

# Half Year ended 31 December 2018 results



27 February 2019

# About SCEE

Southern Cross Electrical Engineering (SCEE) is an ASX listed electrical, instrumentation, communication and maintenance services company recognised for our industry leading capabilities

Established in 1978 in Western Australia, the combination in 2016 with Datatel Communications Pty Limited (established 1998) and in 2017 with East Coast-based Heyday5 Pty Limited (business established 1978) has created a diversified national electrical contractor

## Our Values

### Safety

It's in everything we do.

### Quality

Exceeding customer expectations through continuous improvement.

### Reliability

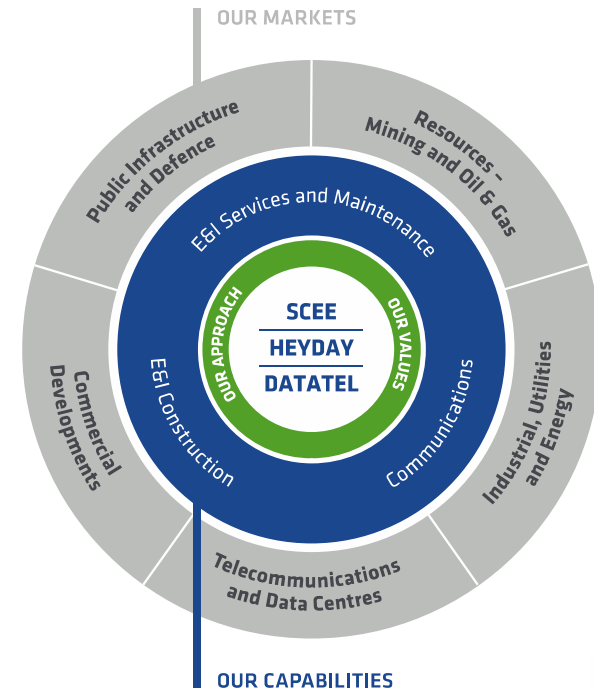
We are dependable and consistently deliver high-quality services.

### Trust

Entrust and empower our team to take ownership.

### Loyalty

We believe in harmonious relationships and building these through integrity and mutual respect.



# Highlights

## Financial

Revenue \$181.8m, EBITDA \$9.0m and NPAT of \$4.5m

EBITDA up 5%, EBIT up 30% and NPAT up 66% on prior corresponding period, due to improved trading and reducing amortisation of acquired intangible assets

Balance sheet remains strong with total cash of \$56.2m (including \$11.6m in restricted term deposit) at 31 December 2018 and no debt

Banking and bonding facilities negotiated to increase total bonding capacity from \$60m to \$100m

## Operational

Significant wins included Westconnex M4 and M5 motorway tunnels, multiple commercial building and fit-out awards at Parramatta Square and at Wynyard Place

Demobilised at Rio Tinto Amrun and University of Canberra Hospital. Demobilising at Chevron Wheatstone LNG plant

Ongoing activity at RAAF Tindal, Ergon Energy, Northlink WA, Wodgina Lithium Project, NBN roll-out, and ATP Building 1 and 100 Mount Street, Sydney

Mobilising at Westmead Hospital

Focus on second half commercial close-out of recently completed contracts

Continuing integration of support functions across Group

## Outlook

Stronger second half expected as certain major projects ramped up slower than anticipated in first half

Expecting FY19 revenues over \$400m

Order book of over \$480m at 31 December 2018 includes work already secured of over \$200m for FY19 and over \$280m for FY20

Visibility of infrastructure and resources projects growing - submitted tenders and BD pipeline now exceed \$2.5bn

Commercial and infrastructure very strong and expected to overtake resources as largest revenue contributors in second half

Continuing to consider acquisition opportunities to achieve further sector and geographic diversity

## Half Year financial performance

	HY19	HY18
	\$m	\$m
Revenue	181.8	176.2
Gross Profit	21.3	19.6
Gross Margin	11.7%	11.1%
Overheads	12.8	12.3
EBITDA	9.0	8.6
EBIT	6.9	5.3
NPAT	4.5	2.7

