

Transformational acquisition and Half Year ended 31 December 2016 results



28 February 2017

Acquisition of Heyday5

SCEE has agreed to acquire leading east coast electrical contractor Heyday5 Pty Ltd (“Heyday5”) for an enterprise value of up to \$54.1m

The transaction is a key milestone in SCEE’s strategy to diversify and grow into adjacent and complementary sectors and geographies through Heyday5’s strong presence in east coast commercial and infrastructure markets

Highly attractive financial outcomes for SCEE shareholders including immediate and significant EPS accretion

SCEE H1 FY17 result

Underlying H1 FY17 revenue of \$61.5m and NPAT loss of \$2.8m⁽¹⁾

Activity in period negatively impacted by slower award of work in several sectors

Significant restructuring and investment costs in period to drive future savings and growth

Retained strong balance sheet with cash of \$28.5m and no debt at 31 December 2016

Group guidance and outlook

Forecast underlying NPAT of circa \$4m for H2 FY17

Current combined Group order book over \$300m and anticipated maintained at same or greater level at 30 June 2017

Anticipate combined Group revenue over \$300m in FY18

(1) SCEE H1 2017 Statutory and Underlying results reconciliation contained in Appendix

- 1** Strategic rationale and acquisition overview
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Appendix: Detailed transaction terms

SCEE Half Year ended 31 December 2016 Statutory and Underlying results reconciliation



1. Strategic rationale and acquisition overview

Having recognised the cyclical nature of our historically predominant resources-construction market, whilst wishing to retain a resources focus as a pillar of the business, we have implemented a strategy to:

- transition to a sustainable resources business through exposure to sustaining capital and maintenance markets; and
- grow through expansion into adjacent and complementary sectors and new geographies

The acquisition of Datatel in June 2016 provided SCEE an immediate and scalable entry into the telecommunications sector

The acquisition of Heyday5 represents a logical and transformational milestone in implementing SCEE's strategy:

- Combines two well-established, culturally aligned electrical contracting businesses operating in complementary sectors and geographies
- Enhanced scale unlocks opportunity to pursue large scale upcoming infrastructure projects

- ✓ SCEE to acquire 100% of Heyday5, a leading east coast electrical contractor servicing commercial and infrastructure markets

- ✓ Total consideration of up to \$54.1m on an enterprise value basis, with \$18m cash paid on completion, \$2.25m after release of FY2017 results and additional cash and share payments subject to performance hurdles – transaction on a debt free basis with sufficient level of working capital for operations

- ✓ Transformational acquisition for SCEE which delivers enhanced diversification, with Heyday5's east coast market exposure highly complementary to SCEE's existing business mix of resources, industrial and telecommunications

- ✓ Consistent with SCEE's strategy to grow into adjacent and complementary sectors and geographies whilst preserving its identity as a specialist electrical contractor

- ✓ Step change in scale:
 - Combined Group will have an order book over \$300m
 - Heyday5 FY17 budget revenue of \$152m and EBIT of \$9.8m

- ✓ Highly attractive financial outcomes for SCEE shareholders, including immediate and significant EPS accretion

- ✓ SCEE to maintain a strong balance sheet post-transaction, with at least \$25m cash and no debt at completion

- ✓ Heyday5's experienced management team maintain their roles in the business and become SCEE shareholders

Acquisition of Heyday5

SCEE has entered into a Share Purchase Deed to acquire 100% of Heyday5 for an enterprise value of up to \$54.1m, comprising:

- \$18m cash payable on completion, which is expected to be 9 March 2017, and \$2.25m cash payable after the FY17 full year results are released;
- Up to \$13.85m in SCEE shares and \$7m in cash payable on confirmation of Heyday5's FY17 result; and
- Up to \$13m in additional cash, payable following FY2018 to FY2019 results, contingent on financial performance

The acquisition consideration represents EBIT multiples of:

