpers and screenhouse; award value over \$80m and peak manning 480

## **BHP Billiton Iron Ore Yarnima Power Station – *Completed***

- Awarded over \$25m of E&I works at the Yarnima Power Station near Newman

## **CITIC Pacific Sino Iron - *Continuing***

- Awarded approximately \$80m of E&I works on process lines 3 to 6; activity ramped up towards year end with over 400 now on site

## **BHP Billiton Iron Ore Sustaining Capital - *Continuing***

- Various projects performed under framework agreement

## **Rio Tinto EIR Program - *Continuing***

- Worked throughout the year on Rio Tinto's Electrical Infrastructure Replacement Program

## **KSJV – Bechtel Australia Pacific LNG Project - *Continuing***

- Working at Curtis Island for Bechtel on the Australia Pacific LNG Project through KSJV



# Full year financial result



	NPAT \$m	FY15 statutory result impacted by a number of one-off items:
<b>Statutory loss after tax</b>	<b>(9.8)</b>	
Add back:		
Organisation restructuring costs	1.6	<ul style="list-style-type: none"><li>• Restructuring initiatives implemented to ensure the business is appropriately organised and efficient for current market</li></ul>
Asset & inventory write-downs and lease provisions	2.4	<ul style="list-style-type: none"><li>• Sale of assets that are surplus to forecast activity requirements</li></ul>
Claim write-downs	1.6	
Impairment of goodwill	8.4	<ul style="list-style-type: none"><li>• Review of the carrying values of assets, inventory and project claims included in WIP</li></ul>
<b>Underlying trading profit after tax *</b>	<b>4.2</b>	<ul style="list-style-type: none"><li>• Partial impairment of goodwill</li></ul>

Excluding the impact of these items the Company traded profitably in the year

\* - a detailed reconciliation of statutory to underlying trading results can be found on slide 23

# Full year financial performance



	Underlying FY15* \$m	FY14 \$m	Change %
Revenue	240.6	218.2	10%
Gross profit	35.6	43.8	(19%)
Gross margin	14.8%	20.1%	
EBITDA	13.6	17.9	(24%)
EBIT	6.7	10.6	(37%)
NPAT	4.2	7.7	(45%)
Net Margin	1.7%	3.5%	

Revenue increased but challenging market conditions continue to impact margins

Solid H1 as key projects secured and commenced in FY14 were successfully closed out

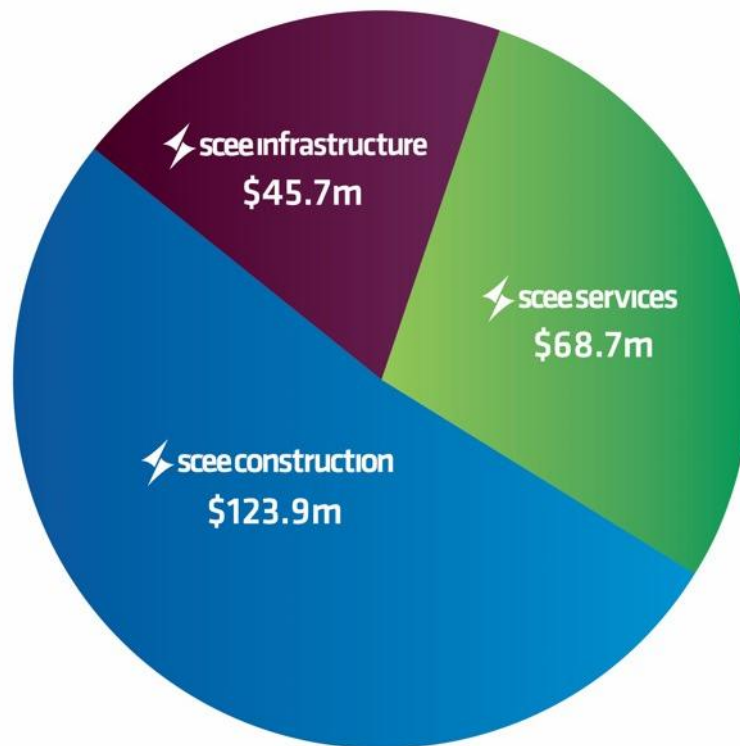
Entered H2 at low activity levels due to slower than anticipated ramp up on projects but saw significant increase in activity towards year end

