



**Euroz Securities Institutional Conference  
Rottneest Island**

Graeme Dunn – CEO/Managing Director

# 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

H1 16 revenue of \$137.1m and NPAT of \$3.8m

Strong balance sheet with \$45.0m of cash and no debt at 31 December 2015

Fully franked interim dividend of 1.35 cents per share declared

## Operational

Market conditions remain challenging but we are continuing to secure work

Prior year restructuring has reduced overhead base and further efficiencies targeted

Continuing to deliver our projects safely and were LTI free in the period

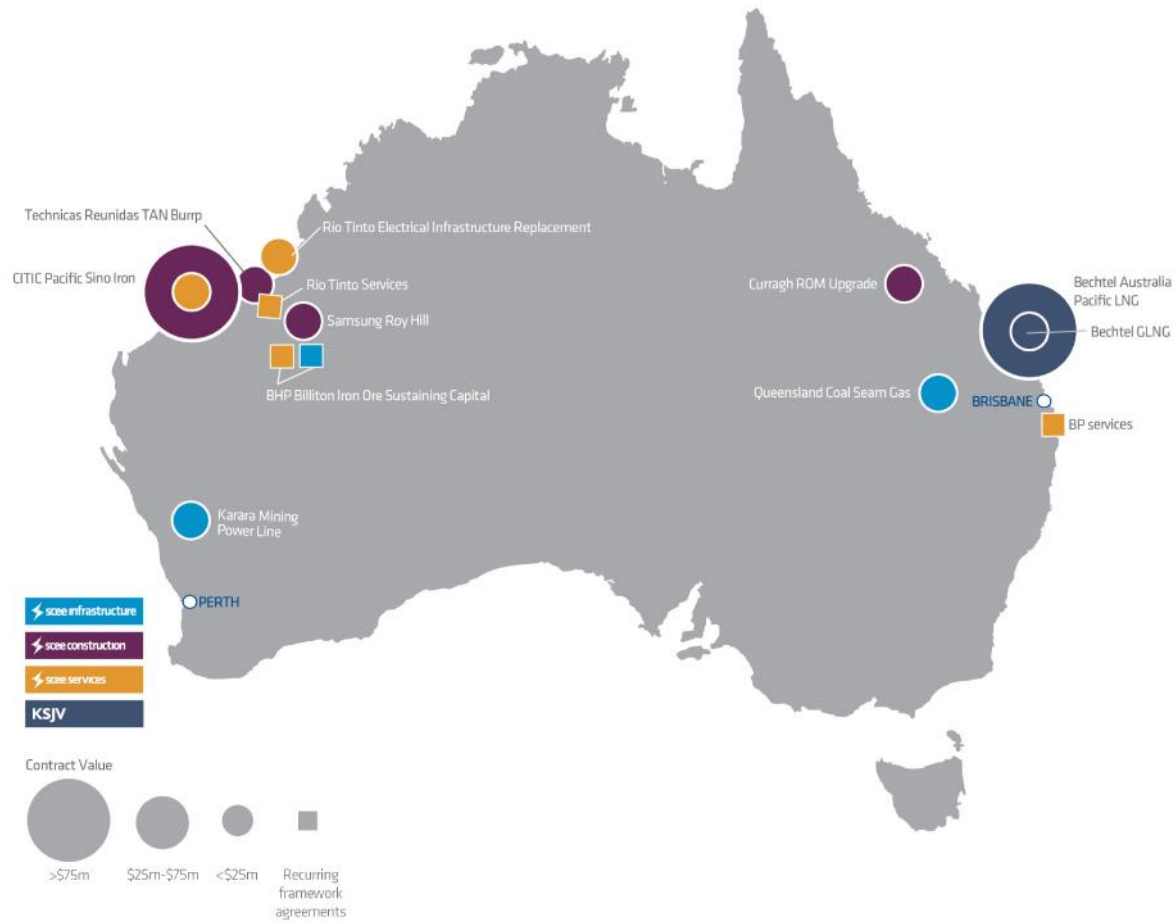
## Strategic

A sustainable resources business exists through sustaining capital and maintenance works

Strategy of expansion into adjacent or complementary sectors and new geographies

A number of organic and acquisitive growth opportunities currently under evaluation

# H1 projects



# Significant H1 projects



## **CITIC Pacific Sino Iron**

- Awarded approximately \$80m of E&I works on process lines 3 to 6; manning peaked at over 400 during period

## **Samsung Roy Hill**

- Provision of E&I services during the construction and commissioning phases of the Roy Hill Iron Ore project