- 4.2x FY17B assuming achievement of Heyday5 FY17 EBIT of \$9.8m;
- 5.0x FY17B assuming Heyday5 maintains EBIT of \$9.8m in each of FY18 and FY19; and
- 3.7x FY18 and FY19 EBIT assuming Heyday5 achieves earnings in FY18 and FY19 sufficient to receive full portion of outperformance earn-out consideration

Current owners and management of Heyday5 to remain with the business under SCEE ownership

Heyday5 Executive Director, David Hammond, to join the SCEE Board as an Executive Director

Overview of Heyday5

Leading specialist electrical contractor headquartered in Sydney

Strong position in large and growing east coast commercial and infrastructure markets supported by relationships with Tier 1 construction companies and property groups

Reputation for project delivery, with recent projects including the St George Hospital Redevelopment and the Global Switch Data Centre

Highly experienced executive team, each with at least 18 years involvement with the business

Approximately 380 employees across New South Wales and the Australian Capital Territory

Strong growth achieved to date in FY17 with budget full year revenue of \$152m and EBIT of \$9.8m

Current order book over \$200m will support strong earnings into FY2018

Strategic rationale

Provides SCEE with diversification across sectors and geographies, delivering immediate exposure to growing east coast commercial and infrastructure markets

Potential to further leverage combined Group's customer relationships and skills into all geographies and sectors in which it operates

Enhanced scale and financial backing, combined with SCEE's experience in major resources projects, unlocks further opportunities for the Group to pursue large scale upcoming infrastructure projects

Strong cultural alignment between SCEE and Heyday5

Immediate and significant EPS accretion

Creates a broader platform for sustainable growth

Combined Group profile

Balanced revenue streams across sectors and geographies:

- Mining (19%), oil and gas (13%), industrial, energy and utilities (6%), telecommunications and data centres (18%), commercial (27%), public infrastructure and defence (17%)
- East coast (55%), west coast (45%)

Significantly enhanced scale:

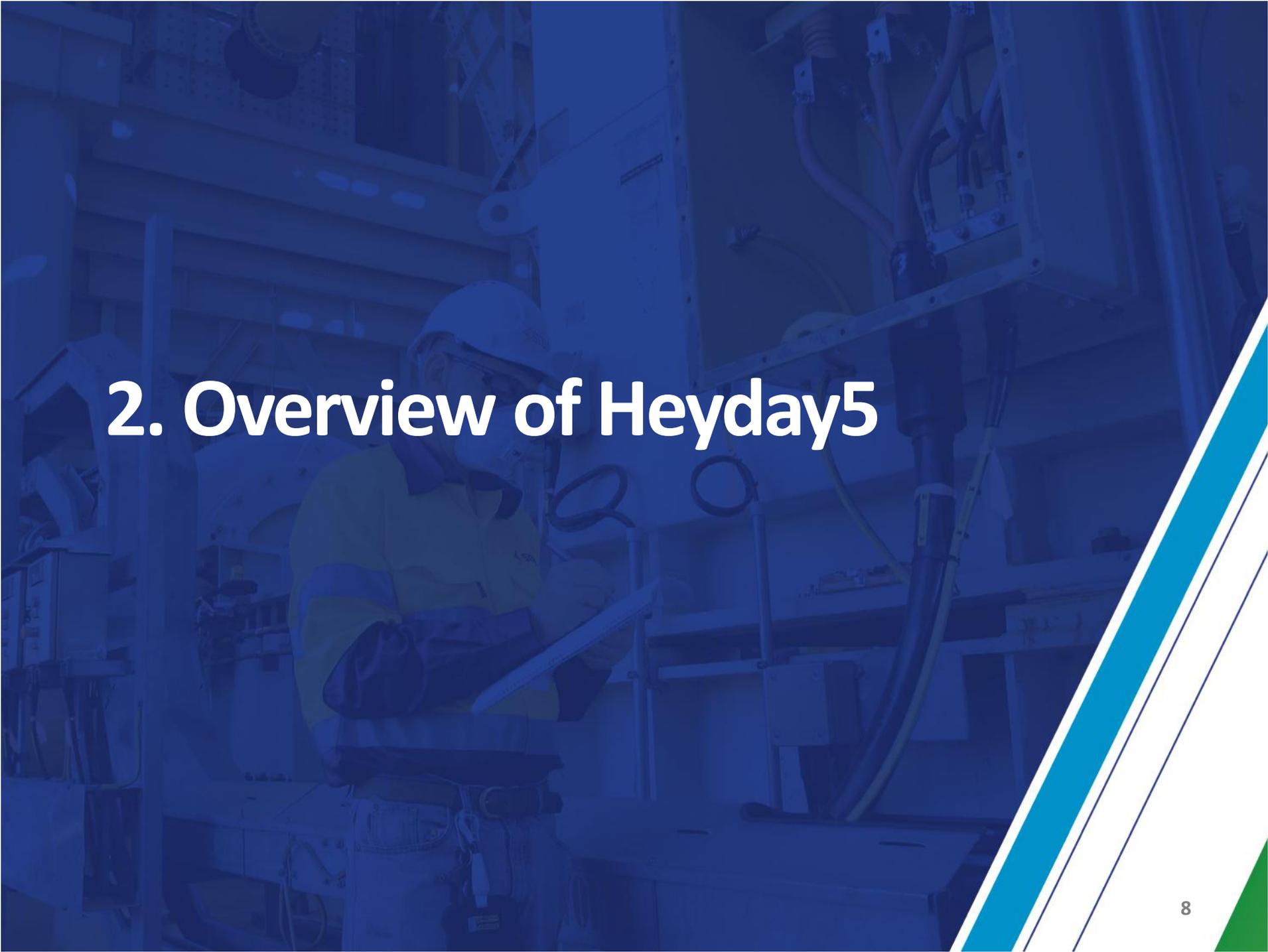
- Combined order book over \$300m and pro-forma FY2017 revenue over \$300m

