scee GROUP

Full Year Results Presentation
Year Ended 30 June 2022

31 August 2022

Our businesses

Southern Cross Electrical Engineering Limited ("SCEE Group") is a national electrical, instrumentation, communications and maintenance services company established in 1978 and listed in 2007 (ASX:SXE). The acquisitions of Datatel in 2016, Heyday in 2017 and the Trivantage Group (S.J. Electric, SEME Solutions and Trivantage Manufacturing) in 2020 means the SCEE Group now operates across three broad sectors of Infrastructure, Commercial and Resources

SCEE Electrical is the original operating business, historically focussed on resources and industrial work but more recently diversified into transport, infrastructure, defence, utilities, and renewables

Datatel is a telecoms and communications specialist and provides services to the education, health, government, resources and transport sectors

Heyday is a NSW and ACT-based electrical contractor servicing the commercial and fit-out sectors, and the retail, education, health, hotel, defence, datacentre, and residential sectors

S.J. Electric is a national provider of electrical and maintenance services to supermarkets, and the retail and commercial sectors

SEME Solutions provides electronic security services to the resources, law enforcement, custodial, industrial, and health sectors

Trivantage Manufacturing is a leading manufacturer of premium quality switchboards to a range of end users both internally in the Group and externally to customers

Investment proposition

Blue-chip client base
(Rio, BHP, Multiplex, CPB, Woolworths, Coles)

Diversified markets
(Resources, Infrastructure, Commercial)

Recurring earnings growth
(Services, Maintenance, Frameworks)

Decarbonisation theme
(Exposure across decarbonisation chain)

M&A opportunities
(Track record of successful acquisitions)

Strong dividend yield
(4cps final dividend declared)

Financial highlights

Record Revenue $553.3m (FY21: $370.2m) **up 49.5%** on prior year

Record EBITDA $35.3m (FY21: $29.6m) **up 19.3%** on prior year *

Record EBIT $26.7m (FY21: $22.3m) **up 19.7%** on prior year *

NPAT $15.3m (FY21: $13.8m) **up 10.9%** on prior year

Result includes $2.2m amortisation and providing $2.3m full deferred consideration for Trivantage

Trivantage again exceeded forecasts and achieved full FY22 earn-out targets

Cash $53.1m (FY21: $51.0m) **up 4.1%** on prior year and no debt

Record year-end order book $565m (FY21: $430m) **up 31.4%** on prior year

Record dividend payout $12.7m made in FY22

Final Dividend 4.0 cps declared, with April's 1.0 cps interim makes a 25% increase on prior year

** EBITDA and EBIT are non-IFRS financial measures, for a reconciliation to statutory results see Appendix*

Operational highlights

Resources SCEE's largest sector for first time since FY18

Driven particularly by large MARBL Kemerton Lithium Plant and Rio Tinto Gudai Darri projects

Won WA NECA "Industrial Large Project Award 2022" for Rio Tinto Gudai Darri project

Subdued Sydney FY22 commercial market from coronavirus and weather but now picked up

Recurring revenues from services, maintenance, framework agreements now circa 30% of activity

Integration of activities with Perth office co-location and cross-group BHP Villages Security project

Record win with award of Multiplex Western Sydney International Airport project to Heyday

Record workforce peaked at 2,000 employees

Settled Decmil dispute post-30 June in line with our accounting position

Outlook

Forecasting FY23 revenue similar as large resources projects run off and not immediately replaced

Targeting FY23 EBITDA in range $36m-$38m as project mix expected to be more profitable

Resources sector has long tail of smaller opportunities in many commodities for SCEE Electrical

Commercial sector pipeline in Sydney growing again with new awards anticipated soon

Sydney Central Precinct Renewal Program will generate multiple commercial developments

Infrastructure sector strong - further Heyday tendering on Sydney Metro and around new airport

Trivantage Manufacturing widening product range bringing new market opportunities

Acquisition targets offering geographic diversification and new capabilities being explored

