

Investor Presentation – Euroz Rottneest Conference



15 March 2017

Acquisition of Heyday5

SCEE has acquired 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 *

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 of \$345m

Order book, level of submitted tenders and pipeline supports anticipated combined Group revenue of over \$300m in FY18

* SCEE H1 2017 Statutory and Underlying results reconciliation contained in Appendix 2

Underlying profit & loss account 31 December 2017

	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

Contributors included iron ore sustaining capital and maintenance works, and construction at Wheatstone LNG and for Western Power and the NBN

Anticipated activity was negatively impacted by delayed mobilisation to key projects, lower release of work in the mining sector and temporary delays in the NBN in WA

Further restructuring of the organisation and continued transition of tasks to our offshore support centres has improved efficiency in a cost focused market

Excluding Datatel's overheads, consolidated for the first time in H1 FY17, underlying overheads are down 30% on the Prior Corresponding Period

The comparative results included significant contributions for iron ore construction projects completed in FY16

* Results presented on an underlying trading basis. A reconciliation to statutory results and additional HY results slides can be found in Appendix 2

SCEE primarily sees itself as an electrical contractor. 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 organic and acquisitive expansion into adjacent and complementary sectors, identified as telecommunications, utilities, and transport, social, commercial and defence infrastructure, 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

Acquisition of Heyday5 – key terms



- ✓ SCEE has acquired 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 was on a debt free basis with a sufficient level of working capital for operations*
- ✓ The acquisition consideration represents an EBIT multiple of 5.0x FY17B assuming Heyday5 maintains EBIT of \$9.8m in each of FY18 and FY19
- ✓ 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

* Detailed transaction terms can be found in Appendix 1

Acquisition of Heyday5 – key terms (continued)



✓ Step change in scale:

- Combined Group has an order book of \$345m
 - Heyday5 FY17 budget revenue of \$152m and EBIT of \$9.8m
-

✓ Balanced revenue streams across sectors and geographies:

- Mining 19%, oil & 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%
-

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

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

✓ Heyday5's experienced management team maintain their roles in the business and become SCEE shareholders and David Hammond, Heyday5 Executive Director, appointed to SCEE Board as an Executive Director

Company overview

Business originally established in 1978 as a specialist electrical contractor

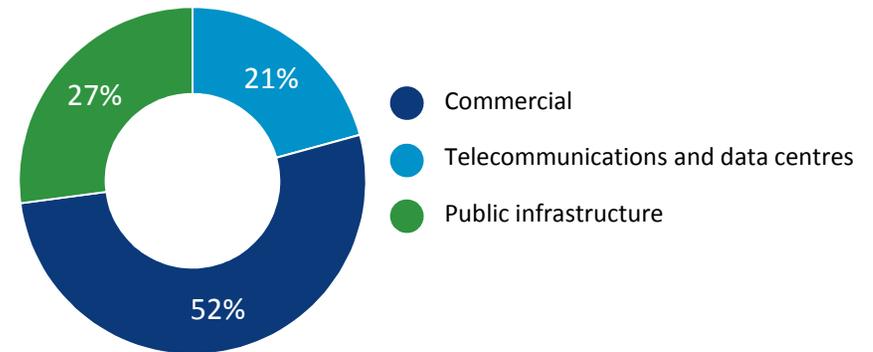
Heyday5 is a leading provider of electrical services to the building industry and major private clients



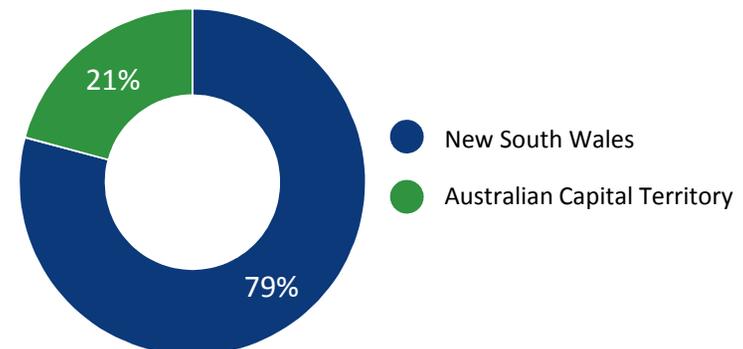
- Headquartered in Sydney, with NSW and the ACT the Company's principal markets
- Provides a wide range of design and construction electrical services for electrical infrastructure, building controls, energy management systems, security, communications networking and structured cabling systems
- Established client relationships with some of the most prominent participants in the Australian construction industry including Multiplex, Lendlease, Grocon and Laing O'Rourke
- Approximately 380 employees

