

# Investor Presentation - Acquisition of Trivantage Holdings Pty Ltd



18 November 2020



# 1 Acquisition overview and strategic rationale

## Acquisition of Trivantage

- SCEE has entered into a Share Purchase Agreement to acquire 100% of Trivantage Holdings Pty Ltd from the current shareholders of Trivantage for an enterprise value of up to \$53.5m on a debt free basis, comprising:
  - \$25.0m cash payable on completion, expected to be mid-December 2020
  - Following confirmation that Trivantage's FY21 EBIT is equal to or greater than \$10.1m:
    - \$10.0m in cash; and
    - \$5.5m in SCEE shares
  - \$8.0m in additional cash, payable following FY22 and FY23 results, contingent on EBIT of at least \$10.1m being achieved
  - Up to \$5m in additional cash, payable following FY22 to FY23 results, contingent on financial outperformance<sup>1</sup>
- The acquisition consideration represents EBIT multiples of (based on the current FY21 forecast EBIT of \$10.8m):
  - 3.8x FY21F EV/EBIT assuming achievement of Trivantage FY21 EBIT of at least \$10.1m and before potential additional payments in FY22 and FY23;
  - 4.5x FY21F EV/EBIT assuming Trivantage maintains EBIT of at least \$10.1m in each of FY22 and FY23; and
  - 3.7x FY23F EV/EBIT assuming Trivantage achieves earnings in FY22 and FY23 sufficient to receive full portion of outperformance earn-out consideration
- Current management vendors of Trivantage to remain with the business under SCEE ownership
- Trivantage Chairman (and significant shareholder of Trivantage), Paul Chisholm, to be invited to join the SCEE Board

*(1) Refer Appendix for detailed transaction terms.*

## Overview of Trivantage

- Trivantage is a specialised electrical services company with over 50 years of operational experience providing complex electrical solutions across Australia
- Trivantage is primarily a services oriented business characterised by a strong degree of recurring and maintenance work
- Operates via three specialist divisions - S.J. Electric (electrical services to commercial and retail markets), SEME Solutions (electronic security services) and Trivantage Manufacturing (switchboard design and manufacture)
- In FY20 Trivantage had an audited statutory revenue of \$116m and profit before tax of \$8.2m
- Trivantage is forecasting to achieve FY21 revenue of circa \$130m and normalised EBIT of \$10.8m
- Headquartered in Melbourne, Trivantage has around 400 employees/sub-contractors Australia-wide with offices in Victoria, Western Australia, Queensland, New South Wales, South Australia and Tasmania

## Combined Group profile

- Balanced revenue streams across sectors and geographies<sup>1</sup>:
  - Commercial is 45% of FY21 proforma revenue, Resources 30%, and Infrastructure 25%
  - 45% of FY21 proforma revenues generated from NSW & ACT, 30% from WA, 15% from Queensland & NT and 10% from Victoria
  - 68% of FY21 proforma revenues from construction and 32% is recurring, services & maintenance
- Significantly enhanced scale with combined order book (as at 30 June 2020) over \$500m and pro-forma FY21 budgeted revenue of circa \$500m<sup>1</sup>

## Transaction funding and financial impact

- Cash payments to the vendors of Trivantage will be funded through SCEE's existing cash reserves
- Following completion, SCEE will maintain a strong balance sheet
- Strong double digit pro-forma EPS accretion in FY21F

*(1) Based on FY21 proforma budgeted revenue*

Over the past four years, SCEE implemented a strategy to diversify into commercial, infrastructure, defence, telecommunications, industrial, energy and utilities work across Australia

This strategy was significantly progressed via the successful acquisitions of Heyday and Datatel and also through SCEE's organic diversification initiatives. A further part of the strategy has been to focus on increasing the level of recurring, services and maintenance work to enhance the consistency of earnings

The acquisition of Trivantage represents significant further steps in the successful execution of this strategy:

- **Further end market diversification** - through exposure to the resilient supermarket sector and a greater presence in Victoria and Queensland
- **Increasing recurring, services and maintenance revenue streams** - circa 75% of Trivantage's revenues are derived from existing relationships as an approved contractor/preferred supplier
- **Diversifies group capabilities** - with sharing of best practices between business units and potential synergies
- **Further cross-selling opportunities** - particularly with the addition of high-quality switchboard design and manufacturing capability