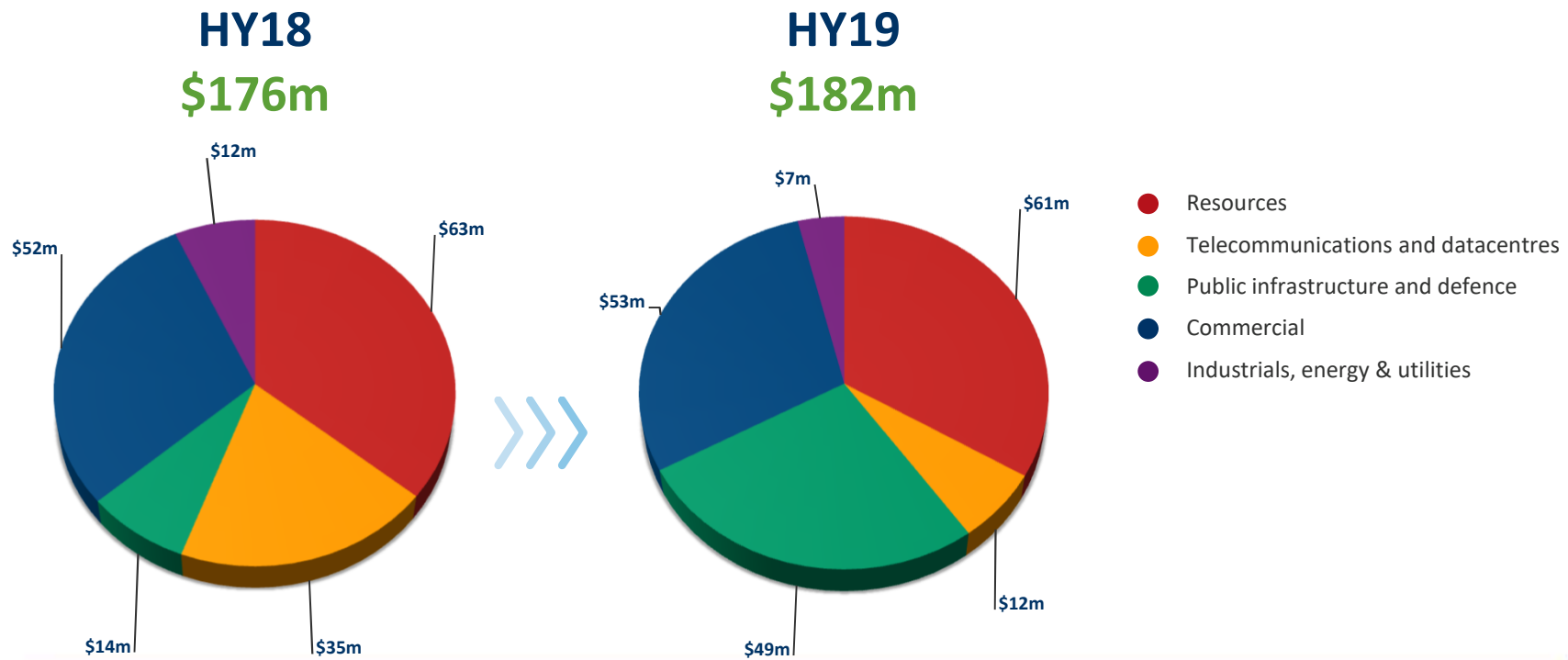
Significant revenue contributors included Rio Tinto Amrun, Westconnex, ATP Building 1, Wheatstone LNG and NBN roll-out

EBITDA up 5%, EBIT up 30% and NPAT up 66% on prior corresponding period, due to improved trading and reducing amortisation of acquired intangible assets