Coronavirus, weather, inflation and workforce

Coronavirus

East Coast lockdowns resulted in total Sydney construction shutdown for part of July and later shutdowns in Victoria and subsequent isolation requirements further disrupted activity

Rolling disruption through NSW construction sector took some months to work its way out but Heyday work delayed rather than lost

West Coast Omicron break out managed well and did not significantly impact operations

Weather

NSW and QLD construction sector further impacted by rain and flooding events

Again, works delayed rather than lost

Combined with coronavirus has meant in FY22 parts of East Coast business significantly behind planned activity levels but have now picked up to expectations at end of year

Inflation

Group has and is managing inflationary pressures:

- Short time period between tender submission and mobilisation so costings accurate
- Workforce on EBAs so labour rates known over duration of contracts
- In many sectors most materials free issued by client
- When purchasing materials direct most pricing fixed with suppliers on or even before award

Workforce

Notwithstanding interstate travel restrictions SCEE able to recruit further employees in WA to service resources sector

Easing of WA travel restrictions from 3 March alleviated any further labour concerns as overall Group workforce peaked at 2,000 employees

Group workforce adequate to service client requirements although certain areas of tightness mean some opportunities may not be maximised

Third record half of revenue

Revenue of $553.3m (FY21: $370.2m) a record for the group and each half successively broke previous record half

Revenue growth in WA resources sector more than offset subdued activity levels in parts of East Coast business

Significant revenue contributors were MARBL Kemerton Lithium Plant, Rio Tinto Gudai-Darri Mine and BHP Villages Security Project and Trivantage contributed for first full year

Gross margin percentage declined from 15.7% to 13.1% as prior year included JobKeeper receipts of $8.1m

Record EBITDA* of $35.3m up 19.3%

NPAT of $15.3m up 10.9% and which includes $2.2m amortisation for Trivantage (FY21: $1.6m) and providing a further $2.3m for Trivantage full FY23 deferred consideration as now forecasting they will meet FY23 earn-out targets

Summary financials:

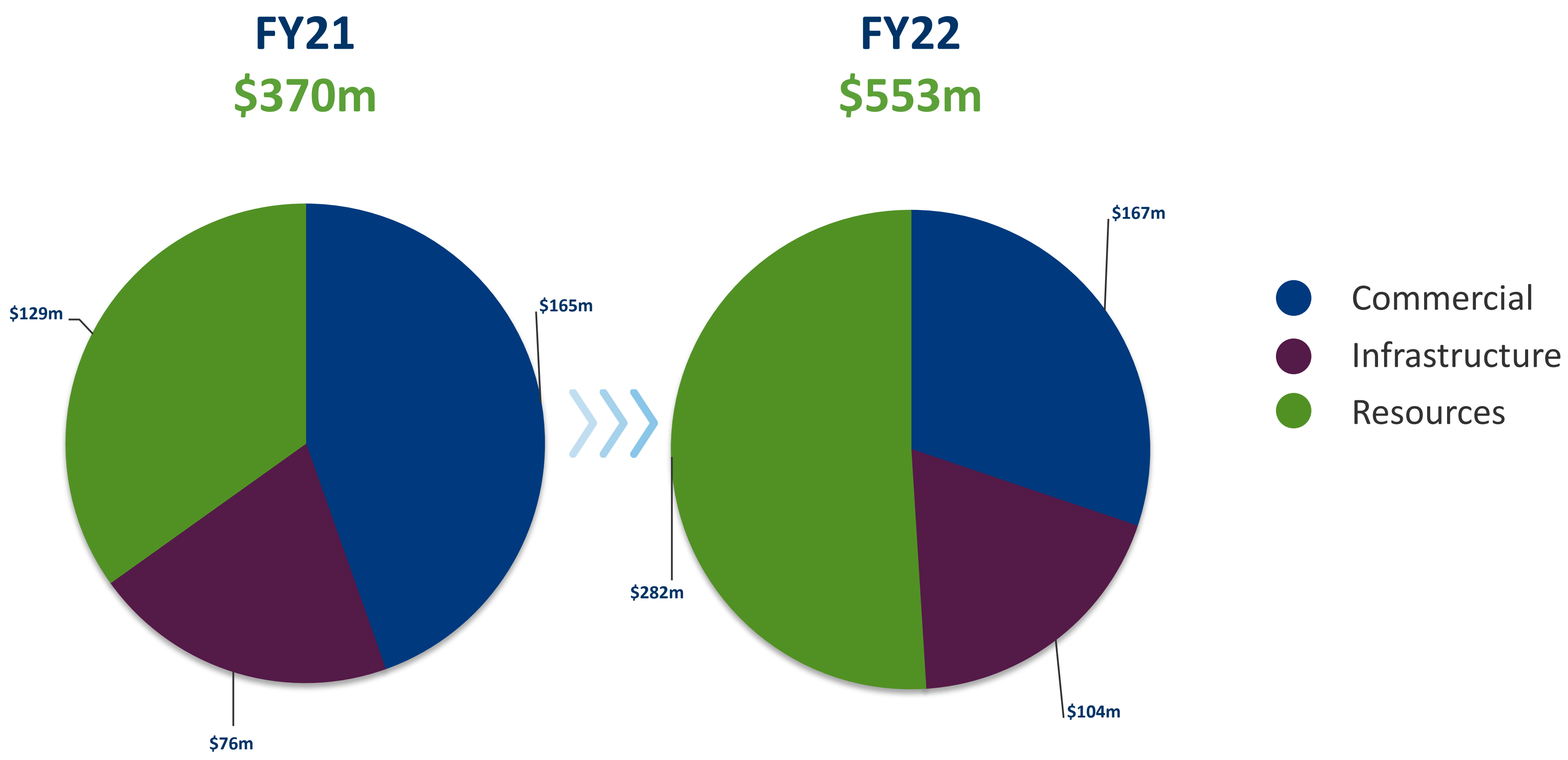
	FY22	FY21	%
	$m	$m	
Revenue	553.3	370.2	*49.5%*
Gross Profit	72.5	58.2	*24.6%*
Gross Margin %	*13.1%*	*15.7%*	-
Overheads	(38.3)	(29.5)	*29.8%*
EBITDA *	35.3	29.6	*19.3%*
*EBITDA % **	*6.4%*	*8.0%*	-
EBIT *	26.7	22.3	*19.7%*
*EBIT % **	*4.8%*	*6.0%*	-
NPAT	15.3	13.8	*10.9%*
NPAT %	*2.8%*	*3.7%*	-

** EBITDA and EBIT are non-IFRS financial measures, for a reconciliation to statutory results see Appendix*

Revenue split by sector

All three sectors up on prior year notwithstanding commercial slowdown in Sydney, as offset by full contribution from Trivantage