Funding

Cash payments to be funded from existing cash reserves and earnings of combined Group

SCEE to maintain a strong balance sheet post-completion, with an expected cash position of at least \$25m and no debt

Access to additional liquidity to support ongoing growth via a \$10m facility with CBA if required

A worker in a yellow safety vest and white hard hat is looking at a tablet in a technical environment. The background is a blue-tinted image of a complex industrial or laboratory setting with various pipes, cables, and equipment. The overall scene is dimly lit, with the worker's vest and the text being the most prominent elements.

2. Overview of Heyday5

Heyday5 is a leading east coast electrical contractor in the commercial and infrastructure markets

Company overview

Business originally established in 1978 as a specialist electrical contractor

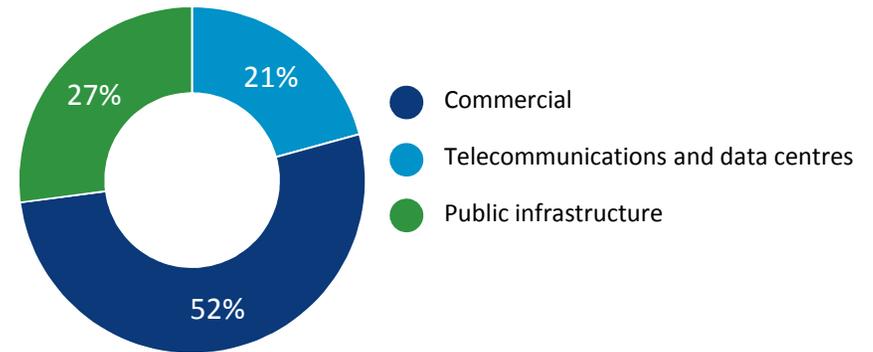
Heyday5 is a leading provider of electrical services to the building industry and major private clients