Overheads as a percentage of revenue consistent at 7.0% over both periods

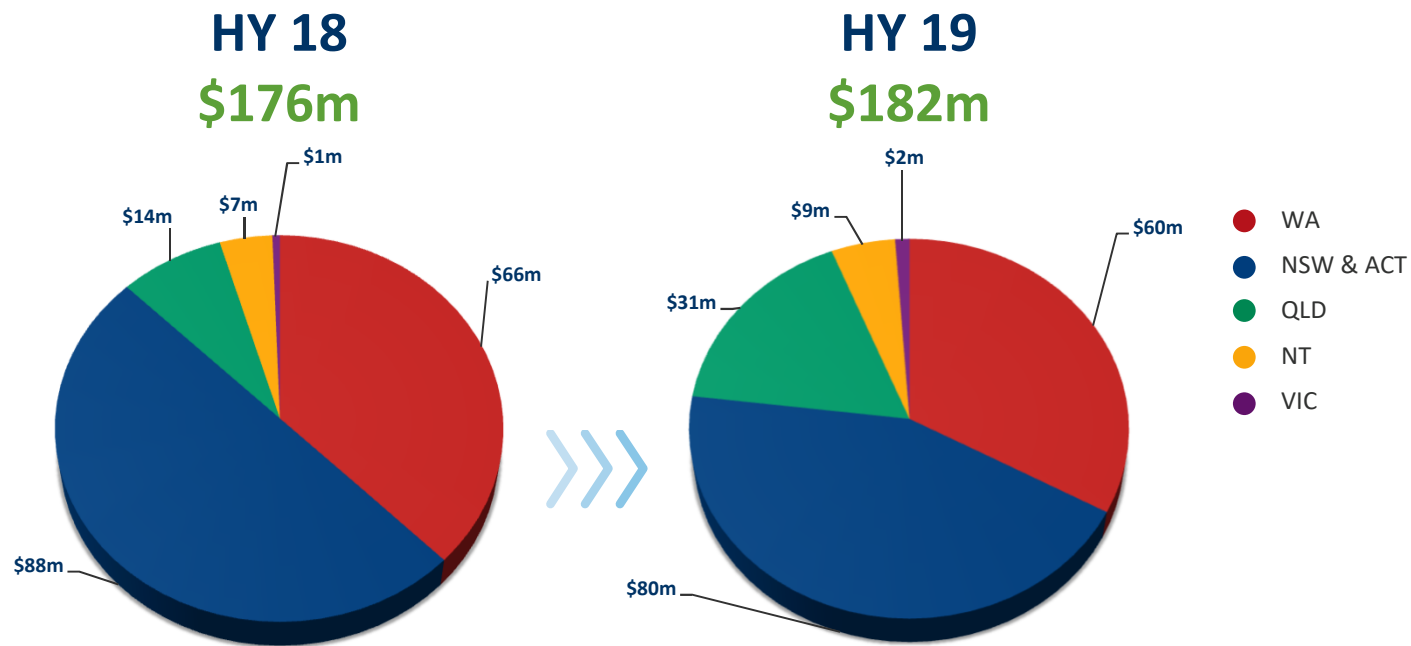
# HY19 – Revenue by sector

Infrastructure grown significantly. No significant datacentre construction projects in period



# HY19 – Revenue by geography

New South Wales and ACT continues as largest geography



## Balance sheet

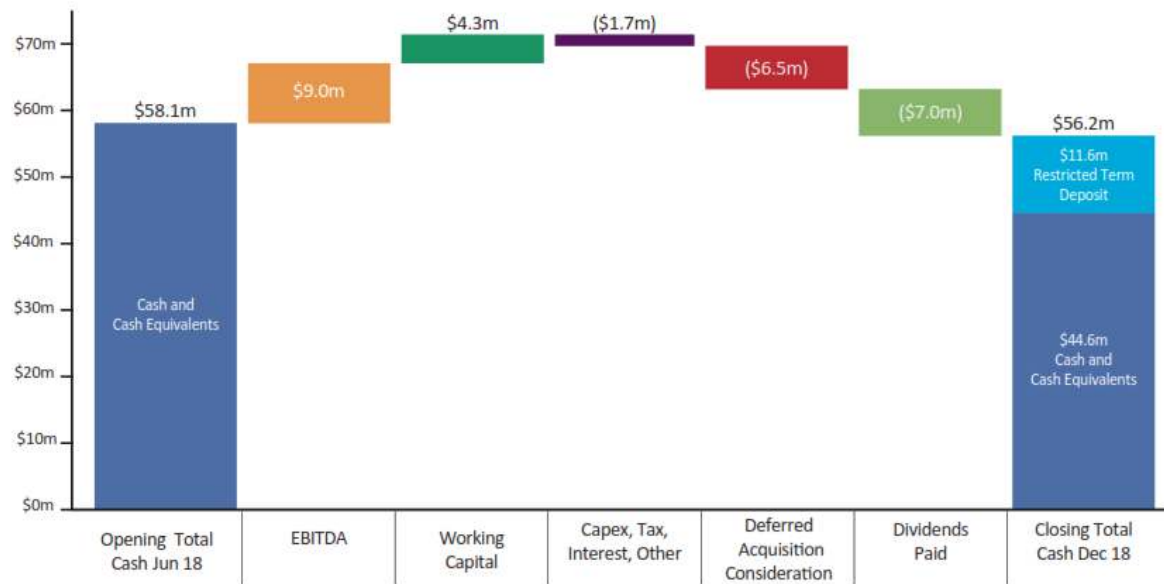
	Dec 18	Jun 18
	\$m	\$m
Current assets	150.9	139.0
Non current assets	90.1	90.9
<b>Total assets</b>	<b>241.0</b>	<b>229.9</b>
Current liabilities	96.1	77.0
Non current liabilities	5.7	11.8
<b>Total liabilities</b>	<b>101.8</b>	<b>88.8</b>
<b>Equity</b>	<b>139.2</b>	<b>141.1</b>

