



# Southern Cross Electrical Engineering

2009 Presentation

Monday, 17 August 2009



Southern Cross Electrical Engineering



Another record year

Overview  
Stephen Pearce, MD

## Group Highlights

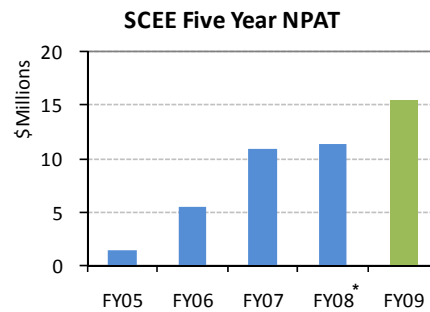
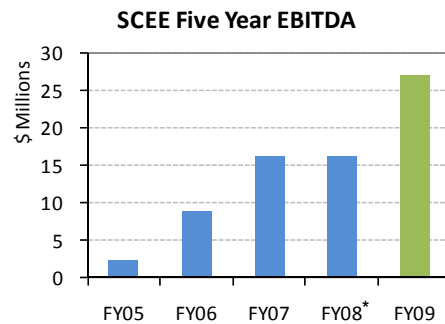
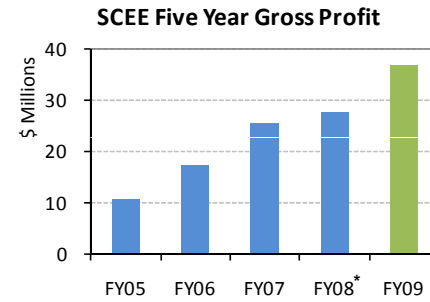
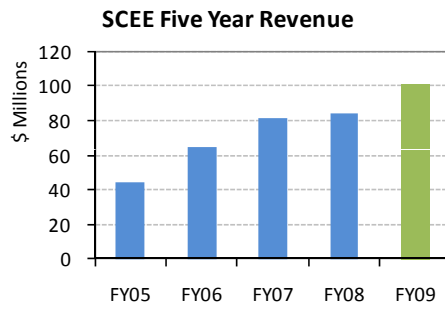
- 0 LTI's
- All projects delivered within expectations
- Won monthly safety award at Cape Lambert upgrade 6 out of 10 times
- Revenue up 19% to \$100.3m
- EBITDA up 66% to \$26.9m (35% increase pre IPO costs)
- EPS up 27% to 12.9cps
- Full year dividend 6.5cpsff (FY08 6.0cpsff)
- Generated \$15.7m cash from operating activities
- Strong balance sheet with net cash of \$31.0m at 30 June
- Full senior management team in place
- Completed strategic planning process
- Acquired Hindle Electrics and K.J. Johnson & Co

## Financial Highlights

		FY09	FY08	Change
Revenue	\$m	100.3	84.2	16.1
EBITDA	\$m	26.9	16.2*	10.7
NPAT	\$m	15.5	11.3*	4.2
Operating cash flow	\$m	15.7	9.9*	6.1
EPS	cps	12.9	10.1*	2.8
DPS	cpsff	6.5	6.0	0.5
ROE	%	41.3%	49.1%	(7.8%)

