Half Year Ended 31 December 2022 Results Presentation

28 February 2023

Our businesses

Southern Cross Electrical Engineering Limited ("SCEE Group") is a national electrical, instrumentation, communications and maintenance services company established in 1978 and listed in 2007 (ASX:SXE). The acquisitions of Datatel in 2016, Heyday in 2017 and the Trivantage Group (S.J. Electric, SEME Solutions and Trivantage Manufacturing) in 2020 means the SCEE Group now operates across three broad sectors of Infrastructure, Commercial and Resources

SCEE Electrical is the original operating business, historically focussed on resources and industrial work but more recently diversified into transport, infrastructure, defence, utilities, and renewables

Datatel is a telecoms and communications specialist and provides services to the education, health, government, resources and transport sectors

Heyday is a NSW and ACT-based electrical contractor servicing the commercial and fit-out sectors, and the retail, education, health, hotel, defence, datacentre, and residential sectors

S.J. Electric is a national provider of electrical and maintenance services to supermarkets, and the retail and commercial sectors

SEME Solutions provides electronic security services to the resources, law enforcement, custodial, industrial, and health sectors

Trivantage Manufacturing is a leading manufacturer of premium quality switchboards to a range of end users both internally in the Group and externally to customers

Investment proposition

Blue-chip client base

Rio Tinto
BHP
Multiplex
CPB
Woolworths
Coles

Diversified markets

Resources

Infrastructure

Commercial

Recurring earnings growth

Services

Maintenance

Framework agreements

Decarbonisation theme

Exposure across decarbonisation chain

M&A opportunities

Track record of successful acquisitions

Strong dividend yield

1cps interim dividend declared

Financial highlights

Revenue $255.4m (H1 FY22: $253.0m) **up 1.0%** on pcp

Gross margin percentage 15.3% (H1 FY22 : 13.2%) **up 2.1%** on pcp as more profitable project mix

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

Result includes $1.1m amortisation relating to Trivantage acquisition

Record Cash $70.3m (30 June 2022: $53.1m) **up 32.3%** on prior period end and no debt

Order Book $525m (30 June 2022: $565m) **down 7.1%** on prior period end

Interim Dividend 1.0 cps declared, and fully-franked

** EBITDA and EBIT are non-IFRS financial measures, for a reconciliation to statutory results see Appendix*

Operational highlights

Resources remained largest sector by revenue

Successfully closed-out MARBL Kemerton Lithium Plant project

Finalised Rio Tinto Gudai Darri project main scope with minor additional works ongoing

Cross-group BHP Villages Security Projects completed with more camps works expected in H2

Workforce now 1,300 employees following above demobilisations

Juwi Solar Farms over half complete by period end

Trivantage again exceeded budgets in period

Heyday activity in NSW still experienced some weather impacts but FY23 stronger than FY22

Western Sydney International Airport project ramping up with scope growth anticipated

Awarded Atlassian Australian HQ building electrical services contract

Outlook

H2 Revenue same or slightly below H1 as large resources projects ran longer than expected

FY23 Revenue expected circa 10% less than FY22 as wins for H2 taking longer than forecast

FY23 EBITDA still forecast in range $36m-$38m as project mix is more profitable

Resources sector has long tail of smaller opportunities in many commodities

Commercial and Infrastructure growing post-covid to cover Resources falling back

Anticipating multiple awards in Sydney in H2 - commercial buildings, data centres, hospitals, rail

Sydney awards will drive return to higher activity levels in FY24

Inflationary pressures managed and not experiencing significant issues

Decarbonisation opportunities growing part of tender pipeline across group

Acquisitions offering geographic diversification and new capabilities being actively explored

Profit & Loss

Revenue of $255.4m fell back to similar levels as prior corresponding period

Significant revenue contributors were MARBL Kemerton Lithium Plant, Rio Tinto Gudai-Darri Mine, Pitt Street Metro, Woolworths and Coles

Gross margin percentage of 15.3% up from 13.2% in prior corresponding period as more profitable project mix

