



**Investor Presentation**

**Acquisition of Datatel Communications Pty Limited**

9 June 2016

# Transaction overview



## Summary

SCEE has signed a binding agreement to acquire 100% of the shares in Datatel Communications Pty Limited

Datatel is a WA based award-winning electrical & communications contractor with significant exposure to the roll out of the NBN since 2013

Datatel has 180 experienced employees and industry-leading information systems

## Strategic fit

Platform for SCEE's entry into communications and telecommunications sectors

Scalability to expand service offerings to new geographies throughout Australia

Vendors have significant industry experience and will remain with the business

Identified pipeline of NBN roll-out and maintenance project opportunities

## Transaction

Initial Consideration of \$6.2m (90% cash/10% equity)

Up to a further \$11.0m (70% cash/30% equity) Deferred Consideration (\$3.5m) and Stretch Consideration (\$7.5m) over FY17, FY18 and FY19 for delivery of EBITDA targets

Initial and Deferred Consideration represents a multiple of 3.3x forecast FY16 EBITDA and acquisition expected to be EPS accretive in FY17

## Market entry



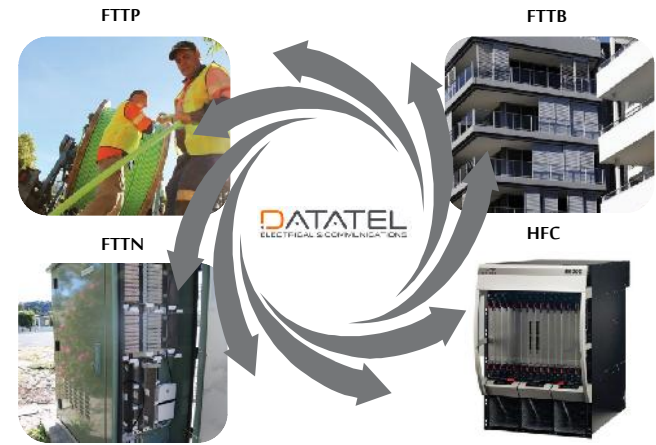
“The acquisition of Datatel is a significant and immediate market entry into the Telecommunications sector and provides SCEE with a credible platform which can be leveraged to enter other geographic markets.”

*Graeme Dunn  
MD & CEO, SCEE*

# Datatel overview



- Datatel Communications Pty Ltd established by Paul Johnson and Wayne Hogan in 1998
- Has built a significant presence in the communications and telecommunications sectors in WA
- Developed relationships with key lead contractors in the delivery of the National Broadband Network (NBN), including Daly International, Downer, Fulton Hogan, Kordia and WBHO
- Client-led expansion into SA, QLD and TAS being progressed
- Outside of telecommunications, Datatel's electrical & communications services business has a range of commercial, industrial, health and education clients in both metropolitan and regional areas of WA – successfully completing contracts on numerous iconic metropolitan infrastructure projects including:
  - Royal Perth Hospital
  - Curtin University
  - University of Western Australia
  - Department of Education



State Winner 2014 NECA Excellence Awards  
Medium Commercial Project  
Curtin B105 Library Upgrade



State Finalist 2014 NECA Excellence Awards  
Data/Voice Category  
UWA Optical Fibre Project

