Half Year Results Announcement

ASX & media announcement

ASX code: SXE

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Highlights

- **Revenue $176.2m, EBITDA $8.6m and underlying NPAT of $4.6m**
- **Revenue up 187% on prior corresponding period**
- **Turnaround in profitability with EBITDA of $8.6m compared to EBITDA loss of $1.8m in HY17**
- **Strong balance sheet with record net cash of $63m**
- **Continue to anticipate FY18 revenue over $350m**
- **Order book over $450m at 31 December 2017 with over $250m already secured for FY19**
- **Reaffirmed growth strategy of achieving further sector and geographic diversity**

Results for the half year ended 31 December 2017

The six months ended 31 December 2017 was the first full period consolidating the results of Heyday, acquired in March 2017, and has therefore seen the Group deliver significant growth and diversification of revenue and profitability compared to the prior corresponding period.

Revenue for the half-year was $176.2m, which represented a 187% increase on the prior corresponding period revenue of $61.5m.

The increased volume was generated from a wider range of sectors and geographies with key contributors in the period including:

- Commercial – Work was predominantly in the buoyant New South Wales market on a range of large construction and fit-out projects including the Duo Central Park tower development in Chippendale, the Insurance Australia Group office fit-out at Darling Park and at Stockland's Greenhills Shopping Centre.

- Resources – In Western Australia the business continued to win and perform work for the major iron ore producers and on the Wheatstone LNG project. In Queensland activity ramped up on Rio Tinto's Amrun Bauxite project.

- Public infrastructure and defence – Work continued throughout the period on the University of Canberra Hospital in the ACT and at RAAF Tindal in the Northern Territory.

- Telecommunications – NBN construction activity continued across Australia and the business commenced its first construction projects in the mobile sector. Significant activity at datacentres included the Airtrunk and Global Switch projects in Sydney.

- Industrials, energy and utilities – SCEE's first solar power projects were completed in New South Wales and the three year Ergon Energy Service Agreement commenced in northern Queensland.

Gross margins for the half-year were 11.1% compared to 11.9% in the prior corresponding period.

Overheads in the half-year were $12.3m compared to overheads of $10.9m in the prior corresponding period with the increase attributable to the inclusion of the Heyday business offset in part by cost saving initiatives implemented in the prior corresponding period. Overheads as a percentage of revenues reduced significantly from 17.7% in H1 2017 to 7.0% in the current period.

EBITDA for the six months ended 31 December 2017 was $8.6m compared to an EBITDA loss of $1.8m in the prior corresponding period.

The underlying net profit after tax for the half-year was $4.6m after adjusting for $1.4m of amortisation of acquired Heyday customer contract intangibles and $0.5m of finance expenses arising from the unwinding of deferred consideration interest discounts. The underlying NPAT loss in the prior corresponding period was $4.3m after adjusting for $1.6m for the write back of deferred consideration relating to the acquisition of Datatel and $0.2m of finance expenses arising from the unwinding of deferred consideration interest discounts.

Net cash at 31 December 2017 was $63.0m compared to $40.3m at the start of the half-year period. During the period $9.25m of consideration was paid to the vendors of Heyday. In November the Group completed a share placement which raised $31.9m after transaction costs to support SCEE's growth strategy by providing balance sheet strength to service the significant pipeline of work and flexibility to capitalise on potential growth opportunities.

The Directors have not declared an interim dividend for the six months ended 31 December 2017.

Outlook

Order book

The Group has an order book over $450m including estimates of work to be performed under framework, reimbursable and panel agreements and continues to secure new work across all sectors. Recent wins include the award of over $66m of work at the Westmead Hospital in NSW following the completion of an Early Contractor Involvement process and approximately $20m on the NorthLink Central Section road project in WA.

The order book supports anticipated full year revenues of over $350m and includes over $250m of orders for work to be performed in the 2019 financial year.

Markets

As the Group progresses its growth strategy it does so with four out of the five sectors in which it operates being in or entering a growth phase and a current opportunity pipeline of over $2bn.

In the commercial sector strong growth is forecast over the next five years, particularly in NSW and ACT with construction activity at record levels.

In resources SCEE is positioning for work on the upcoming large scale iron ore replacement tonnage projects and is actively pursuing FY19 opportunities in bauxite, gold, lithium and other metals.

Public infrastructure is seeing strengthening growth driven by public and private sector investment in major road and rail infrastructure which the enhanced scale of the Group enables us to pursue in WA and NSW.

In telecommunications the NBN construction roll out continues and we expect to further expand and grow our offerings and capability in this sector. The data storage service industry is in a growth stage with further data centre work in prospect.

The current energy sector critical issues are expected to present growth opportunities. Having completed its first solar projects in the period SCEE is well placed to target further opportunities.

Strategy

SCEE continues to see itself primarily as an electrical contractor. From early 2016 we implemented a strategy to add to our historic resources business by diversifying into adjacent and complementary sectors through organic initiatives and the acquisitions of Datatel and Heyday.

Our growth strategy has been reaffirmed to achieve further sector and geographic diversity. In the immediate future SCEE will build on its recent diversification achievements by pursuing upcoming large scale infrastructure projects and leveraging the combined Group's customer relationships and skills into new states.

CEO Comment

Commenting on the results, SCEE's CEO Graeme Dunn said "I am pleased to report half-year results that demonstrate the transformational change in SCEE following the acquisitions of Heyday and Datatel and the organic diversification of the original business.

We move into the second half of the year with a large order book, a significant opportunity pipeline across a diverse range of sectors and a strong balance sheet that will support the delivery of this work and allow us to target further growth opportunities that arise."

Contact

SCEE Perth Office
41 Macedonia Street
Naval Base WA 6165
T: +61 8 9236 8300

Graeme Dunn
Managing Director and CEO
E: graeme.dunn@scee.com.au

Colin Harper
Company Secretary
E: colin.harper@scee.com.au