# Transaction highlights and strategic rationale



The acquisition of Trivantage is consistent with SCEE's strategy and will deliver significant benefits for shareholders including:

- **Aligned operating model** – strategically aligned business model and complementary focus on electrical services
- **Recurring service and maintenance** – provides SCEE with greater exposure to recurring service and maintenance work
- **Diversification benefits** – further diversification across sectors, customers and geographies delivering deepening exposure to commercial and social infrastructure markets
- **Cross-selling opportunities** – potential synergies and opportunity to further leverage the combined group's customer relationships and skills. Additionally, Trivantage's in-house high-quality switchboard manufacturing capability provides an opportunity to recapture margin and provide an increasingly integrated offering
- **Enhanced scale and relevance** – significantly enhanced scale and geographic coverage with combined pro-forma FY21F revenue of circa \$500m
- **Highly experienced management team and an excellent cultural fit** – strong incentive structure and ongoing alignment underpinned by earn-out acquisition structure
- **Financial benefits** – immediate and significant pro-forma EPS accretion

# 2 Overview of Trivantage

# Overview of Trivantage



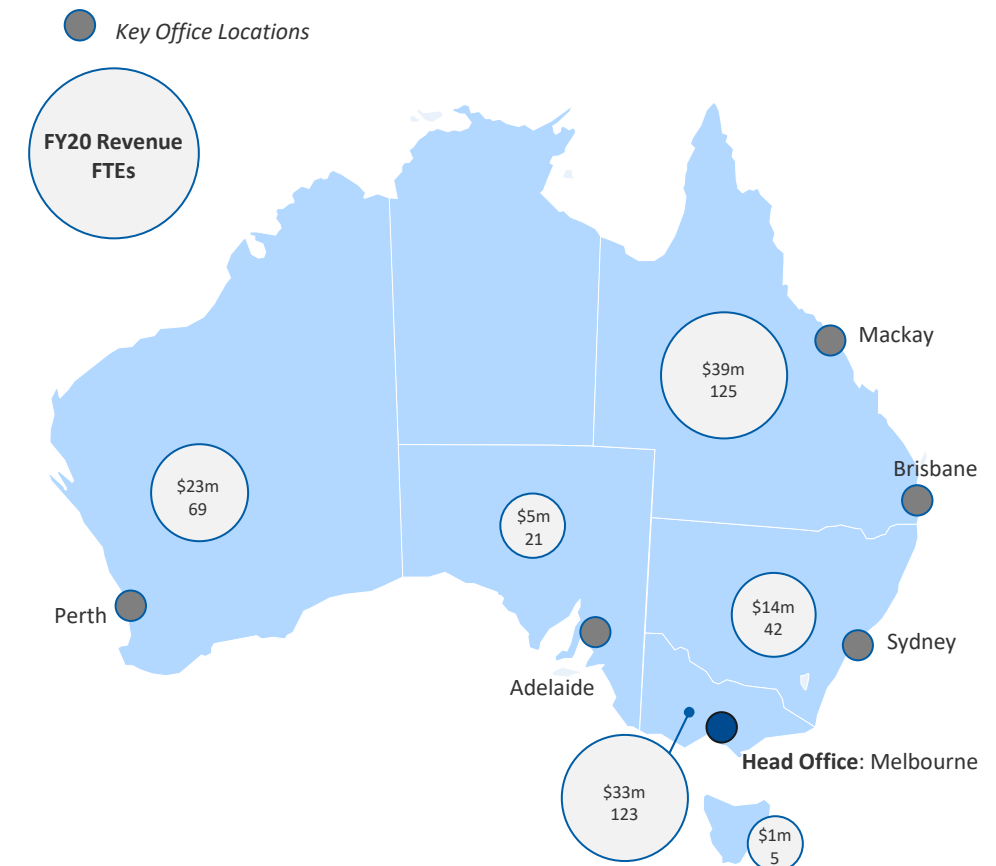
Trivantage is a leading specialised electrical services provider with an over 50 year track record and longstanding relationships with a range of blue chip clients across multiple sectors