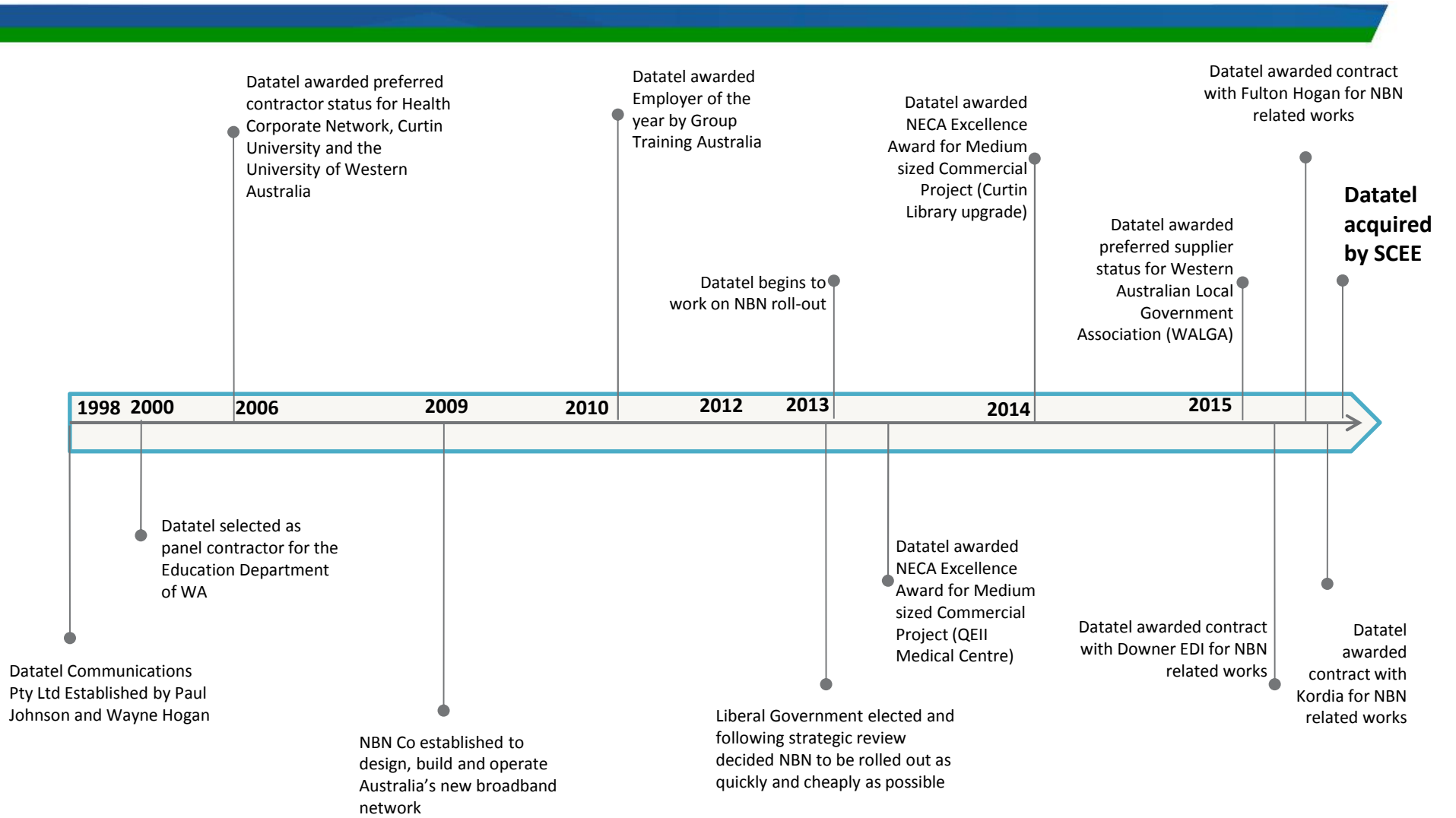
# Datatel operations and financial



- Datatel has over 180 staff including over 150 operational personnel
- Has invested significant resources in establishing an appropriate safety culture and procedures. It holds an AN/NZS 4801 accreditation from Bureau Veritas
- Has established competitive advantage through development of proprietary IT systems which provide real-time feedback on job progress, profitability and cashflow
- Datatel is forecasting revenue of \$22m and underlying EBITDA of \$2.9m for FY16



# Datatel history



# Datatel senior management



**Paul Johnson**  
Operations Director & Founder

## NBN Project Manager & IT Development

Paul Johnson is a certified and licenced electrical & communications contractor

He co-founded Datatel in 1998. He is 45 years of age

Previously, Paul worked as an Electrician at Westside Fire Services, ABA Security and O'Donnell Griffin

Paul's main role with Datatel is the oversight of the NBN project and IT development