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

Revenue by sector (FY17B)



Revenue by geography (FY17B)



Heyday5 - recently completed projects



Clients in commercial, infrastructure, residential, industrial, data centres, defence, education, health and retail

Commercial

50 Martin Place, NSW



Retail

DFO Homebush, NSW



Retail

Westfield Miranda, NSW



Commercial

ANZ Tower, 161 Castlereagh St, NSW



Health

Wollongong Hospital, NSW



Public infrastructure

ASIO HQ, ACT



Heyday5 - current projects



Reputation built on philosophy of completing projects on time, in budget and superior customer service

Commercial

100 Mount St, North Sydney, NSW



Retail

Green Hills Stockland Shopping Centre, Maitland, NSW



Residential & Hotel

Duo Central Park, NSW



Data centres

Global Switch, NSW



Public Infrastructure

Mascot Tunnel Upgrade, NSW



Health

University of Canberra Hospital, ACT



Heyday5 - 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, continues 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 appointed to SCEE's Board
- Executives supported by a long-standing highly experienced project management team



David Hammond
Executive Director, Heyday5
Joined 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

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



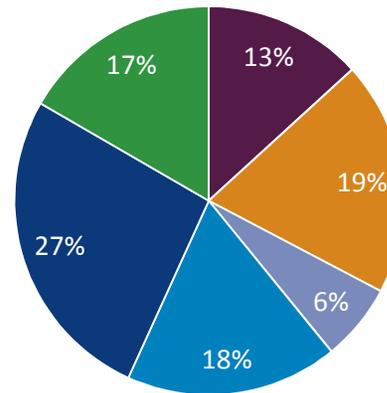
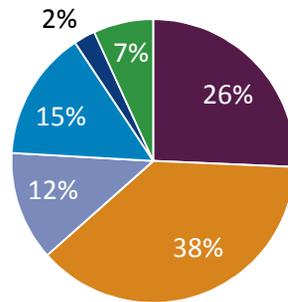
The Group's revenue will be balanced across major industry sectors, with east coast operations comprising more than 50% of Group revenue

FY2017B

SCEE standalone

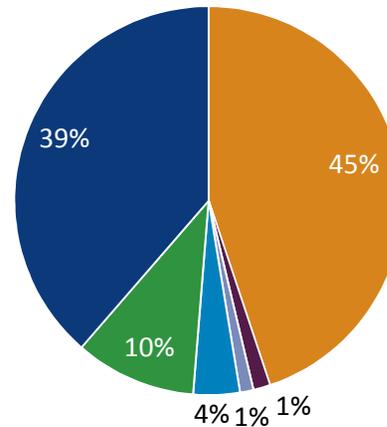
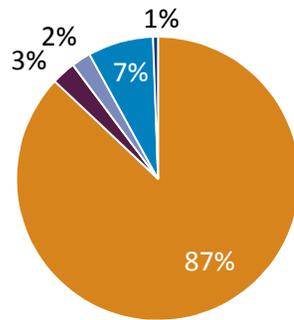
Merged Group (Pro-forma)

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

Mining, oil & gas

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

LNG activity expected to continue through FY18

Visibility of medium term work considerably strengthened over period – opportunities in bauxite, gold and lithium sectors

Approximately \$30m of resources construction awards in final stages of approval

Public infrastructure & defence

Infrastructure expected to see strengthening growth driven by public and private sector investment in major road and rail infrastructure

Education and health investment driven by immigration and ageing population

Expansion and restructuring of defence related activities to accommodate increasing defence expenditure

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

Commercial

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

NSW and ACT fastest growing geographies

Potential to leverage combined Group's customer relationships and skills into new geographies

Telecoms & data centres

WA NBN roll out resumed for Datatel and expansion to East Coast picking up as NBN work ongoing in TAS, VIC and QLD

Datatel actively pursuing opportunities in wireless and telco infrastructure outside NBN

Data storage services industry in growth stage driven by technological innovation