## Business Overview

- Trivantage is a Victorian headquartered provider of specialised electrical services across a range of sectors
- The origins of the business span back over 50 years, over which time Trivantage has developed a strong reputation for delivering value-add services under an integrated solution
- Trivantage operates under three divisions:
  - S.J. Electric:** leading provider of electrical services solutions to the commercial and retail sector
  - SEME Solutions:** provider of electronic security access across the law enforcement, custodial, industrial, resources and health sectors
  - Trivantage Manufacturing:** leading manufacturer of premium quality switchboards to a range of end users
- The group employs circa 400 full-time employees/sub-contractors including tradespeople, engineers, project managers, apprentices, estimators and executive management
- Trivantage has a highly experienced management team with an average tenure of circa 20 years with the business. The team is led by Russell Stanley who has over 40 years experience in the business and has a deep knowledge of the sectors in which Trivantage operates
- Trivantage is currently expected to generate revenues of around \$130m and normalised EBIT of \$10.8m in FY21



## Geographic Footprint<sup>(1)</sup>



(1) Employees as at June 2020. Victoria includes 14 staff allocated to shared services and head office.



# Divisional overview and capabilities



Trivantage provides a diverse range of high-value electrical services including electrical construction, maintenance and manufacturing and installation of specialist switchboards across three divisions



	Electrical Construction and Maintenance	Electronic Security and Access Systems	Switchboards
Division			
Services	<ul style="list-style-type: none"> <li>Installation of electrical infrastructure and commercial refrigeration</li> <li>Complete service solutions including prioritised break-down, preventative maintenance, comprehensive maintenance and small ad-hoc projects</li> </ul>	<ul style="list-style-type: none"> <li>Installation and maintenance of access control, perimeter detection, CCTV, duress and intercom systems</li> <li>Project management with complete turnkey solutions for specialist services, with a team on standby to dispatch technicians 24 hours, 7 days a week</li> </ul>	<ul style="list-style-type: none"> <li>In-house switchboard manufacturing facilities to develop and deliver premium quality custom made switchboards and kiosk substations</li> <li>Manages all design, sheet-metal, powder-coating and assembly work in-house under strict quality control, ensuring production standards and deadlines are met</li> </ul>
Sectors / Clients	<ul style="list-style-type: none"> <li>Leading Australian supermarkets, retailers and facilities management providers</li> </ul>	<ul style="list-style-type: none"> <li>Law enforcement, custodial, industrial, resources and healthcare</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure, supermarkets and utilities</li> </ul>
Client Snapshot			
FY20 Revenue Contribution			

# Strong management team



Trivantage is run by a highly experienced and senior management team, many of whom have longstanding ties to the business and will remain with the business following acquisition



**Russell Stanley**  
CEO



- Group CEO and has been Executive Director of S.J. Electric since 2015
- Appointed as Director of Trivantage Group in 2008 after being part of the Board of Directors of S.J. Electric Australia since 2001
- Was previously Managing Director of its QLD operations (1984-2001), NSW operations (1990-2001) and WA operations (1994-2001)



**Ben Weston**  
CFO



- Appointed to the role in October 2014 after holding the position of Financial Controller since joining in 2011
- Evolved Trivantage's finance function by implementing better risk management practices and introducing cost saving initiatives led by a centralisation of shared services
- Previously a Manager at KPMG (circa 6 years tenure) and is a Chartered Accountant



**Dragan Jancic**  
Divisional General Manager – SEME Solutions



- Appointed to the role in May 2017
- Experience in leading the execution of sales and operations teams nationally with previous roles at Vitalcare (Sales & Marketing Director) and Ascom Australia (National Sales Manager)
- Extensive industry experience in wireless communications, intercom systems and health technology



**Denis Jackson**  
Divisional General Manager – Trivantage Manufacturing



- Appointed to the role in July 2016
- Extensive manufacturing experience in low and medium voltage markets holding previous General Manager roles at LAI Switchboards Australia and PSG Manufacturing
- Maintains a large national customer network with suppliers, electrical consultants and end-users



