30 August 2023

Full Year Results Announcement

- **Record profitability with EBITDA of $38.2m up 8.1%, EBIT of $29.6m up 10.7% and NPAT of $20.1m up 31.6% on prior year**
- **Record cash balance of $77.7m up 46.3% on prior year and no debt**
- **Record order book of $610m up 8.0% on prior year**
- **Fully franked 4.0 cps final dividend declared giving FY23 yield of 7.5%**
- **Recurring revenues now over 35% of activity**
- **Exposure to electrification and decarbonisation opportunities across operations**
- **Actively exploring acquisition targets offering further geographic diversification and new capabilities**

Southern Cross Electrical Engineering Limited ("SCEE Group") today released its results for the year ended 30 June 2023. In 2023 SCEE Group has delivered record profitability and enters the 2024 financial year with a record cash balance and record order book.

Results for the year ended 30 June 2023

Revenue for the year of $464.7m was down 16% on the prior year's record revenue. Major resources projects at Rio Tinto Gudai-Darri and MARBL JV Kemerton Lithium Plant were successfully completed in the first half and anticipated new accommodation village security awards were either reduced or received later than anticipated.

Recurring revenues from services, maintenance and framework agreements accounted for over 35% of current year activity.

Revenue contribution by sector was as follows:

- Resources – revenue for the year was $168.8m, compared to $282.5m in the prior year due to the Gudai-Darri and Kemerton projects completing in the first half. The BHP Villages Security project, which utilised capabilities across the group, was also completed during the year. The Juwi Northern Goldfields Solar, Rio Tinto Tom Price Battery Storage and BHP Port Debottlenecking projects are ongoing and progressing well. 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 year was $154.9m, compared to $166.9m in the prior year. Construction activity in NSW continued to experience some weather impacts in the early part of the year but is now increasing. Key contributions in the 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 $141.0m, up from $103.9m in the prior year. Activity on the Multiplex Western Sydney International Airport project is ramping up with considerable scope growth already received. Other key projects in the sector included the Sydney Metro Pitt Street Station and University of Western Sydney Bankstown City Campus projects in NSW, the Ergon Energy Queensland Service Agreement and the supply of the Westgate Tunnel switchboards in Victoria.

Gross profit for the year of $76.3m was up on the prior year gross profit of $72.5m. Gross margins increased from 13.1% in FY22 to 16.4% in the current year due to solid project performances and successful close-outs of major resources projects.

Overheads were $39.8m compared to $38.3m in the prior year.

EBITDA for the year of $38.2m was up 8.1% and EBIT of $29.6m was up 10.7% on the prior year and were both records for the group.

Net profit after tax of $20.1m was also a record result and was up 31.6% on the prior year NPAT of $15.3m and included $2.1m amortisation of intangibles relating to the FY21 acquisition of Trivantage (FY22 amortisation: $2.2m).

The Board has declared a fully franked final dividend of 4.0 cents per share to be paid on 11 October 2023. A fully franked 1.0 cent per share interim dividend was paid in April 2023. The fully franked dividend yield for the year was 7.5% based on the share price at 30 June 2023.

The year end cash balance of $77.7m was a record for the group and represented a 46.3% increase on the prior year. The increase was driven by the record profits and return of working capital from completed major resources projects and was achieved despite total dividend payments of $12.7m during the year (net of dividend reinvestment plan participation) and funding the penultimate acquisition payment for Trivantage of $5.7m in the period. The group remains debt free.

The three Trivantage businesses SJ Electric, SEME Solutions and Trivantage Manufacturing each delivered record profits in the current year which resulted in the acquisition earn-out targets being achieved in full. The final deferred consideration payment of $7.3m will be made in September 2023.

Health, Safety and Environment

Delivering our work safely is of paramount importance and we are proud of our strong safety culture. We were Lost Time Injury ("LTI") free across the group's operations in FY23 and our SCEE Electrical business is now over 19 years LTI free.

We continue to voluntarily monitor our greenhouse gas emissions and maintain a low emissions base. In FY23, our operational emissions (Scope 1 and 2) totalled 3,288tCO2-e, significantly below the National Greenhouse and Energy Reporting ("NGER") scheme mandatory reporting threshold of 50,000tCO2-e.

Outlook

The group enters 2024 with a record order book of $610m, up 8% on the prior year. Notable awards in the year included the Atlassian HQ Building electrical services contract, Shoalhaven Hospital redevelopment project and multiple data centres in NSW. We have recently secured a number of accommodation village security upgrade projects in Queensland which will again utilise capabilities from across the group. We continue to secure regular works under our key framework agreements including various supermarket roll-outs.

The infrastructure sector continues to be the largest component of the order book. The Western Sydney International Airport project will run for several years and has already seen significant scope increases with further growth anticipated. The Sydney Metro Pitt Street Station project is ongoing with further opportunities on the Sydney Metro programme. The Shoalhaven Hospital redevelopment project will ramp up during the year. We continue to see a high volume of data centre 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 has picked up after being impacted by coronavirus and weather in the prior year. The Atlassian HQ Building electrical services contract was secured during the year 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 is expected to remain at lower levels in the first half before increasing again as recent and anticipated awards ramp up. A number of large construction opportunities are emerging past FY24.

The Trivantage Manufacturing business opened a second switchboard manufacturing facility in Victoria during the year in order to capitalise on increasing demand for their products.

Tendering across the group's sectors remains at a high level with a strong opportunity pipeline extending well beyond FY24.

The electrification and decarbonisation of the Australian and global economies present the group with opportunities across all the markets in which it operates. The group is exposed to these opportunities 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 initiatives including green buildings, solar farms, refrigeration power and electric vehicle charging systems.

The group continues to monitor and manage the broader economic environment. There have been no material impacts on our operations from inflationary cost pressures or labour market issues to date.

In FY24 we are targeting revenue of around $500m and similar EBITDA to FY23 with growth anticipated in FY25 and beyond.

Strategy

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

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.

We have increasing exposure to service and maintenance style work with recurring revenues now over 35% of activity.

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

We are positioned to service the decarbonisation and electrification initiatives shaping our markets.

Comment

Commenting on the full year results, SCEE Group Managing Director Graeme Dunn said "I am delighted to have been able to report a record-breaking year for the SCEE Group where we achieved our highest ever profits, cash balance and order book.

Moving into FY24 we have visibility of a strong pipeline of work across our markets and expect the electrification and decarbonisation of the economy to present significant opportunity for all of our businesses for many years.

I was pleased to see Trivantage continue to exceed our expectations with all three businesses delivering record results in the current year ensuring that the vendors will receive their full earn-out consideration. We continue to pursue further acquisitions aligned with our growth and diversification strategy."

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, Wednesday 30 August 2023 at 12pm WST.

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

https://edge.media-server.com/mmc/p/z5d4pohr

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