Industrial, energy & utilities

Heavy industry expected to remain stable

Current energy sector critical issues expected to present opportunities

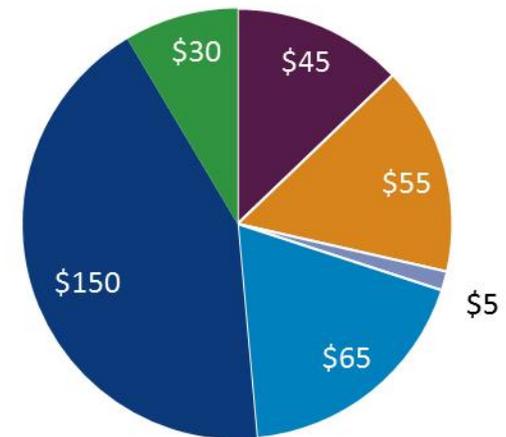
Renewable energy projects increasing investment and impact into energy sector

Group order book now totals \$345m

Includes estimates of framework, reimbursable and panel agreements to 31 December 2017 and approximately \$30m of construction projects in final stages of approval

Order book demonstrates diversification of revenue streams

Group order book (\$millions)



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

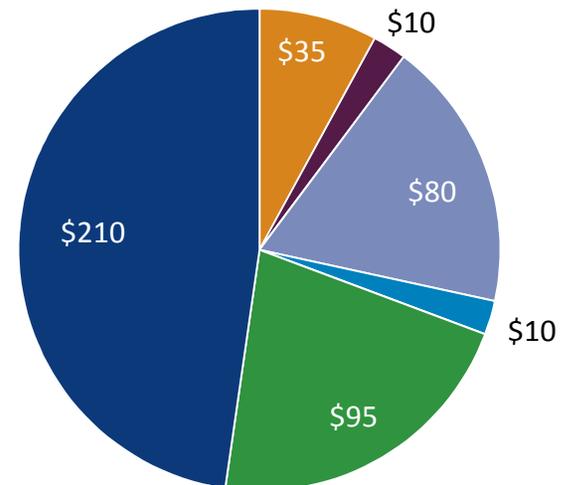


Tendering activity at high level with \$440m of submitted tenders awaiting decision

SCEE business development pipeline significantly diversified organically over period – substantial components now in defence, public infrastructure and renewables

Pipeline remains very strong in NSW and ACT in all sectors in which Heyday5 operates

Submitted tenders (\$millions)



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



Expected increase in H2 FY17 revenue in SCEE's existing business based on current order book and tendering activity, and increasingly driven by organic diversification into telecommunications, utilities, and transport, social, commercial and defence infrastructure