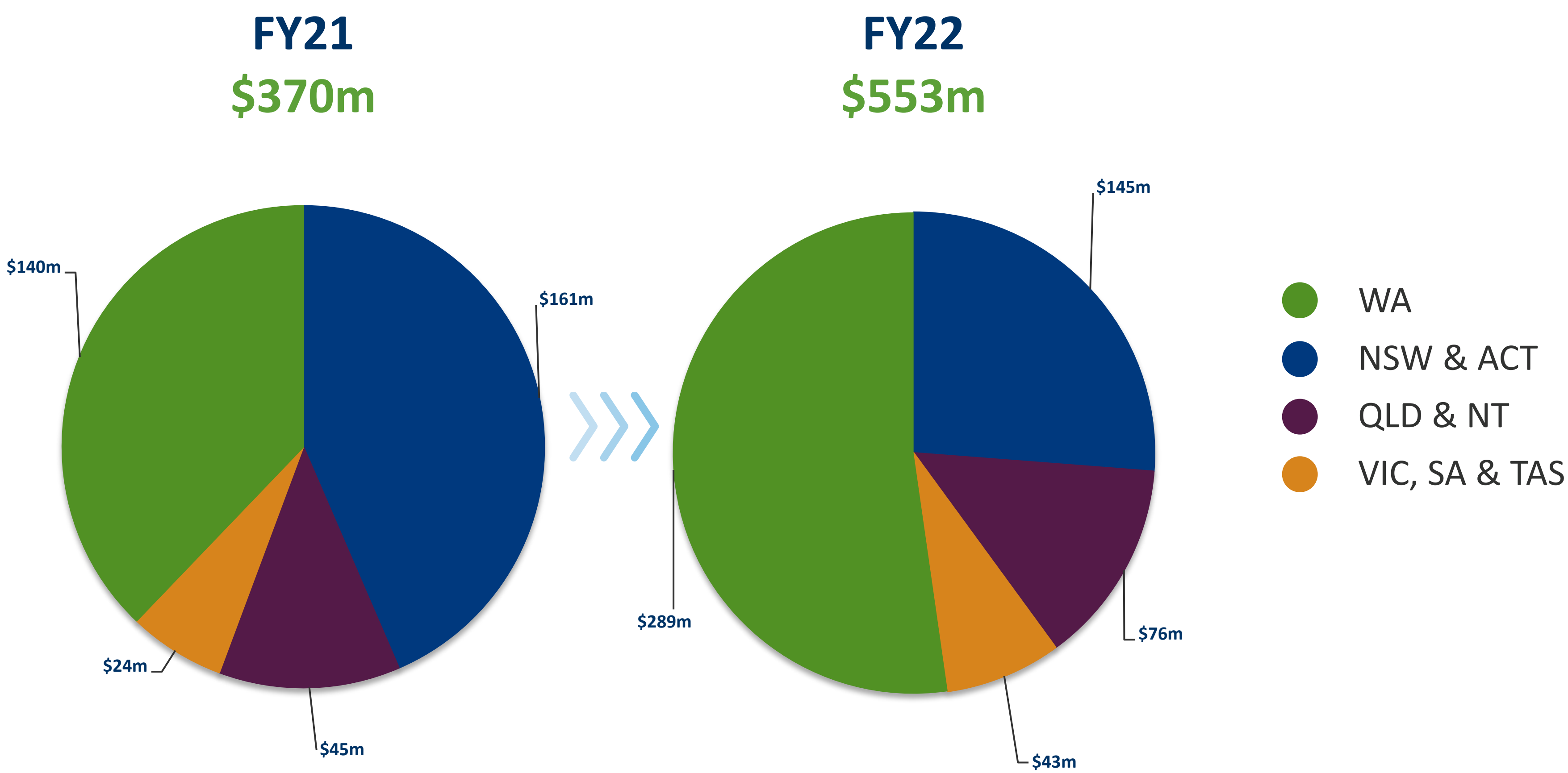
Resources up 119% as SCEE Electrical's Kemerton and Gudai Darri at full activity



Revenue split by geography

Revenue in WA more than doubled driven by MARBL Kemerton, Rio Tinto Gudai Darri and BHP Villages Security projects

Activity in NSW fell back as impacted by coronavirus and weather events



Full Year Results Presentation FY22

Strong balance sheet and debt free

Cash increased to $53.1m (FY21: $51.0m) up 4.1% on prior year and remain debt free

$62.3m of bank guarantees and surety bonds on issue at 30 June out of a total group capacity of $100m leaving a headroom of $37.7m

Franking account balance of $26.6m at 31 December

Fully franked dividend of 4.0 cents per share declared, to be paid 12 October 2022. With April's 1.0 cent per share interim dividend makes a 25% increase in dividends on prior year