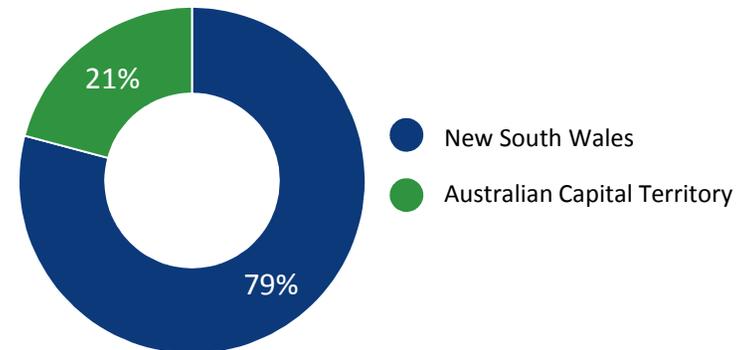
- Headquartered in Sydney, with NSW and the ACT the Company's principal markets
- Provides a wide range of design and construction electrical services for electrical infrastructure, building controls, energy management systems, security, communications networking and structured cabling systems
- Approximately 380 employees

The current owners have each been involved with the business for at least 18 years

Revenue by sector (FY17B)



Revenue by geography (FY17B)



Heyday5's core markets are large and growing

Sector

Commercial: growth over the next five years driven by new developments and major upgrades:

- Commercial market in NSW and ACT currently estimated at c. \$1.1b, expected to exceed c. \$1.3b by 2020/21

Infrastructure: expected to see strengthening growth driven by:

- Public and private sector investment in major road and rail infrastructure
- Investment in aged care facilities and hospitals driven by an aging population
- Investment in universities and educational institutions driven by overseas student demand

Telecommunications & data centres: data storage services industry in growth stage of life cycle

Geography

NSW: standout medium term growth prospects, driven by a large pipeline of infrastructure and commercial projects:

- Centre of Australia's c. \$19b electrical contracting market
- Engineering construction work expected to increase by more than 25% through 2018/19⁽¹⁾

ACT: second fastest growing geography for electrical contracting:

- Key drivers include the presence of the Federal Government and increasing university research

Core competencies

Engineering & design services
Project management services
Installation, commissioning and warranty
Maintenance support programs

Documentation & site drafting services
Building information modelling (BIM)
ESD and green star solutions
24/7 national call centre & service desk

1

Electrical contracting

- General lighting & power
- High voltage installations
- Earthing systems
- UPS installations
- Power generation
- Power factor correction
- Energy management systems
- Lighting control systems
- Electronic security systems/CCTV
- Process & instrumentation
- Co-generation/tri-generation

2

Communications

- Structured cabling systems
- MAC services
- Connectivity & patch field management
- Documentation services - CAD and connectivity records
- Cable network auditing
- Cable management software
- Active equipment and IP appliances installation and commissioning
- Wireless solutions (point to point and Wi-Fi)

3

Support

- Preventative & programmed Maintenance
- Corrective maintenance
- Thermal scanning
- Breakdown & callout

Heyday5 has established relationships with some of Australia's largest construction and property groups

Clients

- Heyday5's reputation is built on a philosophy of completing projects on time, within budget and with a superior level of customer service
- This reputation underpins Heyday5's established relationships with some of the most prominent participants in the Australian construction industry including Multiplex, Lendlease, Grocon and Laing O'Rourke

Projects

- Heyday5 provides services throughout the building cycle, ranging from large scale construction projects through to fit outs and maintenance programmes
- Heyday5 has completed projects for commercial, infrastructure, industrial, data centres, defence, education, health and retail clients

Selected completed projects

Commercial

50 Martin Place, NSW



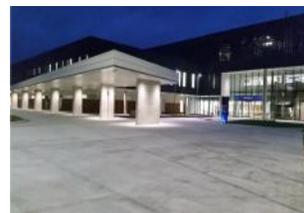
Transport Infrastructure

Stat East Rail Link, NSW



Health

Bega Hospital, NSW



Education

ANU Student Accommodation, ACT



Strong management team



Heyday5 has an experienced management team who will continue to manage the business:

- Four of the five vendors, pictured below, continue employment as key executives under SCEE ownership
- Founding vendor, Tony Borg, will continue his ongoing advisory role for Heyday5
- Material component of transaction consideration to be paid in SCEE shares, demonstrating strong vendor support for the transaction rationale and SCEE's broader strategic direction
- Heyday5 Executive Director David Hammond to be appointed to SCEE's Board
- Executives supported by a long-standing highly experienced project management team



David Hammond

Executive Director, Heyday5

Will join SCEE Board as an Executive Director

- Joined Heyday Group in 1994



John Williams

Managing Director, Heyday5

- Joined Heyday Group in 1999



Richard Leong

Chief Financial Officer, Heyday5

- Joined Heyday Group in 1988



Doug Prail

ACT General Manager, Heyday5

- Joined Heyday Group in 1997



3. Combined Group overview

The combined Group will have a diversified portfolio of projects across Australia and over 900 employees

- Commercial
- Telecommunications and data centres
- Public Infrastructure and defence
- Mining
- Oil and gas
- Industrials, energy & utilities



Revenue diversification



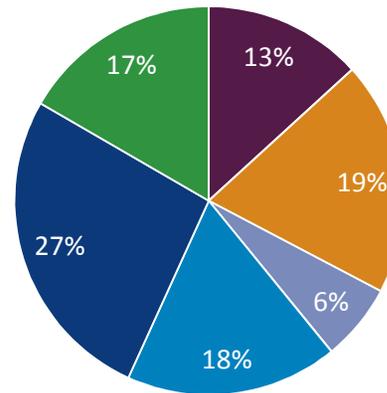
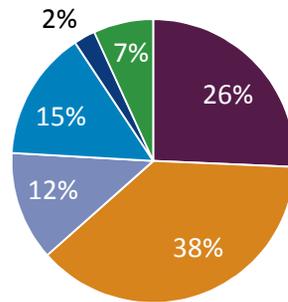
The Group's revenue will be balanced across major industry sectors, with east coast operations comprising more than 50% of Group revenue

FY2017B

SCEE standalone

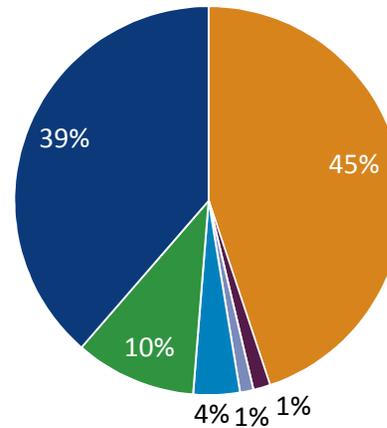
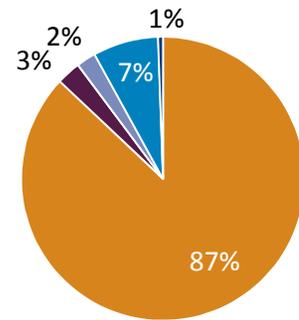
Merged Group (Pro-forma)

Revenue composition by sector



- Commercial
- Telecommunications & data centres
- Public infrastructure & defence
- Mining
- Oil & gas
- Industrials, energy & utilities

Revenue composition by geography



- NSW
- QLD
- ACT
- WA
- VIC
- TAS



4. Half Year ended 31 December 2016 results

Underlying half year financial performance



	H1 17*	H2 16*	H1 16
	\$m	\$m	\$m
Revenue	61.5	70.5	137.1
Gross profit	7.5	15.4	18.0
Gross margin	12.2%	22.0%	13.1%
Overheads	9.1	10.6	10.8
EBITDA	(1.4)	4.9	7.3
EBIT	(3.6)	2.4	5.0
NPAT	(2.8)	1.6	3.8

Key contributors in period included Sustaining Capital and Maintenance work in mining, Bechtel Wheatstone LNG, Western Power works and NBN construction

Activity in the period negatively impacted by delayed mobilisation to key projects, lower than anticipated release of work in mining sector and temporary delays in WA NBN

After removing Datatel overheads incurred for the first time in H1 FY17, underlying overheads down 30% on PCP as management took actions to ensure an efficient operating structure