Underlying trading NPAT in H2 of \$0.1m with Q3 loss of \$1.4m and Q4 profit of \$1.5m

Underlying trading overheads were 9.3% of revenue compared to 11.9% in PCP with further reduction in absolute terms expected in FY16

\* - a detailed reconciliation of statutory to underlying trading results can be found on slide 23

# Revenues by operating division



## Main Contributors:

### SCEE Infrastructure

- BHP Billiton Yarnima Power Station
- BHP Billiton Iron Ore Sustaining Capital
- Queensland Coal Seam Gas

### SCEE Construction

- Rio Tinto Cape Lambert Port B Phase B
- CITIC Pacific Sino Iron
- Cimec Nammuldi
- KSJV – Bechtel Australia Pacific LNG

### SCEE Services

- Rio Tinto Electrical Infrastructure Replacement Program
- BHP Billiton Iron Ore Sustaining Capital
- Rio Tinto West Angelas



# Balance sheet



	Jun 15 \$m	Jun 14 \$m
Current assets	92.0	98.6
Non current assets	31.6	48.0
Total assets	123.6	146.6
Current liabilities	34.3	34.6
Non current liabilities	0.6	7.8
Total liabilities	34.9	42.3
Equity	88.7	104.3

Strong balance sheet throughout the year

Cash of \$44.6m and debt free at 30 June

Historical claims settled and enhanced confidence in collectability of remaining WIP and debtors

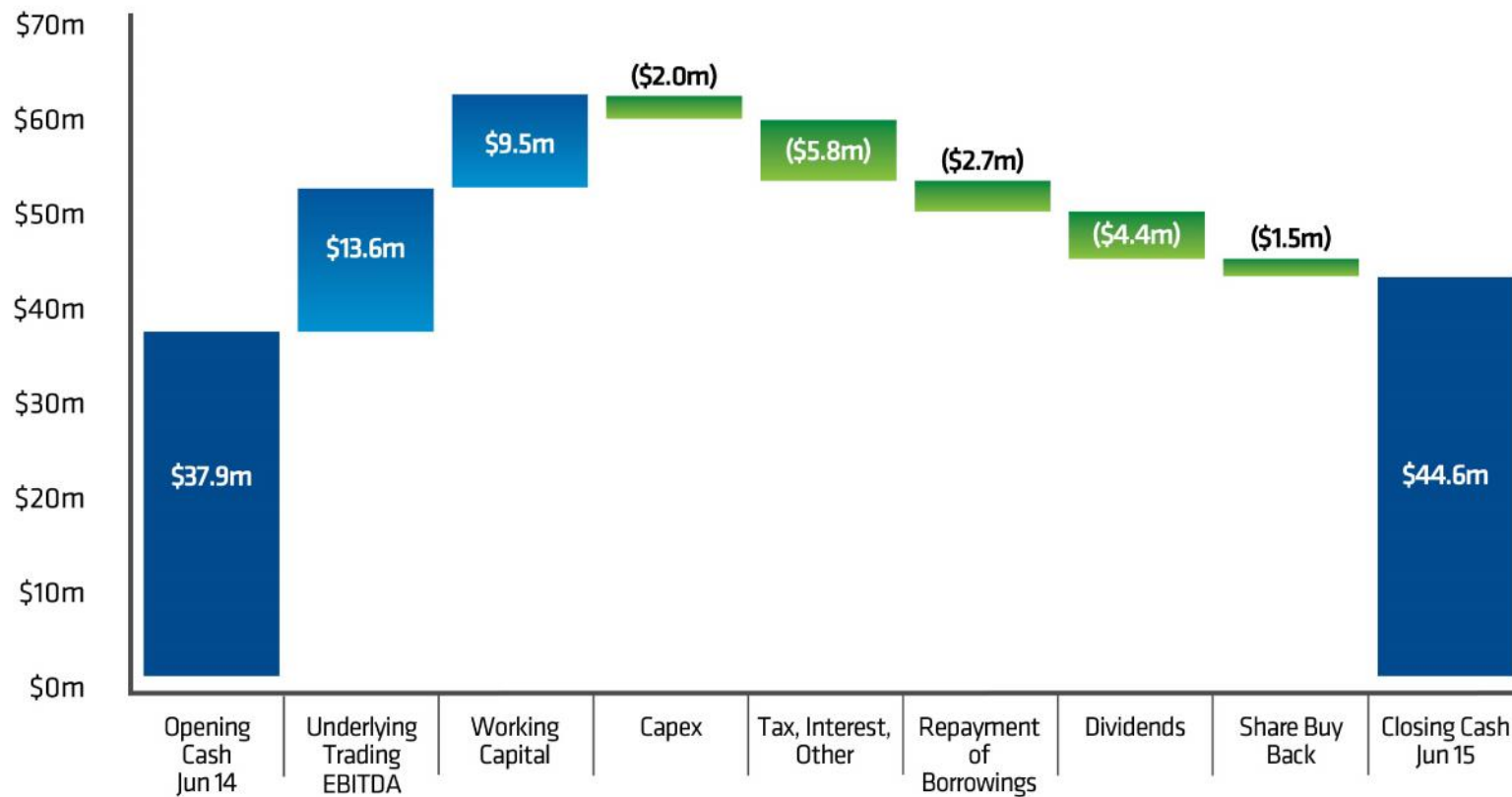
Plant and equipment with NBV of \$3.3m was written-off or made available for sale reducing future depreciation expense