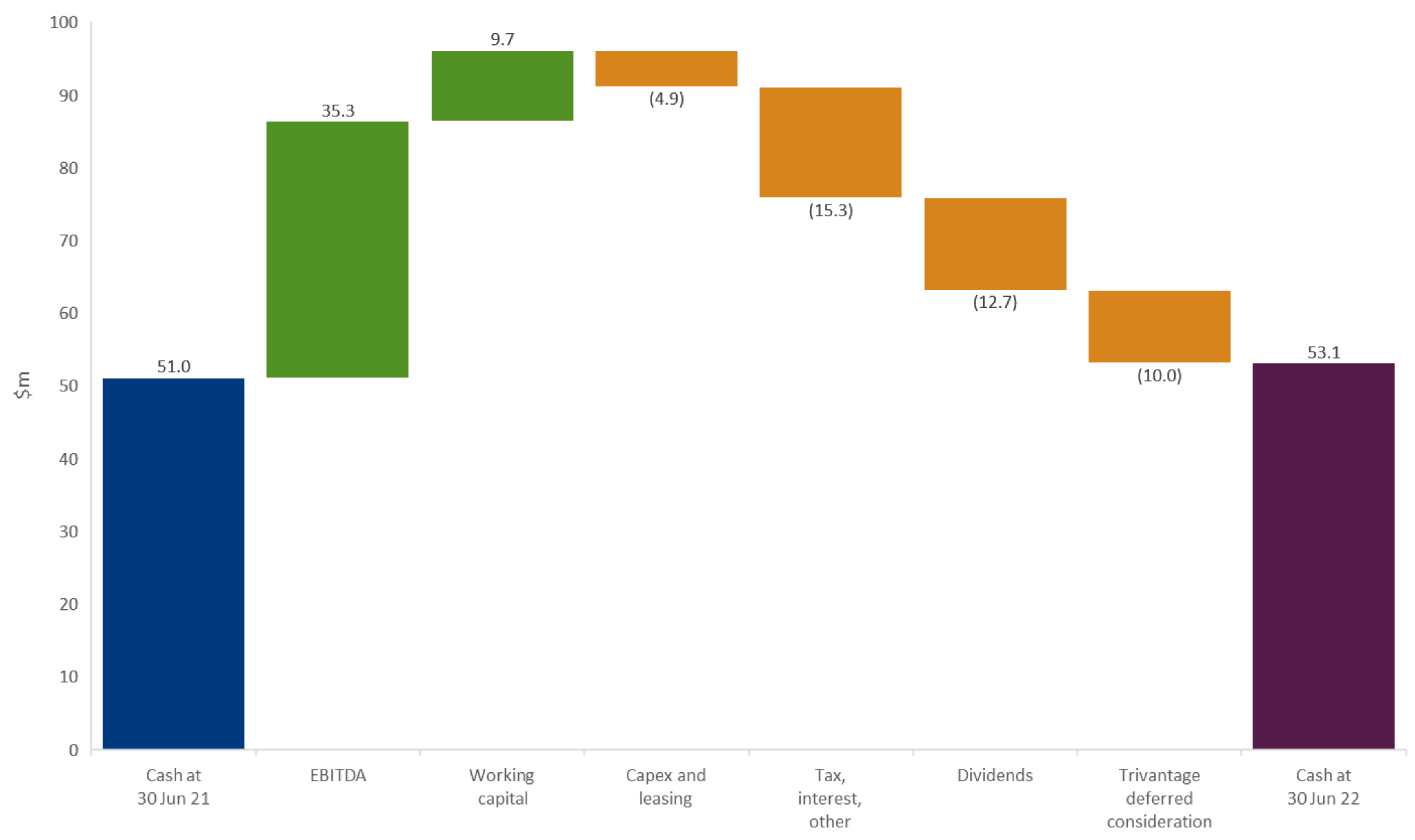
Balance sheet summary:

	Jun 22	Jun 21
	$m	$m
Current assets	*211.2*	*201.6*
Non-current assets	*134.3*	*135.6*
Total Assets	345.5	337.2
Current liabilities	*143.9*	*138.2*
Non-current liabilities	*27.3*	*27.9*
Total Liabilities	171.2	166.1
Equity	174.3	171.2

Cashflow

Cash of $53.1m at 30 June pleasing as in FY22 funded further $10.0m for acquisition of Trivantage and paid $12.7m of dividends, and at very high levels of activity in June with resulting working capital requirements

