



**Full Year Results Presentation  
Year Ended 30 June 2016**

24 August 2016

# About SCEE



Leading provider of specialised electrical, instrumentation and communications services

Delivery across Australia and overseas

Strong reputation for safety and excellence

Established in 1978 and listed on the Australian Securities Exchange in 2007 under the code SXE

## Core capabilities



**E&I Construction**



**E&I Infrastructure**



**E&I Services**



**Communications**

# Diversified across sectors



**Oil & Gas and  
Mining**



**Industrial, Utilities  
and Infrastructure**



**Telecommunications  
and Data Centres**



**Commercial, Education  
and Health**

# Highlights



## Financial

FY16 revenue of \$207.6m and underlying trading NPAT of \$5.4m

Strong balance sheet with \$41.8m of cash and no debt at 30 June 2016

Fully franked final dividend of 1.35 cps declared (2.7 cps for full year)

## Operational

Successful completion of significant resources construction projects

Current activity low but secured significant strategic awards which will see levels increase

Twelfth year of LTI free Australian operations

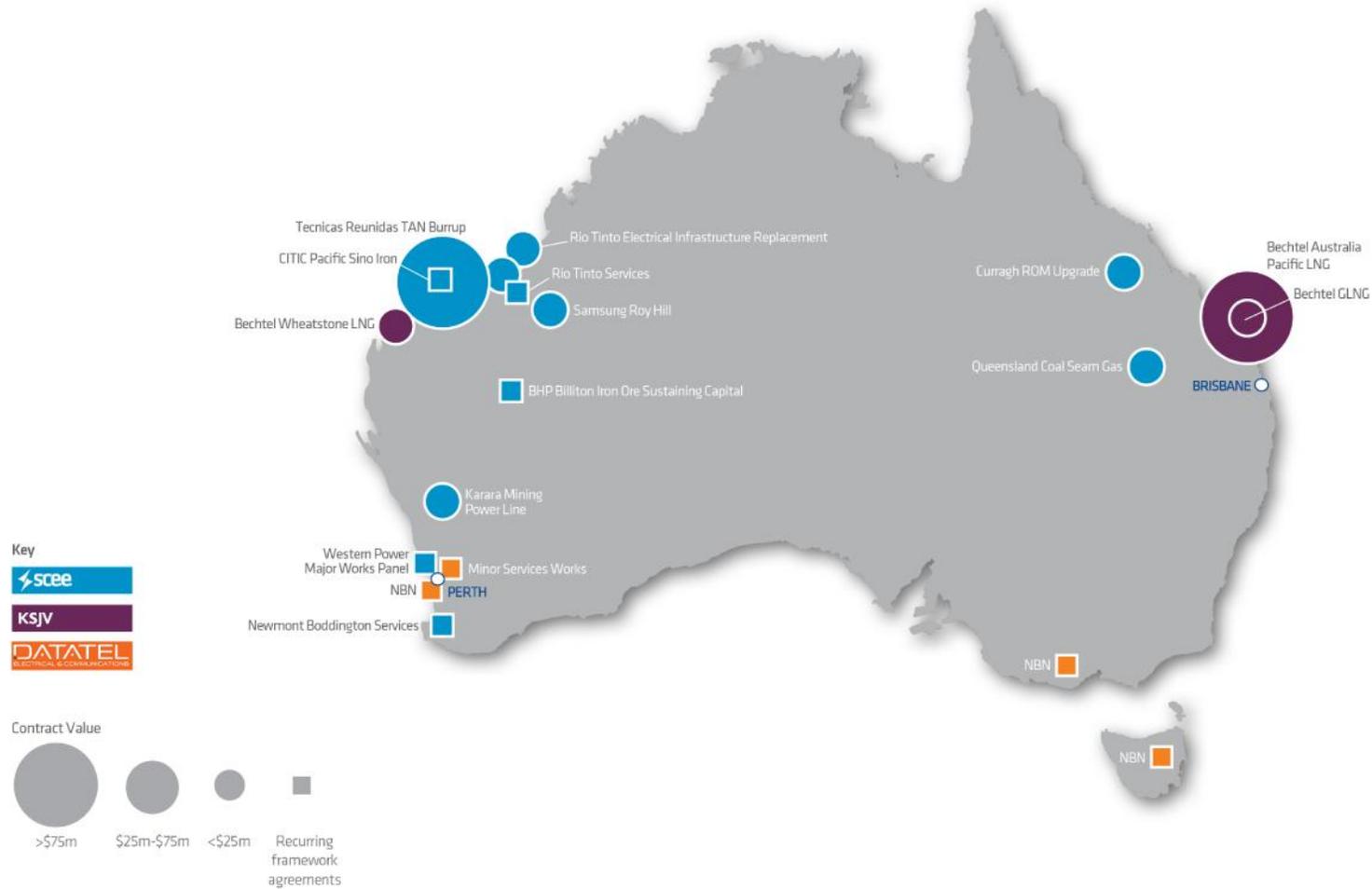
## Strategic

Transitioning to a sustainable resources business through sustaining capital and maintenance works

Organic initiatives and acquisition of Datatel progressed expansion into adjacent or complementary sectors and new geographies

Further acquisitive growth opportunities under evaluation

# Projects - FY16 and current



# Full year financial performance



	FY16*	FY15*	Change
	\$m	\$m	%
Revenue	207.6	240.6	(14%)
Gross profit	33.4	35.6	(6%)
Gross margin	16.1%	14.8%	
EBITDA	12.2	13.6	(10%)
EBIT	7.4	6.7	10%
NPAT	5.4	4.2	29%
Net Margin	2.6%	1.7%	

Activity in H1 high from construction projects at CITIC Pacific Sino Iron, Samsung Roy Hill and Tecnicas Reunidas TAN Burrup

These projects successfully completed and closed out in H2

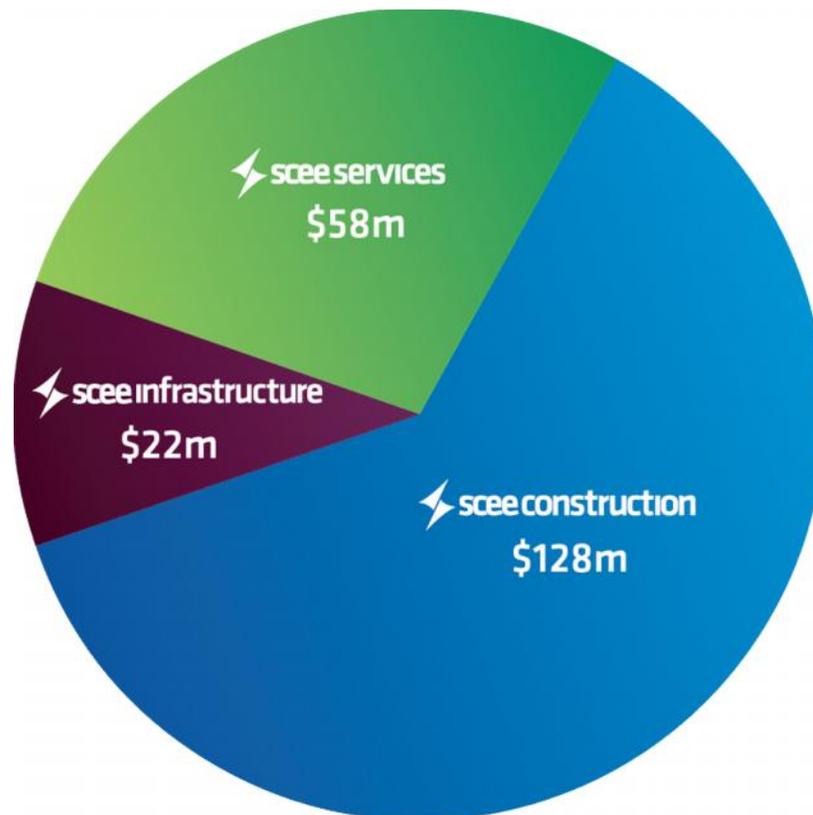
Gross margins for the year were 16.1% compared to underlying trading gross margins of 14.8% in FY15

