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Full Year Results Presentation
Year Ended 30 June 2020

31 August 2020

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About SCEE

Electrical Contractor

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

Diversification

Established in 1978 in WA, and primarily servicing the Resources sector, the combination in 2016 with Datatel Communications and in 2017 with East Coast-based Heyday created a national group

Markets

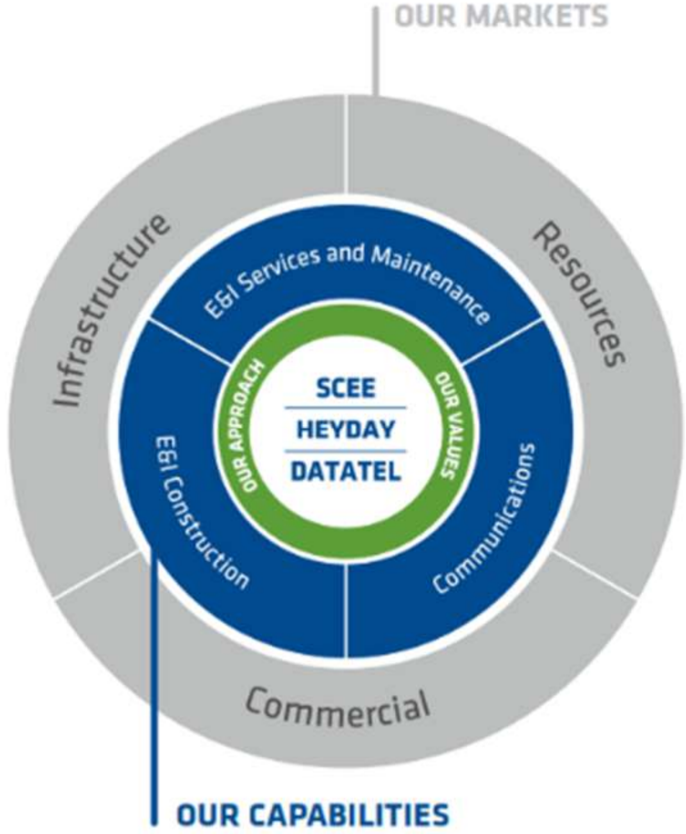
SCEE now operates across three broad sectors of Infrastructure, Commercial and Resources

People

900 employees, including over 130 electrical apprentices and telecommunications trainees

Safety

Original SCEE business 15.8 million man-hours and over 16 years Lost Time Injury free in Australia



Highlights

Financial

Third year of record revenues with full year revenue of $415.1m up 8% on prior year

EBIT* of $16.4m down 16% and NPAT of $10.9m down 14% on prior year

Profit negatively affected by:

- Coronavirus disruption impacts
- Lower average margins on now finished transport infrastructure projects
- Delay of some planned Kemerton Lithium Plant scope into FY21

Partially offset by components of Group qualifying for JobKeeper payments of $4.1m

Balance sheet remains strong with total cash of $55.3m and no debt at 30 June 2020

Fully franked 3 cents per share dividend declared

Operational

Infrastructure remained as largest revenue contributor

Significant wins included Albemarle Kemerton Lithium Plant ($65m), Pitt Street Sydney Metro ($40m) and Ergon Energy North Queensland renewal ($40m)

Continuing work at Wynyard Place

Nearing completion at Parramatta Squares 3 and 4, and at Westmead Hospital

Finished at RAAF Tindal, Northlink and WestConnex M5 tunnels

Continuing to pursue commercial close out of various finished resources and infrastructure projects for which claims and variations have been recognised in contract assets

Decmil arbitration at pleadings stage

Outlook

Targeting FY21 revenues of $400m

Order book of $440m includes over $330m of work secured for FY21 representing over 80% of FY21 revenue target

Current business development pipeline not showing material impact by coronavirus with over $900m of submitted tenders

Significant opportunities presenting in resources

Infrastructure stimulus expected and fast tracking of new projects commencing

Acquisition activity resumed following suspension in second half

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

Note - the financial information compares the unaudited preliminary results for the ended 30 June 2020 with the results for the year ended 30 June 2019