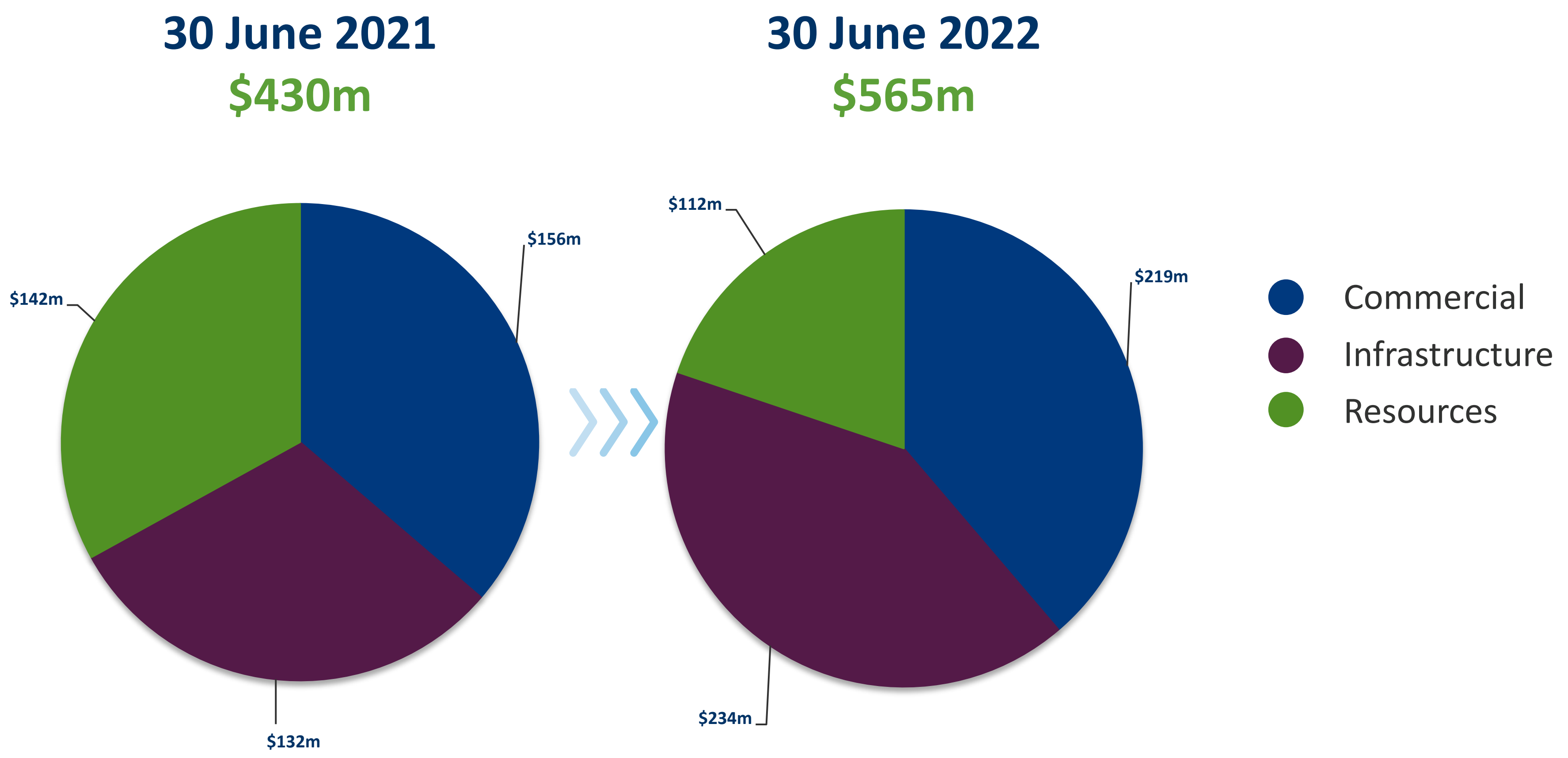
Will be funding the penultimate Trivantage acquisition payment of $5.7m in September and $10.4m dividends in October