Balance sheet remains strong with total cash of \$56.2m (including \$11.6m in restricted term deposit) at 31 December 2018 and no debt

Banking and bonding facilities negotiated to increase total bonding capacity from \$60m to \$100m

Franking account balance at \$18.5m following payment of dividends in October

# Cashflow



Total cash consistent over period with \$56.2m (including \$11.6m in restricted term deposit) at 31 December 2018

Cash outflows included \$6.5m paid to Heyday vendors in September and \$7.0m dividends to shareholders in October

Capex low at \$1.3m for the period and forecast to remain low



# Health, safety and people

Workforce currently 1,500 employees

Original SCEE business in fifteenth year LTI free in Australia

Frank Tomasi, founder of SCEE, retired from the Board in October



# Leading national diversified electrical contractor

## WA

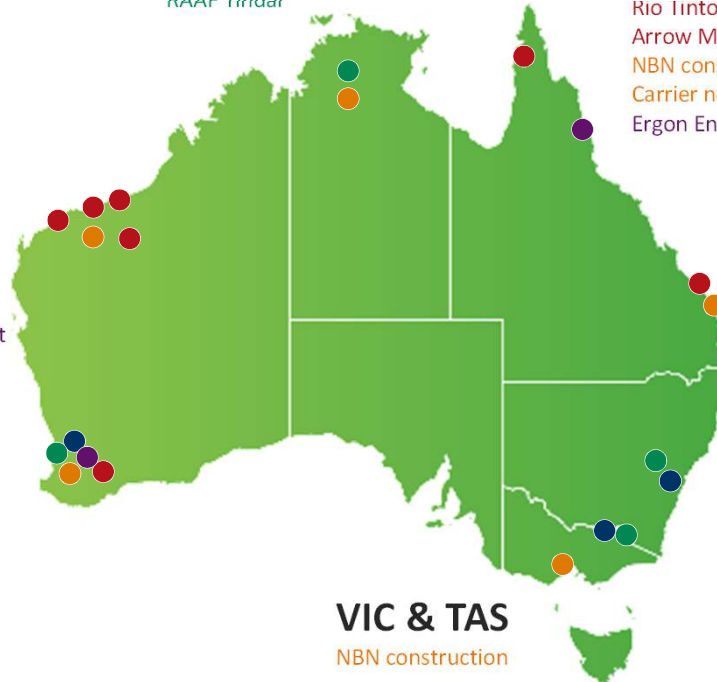
Wheatstone LNG  
 Rio Tinto Various  
 BHP Billiton Various  
 Sino Iron  
 Boddington Gold  
 NorthLink Central Section  
 Health and education maintenance  
 NBN construction  
 Wireless networks construction  
 Carrier networks construction  
 Minor commercial works and services  
 Woodman Point Waste Water Treatment

## NT

Wireless networks construction  
 RAAF Tindal

## QLD

Rio Tinto Amrun Bauxite Project  
 Arrow MSA  
 NBN construction  
 Carrier networks construction  
 Ergon Energy Service Agreement