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Coronavirus impact

Operational

Construction designated an essential service and SCEE's operations generally continued as planned but second half still significantly affected

Measures to protect employee, and subcontractor, supplier and customer staff health implemented requiring changes to working practices

Inter-state and intra-state travel restrictions impacted remote projects

Some projects delayed mobilisation although no projects actually cancelled

Circumstances still highly volatile and conditions may change

Financial

Negative financial impacts each individually not material but significant in combination:

- Substantial acquisition costs incurred in year for which activity had to be suspended
- Changes to working practices resulted in loss of productivity, particularly at early stages of pandemic
- Contribution from delayed projects deferred into FY21
- Levels of short-term "win and do" orders lower than normal from March onwards

Partially offset by JobKeeper payments to components of the Group of $4.1m

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Record revenues but tougher second half

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Third year in row of record revenues, up 8% on prior year

Significant contributors included WestConnex M5 tunnels, Parramatta Squares 3 & 4 buildings and fit-outs, RAAF Tindal, Westmead Hospital and Wynyard Place

Gross margin percentage down 1.6% on prior year because of lower average margins on now finished transport infrastructure projects and Coronavirus disruption impacts

Delay of some planned Kemerton Lithium Plant scope into FY21

Overheads fell by 9% from impact of prior year efficiency initiatives and no Executive STI and LTI awards this year

EBIT* of $16.4m down 16% and NPAT of $10.9m down 14% on prior year

First year of new leasing standard *AASB 16 Leases* meant EBITDA increased by $2.2m, EBIT increased by $0.1m and no change to NPAT

Summary financials:

	FY20	FY19	*Chg. %*
	$m	$m	
Revenue	415.1	386.0	*7.5%*
Gross Profit	44.5	47.5	*(6.4)%*
Gross Margin %	*10.7%*	*12.3%*	-
Overheads	23.4	25.7	*(8.9)%*
EBITDA	21.6	23.6	*(8.5)%*
EBITDA %	*5.2%*	*6.1%*	-
EBIT	16.4	19.4	*(15.5)%*
EBIT %	*3.9%*	*5.0%*	-
NPAT	10.9	12.7	*(14.1)%*
NPAT %	*2.6%*	*3.3%*	-

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

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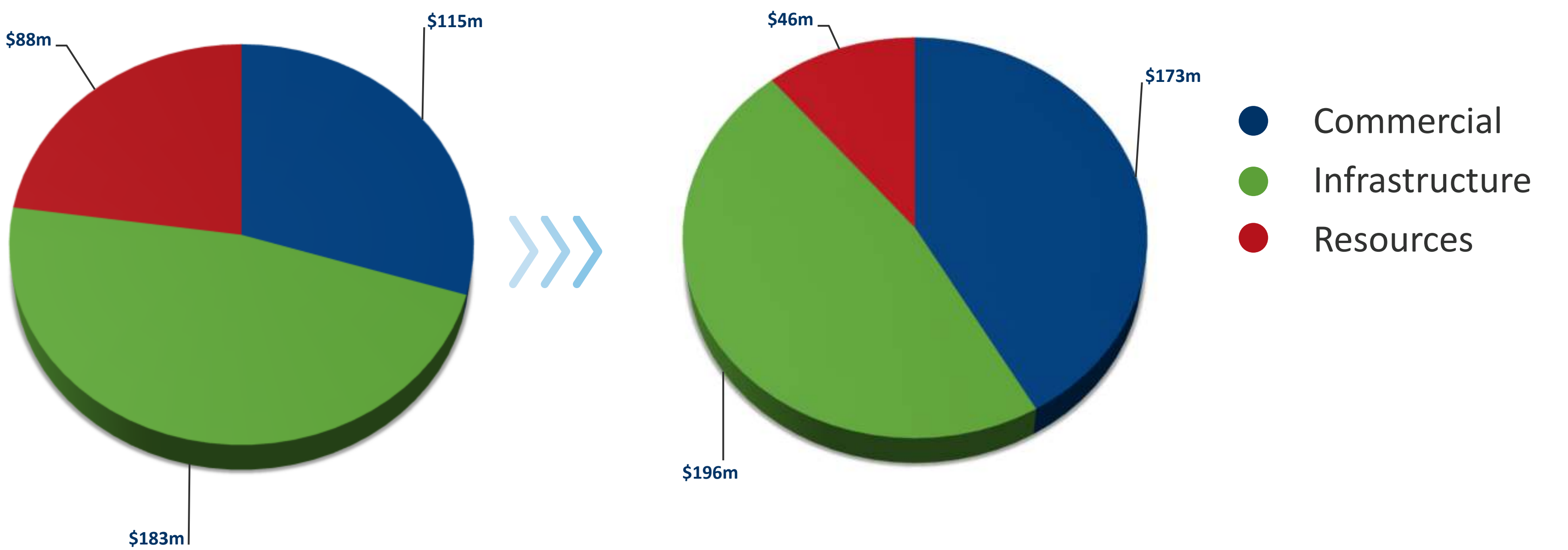
Infrastructure remains largest sector