EBITDA* up 34.7%, EBIT* up 47.2% and NPAT up 45.4% on prior corresponding period

Result includes $1.1m amortisation relating to Trivantage acquisition

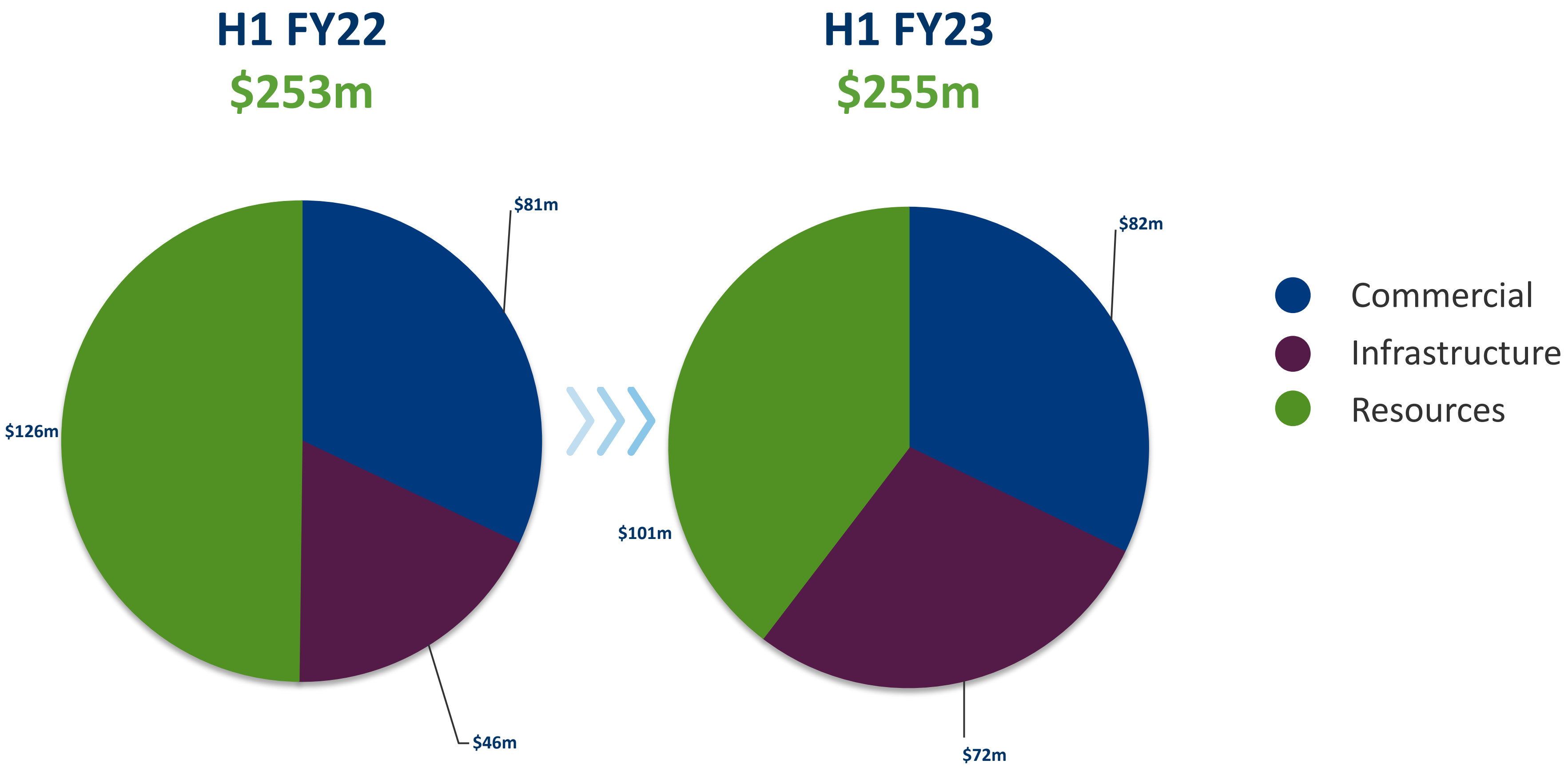
Summary P&L:

	H1 FY23	H1 FY22	%
	$m	$m	
Revenue	255.4	253.0	*1.0%*
Gross Profit	38.9	33.3	*16.9%*
Gross Margin %	*15.3%*	*13.2%*	-
Overheads	20.8	19.5	*7.1%*
EBITDA *	19.0	14.1	*34.7%*
*EBITDA % **	*7.4%*	*5.6%*	-
EBIT *	14.4	9.8	*47.2%*
*EBIT % **	*5.7%*	*3.9%*	-
NPAT	9.7	6.7	*45.4%*
NPAT %	*3.8%*	*2.6%*	-

** EBITDA and EBIT are non-IFRS financial measures, for a reconciliation to statutory results see Appendix*

Revenue split by sector

Resources remained largest sector although down on prior corresponding period with corresponding increase in Infrastructure revenue meaning activity fairly balanced across the three sectors



Half Year 31 December 2022 Results

Record cash and debt free

Record cash of $70.3m (30 June 2022: $53.1m) up 32.3% on prior period end and no debt

Cash result driven by successful close-out of large resources projects and return of working capital

$62.3m of bank guarantees and surety bonds on issue at 31 December out of a total group capacity of $100m leaving a headroom of $37.7m

Franking account balance of $31.4m at 30 June

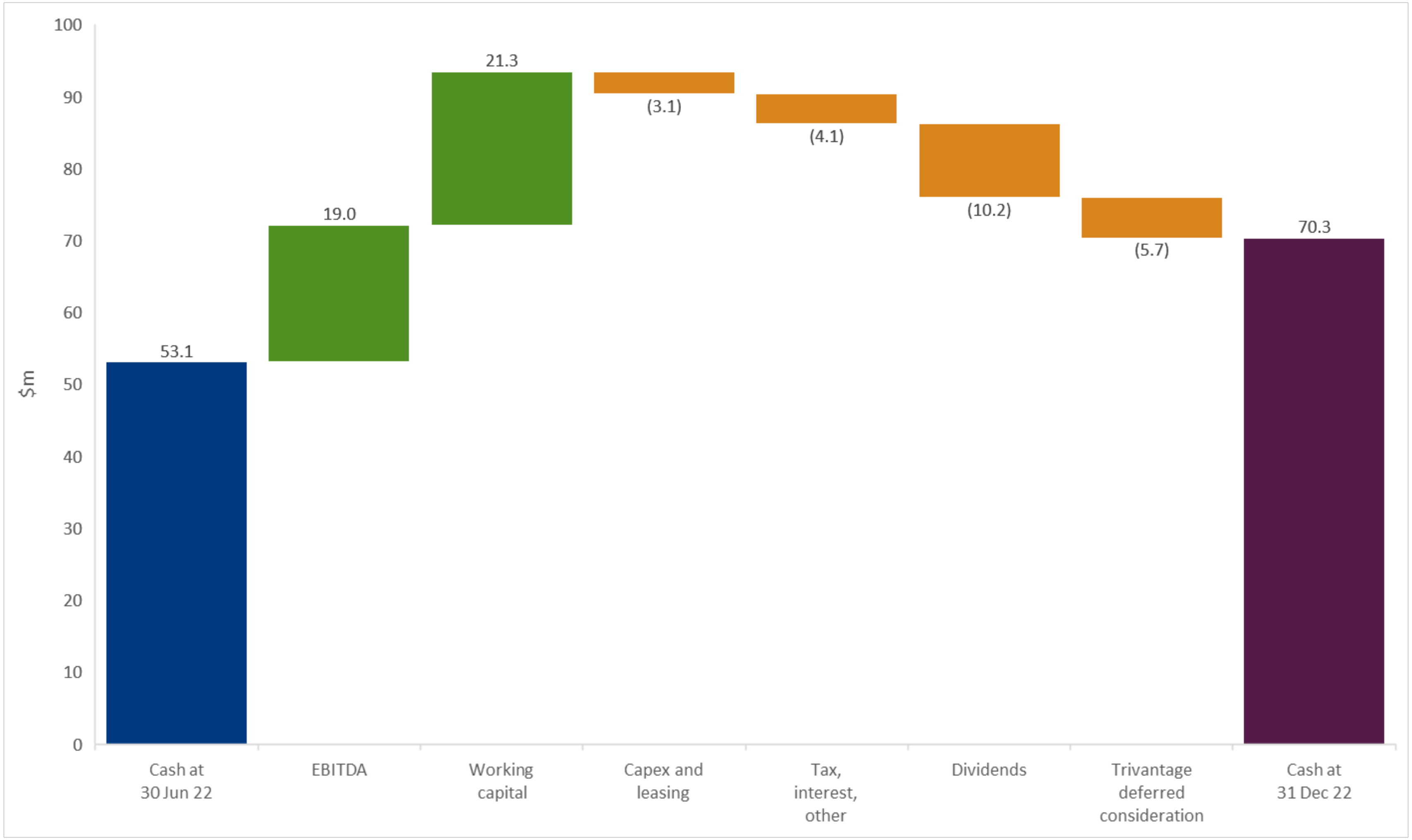
Interim Dividend 1.0 cps declared, and fully-franked, to be paid on 5 April 2023