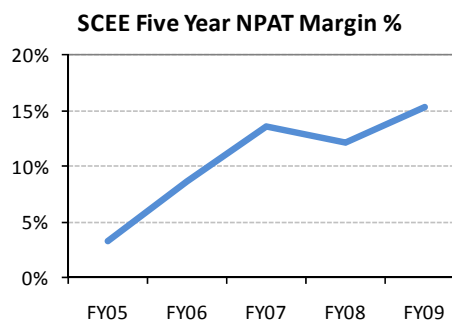
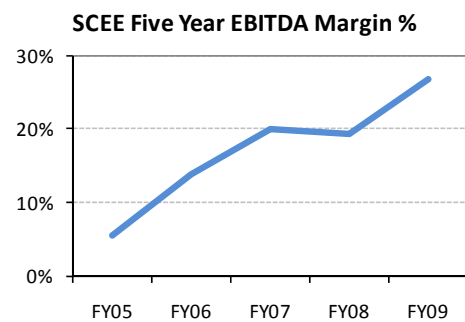
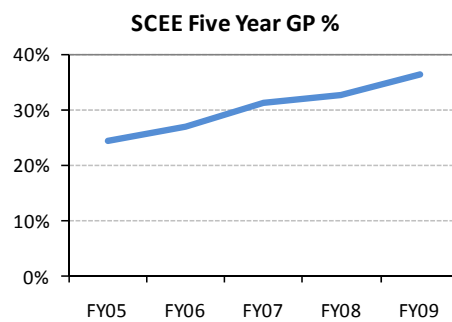
\* Includes pre-tax IPO costs of \$3.7m

# Historical Financial Performance



\* Includes pre-tax IPO costs of \$3.7m

# Historical Margins



- GP margins reflect the efficiency of the SCEE construction model
- Additional scale has improved margins
- FY08 NPAT margin softer due to pre-tax IPO costs of \$3.7m
- FY09 NPAT margin affected by AUD movement across FY09



Financial Analysis  
Stephen Fewster, CFO

## Financial Performance

\$m	FY09	FY08
Revenue	100.3	84.2
Gross profit	36.6	27.4
Gross margin	36%	33%
EBITDA	26.9	16.2
EBITDA margin	27%	19%
Net finance rev/(exp)	(3.6)	1.1
Tax	(6.7)	(4.9)
NPAT	15.5	11.3
NPAT margin	15%	13%

- Record revenue has delivered record earnings
- Strong international and infrastructure performance delivered increased margins
- Overhead costs increased to create additional capacity in the business development and a full executive team
- Net finance expense primarily FX losses on Buzwagi project and lower rates for cash deposits

## Balance Sheet

The key balance sheet items are:

- Net cash \$31.0m
- Receivables are lower as contracts are either just commencing or completing. Tier 1 clients mean collection days have not been affected by GFC.
- FX derivatives for the Buzwagi project have been closed out
- Creditors position reflects status of contracts

