



2015 AGM Presentation
Chris Douglass – Interim CEO

26 October 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

FY15 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 paid

Operational

Current market conditions expected to continue through FY16

Restructuring initiatives implemented and overhead base significantly reduced

Currently operating at high activity levels with employee numbers above 1000

Strong H1 expected and high level of tendering to replace key projects completing in H2

Strategic

Committed to targeting growth organically and through acquisition

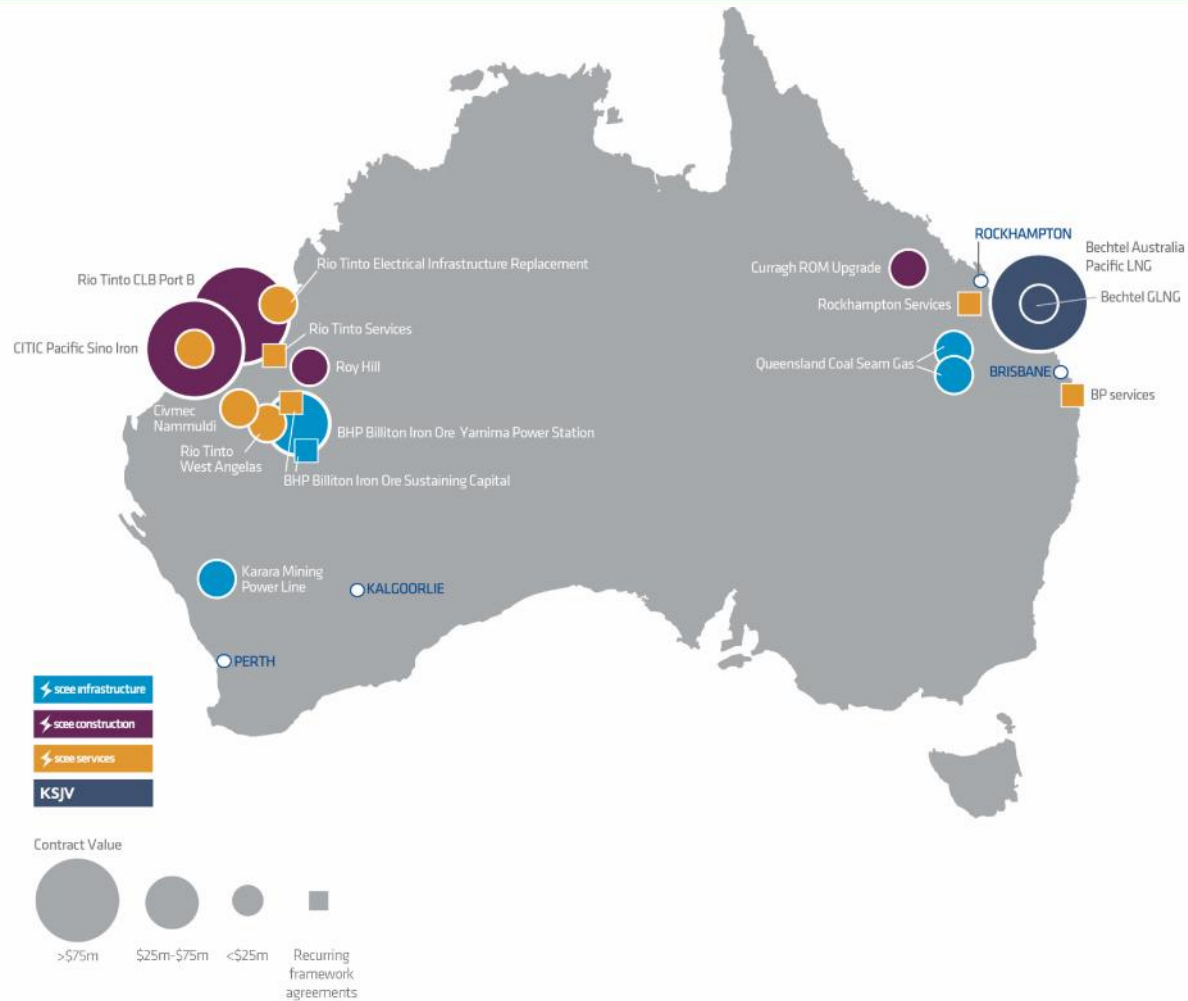
Evaluating expansion both geographically and into adjacent or complementary sectors

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 22

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



FY15 financial result



	NPAT \$m	FY15 statutory result impacted by a number of one-off items:
Statutory loss after tax	(9.8)	
Add back:		
Organisation restructuring costs	1.6	• Restructuring initiatives implemented to ensure the business is appropriately organised and efficient for current market
Asset & inventory write-downs and lease provisions	2.4	• Sale of assets that are surplus to forecast activity requirements
Claim write-downs	1.6	
Impairment of goodwill	8.4	• Review of the carrying values of assets, inventory and project claims included in WIP
Underlying trading profit after tax *	4.2	• Partial impairment of goodwill