Infrastructure still largest sector although now closely followed by commercial

As forecast, in FY20 resources declined to its lowest point since listing on ASX but now increasing again with significant project wins in second half and growing pipeline

FY19
$386m

FY20
$415m



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Strong balance sheet and debt free

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Cash increased slightly in year to $55.3m at 30 June 2020 (30 June 2019: $53.3m)

No debt

New leasing standard AASB 16 adopted on 1 July 2019

Resulted in recognition of $5.6m of right of use assets and $5.6m of lease liabilities in respect of operating leases

$57.9m of bank guarantees and surety bonds on issue out of a total group capacity of $100m leaving a headroom of $42.1m

Franking account balance of $14.2m

Fully franked 3 cents per share dividend declared

Balance sheet summary:

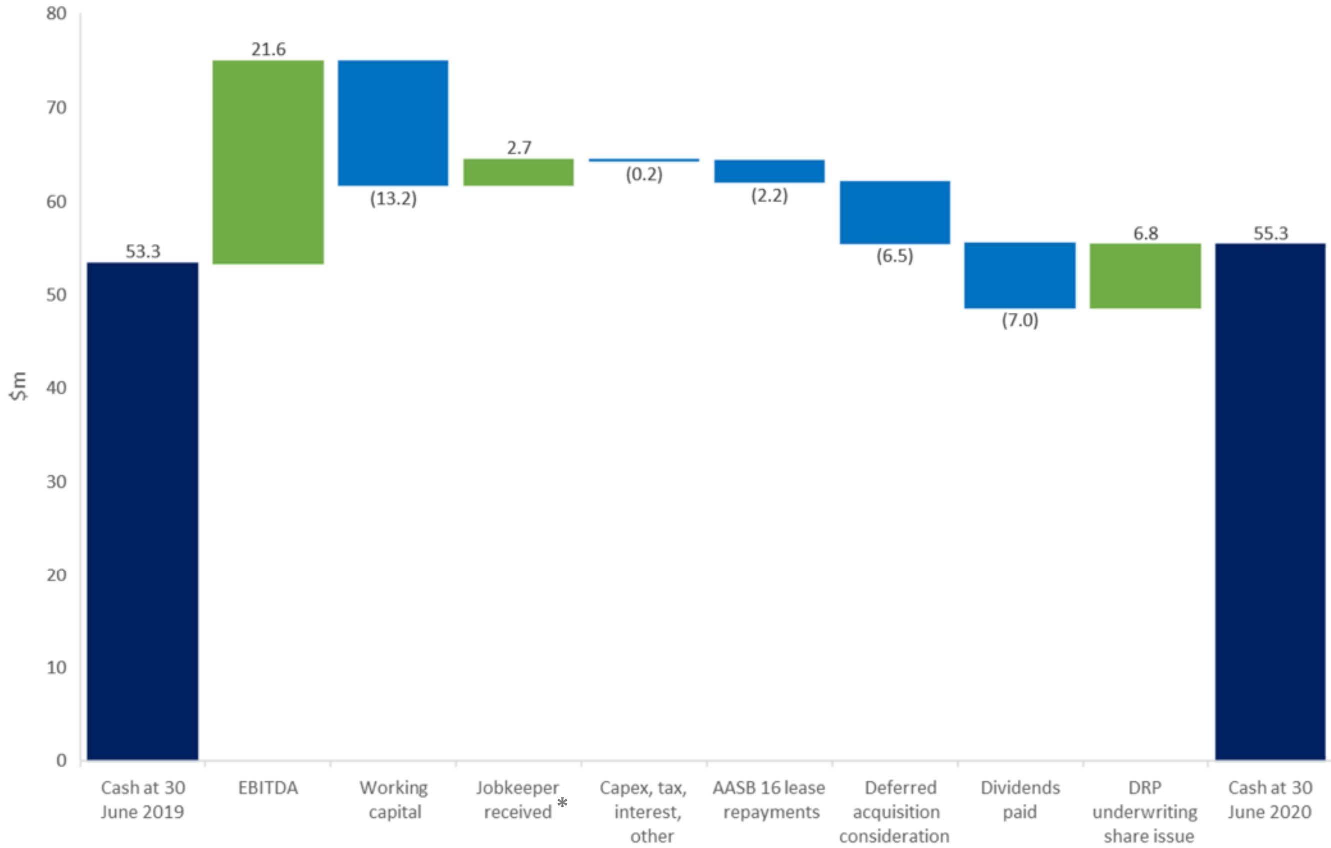
	Jun 20	Jun 19
	$m	$m
Current assets	170.8	161.2
Non-current assets	90.9	88.6
TOTAL ASSETS	261.7	249.8
Current liabilities	90.2	93.4
Non-current liabilities	13.2	8.7
TOTAL LIABILITIES	103.4	102.1
EQUITY	158.4	147.7