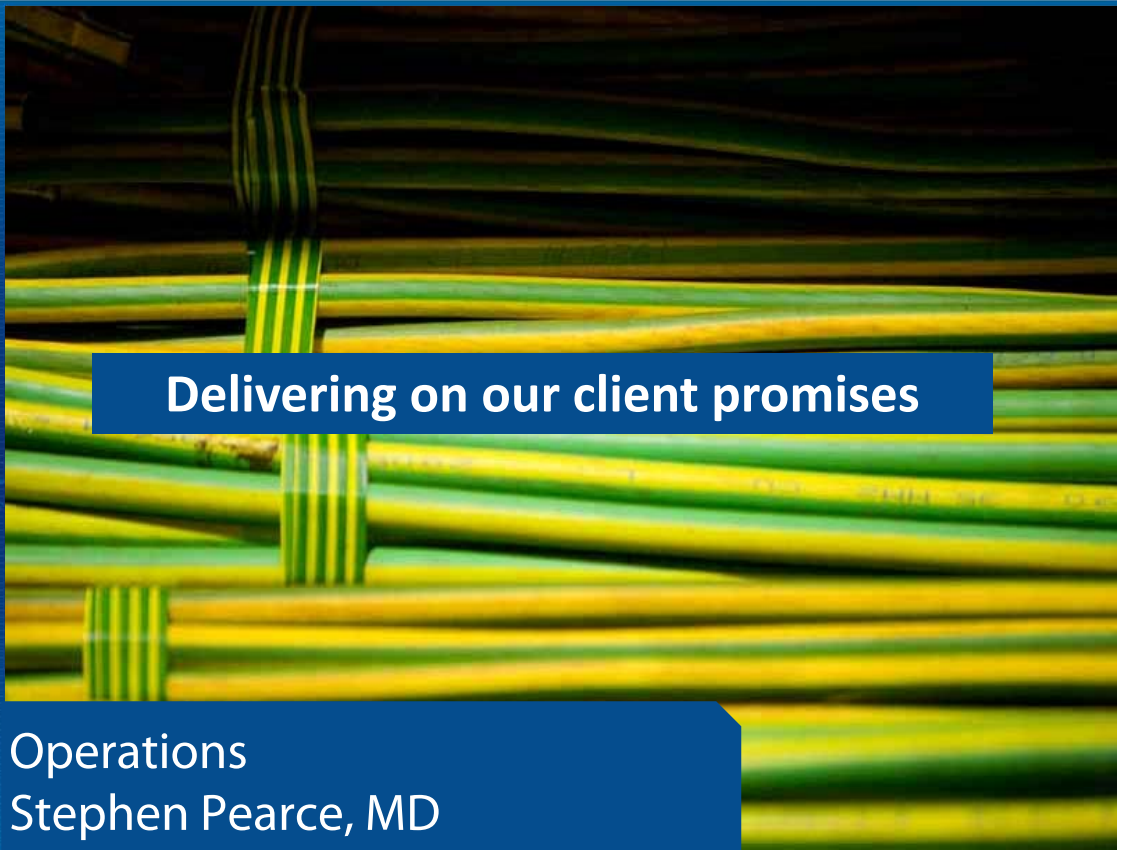
**Strong debt free balance sheet**

## Cash Flow

\$m	FY09
<b>NPAT</b>	<b>15.4</b>
Non - cash items	1.2
<i>Working capital movement</i>	
Receivables	1.0
Payables	(1.6)
WIP/Provisions/other	(0.3)
<b>Operating cash flow</b>	<b>15.7</b>
Capex	2.0
<b>Free cash flow</b>	<b>13.7</b>

- Record cash flow generated for the year
- Low capex requirements = strong free cash flow
- Cash balance increased by \$5.6m to \$31.3m after paying dividends of \$7.2m and capex \$2.0m

**Strong free cash flow generation**



Delivering on our client promises

Operations  
Stephen Pearce, MD

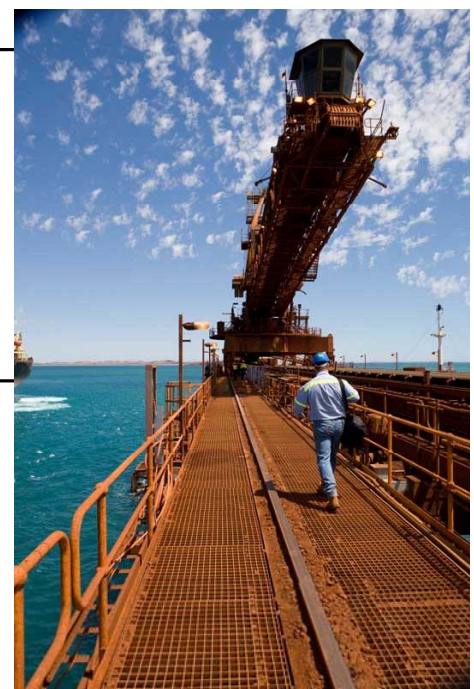
## Major Project Overview

### Cape Lambert Upgrade

- Contributed approx 34% of revenue
- Won safety award at Cape Lambert upgrade 6 out of 10 times
- Work completed June
- Zero LTI's

### Hope Downs

- Contributed approx 19% of revenue
- Lump sum margins in line with expectations
- Work completed May
- Zero LTI's



