

AGM Presentation



25 October 2016

Leading provider of specialised electrical, instrumentation and communications services

Delivery across Australia and overseas

Strong reputation for safety and excellence

Established in 1978 and listed on the Australian Securities Exchange in 2007 under the code SXE

We deliver projects across a range of industries including:

Oil & Gas and Mining

Industrial, Utilities and Infrastructure

Telecommunications and Data Centres

Commercial, Education and Health

Our extended range of services now includes:

E&I Construction

E&I Infrastructure

E&I Services

Communications

Transitioning resources business

from construction to maintenance phase

Revenue | **\$207.6m**

Targeting further acquisitions

to deliver sector and geographical diversification

Net cash | **\$41.8m**

Acquisition of Datatel

provides scalable telecommunications platform

Fully franked dividend | **2.7cents** per share

Underlying trading NPAT | **\$5.4m***

* - results presented on an underlying trading basis. A reconciliation to statutory results can be found on slide 18

Full year financial performance



	FY16*	FY15*	Change
	\$m	\$m	%
Revenue	207.6	240.6	(14%)
Gross profit	33.4	35.6	(6%)
Gross margin	16.1%	14.8	
EBITDA	12.2	13.6	(10%)
EBIT	7.4	6.7	10%
NPAT	5.4	4.2	29%
Net margin	2.6%	1.7%	

Activity in H1 high from construction projects at CITIC Pacific Sino Iron, Samsung Roy Hill and Tecnicas Reunidas TAN Burrup

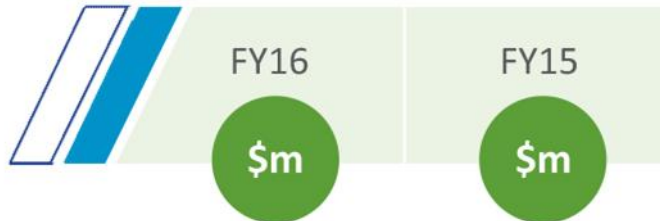
These projects successfully completed and closed out in H2

Gross margins for the year were 16.1% compared to underlying trading gross margins of 14.8% in FY15

Underlying trading overheads for FY16 were \$21.4m, down \$0.9m against underlying trading overheads in FY15

Underlying trading NPAT for the year was \$5.4m which represents a 29% increase on FY15 underlying trading NPAT of \$4.2m

* - results presented on an underlying trading basis. A reconciliation to statutory results can be found on slide 18



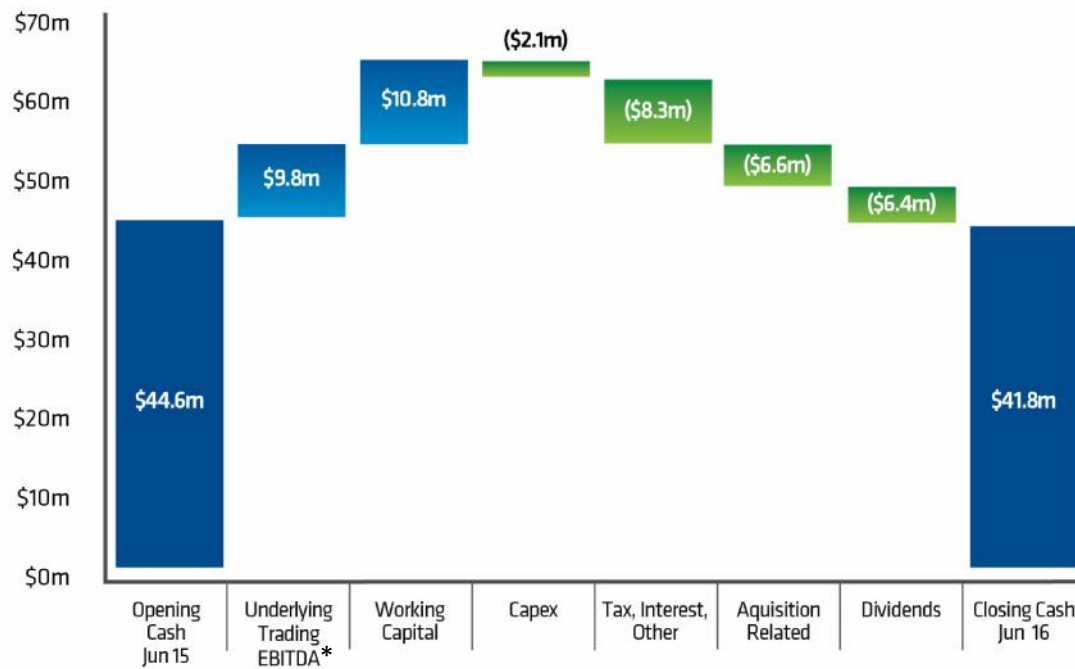
	FY16	FY15
Current assests	78.9	92.0
Non current assets	42.7	31.6
Total assets	121.7	123.7
Current liabilities	24.3	34.4
Total liabilities	9.7	0.6
Equity	34.0	35.0
Net margin	87.7	88.7

Strong balance sheet throughout the year

Cash of \$41.8m and debt free at 30 June

Acquisition resulted in recognition of additional goodwill of \$12.3m and \$8.7m non-current liability as assessment for payment of deferred consideration

\$2.5m of net tangible assets acquired and included in 30 June balance sheet.