Note - the financial information compares the unaudited preliminary results for the ended 30 June 2020 with the results for the year ended 30 June 2019

Net cash inflow

Working capital outflow of $13.2m including $11.2m in second half primarily as WestConnex M5 demobilised and negotiating commercial close out

$6.5m paid to Heyday vendors for final earn out payment in September 2019 and FY19 final dividend paid with underwritten Dividend Reinvestment Plan



* *JobKeeper is paid in arrears - $4.1m recognised of which $2.7m cash received by 30 June 2020*

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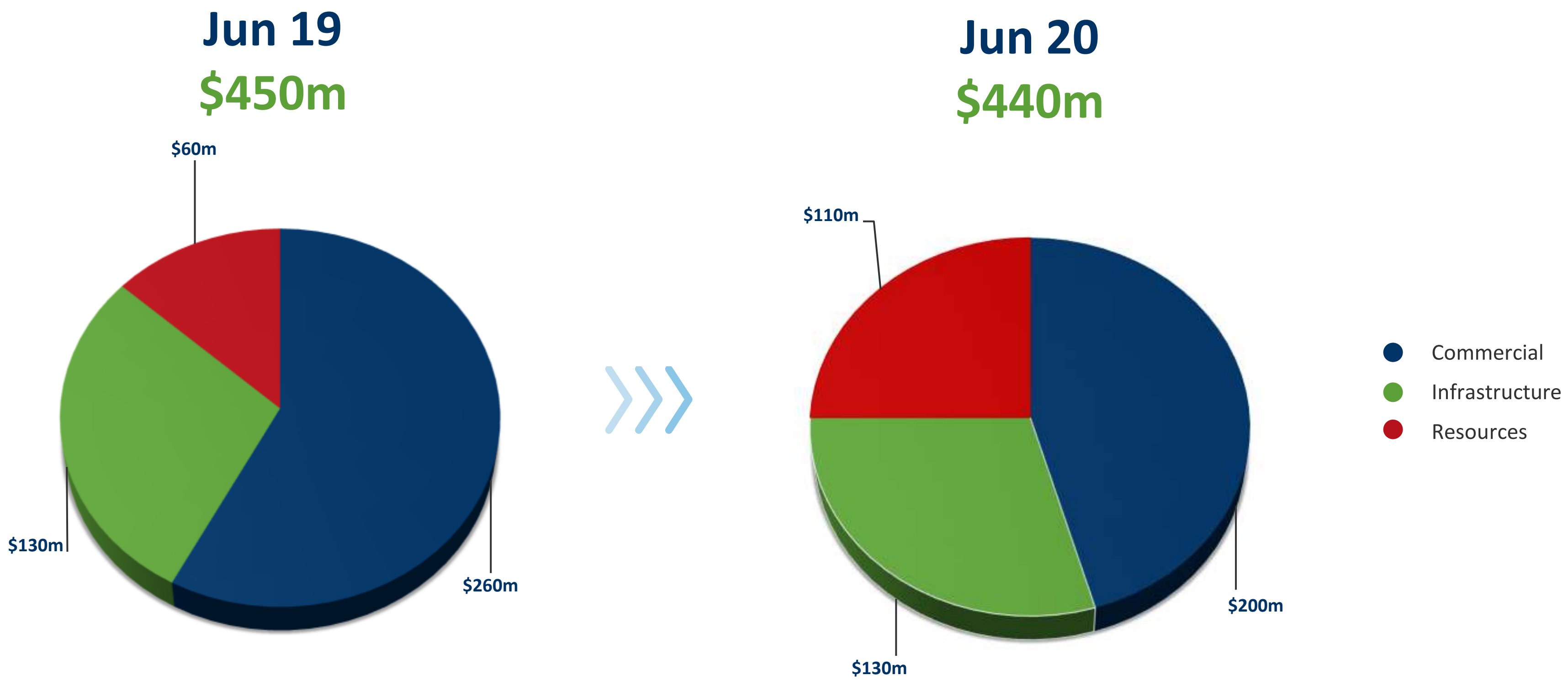
Diversified order book

Order book of $440m at same level as half year

Includes over $330m of work already secured for FY21