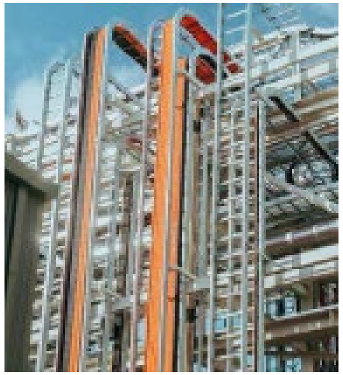
Record year-end order book

Order book ended up 31% on previous year despite a record year of revenue

Particularly driven by projects in and around Sydney Metro Pitt Street Station and at Western Sydney International Airport

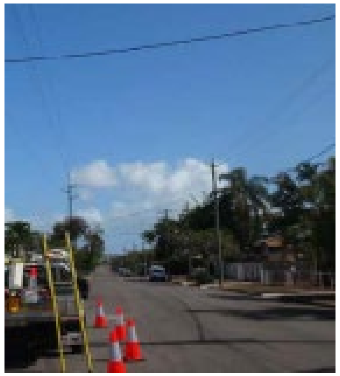


Current projects

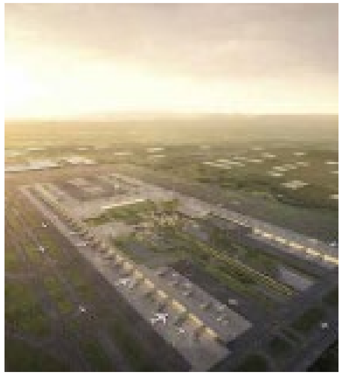


MARBL JV Kemerton Lithium Processing Plant – SCEE Electrical
Over $100m

Rio Tinto Gudai-Darri Iron Ore Mine – SCEE Electrical
Over $100m



Ergon Energy Asset Inspection and Maintenance Services – SCEE Electrical
Over $70m



Multiplex Western Sydney International Airport - Heyday
Over $100m

CPB Sydney Metro Pitt Street Station and Towers - Heyday
Over $70m

Coles and Woolworths Supermarkets – S.J. Electric
Over $50m per annum

Strategy

SCEE Group primarily sees itself as an electrical contractor diversified across the resources, commercial and infrastructure sectors

Our growth strategy continues to be to deepen our presence in those sectors and broaden our geographic diversity through expanding our core competencies and adding adjacent and complementary capabilities, either organically or by acquisition

This includes particularly targeting maintenance and recurring earnings

The acquisition of Trivantage has taken the group along this path by:

- adding new capabilities with entry into the security sector and with the manufacture of electrical components
- increasing exposure to service and maintenance style work with recurring revenues now circa 30% of activity
- offering cross-selling opportunities
- completing our national footprint in every state and territory

We are exploring acquisition targets offering further geographic diversification and new capabilities

The decarbonisation of the global economy presents SCEE with opportunities across all the sectors in which it operates

Resources sector

Resources activity more than doubled on prior year and SCEE's largest sector for first time since FY18

Primarily driven by high levels of activity at MARBL Kemerton Lithium Plant, Rio Tinto Gudai-Darri and BHP Villages Security Project and also general works for Rio Tinto and BHP

In FY23 the large resources projects will run off and will not be immediately replaced

However a long tail of smaller opportunities across many commodities

SCEE Electrical business 18.7 million man-hours and nearly 20 years Lost Time Injury free in Australia

Resources revenue:

	FY22	FY21
	$m	$m
Revenue	282.5	129.5

Infrastructure sector

Wide sector for SCEE, includes transport – road rail and airports, health – hospitals and aged care, utilities – electrical, telco and water, education – universities and schools, ports, defence, prisons, other government facilities and datacentres

Primarily ultimately government spending although some segments private involvement

Record levels of infrastructure spending sanctioned in Australia

Infrastructure largest component of order book driven by Pitt Street Metro Station project and Western Sydney International Airport, the largest win in SCEE's history which will run for some years

Airport has potential for further growth plus general commercial and infrastructure opportunities as the Western Sydney Aerotropolis region develops