FY16 comparative results included significant contributions for iron ore construction in H1 FY16 and successful close outs increased gross margins in H2 FY16

* - results presented on an underlying trading basis. A reconciliation to statutory results can be found in the Appendix

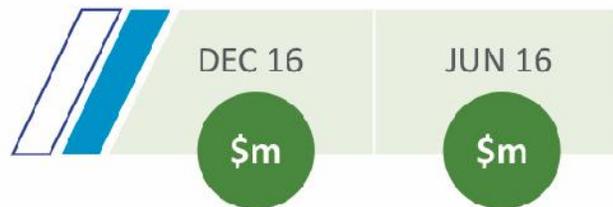
Reconciliation of underlying to statutory H1 FY17 results *



	Statutory \$m	Organisation restructuring \$m	Acquisition, integration and diversification investments \$m	Datatel deferred consideration adjustments \$m	Underlying \$m
Revenue	61.5				61.5
Gross Profit	7.3	0.2			7.5
Overheads	(10.9)	1.2	0.6		(9.1)
Other income	1.8			(1.6)	0.2
EBITDA	(1.8)	1.4	0.6	(1.6)	(1.4)
Depreciation and amortisation expense	(2.1)				(2.1)
EBIT	(3.9)	1.4	0.6	(3.9)	(3.6)
Net finance income	(0.2)			0.2	0.0
Profit before income tax	(4.1)	1.4	0.6	(1.4)	(3.6)
Income tax expense	1.2	(0.3)	(0.1)		0.8
Net profit after tax	(2.9)	1.1	0.5	(1.4)	(2.8)

1. **Organisation restructuring** represents the costs incurred as management took further actions to ensure an efficient operating structure in a strongly cost focused market
2. **Acquisition, integration and diversification investments** represents investments in progressing acquisition and diversification initiatives and the integration of Datatel
3. **Datatel deferred consideration adjustments** represents reassessment of Datatel deferred earn out expectations as delays in west coast NBN works impacted on full year earnings expectations. Continuing to assume base earn-out achieved in FY17 and that full stretch achieved by FY19

* A more detailed reconciliation of statutory to underlying results can be found in the Appendix



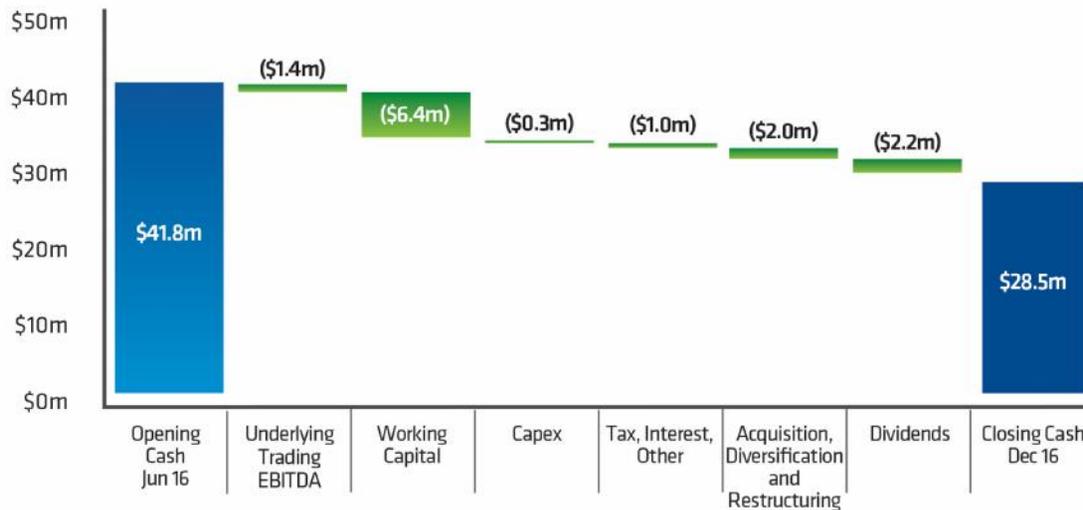
	DEC 16	JUN 16
Current assests	66.9	78.9
Non current assets	41.5	42.7
Total assets	108.4	121.7
Current liabilities	19.3	24.3
Non current liabilities	6.2	9.7
Total liabilities	25.5	34.0
Equity	82.9	87.7