Capex low and expected to remain so for foreseeable future

Absorbed cash outflows of \$6.6m to complete the Datatel acquisition

Declared fully franked final dividend of 1.35cps to be paid 13 October and interim dividend of 1.35cps paid 14 April

Maintaining balance between returns to shareholders and retaining capital for growth opportunities

Franking account balance of \$18.5m at 30 June

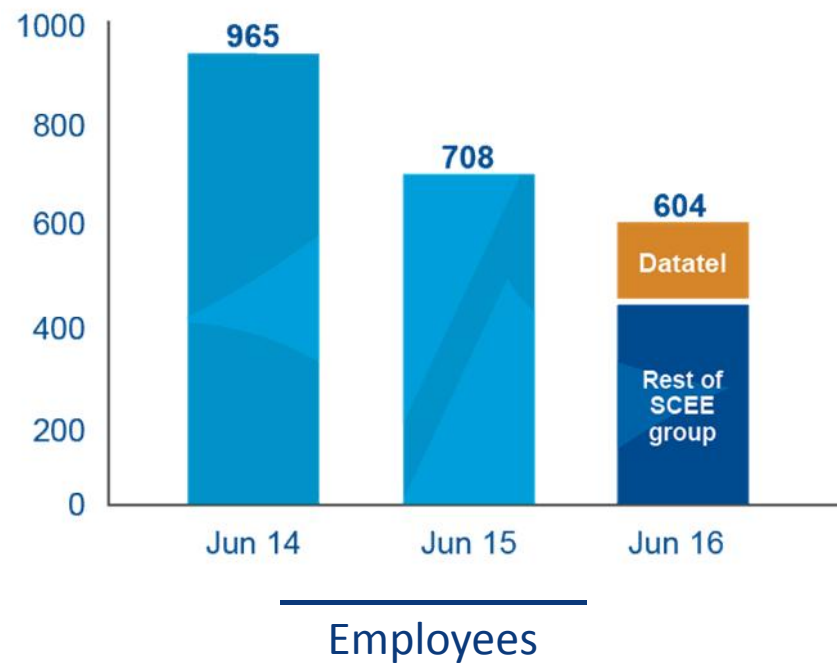
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Performed our operations in the period without a lost time injury

Twelve years LTI free in Australia

Group employee numbers over 600 at year end

Strong commitment to apprenticeship program and indigenous participation





Order book

Order book at 30 June of \$24m with a further \$36m won in the first quarter

Over the last three years our revenue mix has transitioned from overwhelmingly coming from lump sum greenfield construction contracts to increasingly we work under reimbursable or panel or framework style agreements

A feature of these agreements is that typically they are initially awarded at nil value and then at any one time we only have firm work orders for a very short period ahead