## **Technicas Reunidas TAN Burrup**

- Performing completion and commissioning works at the TAN Burrup Project

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

- Various projects performed under framework agreement

## **Rio Tinto EIR Program**

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

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

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



# H1 financial performance



	<b>HY16</b>	<b>HY15</b>	<b>Change</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Revenue	137.1	142.0	(3%)
Gross profit	18.0	22.2	(19%)
Gross margin	13.1%	15.7%	
EBITDA	7.3	9.7	(25%)
EBIT	5.0	6.2	(19%)
NPAT	3.8	4.1	(7%)
Net Margin	2.7%	2.9%	

H1 result driven by strong performance on key projects

Gross margins reflective of competitive operating environment

Prior year restructuring has delivered a positive impact with overheads down by over 16% on PCP

Depreciation expense reduced from \$3.4m in PCP to \$2.4m

Effective tax rate of 25% as a result of R&D tax rebate

# Balance sheet



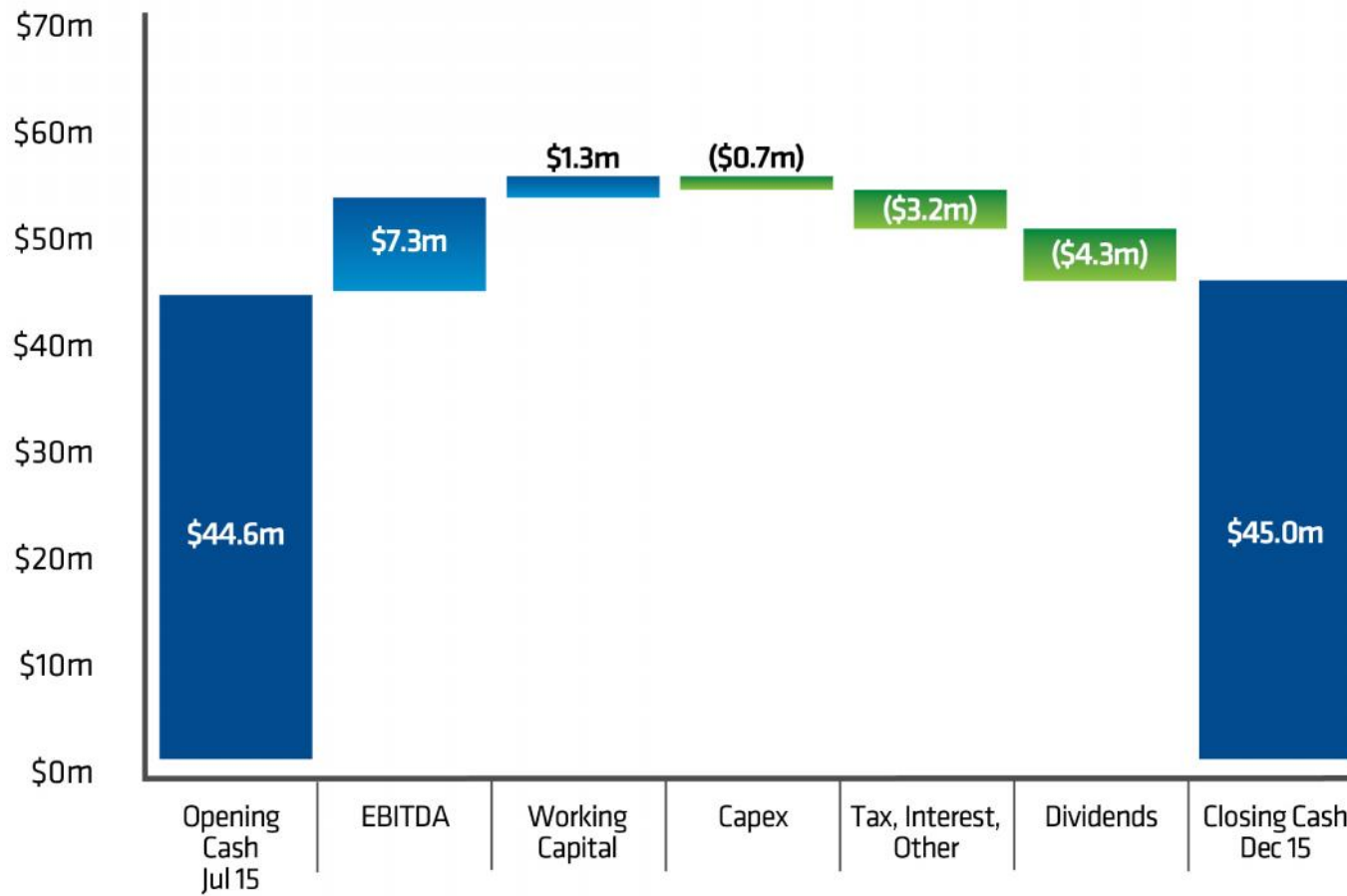
	Dec 15 \$m	Jun 15 \$m
Current assets	90.6	92.0
Non current assets	30.9	31.6
Total assets	121.5	123.7
Current liabilities	32.9	34.4
Non current liabilities	0.3	0.6
Total liabilities	33.2	35.0
Equity	88.2	88.7