Underlying trading overheads for the year were \$21.4m, down \$0.9m against underlying trading overheads in the prior year

Underlying trading NPAT for the year was \$5.4m which represents a 29% increase on FY15 underlying trading NPAT of \$4.2m

\* - results presented on an underlying trading basis. A reconciliation to statutory results can be found on slide 23

# Revenues by operating division



## Main Contributors:

### SCEE Infrastructure

- BHP Billiton Iron Ore Sustaining Capital
- Western Power Major Works Panel

### SCEE Construction

- CITIC Pacific Sino Iron
- Roy Hill – Samsung & Decmil
- Tecnicas Reunidas TAN Burrup
- KSJV – Bechtel Australia Pacific LNG

### SCEE Services

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

# Balance sheet



	Jun 16 \$m	Jun 15 \$m
Current assets	78.9	92.0
Non current assets	42.7	31.6
Total assets	121.7	123.7
Current liabilities	24.3	34.4
Non current liabilities	9.7	0.6
Total liabilities	34.0	35.0
Equity	87.7	88.7

Strong balance sheet throughout the year

Cash of \$41.8m and debt free at 30 June

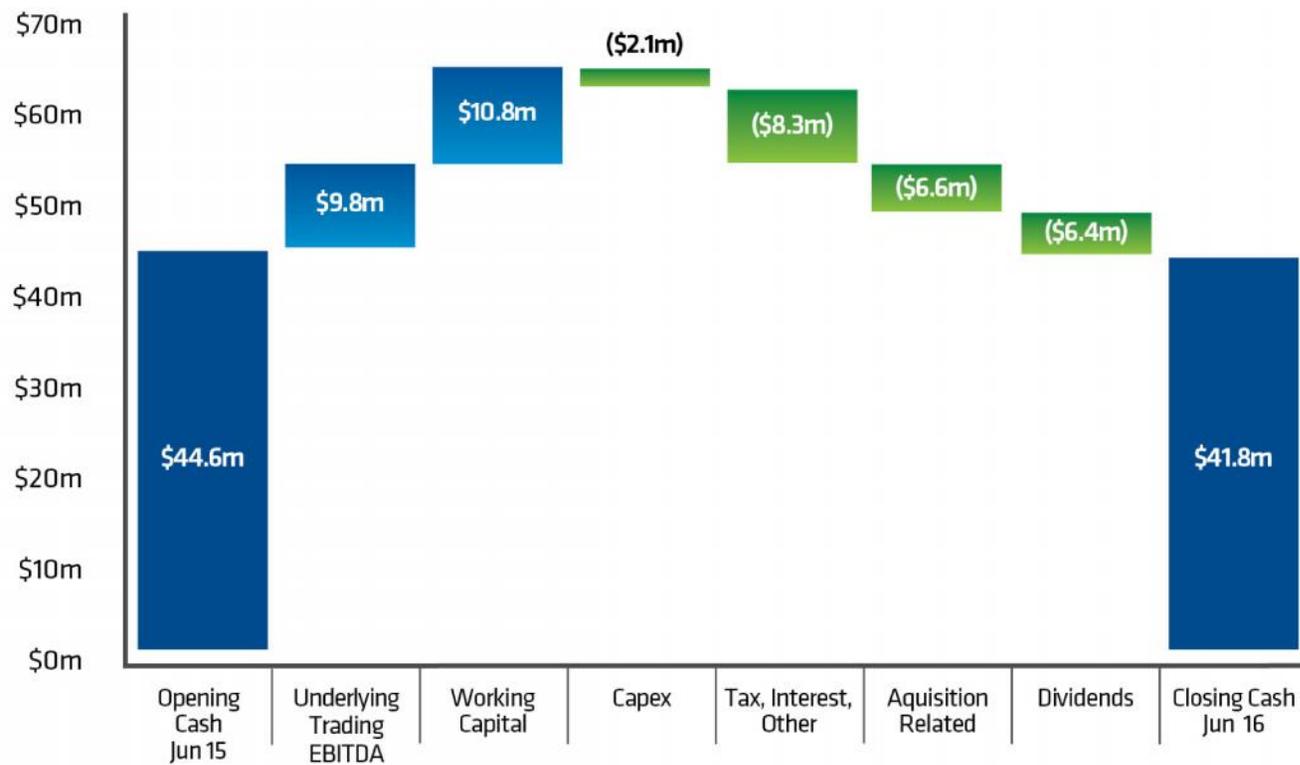
Capex low and expected to remain so for foreseeable future