**Paul Stanley**  
Divisional General Manager – S.J. Electric



- 39 years with S.J. Electric and has led the Commercial Refrigeration sector for 15 years
- Responsible for QLD operations since 2013 and continues to manage the Commercial Refrigeration sector nationally
- Recognised industry leader in the Electrical Refrigeration industry with significant long-term relationships



**John Dover**  
Group Commercial Manager



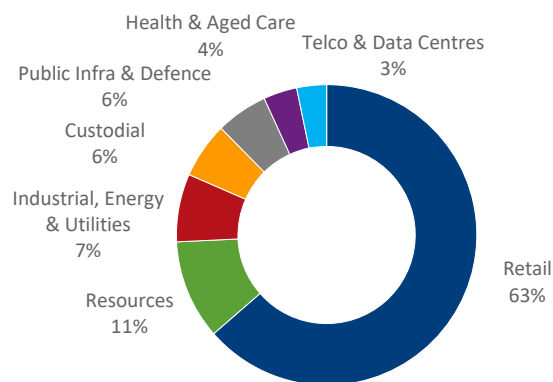
- Experienced commercial manager and professional in construction law with over 20 years experience in the construction industry
- Involved in executive level advice and decision making
- Holds a Masters in Commercial Law and Graduate diploma in Construction Law

# Diversified business mix with service focus



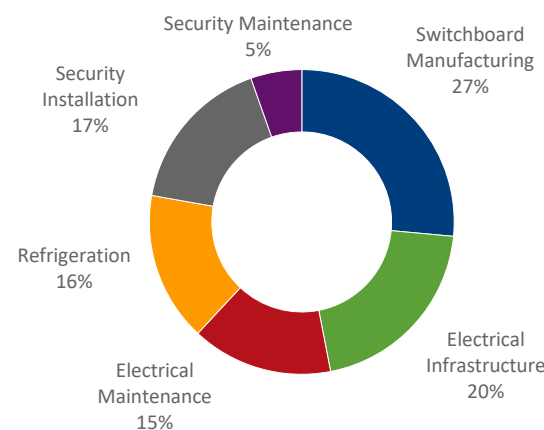
Trivantage has strong technical capabilities in delivering business critical services across a range of markets including supermarkets, custodial, datacentres, healthcare and municipal services

### FY20 Revenue by End Markets



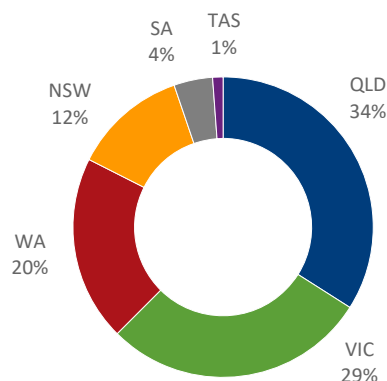
- Diversified end market exposure
- Retail sector represents the largest end market (over 60% of revenue) which is underpinned by longstanding relationships with core customers such as Coles and Woolworths

### FY20 Revenue by Capability



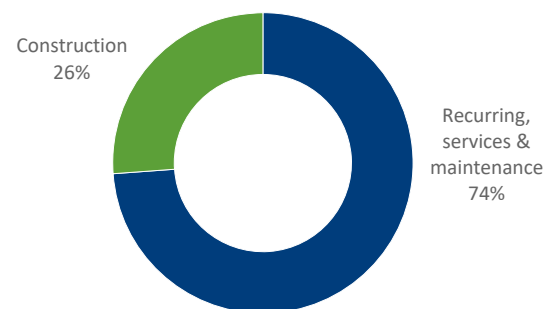
- Strong diversification across services lines
- Switchboard manufacturing represents the largest contributor of revenue, followed by electrical infrastructure

### FY20 Revenue by Geography



- National presence
- VIC and QLD represent the largest states and contribute over 60% of revenue