## VIC & TAS

NBN construction

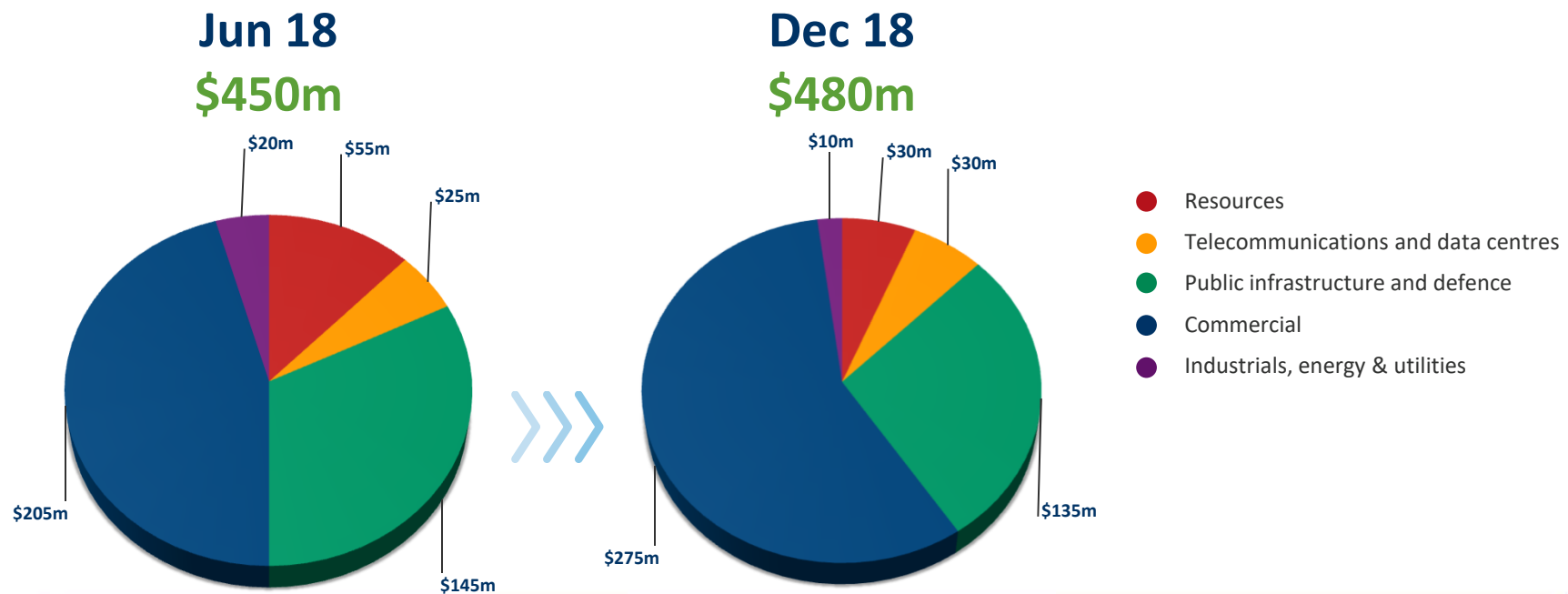
- Commercial
- Resources
- Public Infrastructure and defence
- Telecommunications and data centres
- Industrials, energy & utilities

## NSW & ACT

Multiple construction and fit out projects including:  
 Paramatta Square – multiple projects  
 Australian Technology Park Building 1  
 Duo Central Park  
 Insurance Australia Group  
 Wynyard Place  
 100 Mount Street  
 Westmead Hospital  
 Westconnex M4 and M5