**Wayne Hogan**  
Operations Director & Founder

## Project Manager & Technical Assistance

Wayne Hogan is a certified and licenced electrical & communications contractor

Wayne co-founded Datatel in 1998 with Paul. He is 48 years of age

Prior to this Wayne held the position of Project Manager at Bertams Electrical and Communications and Communications Division Manager of Westside Fire

Wayne's role with Datatel includes project management for his key clients, management and design of data centres, and technical assistance for all Datatel teams



**Hanif Ibrahim**  
Executive General Manager

## Strategic Management

Hanif Ibrahim joined Datatel at the beginning of 2015

Hanif has past experience in both the public and private sector in developing business strategies, driving growth and reducing costs. He is 47 years of age

Prior to joining Datatel, Hanif has held the position of Managing Director of Oceanlink Aquariums and Frontline Financial Solutions

He was a winner of the WA Business News 40 Under 40 Award in 2008

Hanif is responsible for the overall performance of Datatel and has a particular focus on the strategic options of the company

# Strategic rationale



SCEE is an electrical contractor – it will create shareholder value by:

- transitioning to a sustainable resources business; and
- by leveraging its core skills and balance sheet strength, to grow its business through expansion into adjacent and complementary sectors and new geographies.

SCEE has identified Telecommunications as an expansion sector with growth driven by consumer demand and technological innovation.

SCEE enters this market by acquiring Datatel, bringing their relationships, systems and experience, combined with SCEE's complementary skills in project management, mobilisation, remote working and balance sheet to provide a scalable platform for growth.

Further investment in Datatel by SCEE will support continued expansion and establish the business in other states.

Datatel also brings two other significant opportunities for SCEE to:

- leverage further the electrical and communications maintenance services they provide in WA, primarily in the commercial, health and education sectors; and
- cross-sell Datatel's communications services into SCEE's existing client base and operations





# Telecommunications



The telecommunications market is a strong, robust sustainable sector, with growth being driven by technological innovation and consumer demand for more data and faster connections.

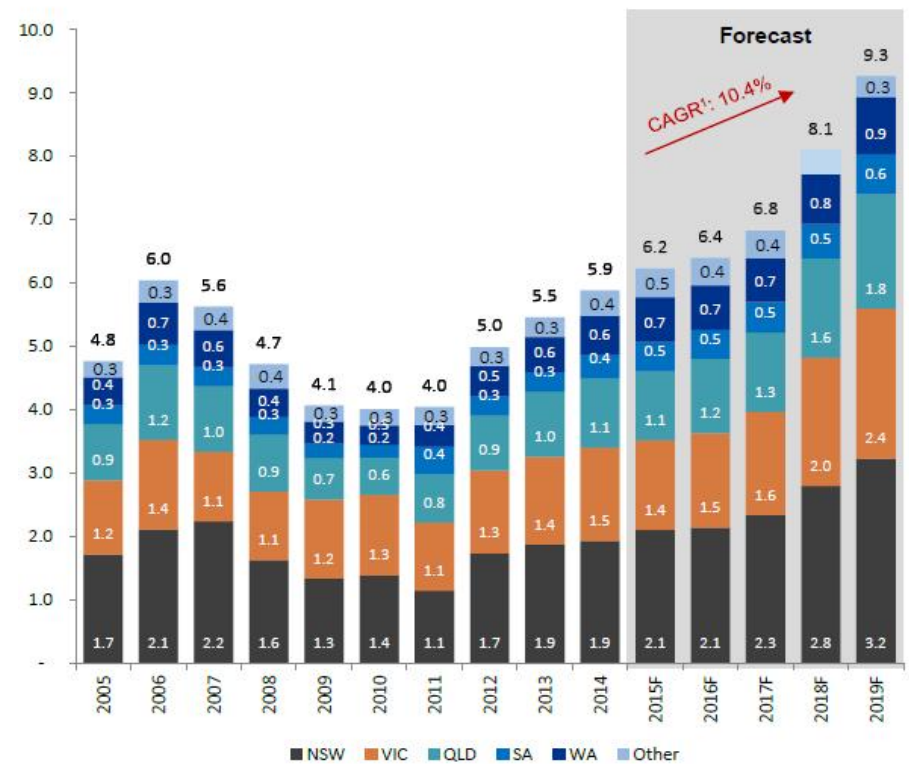
Construction expenditure forecast at a 10.4% CAGR over coming years.