Absorbed cash outflows of \$6.6m to complete the Datatel acquisition

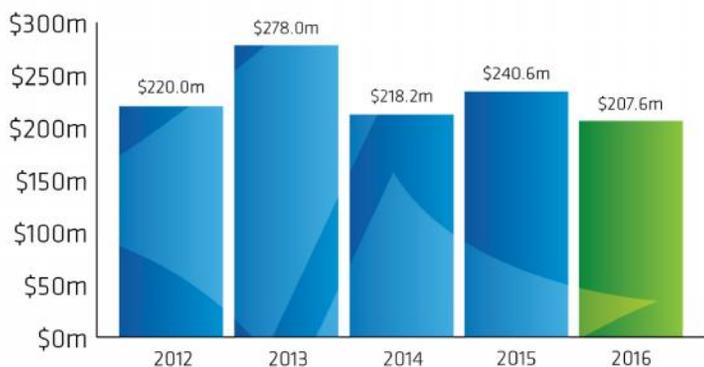
Acquisition resulted in recognition of additional goodwill of \$12.3m and \$8.7m non-current liability as assessment for payment of deferred consideration

\$2.5m of net tangible assets acquired and included in 30 June balance sheet.

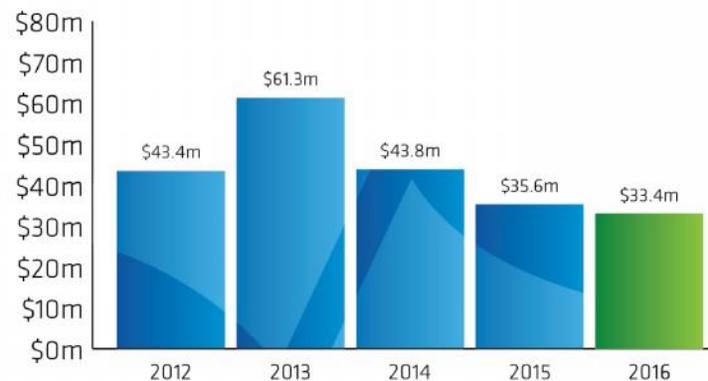
# Cashflow



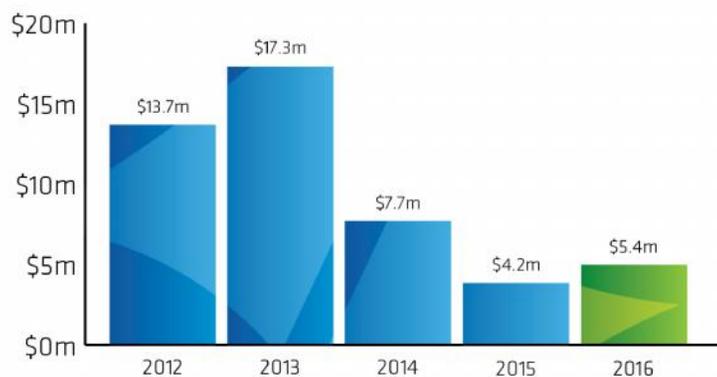
# Financial trends



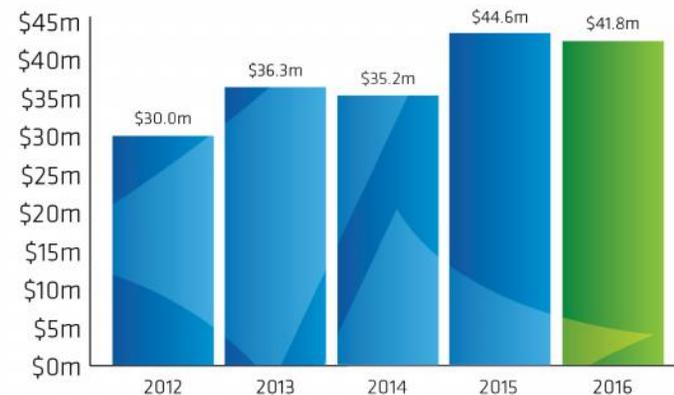
Revenue



Gross Profit



Net Profit After Tax



Net Cash

Note – FY16 NPAT and 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 final dividend of 1.35 cps declared

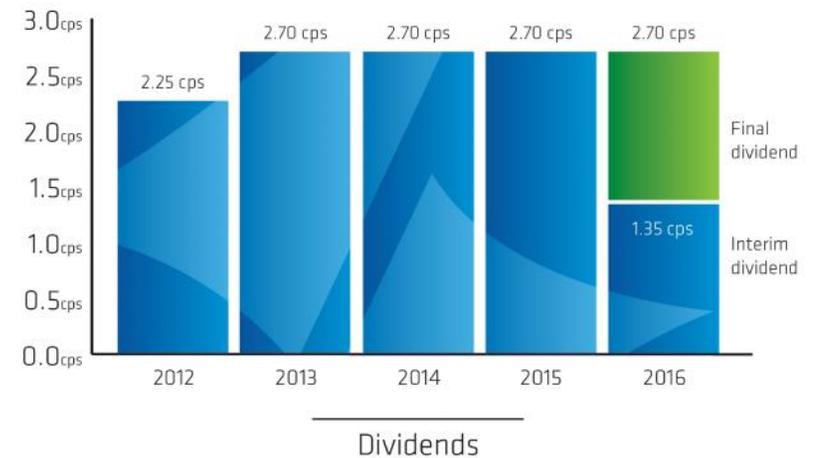