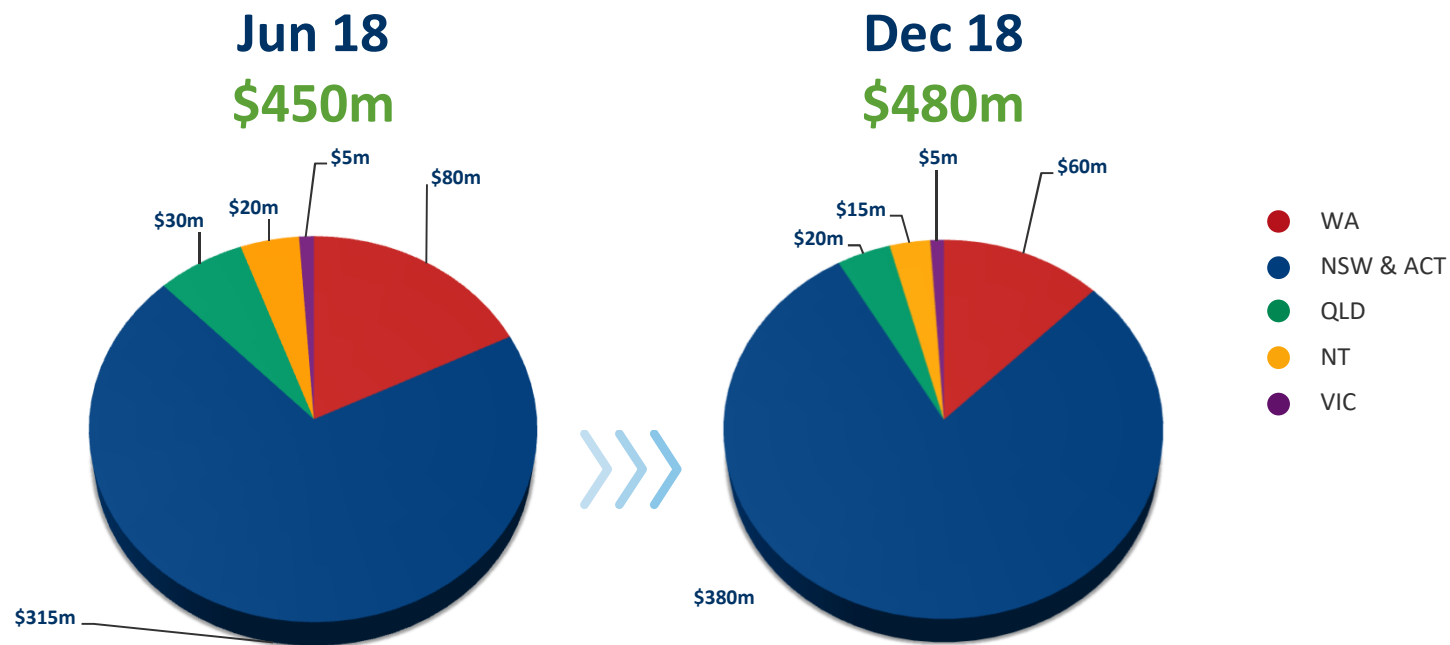
# Order book by sector

Tendering still at a high level with nearly \$900m of submitted tenders with clients pending decision. Business development pipeline strong and, combined with submitted tenders, now exceeds \$2.5bn. Order book includes over \$280m of work already secured for FY20



# Order book by geography

Bulk of order book secured in New South Wales reflecting strong commercial and infrastructure markets



# Strategy and sector outlooks

# Strategy

SCEE primarily sees itself as an electrical contractor. From early 2016 we have 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. SCEE now operates across five sectors:

- Resources
- Commercial
- Public infrastructure and defence
- Telecommunications and datacentres
- Industrial, energy and utilities

Growth strategy continues so as to realise further sector and geographic diversity. SCEE's expansion will be undertaken through a combination of organic and acquisition activity. Organic growth will primarily be achieved through:

- further penetration into upcoming East Coast and West Coast large-scale infrastructure projects
- leveraging the combined Group's customer relationships and skills into new states
- rising activity levels in various sectors

# Public infrastructure & defence

Sector primarily driven by government expenditure

Australia has infrastructure gap as forecasting 3rd highest population growth in OECD but ranked 28th for global infrastructure quality

Results in significant investment in road, rail, education, health and aged care, and defence with longevity to pipeline