Resources share of order book increased following recent project announcements



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Strategy and sector outlooks

Leading national diversified electrical contractor

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Commercial
Resources
Infrastructure

WA

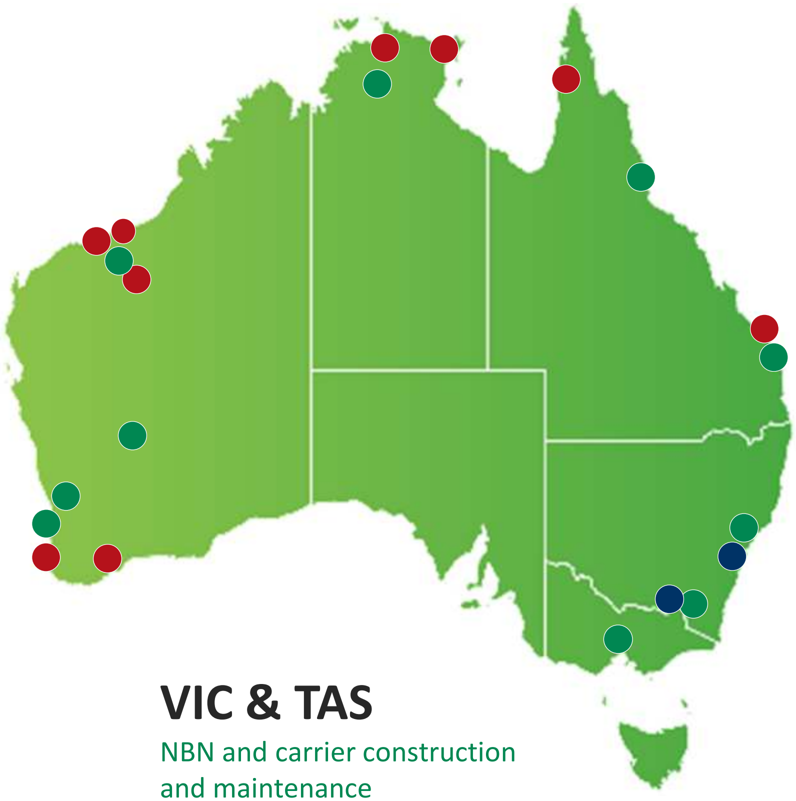
Rio Tinto - Cape Lambert, Dampier EIR, Tom Price, Paraburdoo, Brockman 2, Yandi
BHP – Newman, Port Hedland, Mt Whaleback, South Flank
Sino Iron
Boddington Gold
Talison Greenbushes Lithium
MARBL JV Kemerton Lithium
NorthLink Central Section
Forrestfield Airport Link
Causarina Prison
UWA, City of Belmont, Health Services maintenance
Woodman Point Waste-Water Treatment
Agnew Windfarm
NBN and carrier construction and maintenance
Minor social infrastructure works and services