NBN roll out to ramp up significantly and pass 9.1m premises by 2019:

- NBN Co deal with tier one contractors – Downer, Service Stream, Visionstream, Fulton Hogan, etc
- Tier one contractors subcontract significant volume of their work to a tier two market containing many smaller players. Datatel has excellent relationships with the tier one contractors and significant opportunities for national expansion. Datatel and SCEE combine the skills, knowledge and resources to cement a place as the preferred tier 2 sub-contractor in this sector.

In addition to the NBN, wireless networks and data providers are also investing significantly in their network capacity and technology (4G LTE then into 5G).

Total Telecommunications Construction by State/Territory<sup>1</sup> (A\$bn)



<sup>1</sup> Other includes ACT, NT, TAS

BIS Shrapnel Engineering Construction in Australia 2014/15

# Commercial, education and health



Opportunity to leverage Datatel's presence in sectors SCEE not currently operating in:

- Commercial team of more than 40 electricians, technicians and apprentices including a Registered Communications Distribution Designer and two Certified Data Centre Designers
- Worked in the education sector since 1998. Client base consists of over 200 government and private schools, colleges, TAFEs and universities
- Performed communications work at Perth Children's Hospital and Fiona Stanley Hospital

Further investment from SCEE will enable growth, in particular the ability to undertake larger scale opportunities.



THE UNIVERSITY OF  
WESTERN AUSTRALIA



Department of  
Education



Department of Finance



## Widening SCEE's resources services offering



As the strong resources construction phase slows SCEE is diversifying its revenue streams by growing its presence in the sustaining capital and maintenance market as production commences.

SCEE already has breadth and depth in this market with framework-type agreements with BHP, Rio, CITIC Pacific and Arrow Energy and targeting others.

The acquisition of Datatel will enable SCEE to further diversify the company's revenues and widen the services we offer to our existing resources and industrial clients by combining our core capabilities with Datatel's communications offerings.



# Integration track record



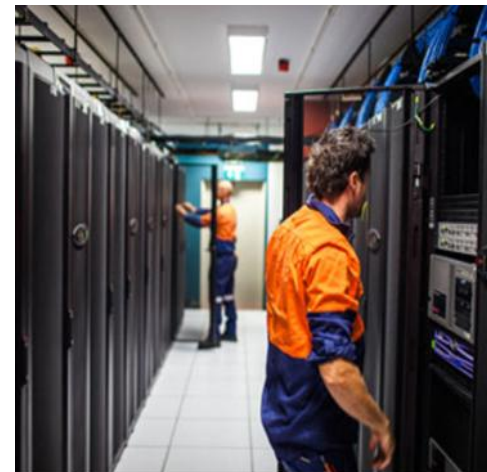
SCEE has the capability and capacity to successfully integrate and grow the business of Datatel:

- Track record of successfully integrating previous acquisitions (KJ Johnson into SCEE Infrastructure and Oceanic as East Coast platform)
- Strong balance sheet to fund the acquisition itself and then provide capex and working capital support to grow the platform
- Transferable project delivery and technical skills

Datatel bring a dedicated management who are committed to delivering a growth plan for the business.

The high element of Deferred and Stretch Consideration dependent on performance delivery in the transaction structure incentivises the achievement of this objective.

SCEE is further attracted to Datatel because of the strong cultural and values alignment between the two organisations.