### FY20 Revenue by Type

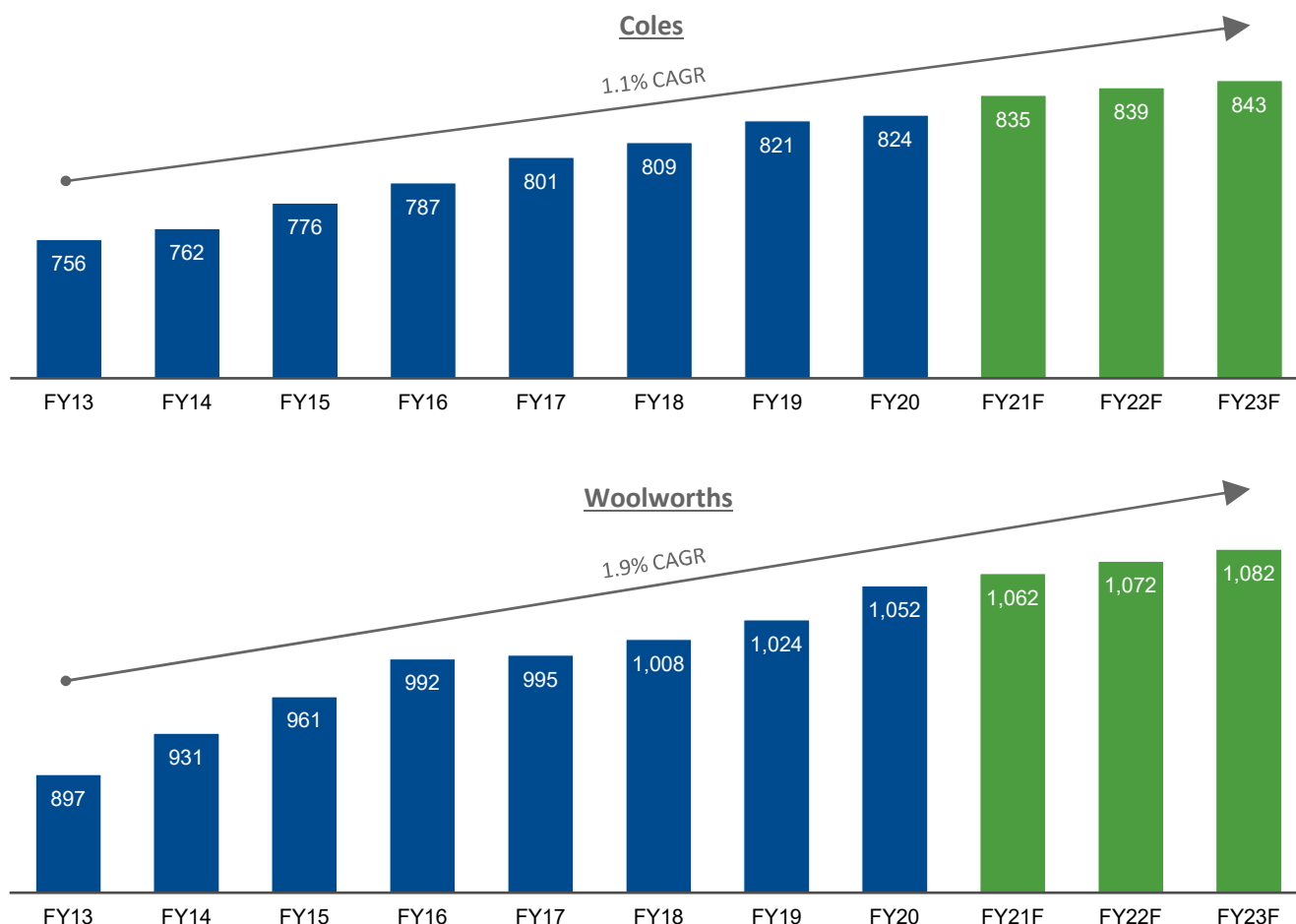


# Strong market fundamentals



Australia's largest supermarkets continue to invest in their store networks, with spend on new stores and refurbishments being relatively stable over the past 3 years. As a leading provider to this sector, Trivantage is well placed to benefit from ongoing investment which is expected to remain strong

## Supermarket store network



Source: Broker Research, Company Filings.