NT

Rio Tinto Gove
ERA Ranger Mine MSA
RAAF Tindal

QLD

Rio Tinto Amrun
Arrow MSA
Ergon Energy Agreement
NBN and carrier construction and maintenance



NSW & ACT

Parramatta Square 3 & 4 and fit-outs
Wynyard Place
Australian Technology Park Building 4
231 Elizabeth Street
Sovereign Resort Expansion
Edmondson Park
Ribbon Project
32 Smith Street
Greenland Tower
Republic
Sandstone Precinct
City 7 Development
The Parade
Locomotive Sheds
Westmead Hospital
Westconnex M5
Australian National University
RU Data Centre
Sydney Metro Pitt Street Station

VIC & TAS

NBN and carrier construction and maintenance

Strategy

- SCEE 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
- This includes particularly targeting maintenance and recurring earnings
- We are actively pursuing acquisition opportunities

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Infrastructure stimulus

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Infrastructure now also includes works that in previous years SCEE presented separately as “Telecommunications & Datacentres” and “Industrial, Energy & Utilities”

Infrastructure was SCEE’s largest revenue contributor in FY19 and remained so in FY20

Primarily driven by government expenditure although some sectors have varying levels of private investment

Significant investment sanctioned, with peak activity to come and electrical work generally later in cycle

Following Coronavirus outbreak Federal, NSW and WA governments all announced fast tracking of infrastructure projects

Following Pitt Street Metro award bidding further opportunities on Sydney Metro

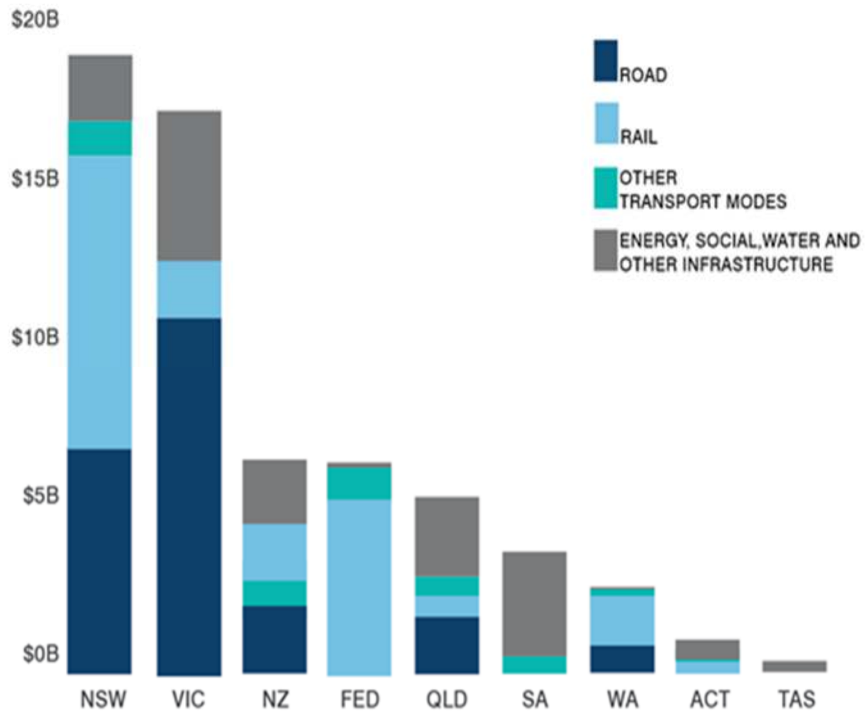
Finished at RAAF Tindal in Northern Territory and bidding further works. Significant pipeline of defence base work

