

28 February 2023

Half Year Results Announcement

- Revenue \$255.4m (H1 FY22: \$253.0m) up 1.0% on PCP
- EBITDA \$19.0m (H1 FY22: \$14.1m) up 34.7% on PCP
- EBIT \$14.4m (H1 FY22: \$9.8m) up 47.2% on PCP
- NPAT \$9.7m (H1 FY22: \$6.7m) up 45.4% on PCP
- Record cash balance \$70.3m up 32.3% on 30 June 2022 and no debt
- Fully franked 1.0 cps interim dividend declared
- Maintaining FY23 EBITDA forecast in the range of \$36m-\$38m
- Acquisitions offering geographic diversification and new capabilities being actively explored

Southern Cross Electrical Engineering Limited (“SCEE Group”) today released its results for the half year ended 31 December 2022.

Financial Results

Revenue for the half year of \$255.4m was up 1% on the prior corresponding period revenue of \$253.0m.

Revenue contribution by sector was as follows:

- Resources – revenue for the period was \$100.9m, compared to \$126.4m in the prior corresponding period. Resources remained the largest sector in the half due to the large projects that drove FY22 activity having a longer tail than anticipated. The MARBL JV Kemerton Lithium Plant project was successfully closed out and the main scope at the Rio Tinto Gudai-Darri project was finalised with minor additional works ongoing. The BHP Villages Security project, which utilised capabilities across the group, was also completed in the period. The Juwi Northern Goldfields Solar Project is progressing well and general works continued for Rio Tinto and BHP and under framework agreements at the Sino Iron and Newmont Boddington mine sites.
- Commercial – revenue for the period was \$82.5m, compared to \$80.9m in the prior corresponding period. Construction activity in NSW continued to experience some weather impacts in the early part of the period. Key contributions in the half year came from



Trivantage's national supermarket services business and the Sandstone Education Building project and the Commonwealth Bank Place Sydney North Building fitout in Sydney.

- Infrastructure – revenue for the period was \$72.1m, up from \$45.7m in the prior corresponding period. Activity on the Multiplex Western Sydney International Airport project is ramping up while other key projects in the sector included the Sydney Metro Pitt Street Station project and the Next DC S3 data centre in NSW, the Ergon Energy Queensland Service Agreement and the supply of the Westgate Tunnel switchboards in Victoria.

Gross profit for the period of \$38.9m was up 16.9% on the prior corresponding period gross profit of \$33.3m. Gross margins were 15.3% in H1 FY23 compared to 13.2% in the prior corresponding period due to a more profitable project mix.

Overheads were \$20.8m compared to \$19.5m in the prior corresponding period.

EBITDA for the half year of \$19.0m was up 34.7% and EBIT of \$14.4m was up 47.2% on the prior corresponding period.

Net profit after tax of \$9.7m was up 45.4% on the prior corresponding period NPAT of \$6.7m and included \$1.1m amortisation of intangibles relating to the FY21 acquisition of Trivantage (H1 FY22 amortisation was also \$1.1m).

The Board has declared a fully franked interim dividend of 1.0 cent per share to be paid on 5 April 2023.

The cash balance at 31 December 2022 of \$70.3m was up 32.3% on the 30 June 2022 balance of \$53.1m and was a record for the group at a reporting period end. The group remains debt free. The increase in cash was driven primarily by strong working capital collection closing out large resources projects and was achieved despite making a record \$10.2m dividend payment and funding the penultimate acquisition payment for Trivantage of \$5.7m in the period.

Trivantage continue to exceed budgets and are expected to achieve the final FY23 earn-out payment in full.

Outlook

The order book at 31 December was \$525m, down slightly on the 30 June 2022 order book of \$565m due to the large resource projects being completed and new awards taking longer than originally projected.

As a result of these later than forecast awards FY23 revenues are now expected to be circa 10% less than FY22. However full year EBITDA continues to be forecast in the range of \$36m to \$38m due to the more profitable project mix.

Multiple contract awards across the group's sectors are anticipated in the coming months and are expected to drive a return to higher volumes in FY24 with growth in the commercial and infrastructure sectors covering the lower resources activity.

The infrastructure sector continues to be the largest component of the order book. The Western Sydney International Airport project has now commenced and will run for several years with potential for scope growth. The Sydney Metro Pitt Street Station project is ongoing with further near term opportunities on the Sydney Metro programme.

A number of opportunities are presenting for data centre and hospital developments in NSW and we are positioning in the medium term for the commencement of spending ahead of the Brisbane

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

In the commercial sector activity in NSW is picking up after being impacted by coronavirus and weather in the prior year. The Atlassian HQ Building electrical services contract was announced in September and the Sydney Central Precinct Renewal Program and Technology Hub is expected to generate multiple commercial opportunities for Heyday in the coming years. For Trivantage, activity levels in the sector are expected to remain high with the major supermarkets continuing to invest heavily in efficiencies, store renewals and new store formats.

Activity in the resources sector will fall back in the second half as the large projects completed in the period have not been immediately replaced. However there remains a long tail of smaller opportunities across many commodities and, following the successful delivery of the BHP Villages Security project, further camps awards are expected in the second half which will again draw on skillsets across the group.

The decarbonisation of the global economy presents SCEE with opportunities across all the sectors in which it operates. The group is exposed to decarbonisation activity through three avenues being, supporting the decarbonisation of resources operations, assisting in meeting the demand for commodities required for decarbonisation and offering services across a diverse and growing range of decarbonisation initiatives including green buildings, solar farms, refrigeration power and electric vehicle charging systems.

The group continues to manage the impact of inflationary pressures on its operations with no material impacts experienced to date.

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.

We are actively exploring acquisitions offering further geographic diversification and new capabilities.

Comment

Commenting on the full year results, SCEE Group Managing Director Graeme Dunn said "I am pleased to report another strong set of results for the group. We remain on track to deliver on our full year guidance of EBITDA in the range of \$36m to \$38m despite forecasting that full year revenues will be lower than FY22 due to the completion of larger resources projects in the first half of the year and a later than expected award of new contracts.

With a large opportunity pipeline, particularly in the NSW commercial and infrastructure sectors, and a number of key awards anticipated in the second half, we expect activity to return to high levels in FY24.

The record period end cash balance of \$70.3m was an exceptional result and leaves us well funded for future growth including through further acquisitions where we have a successful track record."

Results webcast

Investors and analysts are invited to attend a results presentation webcast with Graeme Dunn (SCEE Group CEO and Managing Director) and Chris Douglass (SCEE Group CFO) today, Tuesday 28 February 2023 at 11am WST.

Investors and analysts wishing to attend the webcast are required to register at the following link:

<https://edge.media-server.com/mmc/p/f6aowr8k>

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