## Commentary

- Capital investment is expected to remain strong in the near term, with Coles in particular increasing its spend following a period of under-investment during its ownership by Wesfarmers
- Woolworths has invested heavily in IT and store renewals after launching its Renewal & Upgrade program in late 2015 which is expected to continue through to FY21. Whilst Woolworths' pace of renewals is now moderating, the business is still targeting 60-80 store refurbishments per year in the medium term
- Both Coles and Woolworths are also investing strongly in new store formats/fit out options to address evolving consumer demands and particularly with respect to fresh food offerings, which will continue to drive spend in the sector
- Trivantage's forecast earnings derived from Woolworths and Coles is expected to be underpinned by consistent and robust medium-term capital spend targets

# 3 Combined Group profile

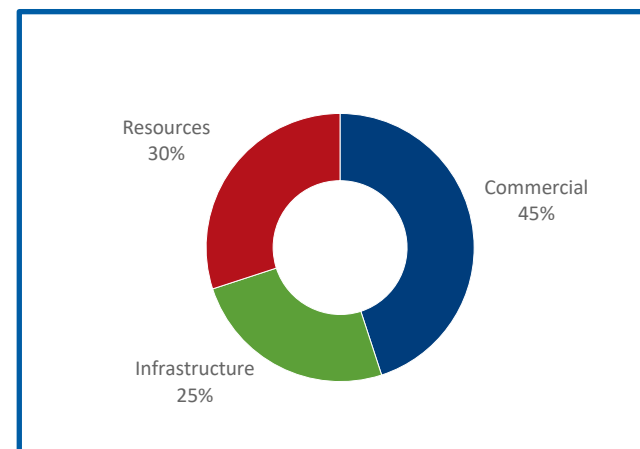
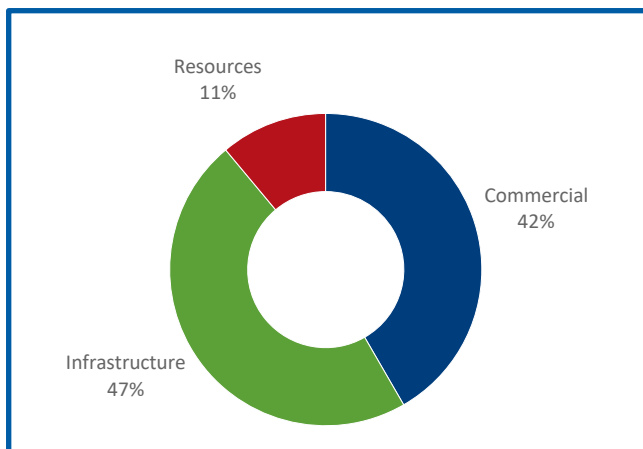
# Increased diversification

A combination of SCEE and Trivantage will create a more balanced and diversified electrical contractor with greater exposure to recurring service and maintenance work and an enhanced national footprint

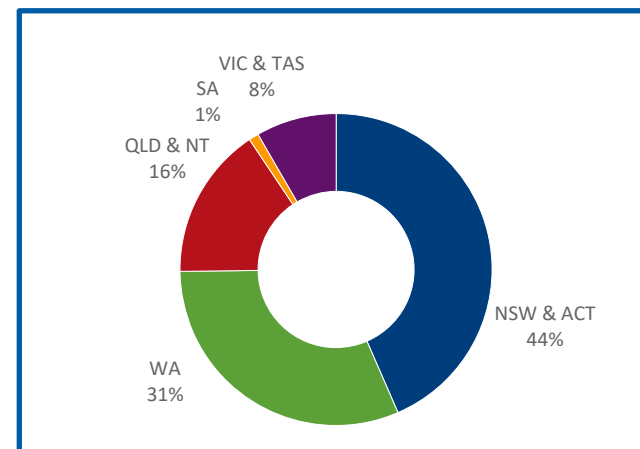
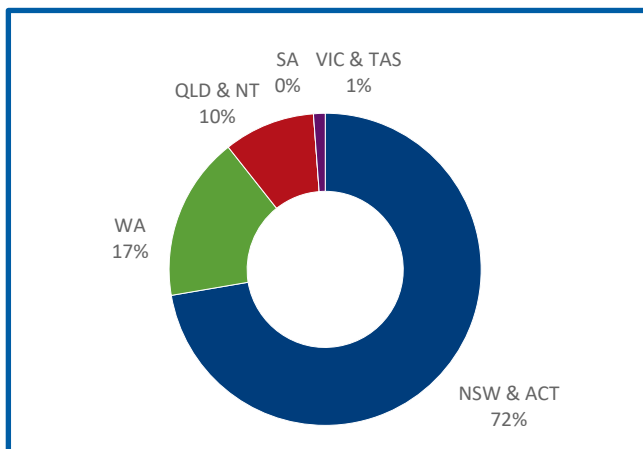
FY20 SCEE stand-alone