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

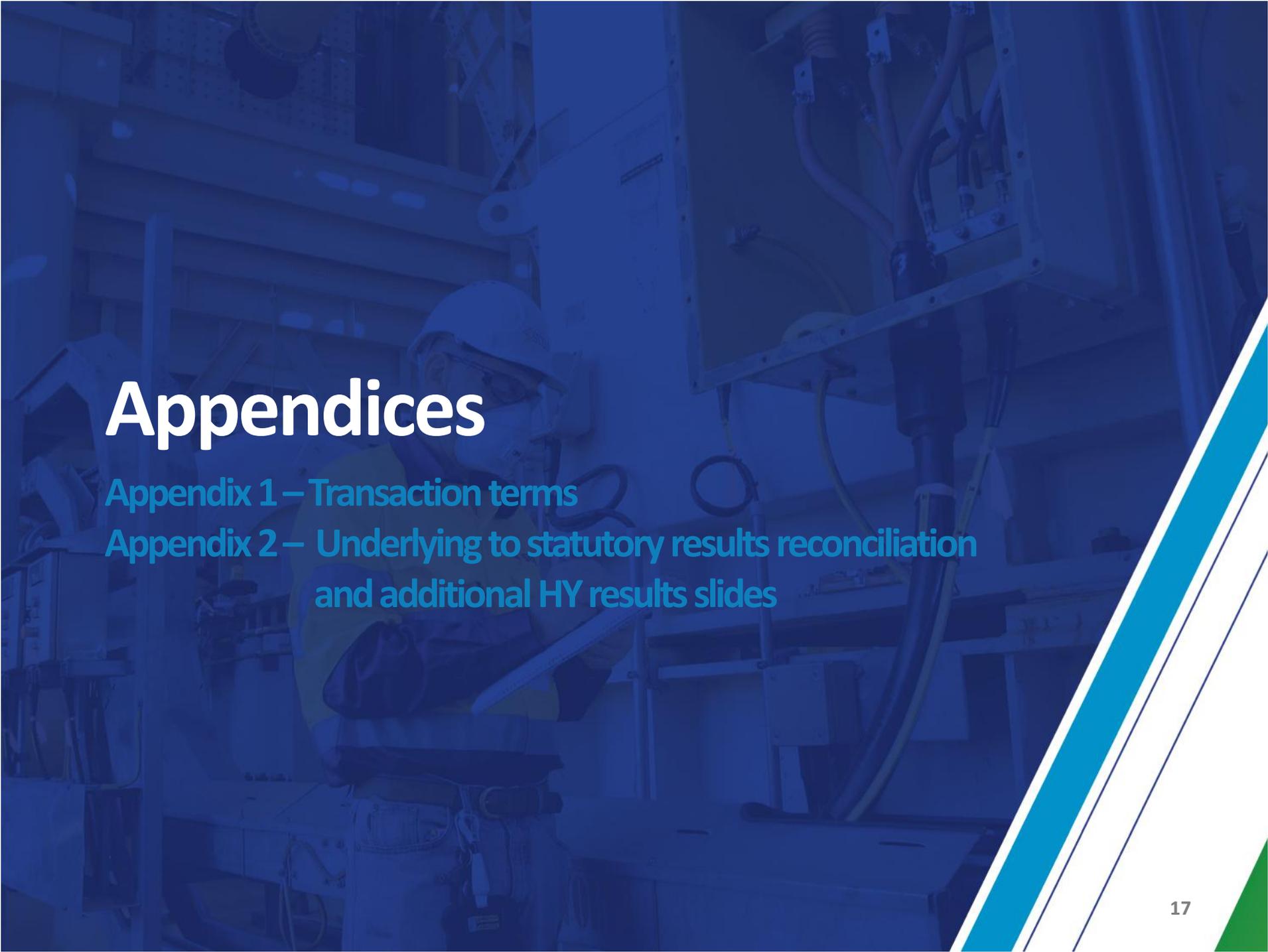
Current combined order book of Group of \$345m plus level of submitted tenders awaiting decision and business development pipeline supports anticipated combined Group revenue over \$300m in FY18

Acquisition of Heyday5 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

Step change in scale with balanced revenues across sectors and geographies

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



A worker in a yellow safety vest and white hard hat is looking at a tablet in a server room. The background is filled with server racks and cables. The entire image has a blue overlay.

Appendices

Appendix 1 – Transaction terms

Appendix 2 – Underlying to statutory results reconciliation
and additional HY results slides

Appendix 1 - Transaction terms



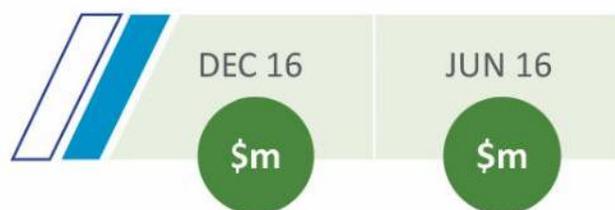
Acquisition	Acquisition of 100% of Heyday5 Pty Ltd Completed on 9 March 2017
Consideration	<p>Up to a total of \$54.1m payable as follows:</p> <ol style="list-style-type: none"> 1. Initial Cash Consideration: \$18m in cash at completion (paid 9 March 2017) 2. Further Consideration: \$2.25m in cash following release of SCEE's FY17 results 3. 2017 Results Consideration: Following confirmation that Heyday5's FY17 EBIT is equal to or greater than \$9.8m: <ol style="list-style-type: none"> a) \$7m in cash; and b) \$13.85m in SCEE shares (refer to details below) <p>If Heyday5's EBIT is less than \$9.8m for FY17, elements (a) and (b) are both reduced on a pro-rata basis to nil at EBIT of \$4.5m</p> <p>If Heyday5's EBIT is greater than \$9.8m in FY17, the incremental EBIT above \$9.8m will be added to FY18 EBIT for the purpose of calculating the earn-out consideration in that period</p> 4. Earn-out: Deferred Consideration <ul style="list-style-type: none"> • \$4m in cash if Heyday5's EBIT result for FY18 is equal to or greater than \$9.8m • \$4m in cash if Heyday5's EBIT result for FY19 is equal to or greater than \$9.8m 5. Earn-out: Outperformance Consideration <ul style="list-style-type: none"> • 50% of EBIT in excess of \$9.8m for the FY18 period, payable in cash and capped at \$2.5m • 50% of EBIT in excess of \$9.8m for the FY19 period, payable in cash and capped at \$2.5m
Terms of SCEE Share Issue	<p>SCEE shares issued under 2017 Results Consideration will be ordinary fully paid shares in SCEE</p> <p>SCEE shares issued at the VWAP over the 10 day period commencing 5 trading days before transaction announcement</p> <p>Subject to a maximum issue to vendors of 19.9% of diluted shares on issue, any shortfall to be paid by SCEE in cash</p> <p>50% of shares will be escrowed for 12 months and 50% of shares will be escrowed for 24 months from issue date</p>
Vendor Involvement	<p>The four of the five vendors that are currently executives of Heyday5 continue in executive roles post-completion</p> <p>David Hammond appointed to the SCEE Board as an Executive Director on completion</p>
Funding	<p>Cash payments to be funded from existing cash reserves and earnings of combined Group</p> <p>Access to additional liquidity to support ongoing growth via a \$10m facility with CBA if required</p>