Other East Coast infrastructure opportunities very strong

Infrastructure revenue:

	FY22	FY21
	$m	$m
Revenue	103.9	76.0

Commercial sector

Commercial activity falls in two main parts:

- Heyday CBD towers and hotels, retail, and mixed use developments
- Trivantage's supermarket electrical services and maintenance business

Sydney building activity was subdued with disruptions from coronavirus and weather although commercial revenue still up year on year as included a full year contribution from Trivantage

Commercial sector pipeline in Sydney growing again with new awards anticipated soon

Sydney Central Precinct Renewal Program and Technology Hub will generate multiple commercial opportunities for Heyday

For Trivantage Woolworths and Coles continue to invest heavily in efficiencies, store renewals and new formats and work recently won for Aldi

Commercial revenue:

	FY22	FY21
	$m	$m
Revenue	166.9	164.7

Conclusion

Revenue $553.3m (FY21: $370.2m) **up 49.5%** on prior year

Record EBITDA $35.3m (FY21: $29.6m) **up 19.3%** on prior year *

Record EBIT $26.7m (FY21: $22.3m) **up 19.7%** on prior year *

Cash $53.1m (FY21: $51.0m) **up 4.1%** on prior year and no debt

Record year-end order book $565m (FY21: $430m) **up 31.4%** on prior year

Final Dividend 4.0 cps declared, with April's 1.0 cps interim makes a 25% increase on prior year

Recurring revenues from services, maintenance, framework agreements now circa 30% of activity

Record win with award of Multiplex Western Sydney International Airport project

Targeting FY23 EBITDA in range $36m-$38m

Acquisition targets offering geographic diversification and new capabilities being explored

** EBITDA and EBIT are non-IFRS financial measures, for a reconciliation to statutory results see Appendix*

Corporate summary

Capital Structure	
ASX Code	SXE
Share Price (29 August 2022)	71.5c
No. of ordinary shares	260.0m
Market Capitalisation (29 August 2022)	$185.9m
Number of performance rights	4.5m
Cash (30 June 2022)	$53.1m
Debt (30 June 2022)	Nil
Enterprise Value (29 August 2022)	$132.8m

Shareholders at 22 August 2022	
Thorney Investments	16.0%
First Sentier Investors	9.1%
Other Institutions in Top 30 Shareholders	12.9%
Frank Tomasi	18.0%
Others (Retail, Private, Employees, Directors)	44.0%
Total	100.0%

Appendix – IFRS reconciliation

SCEE's results are reported under International Financial Reporting Standards (IFRS). SCEE discloses certain non-IFRS measures that are not prepared in accordance with IFRS. The non-IFRS measures should only be considered in addition to, and not as a substitute for, other measures of financial performance prepared in accordance with IFRS.

EBITDA and EBIT are non-IFRS measures which do not have any standard meaning prescribed by IFRS and therefore may not be always be comparable to EBITDA and EBIT presented by other companies.

EBITDA represents earnings before interest, income tax, depreciation and amortisation. EBIT represents earnings before interest and income tax. A reconciliation of profit before tax to EBITDA and EBIT is presented in the table on this slide.

	FY22	FY21
	$m	$m
Contract revenue	553.3	370.2
Contract expenses	(480.8)	(312.0)
Gross Profit	**72.5**	**58.2**
Other income	1.1	0.9
Overheads (1)	(38.3)	(29.5)
EBITDA	**35.3**	**29.6**
Depreciation and amortization (2)	(8.6)	(7.3)
EBIT	**26.7**	**22.3**
Net finance expense (3)	(4.3)	(1.5)
Profit before tax	**22.4**	**20.8**
Income tax expense	(7.1)	(7.0)
Profit from continuing operations	**15.3**	**13.8**

(1) Employee benefits expenses, Occupancy expenses, Administration expenses and Other expenses from ordinary activities

(2) Depreciation expense, Amortisation expense and Amortisation of customer contracts and relationships

(3) Finance income, Finance expenses and Change in fair value of deferred acquisition consideration

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