Strong balance sheet throughout the period

Cash of \$45.0m and no debt at 31 December

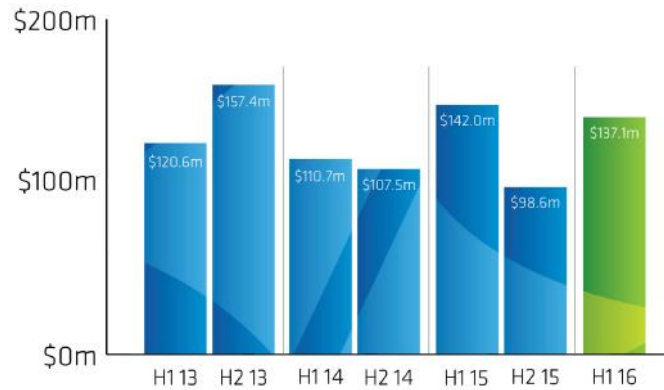
Capex in the period was \$1m and is expected to remain low for foreseeable future

# Cashflow





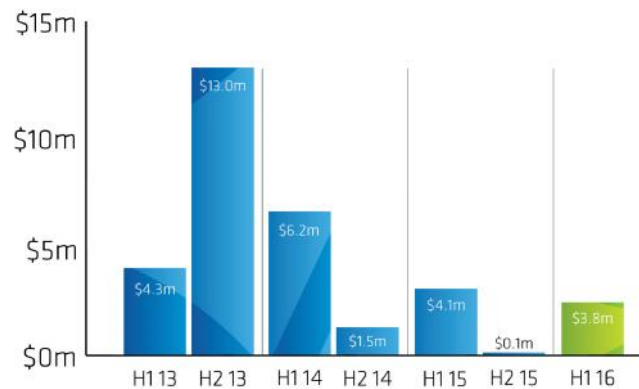
# Financial trends



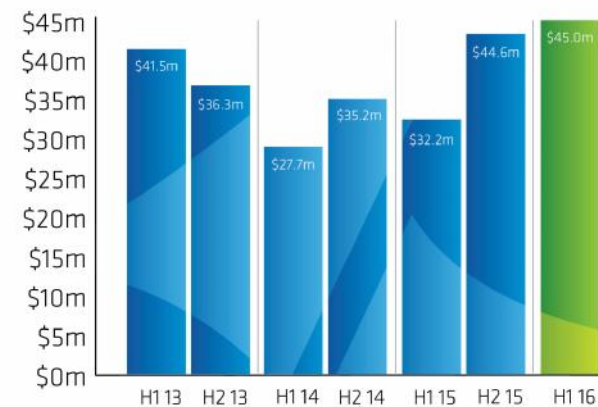
Revenue



Gross Profit



Net Profit After Tax



Net Cash

Note – H2 15 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 19.

# Dividends



Fully franked interim dividend of 1.35 cps declared

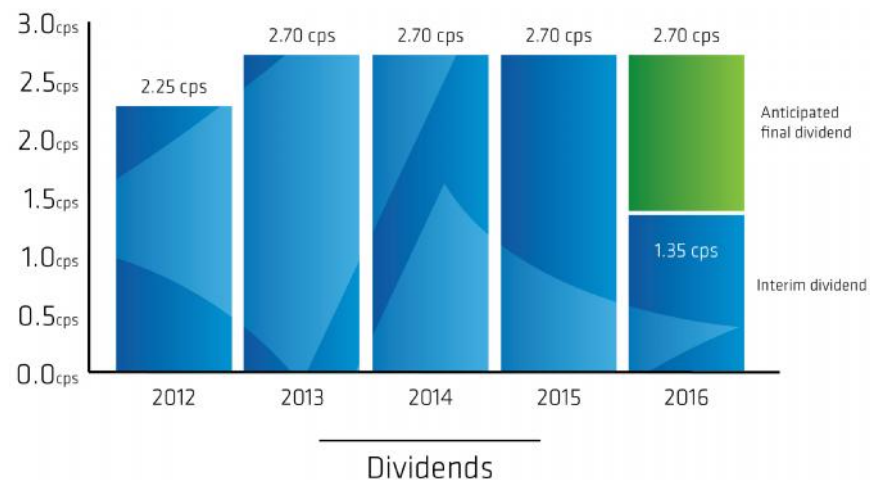
Record date: 21 March 2016

Payment date: 14 April 2016

Anticipate maintaining full year dividend at 2.7 cps being the same absolute level as prior 3 years