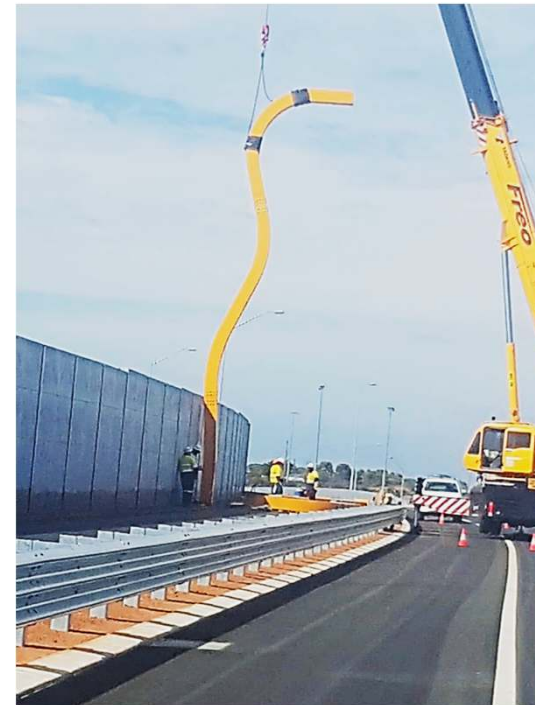
Completed at University of Canberra Hospital in ACT and commenced Westmead Hospital in Sydney

Positioning for other hospital projects in NSW

Continuing at RAAF Tindal in Northern Territory

Multiple road projects include Westconnex M4 and M5 in NSW and Northlink in WA

Other transport infrastructure opportunities presenting in NSW and Metronet rail projects in WA



# Commercial

Commercial largest component of SCEE order book

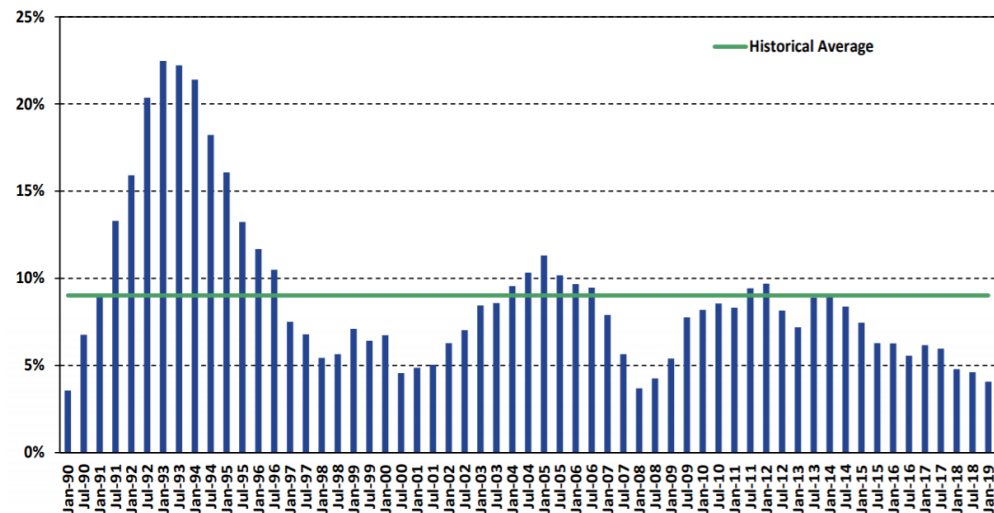
January 2019 Sydney CBD recorded vacancy rate of 4.6 per cent, lowest rate in almost 10 years

Public infrastructure developments will lead to further wave of commercial development when completed

Contract wins included multiple projects at Parramatta Square and fit-out at Wynyard Place

SCEE leveraging combined Group's customer relationships and skills into new geographies

Sydney CBD Vacancy: January 1990 to January 2019



Property Council of Australia



# Resources

Commodity prices holding up well and exporting record volumes

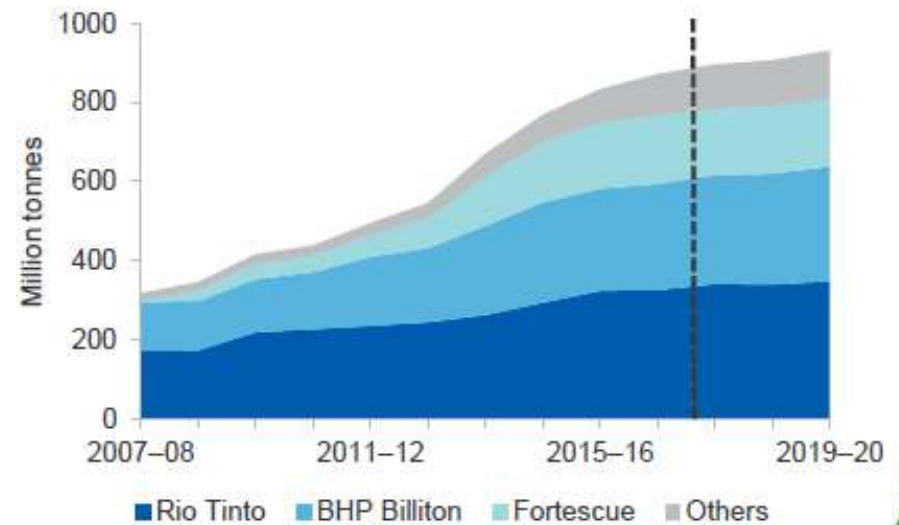
Pursuing replacement tonnage projects in iron-ore