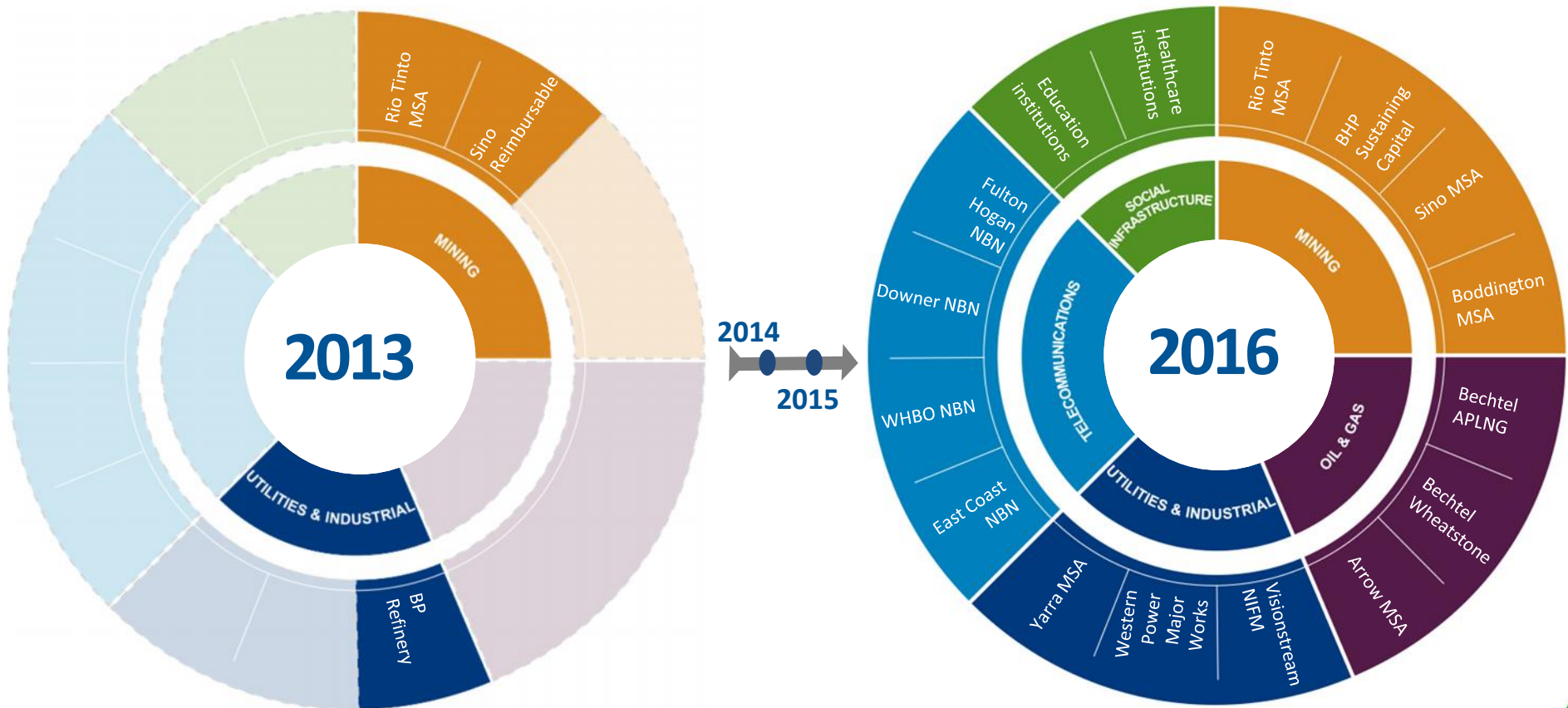
For all these framework agreements we have confidence in the underlying flow of work

We also continue to target lump sum construction projects

Transition to framework style agreements



Over recent years we have transitioned to increasingly working under reimbursable or panel or framework style agreements



SCEE has a breadth and depth of such reimbursable, panel and framework style agreements

Diversified across significant sectors of the economy including mining, oil & gas, industrial, utilities, social infrastructure and telecommunications

Many of the agreements provide exposure to the longer term maintenance and operations phases





SCEE primarily sees itself as an electrical contractor. Our strategy is to:

Transition to a sustainable resources business through exposure to sustaining capital and maintenance markets; and

Grow through expansion into adjacent and complementary sectors - identified as telecommunications, utilities and transport, social, commercial and defence infrastructure - and new geographies

Expansion will be realised through a combination of organic and acquisition opportunities

SCEE has a breadth and depth of exposure in resources particularly in the iron ore, gold and oil & gas sectors

We will leverage our client relationships to transition to a sustainable resources business via exposure to sustaining capital and maintenance markets

This includes opening regional facilities to more closely service clients and widening our services offerings to include ancillary civils, mechanical, communications and specialist services. SCEE recently performed its first mechanical package for a mining client

However conditions remain tough across the sector. Whilst tendering activity remains robust certain clients have been slower than anticipated to release work which has negatively impacted this half

Tendering activity includes a number of overseas opportunities



Completed projects for industrial clients including SIMS Metal and at TAN Burrup

SCEE Infrastructure's overhead powerline business continuing to work for mining clients in the Pilbara

Now also executing transmission overhead line works under Western Power's Major Works Panel

Commenced first transport infrastructure award for \$2m of electrical works on a Western Australian freeway project

Actively tendering work in all of the above sectors as well as in defence, renewables and water



Telecommunications identified as an expansion sector with growth driven by consumer demand and technological innovation

Combining Datatel's relationships, systems and experience with SCEE's skills in project management, mobilisation, remote working and balance sheet provides a scalable platform to enter the sector and establish the business in other states

Commencement of NBN works in Tasmania, Victoria and Queensland since the acquisition validates this vision

However Datatel has experienced a temporary slow-down of work in the roll-out of the NBN in Western Australia which has had an adverse effect on the anticipated result in this half

The WA slow-down is expected to turn around in the next half and the expansion on the East Coast is forecast to accelerate

