31 August 2022

Full Year Results Announcement

- **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**
- **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, up 25% on prior year including 1.0 cps interim**
- **Recurring revenues from services, maintenance and framework agreements now circa 30% of activity**
- **Targeting FY23 EBITDA in the range of $36m-$38m**
- **Acquisition targets offering geographic diversification and new capabilities being explored**

Southern Cross Electrical Engineering Limited ("SCEE Group") today released its results for the year ended 30 June 2022.

In FY22 SCEE Group has delivered a year of record revenue and profitability.

Financial Results

Revenue for the year of $553.3m was a record for the Group, up 49.5% on the prior year, driven by a significant increase in activity in the resources sector and the inclusion of a full year of revenue from the Trivantage businesses which were acquired in December 2020. Revenue in the second half of FY22 of $300.3m represented a third consecutive record half of revenue.

Revenue contribution by sector was as follows:

- Resources – revenue for the year was $282.5m, more than double the $129.5m in the prior year, making resources the largest sector for the first time since FY18. This growth was primarily driven by high levels of activity at the MARBL JV Kemerton Lithium Plant, Rio Tinto Gudai-Darri and the BHP Villages Security projects and also included contributions from the Rio Tinto Tom Price Battery Energy Storage Facility, general works for Rio Tinto and BHP and under framework agreements at the Sino Iron and Newmont Boddington mine sites.

- Commercial – revenue for the year was $166.9m, compared to $164.7m in the prior year. Activity for the year was significantly behind planned levels with coronavirus and weather related disruptions on the east coast resulting in works being delayed, although volumes had returned to more normal levels by year end. Key contributors in the year included the Sandstone Education Building project, the Commonwealth Bank Place Sydney North Building fitout in Sydney, ongoing works at Parramatta Square and Trivantage's national supermarket services business providing a full year of revenue in 2022.

- Infrastructure – revenue for the year was $103.9m, up from $76.0m in the prior year. Heyday commenced work on the Multiplex Western Sydney International Airport project, which at over $100m was the largest award in the Group's history. Work continued throughout the year on the Sydney Metro Pitt Street Station project and the Next DC S3 data centre. SCEE Electrical continues to deliver works under the Ergon Energy Queensland Service Agreement while the contribution from Trivantage included projects in the water and prison sectors.

Gross profit for the year of $72.5m was up 24.6% on the prior year. The FY21 gross profit of $58.2m included JobKeeper receipts of $8.1m. Excluding JobKeeper gross profit was up 44.7% and gross margins were 13.1% in FY22 compared to 13.5% in the prior year.

Overheads were $38.3m compared to $29.5m in the prior year with the increase due to the inclusion of Trivantage overheads for a full year in FY22 and the requirement to support higher activity levels in the current year. As a percentage of revenue overheads decreased from 8.0% in FY21 to 6.9% in the current year.

EBITDA for the year of $35.3m was also a record for the Group and was up 19.3% on the prior year EBITDA of $29.6m which included $8.9m of JobKeeper receipts.

The Trivantage businesses continue to outperform expectations and achieved FY22 earn-out targets in full. The FY23 earn-out targets are also now expected to be fully achieved and an additional $2.3m of deferred acquisition consideration for that has been provided for in the year. Amortisation of intangibles from the acquisition was $2.2m, compared to $1.6m in FY21.

Net profit after tax of $15.3m was up 10.9% on the prior year NPAT of $13.8m.

The Board has declared a fully franked final dividend of 4.0 cent per share. Together with the fully franked interim dividend of 1.0 cents per share, the full year dividend of 5.0 cents per share represents an increase of 25% on the prior year.

The year-end cash balance of $53.1m was an increase on the opening balance of $51.0m despite funding Trivantage deferred consideration of $10.0m and dividend payments of $12.7m during the year. The Group remains debt free.

Capital expenditure for the year was $3.2m and is expected to remain at these low levels.