Strong balance sheet throughout the period

Cash of \$28.5m and debt free at 31 December

Reduction in current liabilities in period as FY16 works closed out





Investment in acquisition and growth initiatives including Heyday5 transaction and Datatel east coast expansion

Costs incurred to restructure the business and drive future savings

Working capital required for mobilization on LNG works and reduction in current liabilities in period as FY16 works closed out

Payment of final FY16 dividend

* - results presented on an underlying trading basis. A reconciliation to statutory results can be found in the Appendix

Performed our operations in the period without a lost time injury

Now over twelve years LTI free in Australia

Further restructuring of the organisation during the period to ensure efficient operating structure in cost focussed market

Continued transition of tasks to our offshore support centres



Whilst SCEE remains a major supplier, flow of work from large iron ore clients continues to be subdued in the short term and will be dependent on clients' view of the commodity cycle

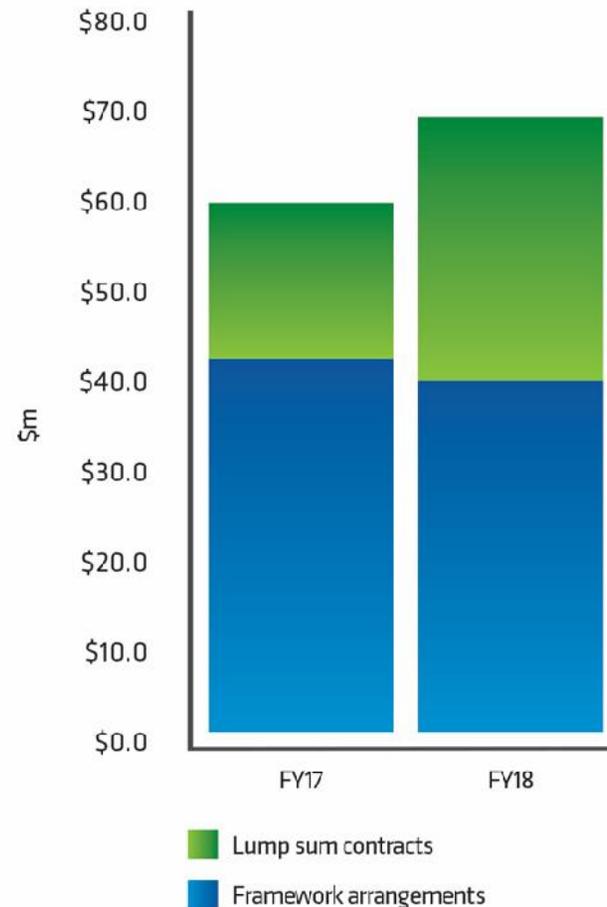
SCEE order book over \$130m including estimates of framework, reimbursable and panel agreements to 31 December 2017

Order book also includes approximately \$30m of resources construction projects in final stages of approval

Visibility of medium term work considerably strengthened over period

Business development pipeline significantly diversified over period – substantial components now in defence, public infrastructure and renewables – and tendering activity at a high level

SCEE order book





5. Group guidance & outlook

Expected increase in H2 FY17 revenue in SCEE's existing business based on current order book and tendering activity

H2 FY17 result dependent on winning and timing of award of certain construction projects in defence and public infrastructure sectors

Heyday expected to at least meet FY17 budget

Forecast a profitable H2 FY17 with an underlying NPAT of circa \$4m for the half

Current combined order book of Group over \$300m including approximately \$30m of resources construction projects in final stages of approval. Anticipate order book will be maintained at same or greater levels at 30 June 2017