Record date: 19 September 2016

Payment date: 13 October 2016

Interim dividend of 1.35 cps already paid 14 April 2016

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

Franking account balance at 30 June 2016 of \$18.5m



# Health, safety and people

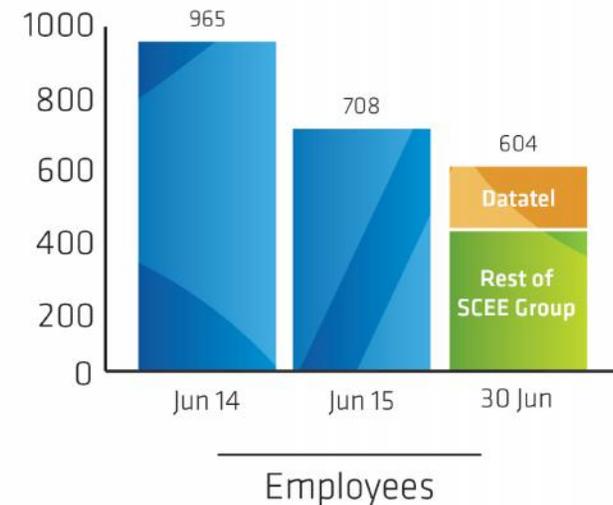


Performed our operations in the period without a lost time injury

Twelve years LTI free in Australia

Group employee numbers over 600 at year end

Strong commitment to apprenticeship program and indigenous participation



# Order book



Order book at 30 June 2016 of \$24m with a further \$16m won so far in H1 and \$15m near term growth visible on existing reimbursable contracts