Capex expected to remain low for foreseeable future

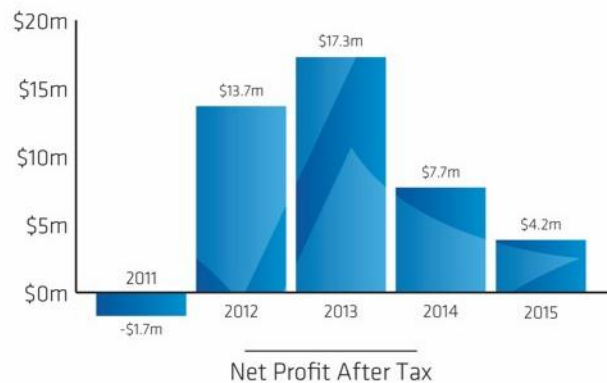
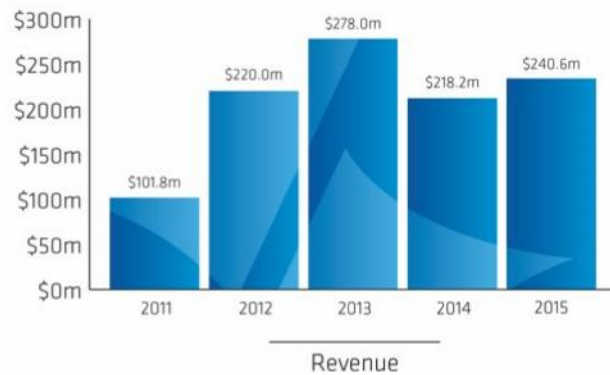
Goodwill impaired by \$8.4m

Franking credit balance of \$12m at 30 June

# Cashflow



# Financial trends



Note - FY15 Revenue, Gross Profit and Net Profit After Tax are presented on an underlying trading basis. A detailed reconciliation of statutory to underlying trading results can be found on slide 23.