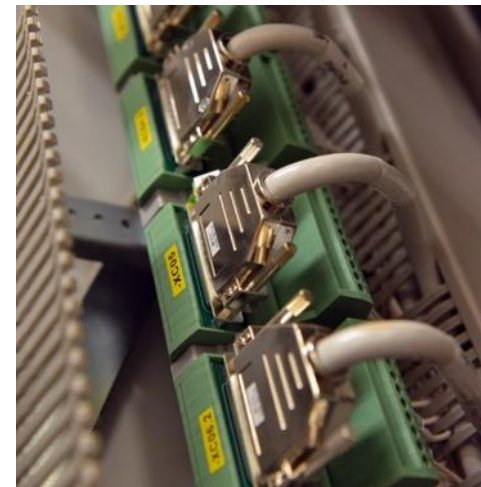


Datatel's commercial team of more than 40 electricians, technicians and apprentices provides SCEE a presence in sectors where it has not historically operated

Datatel has a significant client base in the education and health sectors in both metropolitan and regional areas of WA

Major clients include Curtin University, Department of Education, Baptistcare, St John of God and local government

Further investment from SCEE will enable growth, in particular the ability to undertake larger scale opportunities



In a cost focussed market a strong emphasis on ensuring an efficient operating structure

Significant restructuring exercise performed in late FY15

Further cost saving initiatives executed in FY16 and to be implemented in FY17

Service Centre opened offshore in February 2016 to provide more cost efficient support. Now have nearly 30 staff in the Philippines



Key Points

Forecast H1 underlying NPAT loss of circa \$2.0m and profitable H2 resulting in full year FY17 underlying NPAT in range of \$4.0m-\$5.0m

Balance sheet remains healthy with \$41.8m cash and no debt at 30 June

Transitioning in resources from construction to maintenance phase

Diversifying through expansion into adjacent and complementary sectors

Datatel acquisition provides scalable telecommunications platform

Management highly active targeting further acquisitions to deliver strategic diversification



Non-IFRS financial information



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

EBIT and EBITDA are a non-IFRS earnings measure which do not have any standard meaning prescribed by IFRS and therefore may not be comparable to EBIT and EBITDA presented by other companies. EBIT represents earnings before interest and income tax. EBITDA represents earnings before interest, income tax, depreciation and amortisation. A reconciliation of profit before tax to EBIT and EBITDA is presented in the table on the left below.

The term "underlying trading" used in this document is a non-IFRS measure which refers to the statutory results excluding one-off items disclosed in the reconciliation presented below. This measure was used by management to assess the Company's performance. The underlying trading results are unaudited.

FY 16 underlying profit reconciliation:

	Statutory \$m	Acquisition costs \$m	Underlying trading (unaudited) \$m
Contract revenue	207.6		207.6
Contract expenses	(174.2)		(174.2)
Gross profit	33.4		33.4
Other (expense)/income	0.2		0.2
Overheads	(21.8)	0.4	(21.4)
EBITDA	11.8	0.4	12.2
Depreciation expense	(4.8)		(4.8)
Amortisation	0.0		0.0
EBIT	7.0	0.4	7.4
Net finance expense	0.2		0.2
Profit before tax	7.2		7.2
Income tax expense	(2.1)	(0.1)	(2.2)
Profit from continuing operations	5.1	0.3	5.4

FY 15 underlying profit reconciliation:

	Statutory \$m	Organisation restructuring \$m	Asset write- downs and lease provisions \$m	Claim write- downs \$m	Impairment of goodwill \$m	Underlying trading (unaudited) \$m
Contract revenue	238.3			2.3		240.6
Contract expenses	(205.3)		0.3			(205.0)
Gross profit	33.0		0.3	2.3		35.6
Other (expense)/income	(1.0)		1.3			0.3
Overheads	(23.4)	1.1				(22.3)
EBITDA	8.6	1.1	1.6	2.3		13.6
Depreciation expense	(6.8)					(6.8)
Amortisation	(0.1)					(0.1)
Restructuring and impairment	(11.0)	1.2	1.4		8.4	0.0
EBIT	(9.3)	2.3	3.0	2.3	8.4	6.7
Net finance expense	(0.1)					(0.1)
(Loss)/profit before tax	(9.4)					6.6
Income tax expense	(0.4)	(0.7)	(0.6)	(0.7)		(2.4)
(Loss)/profit from continuing operations	(9.8)	1.6	2.4	1.6	8.4	4.2

Some of the information contained in this presentation contains “forward-looking statements” which may not directly or exclusively relate to historical facts. These forward-looking statements reflect Southern Cross Electrical Engineering Limited’s current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside the control of Southern Cross Electrical Engineering Limited.

Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from Southern Cross Electrical Engineering Limited’s current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained herein with caution.