Half Year Results Announcement

ASX & media announcement

ASX code: SXE

28 February 2022

Highlights

- **Record half of revenue of $253.0m up 87% on PCP**
- **Record workforce of 2,000**
- **Profit ahead of consensus with EBITDA of $14.1m up 46% and NPAT of $6.7m up 48% on PCP**
- **Strong balance sheet with cash of $49.9m and no debt**
- **Record order book of $550m**
- **Declared fully franked 1.0 cent per share interim dividend to be paid 13 April 2022**
- **Affirming targeting FY22 revenues of circa $500m and EBITDA in range of $29m-$33m**

SCEE Group (ASX: SXE) today released its results for the half year ended 31 December 2021 reporting a record half year revenue of $253.0m, up 87% on the prior corresponding period, a 46% increase in EBITDA to $14.1m and a 48% increase in NPAT to $6.7m. A fully franked interim dividend of 1.0 cent per share has been declared.

Results for the half year ended 31 December 2021

Revenue for the half year was $253.0m, up 87% on the prior corresponding period and represents another record half year revenue for the Group surpassing the then record revenues of $234.8m in the second half of the 2021 financial year.

This was achieved despite subdued activity levels in parts of the East Coast business, with activity in the resources sector at high levels and contributions in the current period from the Trivantage businesses which were acquired in December 2020 and continue to perform strongly.

All three sectors increased on the prior corresponding period with key contributors as follows:

- Resources – revenue for the half year was $126m, more than triple the $39m in the prior corresponding period, making resources the largest sector for the first time since H1 in FY17. This growth was primarily driven by high levels of activity at the Albemarle Kemerton Lithium Plant and Rio Tinto Gudai-Darri but also included contributions from the BHP Villages Security Project awarded during the period and general works for Rio Tinto and BHP.

- Commercial – revenue for the half year was $81m, up from $64m in the prior corresponding period, with Trivantage's supermarket services business contributing in the current period. Activity on Sydney commercial buildings projects was impacted during the period by lockdowns, coronavirus restrictions and workforce isolation requirements however activity is now picking up.

- Infrastructure – revenue for the half year was $46m, up from $32m in the prior corresponding period. The Sydney Metro Pitt Street Station project remains in the early stages and work continues at the Next DC S3 data centre. The contribution from Trivantage included projects in the water and prison sectors while SCEE Electrical continues to deliver works under the Ergon Energy Queensland Service Agreement.

This increase in activity was delivered by a record workforce of approximately 2,000 with over 200 workers added during the period, predominantly on Western Australian resources projects.

Gross profit for the half year of $33.3m was up 54% on the prior corresponding period despite the H1 FY21 gross profit of $21.7m including JobKeeper receipts of $6.6m.

Overheads were $19.5m compared to $12.2m in the prior corresponding period with the increase mainly due to the inclusion of Trivantage overheads in the current period. As a percentage of revenue overheads decreased from 9.0% in H1 FY21 to 7.7% in the current period.

EBITDA for the half year of $14.1m was up 46% on the prior corresponding period. NPAT of $6.7m was up 48% and included $1.1m of intangibles amortisation for the Trivantage acquisition.

The Board has declared a fully franked interim dividend of 1.0 cent per share.

The cash balance at 31 December was $49.9m, only slightly down from the opening balance of $51.0m despite funding Trivantage deferred consideration of $10.0m in September and the FY21 final dividend of $10.2m in November. The Group remains debt free.

Capital expenditure for the period was $1.2m and is expected to remain at low levels.

The Decmil arbitration process is now at the pleading phase with a hearing expected in late 2022.

Outlook

Order book and pipeline

The order book at 31 December was $550m, up from $430m at the start of the period, and a record for the Group.

The Group continues to win work across its core markets and announced over $200m of contract awards in the period including Western Sydney International Airport, which at over $100m is the largest award in the Group's history, and the BHP Village Security project which is drawing on capabilities from across the Group's businesses.

In the resources sector work continues at the Kemerton Lithium Plant, Rio Tinto Gudai-Darri and the BHP Villages project while the Rio Tinto Gove Refinery project is coming to an end. Further awards in the iron ore sector and mining camp safety upgrades are in advanced stages of negotiations.

The effects of the spread of Omicron in WA remain uncertain at the present time and are being closely monitored. SCEE will continue to follow client site requirements.

The pipeline in the sector remains strong with new opportunities presenting in resources sector across multiple commodities including iron ore, lithium and nickel in the medium term and LNG, fertilizers and hydrogen further out.

The infrastructure sector is now the largest component of the order book following the award of Western Sydney International Airport. The project will run for several years and has potential for further growth, plus other packages at the airport, as well as general commercial and infrastructure opportunities as the Western Sydney Aerotropolis region develops.

The Sydney Metro Pitt Street Station project will ramp up in the second half and bidding is in progress on further Sydney Metro opportunities. The infrastructure pipeline is strong with record levels of transport infrastructure spend sanctioned on the east and west coasts and multiple NSW hospital developments, government buildings, schools and datacentres all being bid.

In the commercial sector the impacts of coronavirus lockdowns and restrictions in NSW are passing and activity is picking up.

Tendering in the sector is much stronger than in recent times and significant near term wins are anticipated. We continue to bid on mixed commercial-residential and retail opportunities in Canberra and Perth. Woolworths and Coles continue to invest heavily in store renewals and new store formats which is expected to drive activity levels for Trivantage.

Earnings

Full year guidance is reaffirmed at revenue of circa $500m and EBITDA in the range of $29m-$33m.

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. The acquisition of Trivantage has substantially increased SCEE's exposure to service and maintenance style work. We continue to investigate further acquisition opportunities.

SCEE is now positioning itself to leverage opportunities across the global decarbonisation chain including:

- Supporting the decarbonisation of resources operations – such as battery, solar and wind projects for multiple mining companies;
- Assisting meeting the demand for commodities required for global decarbonisation – lithium, copper, nickel and hydrogen developments; and
- Offering its services across a diverse and growing range of decarbonisation initiatives – including solar farms, recycling plants, refrigeration power efficiencies, green buildings design optimisation and electric vehicle charging systems.

CEO Comment

Commenting on the half year results, SCEE Group's CEO Graeme Dunn said "I am delighted to announce a second consecutive six months of record revenues for the Group and a significant increase in profitability on the prior corresponding period.

The high volume of ongoing work in the resources sector more than offset the short term disruption of coronavirus lockdowns and restrictions to east coast commercial buildings activity and again demonstrates the benefits of our strategy of growth through diversification.

I have been particularly pleased with our ability to continue to recruit in a challenging labour market, ensuring we were able to service project demands and ending the period with a record workforce of approximately 2,000.

We have maintained our strong balance sheet, ending the period with $49.9m of cash and no debt despite funding the FY21 dividend payment and deferred consideration for the Trivantage acquisition in the period.

We move into the second half of the year with an order book of over half a billion dollars, another record for the Group, and remain on track to achieve our full year guidance."

Results conference call

Investors and analysts are invited to attend a results presentation conference call with Graeme Dunn (SCEE Group CEO and Managing Director) and Chris Douglass (SCEE Group CFO) today, Monday 28 February 2022, at 9am WST.

Investors and analysts wishing to attend the call can register at the following link:

https://event-registration.arkadin.com/620b2a5a3b8a933ac14fa042

Authorised for release by Graeme Dunn – SCEE Managing Director

Contact

SCEE Group
Level 15, 225 St Georges Terrace
Perth WA 6000
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