# Dividends



Fully franked dividend of 2.7 cps declared

Maintained at same absolute level as prior two years

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

Record date: 21 September 2015

Payment date: 15 October 2015

Franking account balance at 30 June 2015 of \$12m



# Health, safety and people



Performing our work safely remains our highest priority and we are now over eleven years LTI free in Australia

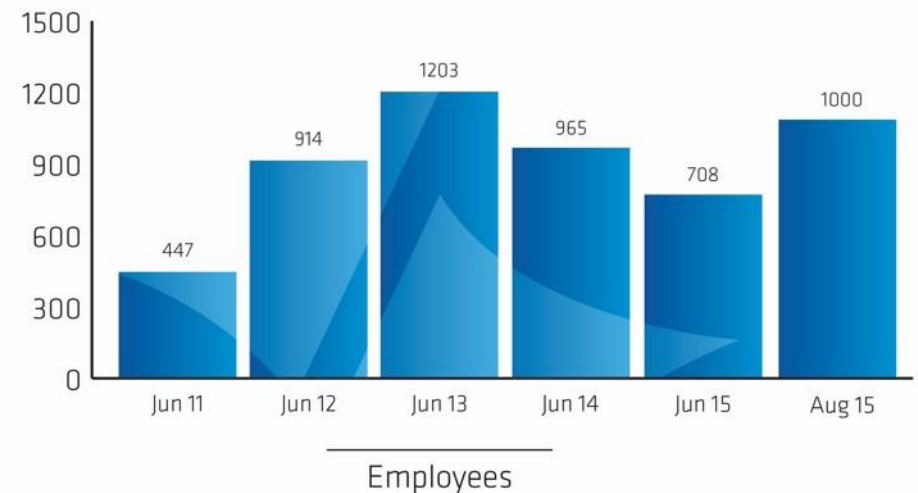
Employee numbers dropped during H2 as activity slowed but have increased significantly over recent months as key projects ramped up

Now around 1000 employees and recruitment ongoing

Currently high demand for electricians in Australia as large scale LNG projects hit peak E&I phase

Strong commitment to indigenous participation

Award winning apprenticeship program



# NECA WA 2015 AWARDS



National Electrical and Communications Association (NECA) WA Awards were held on Friday 21 August

SCEE awarded Certificate of Commendation in the Industrial Large Project category for work on Rio Tinto Cape Lambert Phase B project

Daniel Cocker was the 2015 NECA WA Apprentice Awards Winner – Industrial Category 4<sup>th</sup> year apprentice

Third consecutive year that Daniel has won his category and now goes on to represent SCEE and WA in the National Excellence and Apprentice Awards

Andrew Cantarella achieved WA State Finalist in the Industrial Category – 3<sup>rd</sup> year apprentice award



# Order book



Order book at 30 June 2015 of \$111m

A further \$30m of work is forecast to be performed under already awarded reimbursable contracts

Excludes work under recurring framework agreements

Tendering remains high but bid process highly competitive



# Moving into FY16



Entered the year at high activity levels as key projects ramped up

Order book provides solid baseload of FY16 work

Current projects progressing well and are profitable

All claims relating to projects operationally complete in previous calendar years now settled

Restructuring activities substantially completed; now sized and structured to efficiently support forecast activity levels

Reduced overhead base and depreciation expense

Strong balance sheet with surplus cash available to invest in growth opportunities





# Market conditions



Current conditions expected to continue for the foreseeable future

Clients remain focussed on cost resulting in highly competitive tendering and lower margins

Pipeline of new large scale resources construction work has reduced as a result of depressed commodity prices

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

We expect to see consolidation in the sector



# Iron Ore



Remains a core commodity and expected to provide the majority of revenues in FY16

Activity on CITIC Pacific Sino Iron has ramped up

Recently commenced work at Roy Hill both for Decmil and directly to Samsung

Continuing to build our relationship with BHP Billiton Iron Ore under our sustaining capital framework agreement

Long standing relationship with Rio Tinto

Targeting increased operations and maintenance work and have recently been awarded a framework agreement for this work at an Iron Ore project

Regional facility opened in Newman to provide increased local support to clients



# LNG and CSG



Continuing to work for Bechtel on Australia Pacific LNG project through KSJV

Multiple Australian LNG projects currently in construction with E&I requirement expected to hit peak in FY16 continuing into FY17

We remain hopeful that KSJV will secure work on one or more of these other projects

East Coast LNG projects will have an ongoing requirement for new gas supply to provide throughput to the plants

We resumed CSG works in Queensland in the current year and see opportunity for growth in this sector