Above excludes any estimate of future work under framework agreements

# Outlook and market

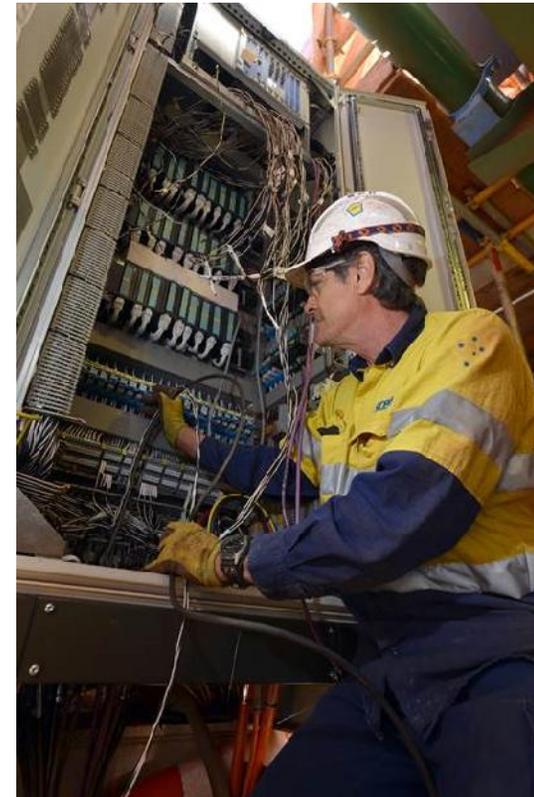


Entered the year at relatively low activity levels as a result of successfully completing large scale iron ore construction projects in H2 of FY16

However recently secured a number of strategically significant contracts providing greater visibility of activity

Current resources conditions expected to continue for the foreseeable future with clients focussed on cost

Operations & maintenance and sustaining capital opportunities increasing as capex projects completed



# Strategy



SCEE primarily sees itself as an electrical contractor. Our strategy is to:

- Transition to a sustainable resources business through exposure to sustaining capital and maintenance markets; and
- Grow through expansion into adjacent and complementary sectors - identified as telecommunications, utilities and transport, social, commercial and defence infrastructure - and new geographies

Expansion will be realised through a combination of organic and acquisition opportunities



# Resources



We will leverage our client relationships to transition to a sustainable resources business via exposure to sustaining capital and maintenance markets:

- Regional facilities opened to more closely service clients
- Widening our services offerings – to include small-scale civils, mechanical, communications and specialist services

SCEE has a breadth and depth of exposure in the resources sector:

Continuing activities – BHP Sustaining Capital Framework Agreement, BHP Jimblebar, Rio Tinto EIR program, CITIC Pacific Sino Iron Maintenance, Bechtel Australia Pacific LNG and Arrow Energy CSG MSA

Recent awards – Rio Tinto MSA, Bechtel - Wheatstone Project and Newmont Mining MSA at Boddington Gold Mine



# International



SCEE has performed numerous projects in seventeen countries.

We are evaluating or tendering a number of overseas opportunities including:

- Middle East – oil & gas infrastructure projects
- East Africa – LNG developments
- Peru – through our Peruvian subsidiary, Cruz del Sur, various gold and copper mining project, both greenfield and brownfield



# Utilities, industrial and infrastructure



Completed projects for industrial clients including SIMS Metal and at TAN Burrup

SCEE Infrastructure's overhead powerline business continuing to perform various works for mining clients in the Pilbara

Now also executing transmission overhead line maintenance works under Western Power's Major Works Panel

SCEE received first transport infrastructure award for approximately \$2m of electrical works on a freeway project

Actively tendering work in all of the above sectors as well as in defence, renewables and water



# Datatel acquisition



Datatel Communications Pty Ltd acquired on 29 June

Established in 1998 and built a significant presence in the communications and telecommunications sectors in WA with over 180 staff