Balance sheet summary:

	31 Dec 22	31 Jun 22
	$m	$m
Current assets	*185.7*	*201.6*
Non-current assets	*134.5*	*134.3*
Total Assets	320.2	345.5
Current liabilities	*129.6*	*143.9*
Non-current liabilities	*16.5*	*27.4*
Total Liabilities	146.2	171.2
Equity	174.0	174.3

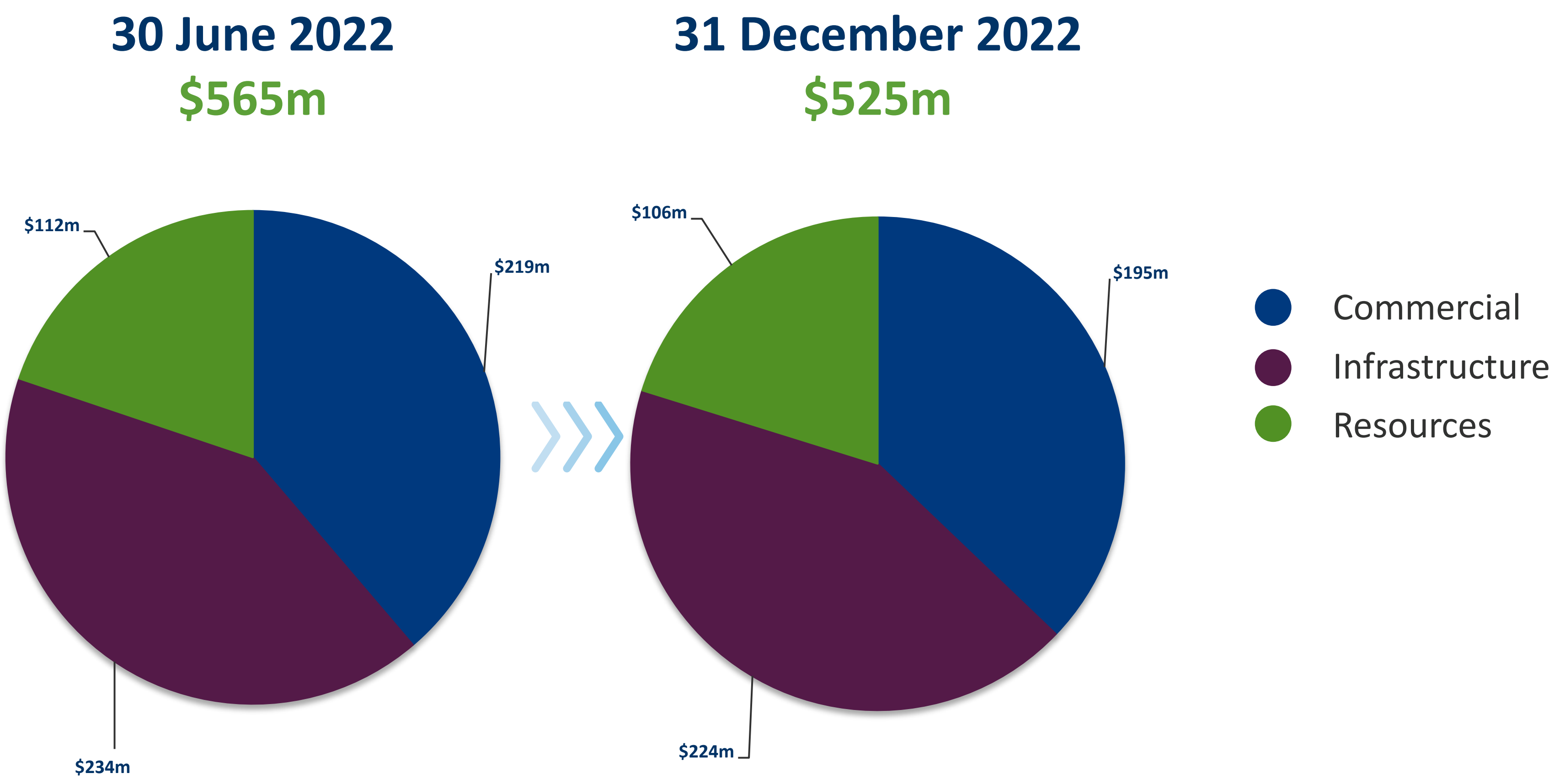
Cashflow

Cash of $70.3m at 31 December exceptional and included having funded in period further $5.7m penultimate acquisition payment for Trivantage, Trivantage having exceeded full earn-out targets, and a record $10.2m dividend payment in October

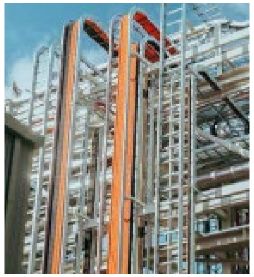


Order book

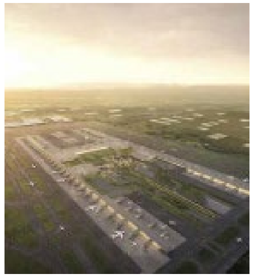
Order book down slightly by 7.1% on prior period end as large resources projects completed and not yet replaced. Infrastructure and commercial largest components of order book as their projects tend to run over longer periods than resources projects



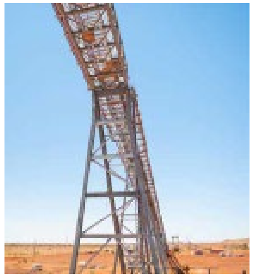
Projects in period



MARBL JV Kemerton Lithium Processing Plant – SCEE Electrical
Over $100m

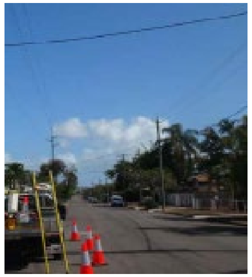


Multiplex Western Sydney International Airport - Heyday
Over $100m



Rio Tinto Gudai-Darri Iron Ore Mine – SCEE Electrical
Over $100m

CPB Sydney Metro Pitt Street Station and Towers - Heyday
Over $70m



Ergon Energy Asset Inspection and Maintenance Services – SCEE Electrical
Over $70m