FY21 Proforma Budget Combined Group

Revenue by Sector



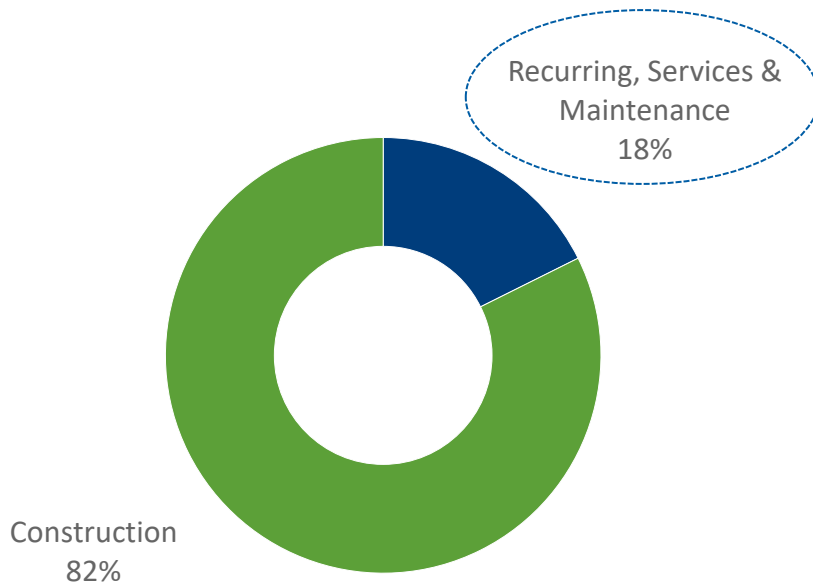
Revenue by State



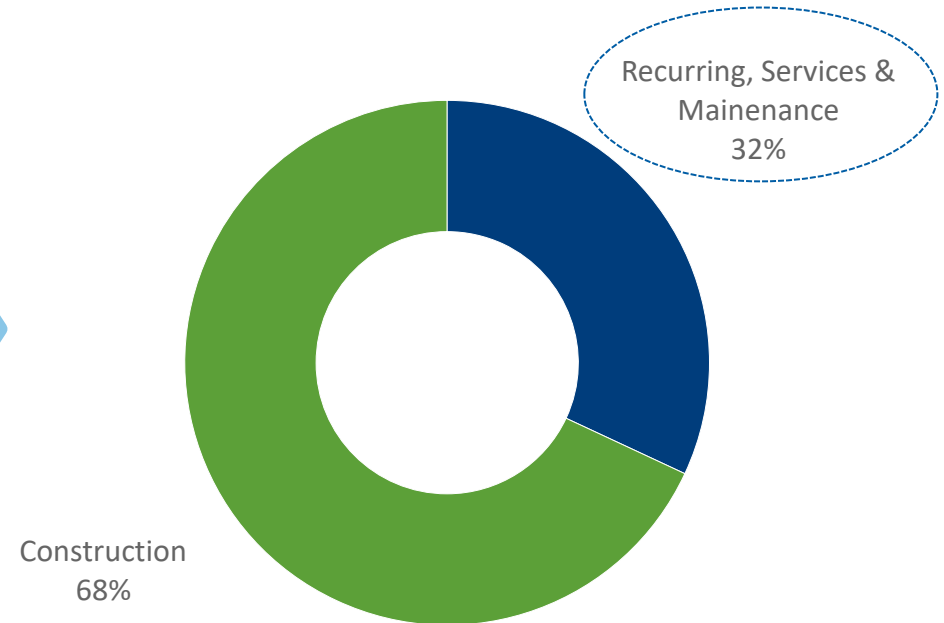
# Recurring, services and maintenance work