Iron-ore sustaining capital expenditure continuing to increase

Pursuing opportunities in other commodities

In period demobilised at Rio Tinto Amrun and demobilising at Wheatstone LNG plant

Ongoing upstream CSG works in Queensland



**Australian iron production by company**

*Australian Department of Industry, Innovation and Science*

# Telecommunications & datacentres

NBN construction roll-out peaking and technology mix has stabilised

Positioning for NBN maintenance and upgrading

NBN works variously in Fibre To The Node, Curb and HFC continued in WA, QLD and VIC

Upgrading capacity ongoing in wireless sector and 5G commercial deployment expected 2020 onwards

Continued projects in wireless sector including construction of mobile towers in WA and NT

Premises Activated – cumulative (millions)	FY18	FY19	FY20	FY21	FY22
FTTP Brownfields	0.9	0.9	0.9	0.9	0.9
FTTP Greenfields	0.3	0.4	0.5	0.6	0.8
FTTN/B	2.1	2.7	3.2	3.4	3.5
FTTC	0.0	0.2	0.8	1.1	1.1
HFC	0.4	0.8	1.6	1.9	2.0
Fixed Wireless	0.2	0.3	0.3	0.3	0.4
Satellite	0.1	0.1	0.1	0.1	0.1
<b>Total</b>	<b>4.0</b>	<b>5.5</b>	<b>7.5</b>	<b>8.4</b>	<b>8.7</b>

## Activated premises forecast

*NBN Co Corporate Plan 2019-2022*

# Industrials, energy & utilities

Industrial and utilities sectors stable and provide flow of opportunities

Energy generation and distribution to meet demand remains a challenge for east coast with ongoing investment in renewables

Strong pipeline of opportunities for SCEE for electrical construction portion of renewables projects

Ergon Energy Service Agreement in northern QLD and works at Woodman Point Waste Water Treatment plant in WA ongoing



## Conclusion and outlook

- Revenue \$181.8m, EBITDA \$9.0m and NPAT of \$4.5m
- EBITDA up 5%, EBIT up 30% and NPAT up 66% on prior corresponding period
- Balance sheet strong with total cash of \$56.2m (including \$11.6m in restricted term deposit) and no debt
- Total bonding capacity increased to \$100m
- Significant wins at Westconnex M4 and M5, Parramatta Square and Wynyard Place
- Stronger second half expected and expecting FY19 revenues over \$400m
- Order book of over \$480m at 31 December 2018
- Includes work already secured of over \$280m for FY20
- Submitted tenders and BD pipeline now exceed \$2.5bn
- Commercial and infrastructure expected to overtake resources as largest revenue contributors in second half
- Continuing to consider acquisition opportunities to achieve further sector and geographic diversity

# Corporate summary

## Capital Structure

ASX Code	SXE
Share Price (25 February 2019)	\$0.625
No. of ordinary shares	234.1m
Market Capitalisation (25 February 2019)	\$146.3m
Number of performance rights	3.6m
Total Cash (31 December 2018)	\$56.2m
Debt (31 December 2018)	Nil
Enterprise Value (25 February 2019)	\$90.1m

## Shareholders at 1 February 2019

Shareholder	%
Frank Tomasi	20.0%
Thorney Investments	13.0%
Heyday Vendors	11.7%
Colonial First State	8.3%
Westoz Funds Management	5.6%
Other Institutions in Top 20 Shareholders	20.6%
Others	20.8%
<b>Total</b>	<b>100.0%</b>

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