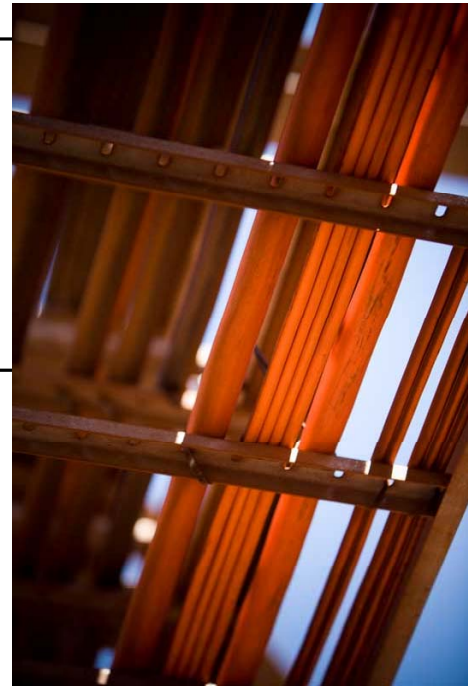
## Major Project Overview

### Boddington

- Contributed approx 7% of revenue
- Work is continuing
- Assisting with the final commissioning process

### Buzwagi

- Contributed approx 21% of revenue
- Lump sum margins in line with expectations
- Work completed in July 2009
- Zero LTI's