Appendix 2 - Reconciliation 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)

- Organisation restructuring** represents the costs incurred as management took further actions to ensure an efficient operating structure in a strongly cost focused market
- Acquisition, integration and diversification investments** represents investments in progressing acquisition and diversification initiatives and the integration of Datatel
- 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



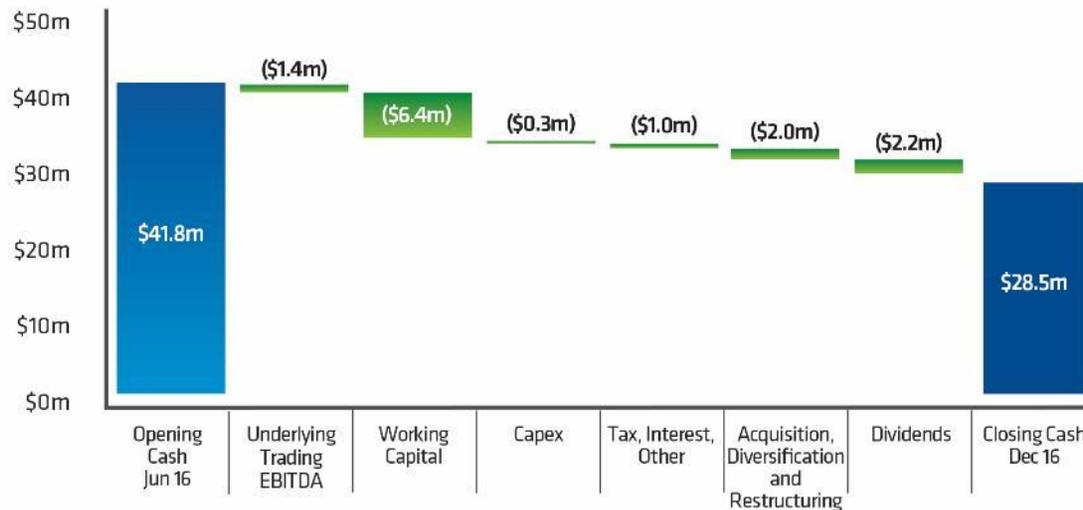
	DEC 16	JUN 16
	\$m	\$m
Current assests	66.9	78.9
Non current assets	41.5	42.7
Total assets	108.4	121.7
Current liabilities	19.3	24.3
Non current liabilities	6.2	9.7
Total liabilities	25.5	34.0
Equity	82.9	87.7

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

Appendix 2 (continued) - Cashflow H1 FY17



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 on slide 19

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:

Presented on slide 19

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.

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 SCEE's current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained in this presentation with caution and not to place undue reliance on them. No representation is made or will be made that any forward looking statements will be achieved or will prove to be correct. SCEE does not undertake to update or revise any forward looking statement, whether as a result of new information, future events or otherwise.

This presentation is for information purposes only and is not financial product or investment advice or a recommendation to acquire SCEE shares and has been prepared without taking into account the objectives, financial situation or needs of the reader. Before making an investment decision prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek the appropriate professional advice.