Coles and Woolworths Supermarkets – S.J. Electric
Over $50m per annum

BOJV Atlassian Australia HQ building – Heyday
Over $35m

Westgate Tunnel Switchboards – Trivantage Manufacturing
Over $10m

Strategy

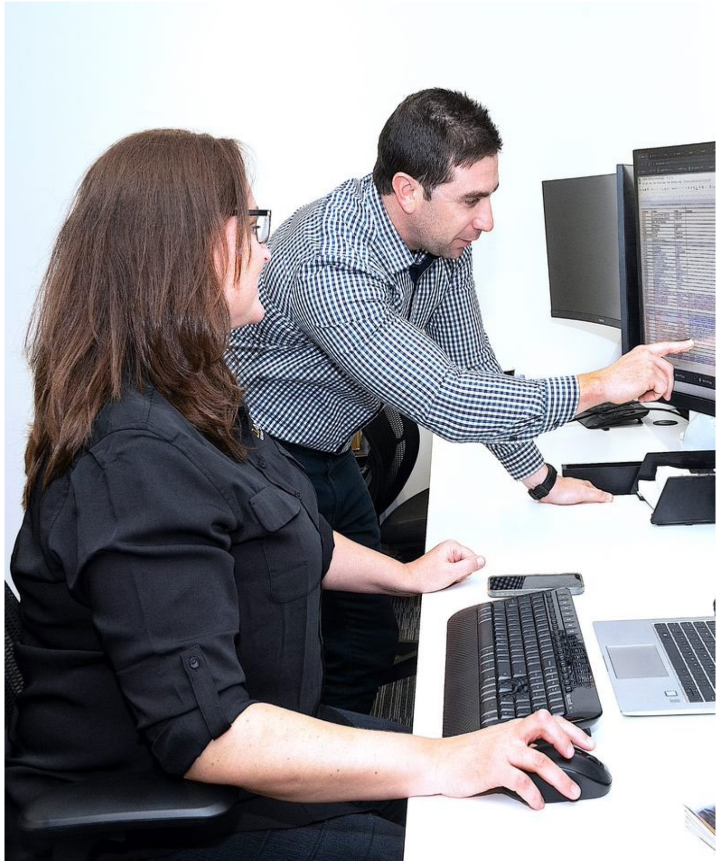
SCEE Group primarily sees itself as an electrical contractor diversified across the resources, commercial and infrastructure sectors

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 decarbonisation of the global economy presents SCEE with opportunities across all the sectors in which it operates

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



Resources sector

Resources remained SCEE's largest sector this half as the large resources projects had a longer tail than initially forecast

Resources will fall back in second half as the large projects are not to be immediately replaced but there is a long tail of smaller opportunities across many commodities

In commissioning phase of Rio Tinto Tom Price battery storage (BESSR) project

Juwi Solar Farms progressing well and over halfway completed at 31 December

Following the completion of the BHP Villages Security Projects further camps works are expected in the second half drawing from skill-sets across the SCEE group

SCEE Electrical business 19.3 million man-hours and over 20 years Lost Time Injury free in Australia

Resources revenue:

	H1 FY23	H1 FY22
	$m	$m
Revenue	100.9	126.4

Infrastructure sector

Sector primarily driven by government spending although some segments have private involvement and includes transport – road, rail and airports, health – hospitals and aged care, utilities – electrical, telco and water, education – universities and schools, ports, defence, prisons, other government facilities and datacentres

Record levels of infrastructure spending sanctioned in Australia

Infrastructure largest component of order book driven by Sydney Metro and Western Sydney International Airport projects

Anticipating further awards at Sydney Metro and scope growth at airport

Datacentre and hospital developments presenting multiple opportunities in NSW

Positioning in medium term for start of spending for Olympics in Brisbane

Other East Coast infrastructure opportunities very strong

Infrastructure revenue:

	H1 FY23	H1 FY22
	$m	$m
Revenue	72.1	45.7

Commercial sector

Commercial sector divides in two parts for SCEE Group:

- Heyday - CBD towers, hotels, retail, and mixed-use developments
- Trivantage - supermarkets electrical services and maintenance

Heyday commercial activity picking up after disruptions of FY22 although weather still had some impacts in first half