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

Franking account balance at 31 December 2015 of \$13.4m



# Health, safety and people



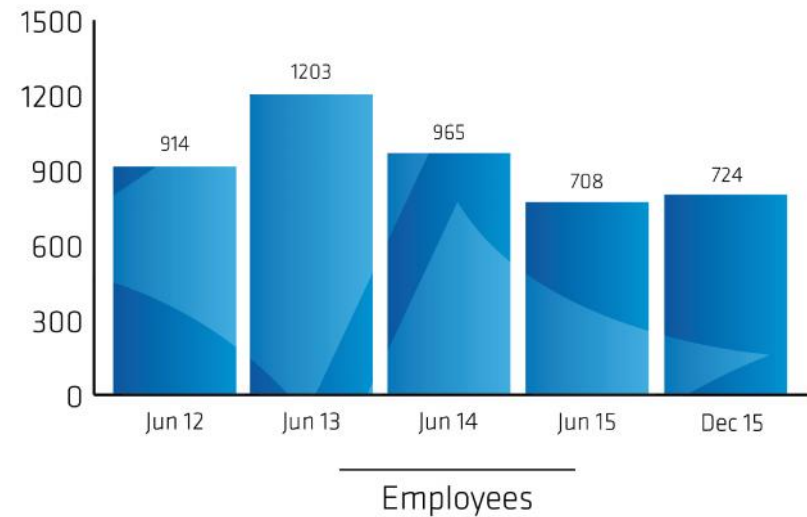
Performed our operations in the period without a lost time injury

Over eleven years LTI free in Australia

Employee numbers over 700 at end of H1

Strong commitment to indigenous participation

Award winning apprenticeship program



# Order book



Order book at 31 December 2015 of \$37m with a further \$30m won so far in H2

Order book excludes \$10m of forecast H2 work under recurring framework agreements and \$5m growth on existing reimbursable contracts

Market change from large capex to smaller sustaining capital projects with shorter project durations

Continuing to secure awards regularly

# Near term outlook



Market conditions in resources sector remain challenging

Current projects progressing well and profitable

Further profit expected in H2 but result dependent on the timing of award and execution of new work

Tendering activity remains high and demonstrated ability to convert opportunities to awards

Near term pipeline of identified opportunities in our addressable markets of over \$300m excluding sustaining capital and maintenance works



# Sustainable resources business



Sustainable resources business exists through exposure to sustaining capital and maintenance markets

Leveraging off strong client relationships and brand recognition and securing regular orders

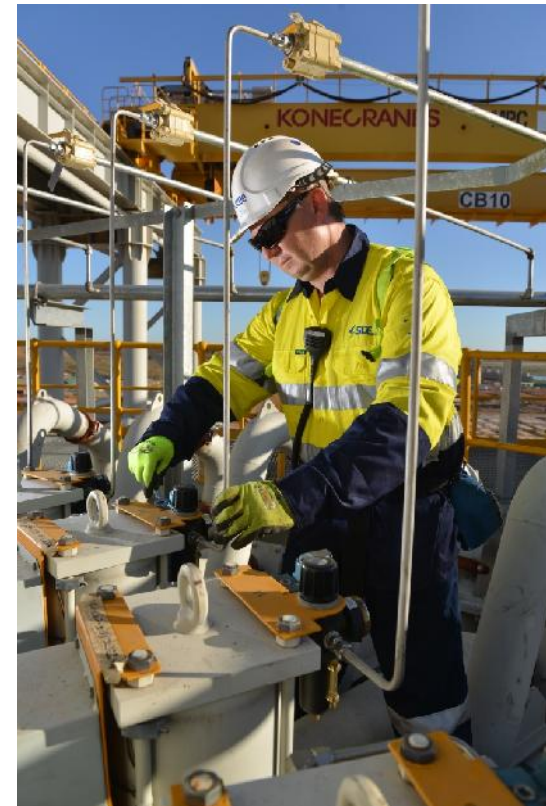
Regional facilities opened in Newman and Karratha with additional locations being investigated