The transaction presents a transformational change in the breadth and depth of the Group's recurring, services and maintenance offerings

**FY20 SCEE stand-alone revenue**



**FY21 Proforma Budget Combined Group**



- Acquisition substantially increases SCEE's exposure to recurring and service & maintenance style work, providing greater forecast revenue visibility
- Opportunity to consolidate SCEE's existing service and maintenance offering into Trivantage, creating a national and multi-sector services platform

# Synergies and cross-selling opportunities



The transaction is likely to generate strong synergies and cross-selling opportunities, examples of which are outlined below

- Opportunity to supply Trivantage switchboards across the SCEE, Datatel and Heyday businesses
- Potential to offer widened scopes in retail sector
- Potential to offer Trivantage security and access control systems into commercial projects
- Cross-selling opportunities across existing Datatel government and educational customer base
- Opportunities for Datatel to deliver fibre related works currently subcontracted out by Trivantage
- Knowledge sharing across combined group in business development and estimation
- Overhead savings through combining back office functions





# Appendix



# Detailed transaction terms



<b>Acquisition</b>	<ul style="list-style-type: none"> <li>Acquisition of 100% of Trivantage Holdings Pty Ltd</li> <li>Due diligence finalised</li> <li>Completion is expected to occur in mid-December 2020</li> </ul>
<b>Consideration</b>	<p>Up to a total of \$53.5m payable as follows and on a debt free basis:</p> <ol style="list-style-type: none"> <li><b>Deal Completion Initial Cash Consideration</b> \$25.0m in cash at completion</li> <li><b>FY21 Results Confirmation Payment</b> Following confirmation that Trivantage FY21 EBIT is equal to or greater than \$10.1m:             <ol style="list-style-type: none"> <li>\$10.0m in cash; and</li> <li>\$5.5m in SCEE shares (refer further details below)</li> </ol> <p>If FY21 EBIT less than \$10.1m elements 2(a) and 2(b) each reduced on a pro-rata basis to nil at EBIT of \$4.0m. If FY21 EBIT greater than \$10.1m then incremental EBIT above \$10.1m added to FY22 EBIT for purpose of calculating FY22 earn-out consideration 3(a) below</p> </li> <li><b>Earn-out: Deferred Consideration</b> <ol style="list-style-type: none"> <li>\$4.0m in cash if Trivantage EBIT result for FY22 is equal to or greater than \$10.1m</li> <li>\$4.0m in cash if Trivantage EBIT result for FY23 is equal to or greater than \$10.1m</li> </ol> <p>To the extent that EBIT is below \$10.1m in either FY22 or FY23, the Deferred Consideration payment in that year would be calculated based on the following formula reducing the payment to zero: \$4.0m less 5 x (\$10.1m less actual EBIT)</p> </li> <li><b>Earn-out: Outperformance Consideration</b> <ol style="list-style-type: none"> <li>Up to \$1.7m of cash payable if Trivantage EBIT results for FY22 is equal to or greater than \$11.4m. Reduced on a pro-rata basis down to nil at EBIT of \$10.1m</li> <li>Up to \$3.3m of cash payable if Trivantage EBIT results for FY23 is equal to or greater than \$14.4m. Reduced on a pro-rata basis down to nil at EBIT of \$10.1m</li> </ol> </li> </ol>
<b>Terms of SCEE Share Issue</b>	<ul style="list-style-type: none"> <li>SCEE shares issued under FY21 Results Confirmation Payment will be ordinary fully paid shares in SCEE</li> <li>Shares issued at the VWAP over the 10 trading day period commencing 5 trading days before announcement</li> <li>50% of SCEE shares will be escrowed for 12 months from completion, and remaining 50% escrowed for 24 months from completion</li> </ul>
<b>Vendor Involvement</b>	<ul style="list-style-type: none"> <li>Vendors that are currently executives of Trivantage will continue in their same executive roles with SCEE post-completion</li> <li>Paul Chisholm (significant shareholder and current Chairman of Trivantage) to be invited to join the SCEE Board</li> </ul>
<b>Condition Precedent</b>	<ul style="list-style-type: none"> <li>Completion of the transaction is only conditional on there being no material adverse change in the period prior to completion</li> </ul>

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