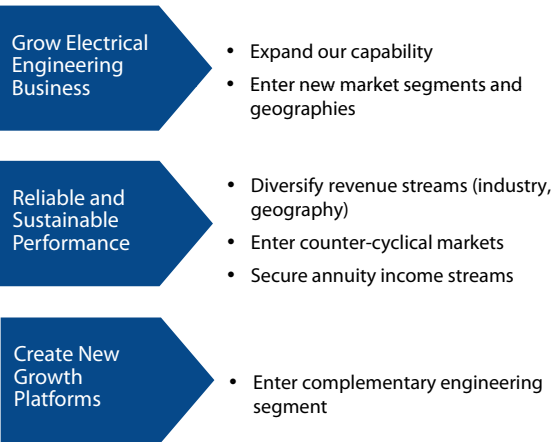


**Positioned for strong demand**

## Strategic Plan and Future Direction

# Strategic Objectives

## Strategic Objectives

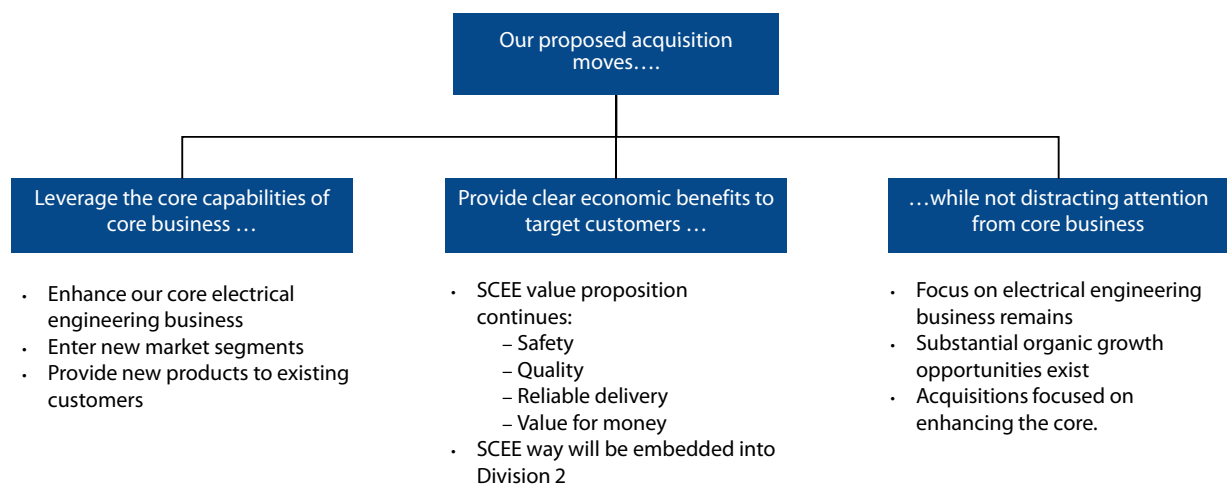


## Strategic Thrusts



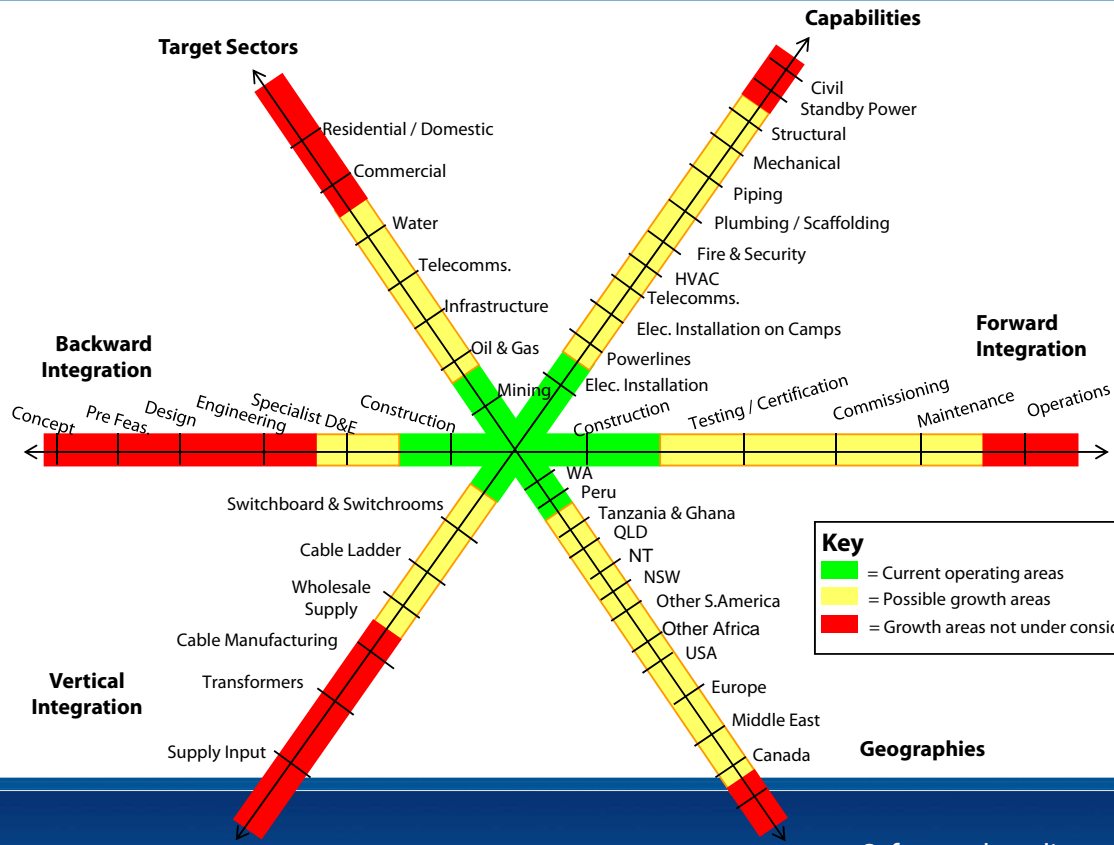
Safety and quality assured.

# Pre Requisites for Acquisitions



Safety and quality assured.





Safety and quality assured.

## Strategy

- Acquisition of Hindle Electrics
  - Specialises in electrical inspection and maintenance on offshore exploration drilling assets
  - Continues SCEE's push to re-enter the oil & gas market
  - Same service values as SCEE
  - Has operated for 10 years
  - Expected to add 5.0% to current EPS
- Acquisition of K.J. Johnson & Co
  - Specialises in construction of overhead powerlines in remote locations
  - Has been a major competitor to SCEE
  - Has operated for over 40 years
  - Expected to add 19.0% to current EPS

