Market Update

7 June 2022

ASX & media announcement
ASX code: SXE

Highlights

- **Further record half of revenue in H2 FY22 anticipated**
- **Upgrading FY22 full year forecasts to revenues of circa $550m and EBITDA of over $34m**

Market Update

The Board of Southern Cross Electrical Engineering Limited ("SCEE Group") wishes to update the market in relation to trading in FY22.

As discussed in our 13 April 2022 announcement to the ASX, the March quarter had seen a record level of activity for the Group. However this current quarter is expected to exceed even that, which means we are now forecasting FY22 full year revenues of circa $550m driven by our record Group workforce of around 2,000.

Accordingly the company wishes to upgrade its EBITDA guidance (given at the start of the financial year, and reaffirmed at the half year results), from a range of $29-33m to now being confident that we will deliver a record full year EBITDA of over $34m in FY22.

Starting with the resources sector in WA which has driven a significant part of this activity, each of our Rio Tinto Gudai-Darri, MARBL Kemerton Lithium Plant and BHP Villages Security projects have been at peak levels for us and are performing well. The reopening of the WA borders in early March has not led to any significant coronavirus related disruptions for us, as was feared as potentially possible at that time, and in fact the border reopening has enabled us to access further pools of labour from the East Coast.

This outperformance in WA has more than offset the subdued activity from earlier in the year in NSW and the ACT resulting from the coronavirus impacts on the construction industry there and which took some time to unwind. Notwithstanding, our Heyday business has continued to win significant commercial and infrastructure projects in its geographic markets and is well set up to perform strongly over the next few years.

In their first full financial year under our ownership all three of the Trivantage businesses are running ahead of forecast and will exceed all of their FY22 earn-out targets.

SCEE is forecasting to end the year with over $45.0m of cash (30 June 2021: $51.0m) and no debt. This is after funding a further $10.0m for the acquisition of Trivantage, paying $12.7m of dividends and providing the working capital for the major resources projects being still at high activity levels. It should be noted there can be greater volatility with cash forecasts given predicting the timings of receipts and payments.

The order book is still under evaluation but will exceed at least $500m at the start of FY23, a significant component of which is our large-scale and long-term East Coast infrastructure projects.

Finally, the Board notes that the above results are still subject to final audit.

Comment

Commenting on the above, SCEE Group Managing Director Graeme Dunn said "I am delighted by the performance of our family of businesses in a year in which there have been significant challenges to some of them. That the Group is able to absorb these impacts and still produce a record performance is the demonstration of the resilient organisation we have now become.

Whilst there are macro issues to be aware of, looking across our markets there are many areas where the outlook is strong. Last week our Board undertook a site visit to our Western Sydney International Airport project which is only at a very early stage for us. The airport and the associated Aerotropolis around it has already attracted tens of billions of dollars of public and private investment and is an area where SCEE is well positioned to maximise activity in coming years and yet this is only one opportunity to which the Group is exposed."

Authorised for release by Graeme Dunn – SCEE Group Managing Director

Contact

SCEE Perth Office
Level 15, 225 St Georges Terrace
Perth WA 6000
T: +61 8 9236 8300

Graeme Dunn
CEO & Managing Director
E: graeme.dunn@scee.com.au

Colin Harper
Company Secretary
E: colin.harper@scee.com.au