# Other Mining



Expect coal to remain depressed in the near term

Continue to view metals and minerals as a spot market and will bid opportunities as they arise

Tendering for work through our Peruvian subsidiary



# Board and management changes



Perth based Board sized for the current conditions

Broad range of operational and corporate experience to align with growth strategy

Leaner management structure but have retained capability and capacity to effectively execute core business and drive expansion

CEO search on hold during restructure but recommenced towards year end and is being actively pursued





# Strategy



The Board remains committed to targeting growth both organically and through acquisition

With a reduced pipeline of work in the domestic resources construction sector alternative revenue streams are being explored

Evaluating potential expansion into other geographies and adjacent or complementary sectors

Increasing recurring revenue remains a key strategic goal

Management is monitoring merger and acquisition opportunities aligned with these objectives

Continued management of overheads to ensure the business is appropriately sized for activity levels



# Conclusion



FY15 was challenging but action has been taken to ensure the business is appropriately sized for forecast activity levels

Despite the highly competitive conditions the business delivered an underlying trading profit

Strong balance sheet with cash of \$44.6m and no debt

We enter 2016 at high activity levels with a streamlined structure and healthy order book

Market conditions expected to continue with the pipeline of work in core resources construction sector reducing

Targeting growth in recurring operations & maintenance and sustaining capital work

Evaluating potential expansion into other geographical areas and complementary or adjacent sectors and acquisition opportunities aligned with our strategic goals



# 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.

The term "underlying trading" used in this document is a non-IFRS measure which refers to the statutory result for the year ended 30 June 2015 excluding one-off items disclosed in the reconciliation below. This measure was used by management to assess the Company's performance. The underlying trading results are unaudited. A reconciliation between statutory and underlying trading result is presented below:

	Statutory \$m	Organisation restructuring \$m	Asset write- downs and lease provisions \$m	Claim write- downs \$m	Impairment of goodwill \$m	Underlying trading \$m
Contract revenue	238.3			2.3		240.6
Contract expenses	(205.3)		0.3			(205.0)
<b>Gross profit</b>	<b>33.0</b>		<b>0.3</b>	<b>2.3</b>		<b>35.6</b>
Other (expense)/income	(1.0)		1.3			0.3
Employee benefits expenses	(15.9)	1.1				(14.8)
Occupancy expenses	(1.8)					(1.8)
Administration expenses	(4.7)					(4.7)
Other expenses	(1.0)					(1.0)
Depreciation expense	(6.8)					(6.8)
Amortisation	(0.1)					(0.1)
Restructuring and impairment	(11.0)	1.2	1.4		8.4	-
<b>(Loss)/profit from operations</b>	<b>(9.3)</b>	<b>2.3</b>	<b>3.0</b>	<b>2.3</b>	<b>8.4</b>	<b>6.7</b>
Net finance expense	(0.1)					(0.1)
<b>(Loss)/profit before tax</b>	<b>(9.4)</b>					<b>6.6</b>
Income tax expense	(0.4)	(0.7)	(0.6)	(0.7)	-	(2.4)
<b>(Loss)/profit from continuing operations</b>	<b>(9.8)</b>	<b>1.6</b>	<b>2.4</b>	<b>1.6</b>	<b>8.4</b>	<b>4.2</b>



## Non-IFRS financial information (cont.)



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. A reconciliation of profit before tax to EBIT and EBITDA is presented below:

	FY 15*	FY 14
	\$m	\$m
Profit before tax	6.6	10.5
Net finance expense	0.1	0.1
<b>EBIT</b>	<b>6.7</b>	<b>10.6</b>
Depreciation	6.8	7.1
Amortisation	0.1	0.2
<b>EBITDA</b>	<b>13.6</b>	<b>17.9</b>

\* FY15 results presented on an underlying trading basis

# Disclaimer



Some of the information contained in this presentation contains “forward-looking statements” which may not directly or exclusively relate to historical facts. These forward-looking statements reflect Southern Cross Electrical Engineering Limited’s current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside the control of Southern Cross Electrical Engineering Limited.

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.