Atlassian Australian HQ building electrical services contract announced in September and Sydney Central Precinct Renewal Program and Technology Hub expected to generate multiple commercial opportunities for Heyday in coming years

Commercial awards in Sydney anticipated in second half

Commercial revenue:

	H1 FY23	H1 FY22
	$m	$m
Revenue	82.5	80.9

Decarbonisation

SCEE exposed to global decarbonisation activity through three avenues:

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

Projects demonstrating the current breadth of our exposure include:

- MARBL Kemerton Lithium Plant recently completed
- Rio Tinto Tom Price battery storage (BESSR) almost complete
- Juwi Solar Farms ongoing
- Brisbane Metro electric vehicle infrastructure ongoing; and
- Atlassian Australia HQ Building commencing

Conclusion

Revenue $255.4m (H1 FY22: $253.0m) **up 1.0%** on pcp

Gross margin percentage 15.3% (H1 FY22 : 13.2%) **up 2.1%** on pcp as more profitable project mix

EBITDA* **up 34.7%**, EBIT* **up 47.2%** and NPAT **up 45.4%** on prior corresponding period

Successful close-out of major resources projects

Record Cash $70.3m (30 June 2022: $53.1m) **up 32.3%** on prior period end and no debt

Interim Dividend 1.0 cps declared, and fully-franked

Commercial and Infrastructure growing post-covid to cover Resources falling back

Anticipating multiple awards in Sydney in H2 - commercial buildings, data centres, hospitals, rail

Decarbonisation opportunities growing part of tender pipeline across group

FY23 EBITDA forecast in range of $36m-$38m

Acquisitions offering geographic diversification and new capabilities being actively explored

** EBITDA and EBIT are non-IFRS financial measures, for a reconciliation to statutory results see Appendix*

Corporate summary

Capital Structure	
ASX Code	SXE
Share Price (24 February 2023)	69.0c
No. of ordinary shares	261.4m
Market Capitalisation (24 February 2023)	$180.4m
Number of performance rights	5.1m
Cash (31 December 2022)	$70.3m
Debt (31 December 2022)	Nil
Enterprise Value (24 February 2023)	$110.1m

Shareholders at 20 February 2023	
Thorney Investments	15.8%
First Sentier Investors	9.1%
Other Institutions in Top 30 Shareholders	11.6%
Frank Tomasi	17.9%
Others (Retail, Private, Employees, Directors)	45.6%
Total	100.0%

Appendix – IFRS reconciliation

SCEE's results are reported under International Financial Reporting Standards (IFRS). SCEE discloses certain non-IFRS measures that are not prepared in accordance with IFRS. The non-IFRS measures should only be considered in addition to, and not as a substitute for, other measures of financial performance prepared in accordance with IFRS.

EBITDA and EBIT are non-IFRS measures which do not have any standard meaning prescribed by IFRS and therefore may not be always be comparable to EBITDA and EBIT presented by other companies.

EBITDA represents earnings before interest, income tax, depreciation and amortisation. EBIT represents earnings before interest and income tax. A reconciliation of profit before tax to EBITDA and EBIT is presented in the table on this slide.

	H1 FY23	H1 FY22
	$m	$m
Contract revenue	255.4	253.0
Contract expenses	(216.4)	(219.6)
Gross Profit	**38.9**	**33.3**
Other income	0.9	0.3
Overheads (1)	(20.8)	(19.5)
EBITDA	**19.0**	**14.1**
Depreciation and amortization (2)	(4.6)	(4.3)
EBIT	**14.4**	**9.8**
Net finance expense (3)	(0.3)	(0.9)
Profit before tax	**14.1**	**8.9**
Income tax expense	(4.4)	(2.2)
Profit from continuing operations	**9.7**	**6.7**

(1) Employee benefits expenses, Occupancy expenses, Administration expenses and Other expenses from ordinary activities

(2) Depreciation expense, Amortisation expense and Amortisation of customer contracts and relationships

(3) Finance income, Finance expenses and Change in fair value of deferred acquisition consideration

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