Anticipate combined Group revenue over \$300m in FY18



Appendices

Detailed transaction terms



Acquisition	Acquisition of 100% of Heyday5 Pty Ltd Due diligence has been finalised Completion expected to occur on 9 March 2017
Consideration	Up to a total of \$54.1m payable as follows: <ol style="list-style-type: none">1. Initial Cash Consideration: \$18m in cash at completion (expected 9 March 2017)2. Further Consideration: \$2.25m in cash following release of SCEE's FY2017 results3. 2017 Results Consideration: Following confirmation that Heyday5's FY2017 EBIT is equal to or greater than \$9.8m:<ol style="list-style-type: none">a) \$7m in cash; andb) \$13.85m in SCEE shares (refer to details below)If Heyday5's EBIT is less than \$9.8m for FY2017, elements (a) and (b) are both reduced on a pro-rata basis to nil at EBIT of \$4.5m If Heyday5's EBIT is greater than \$9.8m in FY2017, the incremental EBIT above \$9.8m will be added to FY2018 EBIT for the purpose of calculating the earn-out consideration in that period4. Earn-out: Deferred Consideration<ul style="list-style-type: none">• \$4m in cash if Heyday5's EBIT result for FY2018 is equal to or greater than \$9.8m• \$4m in cash if Heyday5's EBIT result for FY2019 is equal to or greater than \$9.8m5. Earn-out: Outperformance Consideration<ul style="list-style-type: none">• 50% of EBIT in excess of \$9.8m for the FY2018 period, payable in cash and capped at \$2.5m• 50% of EBIT in excess of \$9.8m for the FY2019 period, payable in cash and capped at \$2.5m
Terms of SCEE Share Issue	SCEE shares issued under 2017 Results Consideration will be ordinary fully paid shares in SCEE SCEE shares issued at the VWAP over the 10 day period commencing 5 trading days before transaction announcement Subject to a maximum issue to vendors of 19.9% of diluted shares on issue, any shortfall to be paid by SCEE in cash 50% of shares will be escrowed for 12 months and 50% of shares will be escrowed for 24 months from issue date
Vendor Involvement	The four of the five vendors that are currently executives of Heyday5 will continue in executive roles post-completion David Hammond will join the SCEE Board as an Executive Director on completion

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.

H1 FY17 underlying profit reconciliation:

	Statutory \$m	Organisation restructuring \$m	Acquisition, integration and diversification \$m	Datael deferred consideration adjustments \$m	Underlying trading (unaudited) \$m
Contract revenue	61.5				61.5
Contract expenses	(54.1)	0.2			(53.9)
Gross profit	7.3	0.2			7.5
Other income	1.8			(1.6)	0.2
Overheads	(10.9)	1.2	0.6		(9.1)
EBITDA	(1.8)	1.4	0.6	(1.6)	(1.4)
Depreciation expense	(2.1)				(2.1)
EBIT	(3.9)	1.4	0.6	(1.6)	(3.6)
Net finance expense	(0.2)			0.2	0.0
Loss before tax	(4.1)	1.4	0.6	(1.4)	(3.6)
Income tax expense	1.2	(0.3)	(0.1)		0.8
Loss after tax	(2.9)	1.1	0.5	(1.4)	(2.8)

H2 FY16 underlying profit reconciliation:

	Statutory \$m	Acquisition costs \$m	Underlying trading (unaudited) \$m
Contract revenue	70.5		70.5
Contract expenses	(55.0)		(55.0)
Gross profit	15.4		15.4
Other income	0.1		0.1
Overheads	(11.0)	0.4	(10.6)
EBITDA	4.5	0.4	4.9
Depreciation expense	(2.5)		(2.5)
EBIT	2.0	0.4	2.4
Net finance expense	0.2		0.2
Profit before tax	2.2		2.2
Income tax expense	(0.9)	(0.1)	(1.0)
Profit from continuing operations	1.3	0.3	1.6

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 the current intentions, plans, expectations, assumptions and beliefs of Southern Cross Electrical Engineering Limited (“SCEE”) about future events and are subject to risks, uncertainties and other factors, many of which are outside the control of SCEE.

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