Identified opportunities to provide wider services offerings to sector

Targeting further LNG works with construction on existing Australian projects expected to continue through FY17

Long term pipeline of East Coast CSG works

Evaluating a number of overseas opportunities



# Diversification strategy



Committed to targeting growth through expansion into adjacent and complementary sectors and new geographies

Transferable project delivery and technical skills

Will likely be a combination of organic and acquisitive

Strong balance sheet to execute initiatives

A number of potential opportunities have been identified and are under evaluation

Proven track record of successfully integrating previous acquisitions (KJ Johnson into SCEE Infrastructure and Oceanic as east coast platform)



# Adjacent and complementary sectors



Expand our E&I capability into new sectors and geographies:

- Transport infrastructure – over \$100bn forecast construction spend in Australia by 2019
- Social and commercial infrastructure – over \$80bn forecast construction spend in Australia by 2019
- Utilities – power, water, gas; on Western Power Major Works Panel and recently secured first award
- Telecommunications – NBN roll out to ramp up significantly; expansion and upgrades of existing wireless networks; over \$30bn forecast construction spend by 2019





# Overheads



Management highly focussed on cost control and ensuring an efficient operating structure

Significant restructuring exercise performed late FY15 drove an overhead reduction of over 16% on PCP

Targeting further reductions through cost saving initiatives

Offshore service centre to be opened during Q3 to provide more cost efficient support



# CEO appointment



Graeme Dunn appointed CEO and Managing Director in January

Over 25 years' international experience in heavy civil infrastructure, mining, oil & gas and building projects

Extensive executive management experience in contracting businesses

Has previously held senior management positions across Australia, Asia and the Middle East



# Conclusion



Strong H1 performance in difficult market conditions with revenue of \$137.1m and NPAT of \$3.8m

Interim fully franked dividend of 1.35 cps declared

Strong balance sheet and net cash of \$45.0m provides growth capacity

Prior year restructuring has reduced overhead base

Market move to smaller sustaining capital projects and demonstrating ability to secure regular awards

A sustainable resources business through sustaining capital and maintenance programs with opportunity to secure further LNG construction works

Strategy of expansion into other geographical areas and complementary or adjacent sectors via acquisition and organic growth



# 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. A reconciliation of profit before tax to EBIT and EBITDA is presented in the table on the left below.

The term "underlying trading" used in this document is a non-IFRS measure which refers to the statutory result for the second half of financial year 2015 excluding one-off items disclosed in the reconciliation presented in the table on the right below. This measure was used by management to assess the Company's performance. The underlying trading results are unaudited.

## EBIT/EBITDA reconciliation:

	HY 16	HY 15
	\$m	\$m
Profit before tax	5.0	6.2
Finance expense	0.3	0.5
Finance income	(0.3)	(0.5)
<b>EBIT</b>	<b>5.0</b>	<b>6.2</b>
Depreciation	2.3	3.4
Amortisation	0	0.1
<b>EBITDA</b>	<b>7.3</b>	<b>9.7</b>

## H2 15 underlying profit reconciliation:

	Statutory \$m	Organisation restructuring \$m	Asset write- downs and lease provisions \$m	Claim write- downs \$m	Impairment of goodwill \$m	Underlying trading (unaudited) \$m
Contract revenue	96.3			2.3		98.6
Contract expenses	(85.5)		0.3			(85.2)
<b>Gross profit</b>	<b>10.8</b>		<b>0.3</b>	<b>2.3</b>		<b>13.4</b>
Other (expense)/income	(1.0)		1.3			0.3
Overheads	(10.7)	1.1				(9.6)
Depreciation expense	(3.5)					(3.5)
Amortisation	0.0					0.0
Restructuring and impairment	(11.0)	1.2	1.4		8.4	0.0
<b>(Loss)/profit from operations</b>	<b>(15.4)</b>	<b>2.3</b>	<b>3.0</b>	<b>2.3</b>	<b>8.4</b>	<b>0.6</b>
Net finance expense	(0.1)					(0.1)
<b>(Loss)/profit before tax</b>	<b>(15.5)</b>					<b>(15.5)</b>
Income tax expense	1.6	(0.7)	(0.6)	(0.7)		(0.4)
<b>(Loss)/profit from continuing operations</b>	<b>(13.9)</b>	<b>1.6</b>	<b>2.4</b>	<b>1.6</b>	<b>8.4</b>	<b>0.1</b>

# 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.