# Transaction Terms & Timetable



SCEE has agreed to acquire the issued capital of Datatel subject to the terms below:

<b>Initial Consideration</b>	\$5.6m cash and \$0.6m new shares in SCEE
<b>Deferred Consideration</b>	Up to \$1.4m in FY17 and \$1.03m in each of FY18 and FY19 upon achievement of financial targets in those respective three annual periods post completion (split 70% cash and 30% new equity)
<b>Stretch Consideration</b>	Up to \$2.5m in each of FY17, FY18 and FY19 dependent on achievement of further financial targets over and above Deferred Considerations targets (split 70% cash and 30% new equity)
<b>Long-Term Employment Contracts</b>	The Vendors will enter into fixed term employment contracts up to 30 June 2019 and the Executive General Manager a standard SCEE senior management employment contract on Completion
<b>Completion Timetable</b>	Expected to be completed in mid-June 2016 subject to satisfaction of customary conditions precedent

*N.B. Detailed transaction terms are outlined in Appendix 1.*

Initial Consideration implies transaction multiple of:

- 2.1x FY16F underlying EBITDA

Initial Consideration and Deferred Consideration implies transaction multiple of:

- 3.3x FY16F underlying EBITDA

**PricewaterhouseCoopers Securities is acting as Financial Advisor and K&L Gates is acting as Legal Advisor to SCEE**

# Conclusion



The acquisition of Datatel allows SCEE to strategically leverage its core skills and its balance sheet strength into complementary sectors and new geographies by providing:

- A significant and immediate entry into the communications and telecommunications sectors
- Scalability to expand service offerings to new geographies in Australia
- Management which has significant industry experience and will remain with the business
- An opportunity to grow Datatel's presence in the commercial, health and education sectors and cross-sell into SCEE's existing client base and operation

SCEE is now diversified across six sectors:



# Appendix 1 – Detailed transaction terms



<b>Structure</b>	<ul style="list-style-type: none"> <li>Acquisition of 100% of the share capital of Datatel Communications Pty Ltd</li> </ul>
<b>Initial Consideration</b>	<ul style="list-style-type: none"> <li>\$6.2m payable on completion (split 90 % cash and 10% equity)</li> </ul>
<b>Deferred Consideration</b>	<ul style="list-style-type: none"> <li>\$1.4m payable on achieving at least \$3.1m EBITDA in FY17 (split 70 % cash and 30% equity)</li> <li>\$1.033m payable on achieving at least \$3.1m EBITDA in FY18 ( split 70 % cash and 30% equity)</li> <li>\$1.033m payable on achieving at least \$3.1m EBITDA in FY19 (split 70 % cash and 30% equity)</li> </ul>
<b>Stretch Consideration</b>	<ul style="list-style-type: none"> <li>33.3% of EBITDA in excess of \$3.1m in each of FY17, FY18 and FY19</li> <li>Capped at \$2.5m in any individual financial year (split 70 % cash and 30% equity)</li> </ul>
<b>Equity Consideration</b>	<ul style="list-style-type: none"> <li>The equity component of any consideration paid will be settled in new fully paid ordinary SCEE shares</li> <li>Shares issued in respect of the Initial Consideration will be issued at the VWAP for the five trading days prior to announcement of acquisition</li> <li>Shares issued in respect of Deferred Consideration or Stretch Consideration will be issued at the VWAP for the five trading days prior to the end of the relevant financial year</li> <li>All shares issued will be subject to a voluntary escrow period of 12 months</li> </ul>
<b>Working Capital and Debt</b>	<ul style="list-style-type: none"> <li>Business to be delivered with a sufficient level of working capital</li> <li>Business to be delivered with net debt of nil, however on Completion SCEE will advance Vendors around \$0.8m to settle part of their existing finance facilities</li> <li>This advance to the Vendors is interest bearing and will be repaid by set-off from proportions of the cash components of Deferred and Stretch Consideration in FY17 and FY18 insofar as those targets are achieved, with any remaining balance repayable in full on 31 December 2018</li> </ul>
<b>Completion</b>	<ul style="list-style-type: none"> <li>The acquisition is expected to complete on or around mid-June subject to conditions precedent being satisfied</li> </ul>
<b>Key Conditions Precedent</b>	<ul style="list-style-type: none"> <li>No material adverse change</li> <li>All necessary consents and approvals</li> <li>Execution of employment agreements</li> </ul>
<b>Employment Contracts</b>	<ul style="list-style-type: none"> <li>Vendors to enter into employment agreements with a minimum term of three years</li> </ul>