Almost complete at Westmead Hospital in Sydney and other hospital opportunities presenting in NSW and ACT

Infrastructure revenue:

	FY20	FY19
	$m	$m
Revenue	196.0	183.3

Value of Major Projects currently under procurement:



Source: Infrastructure Partnerships Australia analysis

Commercial pipeline remains steady

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Commercial remains largest component of SCEE order book

Multiple base-builds and fit-outs in Sydney and Canberra with twelve projects contributing at least $5m of revenue each in FY20

SCEE commercial activity forecast to remain at high level in FY21 including Wynyard Place, Ribbon Project and Locomotive Sheds

Current pipeline not showing material impact from Coronavirus

Will be significant commercial developments around infrastructure hubs including Western Sydney Airport and new Sydney Metro stations

Bidding major commercial works in Brisbane

Commercial revenue:

	FY20	FY19
	\$m	\$m
Revenue	172.8	114.5

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Resources rebounding

As forecast resources activity at low level in FY20

However significant resources wins at Kemerton Lithium Plant and Rio Tinto Gove mean order book almost doubled from a year ago

Bidding significant iron ore and other opportunities

Ongoing sustaining capital and maintenance projects at multiple Rio Tinto and BHP facilities and mine sites and continuing MSA work at Boddington Gold and Sino Iron

Mining commodity prices held up well through Coronavirus outbreak

Resources business development pipeline increasingly strengthening

Resources revenue:

	HY20	HY19
	$m	$m
Revenue	46.2	88.2

Conclusion and outlook

- Third year of record revenues with full year revenue of $415.1m up 8% on prior year
- EBIT* of $16.4m down 16% and NPAT of $10.9m down 14% on prior year
- Balance sheet remains strong with total cash of $55.3m and no debt
- Fully franked 3 cents per share dividend declared
- FY20 wins included Albemarle Kemerton Lithium Plant, Pitt Street Sydney Metro and Ergon Energy renewal
- Targeting FY21 revenues of $400m
- Order book of $440m includes over 80% of FY21 revenue target secured
- Over $900m of submitted tenders
- Continuing to pursue commercial close out of claims and variations
- Acquisition activity resumed following suspension in second half

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Corporate summary

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Capital Structure	
ASX Code	SXE
Share Price (28 August 2020)	43.5c
No. of ordinary shares	247.6m
Market Capitalisation (28 August 2020)	$107.7m
Number of performance rights	3.8m
Total Cash (30 June 2020)	$55.3m
Debt (30 June 2020)	Nil
Enterprise Value (28 August 2020)	$52.4m

Shareholders at 13 August 2020	
Thorney Investments	17.9%
First Sentier Investors	8.5%
Perennial Value Management	7.0%
Other Institutions in Top 30 Shareholders	18.4%
Frank Tomasi	18.9%
Others (Retail, Private, Employees, Directors)	29.3%
Total	100.0%

Appendix – IFRS reconciliation

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 this slide.

	FY20	FY19
	$m	$m
Contract revenue	415.1	386.0
Contract expenses	(370.6)	(338.5)
Gross Profit	**44.5**	**47.5**
Other income	0.5	0.4
Overheads	(23.4)	(25.7)
EBITDA	**21.6**	**23.6**
Depreciation and amortisation	(5.2)	4.2
EBIT	**16.4**	**19.4**
Net finance expense	(0.9)	(1.2)
Profit before tax	**15.5**	**18.2**
Income tax expense	(4.6)	(5.5)
Profit from continuing operations	**10.9**	**12.7**

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