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 22

FY15 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 22

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

Order book at 30 June



Order book at 30 June 2015 of \$111m

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

Excludes work under recurring framework agreements

Tendering remains high but bid process highly competitive

Dividends



Fully franked dividend of 2.7 cps paid

Maintained at same absolute level as prior two years

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

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

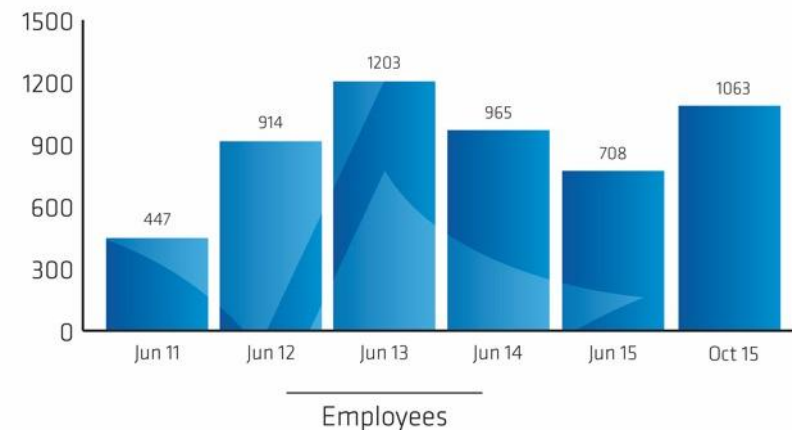
Employee numbers dropped during H2 as activity slowed but increased significantly over recent months as key projects ramped up

Now over 1000 employees

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 4th 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 – 3rd year apprentice award



Strong start to FY16



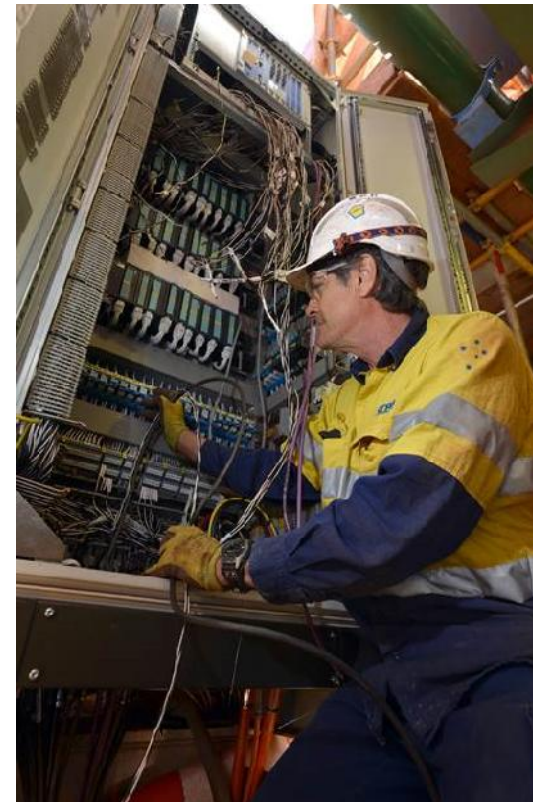
Entered the year at high activity levels as key projects ramped up and had a strong Q1

Current projects progressing well and are profitable

Manning levels remain significant going into Q2

Strong H1 expected

High level of tendering for work to replace major projects completing in H2



Market conditions



Current conditions in resources sector expected to continue for the foreseeable future

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

Limited new large scale resources construction work in the pipeline

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



Iron Ore



Remains a core commodity and expected to provide the majority of revenues in FY16 with work continuing at Sino Iron and Roy Hill

Sector offers a continued baseload of work from:

- Long standing relationship with Rio Tinto
- Continuing to build our relationship with BHP Billiton Iron Ore
- Regional facility opened in Newman to provide increased local support

Targeting increased operations & maintenance and sustaining capital work and have framework agreements in place



LNG and CSG



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

Longer and bigger tail to E&I works in the sector than previously forecast

Multiple Australian LNG projects remain in construction with only two of the six plants having achieved production to date

Very 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 and having resumed CSG works we see opportunity for growth in this sector



Strategy



The Board remains committed to targeting growth

Key strategic objectives of:

- expansion into other geographies and adjacent or complementary sectors; and
- increasing recurring revenue from operations & maintenance and sustaining capital in the resources sector

Management is actively monitoring and evaluating acquisition opportunities aligned with these objectives

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



International



History of successful international project delivery

Rejuvenation of existing Peru business

New alliances being developed to facilitate entry into strategically targeted geographies

Weak AUD increases ability to price competitively



Adjacent and complementary sectors



Opportunity to leverage our current skillsets to adjacent and complementary sectors (eg infrastructure projects, commercial, telecommunications)

Entry via acquisition may provide more immediate market penetration than organic expansion

List of potential targets identified in certain sectors

Valuation expectations reflect the current market

Capacity to execute a transaction with strong cash balance



Overheads



Significant restructuring exercise performed late FY15

Now sized and structured to efficiently support forecast activity levels

Reduced overhead base and depreciation expense

Evaluating alternative models for cost effective delivery of business services



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 delayed by restructure but is now in the latter stages with an appointment expected imminently



Conclusion



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

Continuing to maintain a strong balance sheet with cash available to fund growth

Currently operating at high activity levels with a streamlined structure and healthy order book

Strong H1 expected and high level of tendering for work to replace major projects completing in H2

Market conditions expected to continue

Targeting growth in recurring operations & maintenance and sustaining capital work

Evaluating potential expansion and acquisition opportunities into other geographical areas and complementary or adjacent sectors



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)
Gross profit	33.0		0.3	2.3		35.6
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	-
(Loss)/profit from operations	(9.3)	2.3	3.0	2.3	8.4	6.7
Net finance expense	(0.1)					(0.1)
(Loss)/profit before tax	(9.4)					6.6
Income tax expense	(0.4)	(0.7)	(0.6)	(0.7)	-	(2.4)
(Loss)/profit from continuing operations	(9.8)	1.6	2.4	1.6	8.4	4.2

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
EBIT	6.7	10.6
Depreciation	6.8	7.1
Amortisation	0.1	0.2
EBITDA	13.6	17.9

* 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.