Datatel has relationships with tier one lead contractors in the delivery of the National Broadband Network (NBN) and provides SCEE a significant and immediate market entry into the Telecommunications sector

Datatel's electrical & communications services business has a range of commercial, industrial, health and education clients across WA



# Telecommunications



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

Combining Datatel's relationships, systems and experience with SCEE's skills in project management, mobilisation, remote working and balance sheet provides a scalable platform to enter the sector and establish the business in other states

Commencement of NBN works in Victoria and Tasmania since the acquisition validates this vision

Client-led expansion into QLD and SA is also being pursued



# Commercial, education and health

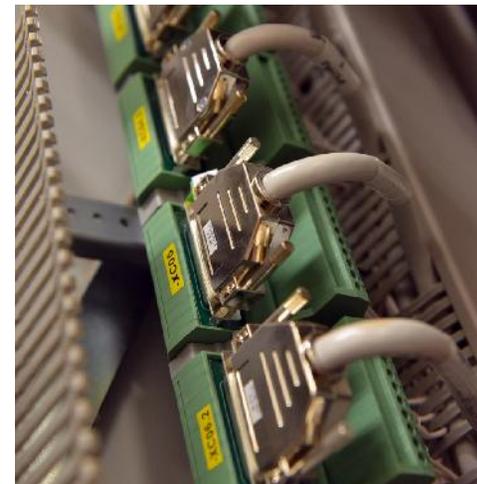


Datatel's commercial team of more than 40 electricians, technicians and apprentices provides SCEE a presence in sectors where it has not historically operated

Datatel has a significant client base in the education and health sectors in both metropolitan and regional areas of WA

Major clients include Curtin University, Department of Education, Baptistcare, St John of God and local government authorities

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



# Cost control and efficiency



In a cost focussed market a strong emphasis on ensuring an efficient operating structure

Significant restructuring exercise performed in late FY15 and further cost saving initiatives executed in FY16

Service Centre opened offshore in H2 to provide more cost efficient support. Now have nearly 30 staff in the Phillipines



# Conclusion



Strong performance in difficult market conditions with underlying trading NPAT of \$5.4m up 29% on FY15

Balance sheet remained healthy with \$41.8m cash and no debt at 30 June

Secured a number of strategically significant contract awards

Transitioning from construction to maintenance phase in resources

Datatel acquisition provides scalable telecommunications platform

Targeting further acquisitions to deliver strategic diversification



# 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 results excluding one-off items disclosed in the reconciliation presented below. This measure was used by management to assess the Company's performance. The underlying trading results are unaudited.

## FY 16 underlying profit reconciliation:

	Statutory \$m	Acquisition costs \$m	Underlying trading (unaudited) \$m
Contract revenue	207.6		207.6
Contract expenses	(174.2)		(174.2)
<b>Gross profit</b>	<b>33.4</b>		<b>33.4</b>
Other (expense)/income	0.2		0.2
Overheads	(21.8)	0.4	(21.4)
<b>EBITDA</b>	<b>11.8</b>	<b>0.4</b>	<b>12.2</b>
Depreciation expense	(4.8)		(4.8)
Amortisation	0.0		0.0
<b>EBIT</b>	<b>7.0</b>	<b>0.4</b>	<b>7.4</b>
Net finance expense	0.2		0.2
<b>Profit before tax</b>	<b>7.2</b>		<b>7.2</b>
Income tax expense	(2.1)	(0.1)	(2.2)
<b>Profit from continuing operations</b>	<b>5.1</b>	<b>0.3</b>	<b>5.4</b>

## FY 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	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
Overheads	(23.4)	1.1				(22.3)
<b>EBITDA</b>	<b>8.6</b>	<b>1.1</b>	<b>1.6</b>	<b>2.3</b>		<b>13.6</b>
Depreciation expense	(6.8)					(6.8)
Amortisation	(0.1)					(0.1)
Restructuring and impairment	(11.0)	1.2	1.4		8.4	0.0
<b>EBIT</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>

# 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.