Subsequent to 30 June 2022, a full and final settlement of the dispute with Decmil Group Limited regarding the subcontract for works at Rio Tinto's Amrun mine project in Queensland has been agreed in line with our accounting position and the arbitration proceedings concerning the dispute have been terminated.

Operational

The Group's record revenue and profitability was delivered by a record workforce which peaked at over 2,000. With a large proportion of the workforce being required to service the high level of resources activity in WA, the ability to meet these recruitment targets in a competitive labour market and with the added challenge of interstate border closures for part of the year is a credit to the organisation.

Performing our work safely remains of the upmost importance and great pride is taken in the fact that our SCEE Electrical business has now gone over 18.7 million man-hours and nearly 20 years without a Lost Time Injury in Australia.

It was pleasing to have the quality of our work acknowledged by our industry with SCEE Electrical's Rio Tinto Gudai Darri project being the state winner of the "Industrial Large Project Award 2022" at the WA National Electrical and Communications Association ("NECA") Excellence Awards. At the NSW NECA Excellence awards Heyday's apprentice Bailey Gronau was awarded "Apprentice of the Year for 2021".

Integration activities continued to progress during the year. In November the WA businesses of SCEE Electrical, Datatel and Trivantage co-located in our new Perth CBD head office and have subsequently also combined warehouse facilities. We immediately saw the benefit of this with the businesses working together to successfully win and deliver the BHP Villages Security project. Trivantage Manufacturing commenced the provision of switchboards to group projects during the year. We continue to see significant opportunity to further cross-sell services in the Group and deliver increased capability to our clients.

Outlook

For FY23 revenues are expected to be similar to FY22 with the large resources projects completing in the first half of FY23 and not being immediately replaced. However, EBITDA is forecast to increase to a range of $36m-$38m due to a more profitable project mix.

The year-end order book was $565m, which was another record, up 31.4% from the start of the year and with the Group continuing to win work across its core markets.

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 is ongoing with further opportunities presenting on the Sydney Metro programme.

The broader infrastructure pipeline remains strong with record levels of infrastructure spend sanctioned across Australia.

In the resources sector work will complete on key FY22 projects in the first half of FY23 and there is a long tail of smaller opportunities in the sector across many commodities.

In the commercial sector the pipeline in Sydney is growing again with new awards anticipated soon. The Sydney Central Precinct Renewal Program and Technology Hub is expected to generate multiple commercial opportunities for Heyday. For Trivantage, Woolworths and Coles continue to invest heavily in efficiencies, store renewals and new store formats and work has recently been secured with Aldi.

The Group's workforce remains adequate to service client requirements, although certain areas of tightness in the labour market may mean that some opportunities may not be maximised.

The Group continues to manage the impact of inflationary pressures on its operations. The typically short time between tender submission and project mobilisation helps ensure accurate costings and, while in many sectors most materials are free issued by the client, in those that are not, prices are generally fixed with suppliers on or before award. A large proportion of the Group's workforce are employed under Enterprise Bargaining Agreements and as such labour rates are known over the duration of contracts.

No significant impact from coronavirus is currently anticipated in delivering the 2023 forecasts, however the business continues to monitor this risk.

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; and
- 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.

Comment

Commenting on the full year results, SCEE Group Managing Director Graeme Dunn said "I am delighted to report a year of record revenue and profitability for the SCEE Group. We have now delivered three consecutive halves of record revenues since the acquisition of the Trivantage businesses, which continue to outperform expectations.

The resilience of our organisation and the success of our diversification strategy has again been demonstrated by the Group achieving this record result despite significant parts of the business being impacted during the year by coronavirus disruption and weather events on the east coast. This was more than offset by the high levels of activity in the resources sector.

With a record year end order book, significant opportunity pipeline and strong cash position I am confident in our ability to deliver another year of record profitability in 2023."

Authorised for release by Graeme Dunn – SCEE Group Managing Director

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