## FY10 Outlook & Beyond

- Current work flow includes:
  - Boddington
  - Tiwest
  - Cape Lambert
  - HI Yandi
  - Cape Preston
  - Hindle Electrics
  - K.J. Johnson & Co
- Award of major projects anticipated over next 2 months

## FY10 Outlook & Beyond (cont)

- Substantial amount of work expected from oil and gas sector
  - Pluto
  - Gorgon
  - Wheatstone
  - Browse
- Starting to see evidence that mining investment is picking up in Australia and internationally
- Integration of Hindles and K.J. Johnson & Co has commenced and will be complete in FY10

## Conclusion

- Strong operational performance
- Strong financial performance and robust balance sheet
- Successfully building operational capacity
- Development and articulation of strategy
- Successfully executed two acquisitions – immediately EPS accretive
- Strong reputation within high demand industry segment

**Building on 30 years of success**



## ASX Release

17 August 2009

### Southern Cross Electrical Engineering Exceeds Prospectus Earnings

Electrical and instrumentation construction specialist, Southern Cross Electrical Engineering Limited (ASX:SXE) today announced a 36.6% increase in net profit after tax ("NPAT") to \$15.5m for the year ended 30 June 2009. This result was achieved from record revenues of \$100.3m and represents a \$4.2m increase on the prior year NPAT result.

The financial highlights for the Company are:

Results	FY09	FY08	Variance
Revenue	100.3	84.2	16.1
Earnings before interest, tax, depreciation and amortisation (\$million)	26.9	16.2	10.7
Net profit after tax (\$million)	15.5	11.3	4.2
Earnings per share	12.9 cps	10.1 cps	2.8 cps
Dividend per share	6.5 cps	6.0 cps	0.5 cps
Return on equity	41.3%	49.1%	(7.8%)

Operational highlights include:

- Winning the award for the safest contractor operating on the Cape Lambert Upgrade Project;
- 0 lost time injuries;
- Completing our 175<sup>th</sup> gold mine project;
- The development and communication of SXE's strategic plan; and
- The acquisition of Hindle Electrics and K.J. Johnson & Co.

SXE undertook a number of key projects in both Australia and internationally throughout 2009 that contributed to the strong operational and financial performance of the group, namely:

- Cape Lambert CLU80 upgrade;
- Hope Downs 1 Stage 2 expansion project;

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- Boddington gold mine expansion project;
- Buzwagi gold plant construction in Tanzania; and
- Cerro Corona gold project in Peru.

SXE chairman Frank Tomasi said he was very pleased that the Company had achieved record revenue and record profit without compromising the Company's core values of safety and service delivery. "I attribute this achievement to a dedicated team who are focussed on delivering high quality services to our customers" Mr Tomasi said.

These results have enabled the Company to declare a fully franked final dividend of 4.5 cents per share. This takes the full year fully franked dividend to 6.5 cents per share which is an increase of 8.3% on the prior year.

SXE generated operating cash flow of \$15.7m during FY09 with the balance sheet in a strong position with a cash balance of \$31.3m at 30 June 2009. This has placed the Company in a position to complete the acquisition of two strategic businesses without the need to source new capital.

Managing Director, Mr Stephen Pearce said:

"The operating and financial results for 2009 reflect the significant effort and focus of the SXE team and the value we place on delivering outcomes to our clients. Importantly, we also worked on a number of key initiatives that help build SXE's capability and capacity to meet the challenges and opportunities for 2010 and beyond.

Current projects being undertaken by SXE include work at Boddington, Tiwest, Cape Lambert, Cape Preston and other projects via Hindle Electrics and K.J. Johnson & Co.

The outlook for SXE is very positive given the level of oil and gas infrastructure investment underway in Australia. This is complimented by some significant resource projects both in Australia and internationally. The combination of this strong organic pipeline and the two recent acquisitions creates an exciting future for SXE."

For further information contact:

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**About Southern Cross Electrical Engineering**

SXE was established in 1978 and together with its overseas group of companies, is a dedicated provider of large scale specialised electrical, control and instrumentation installation and testing services for major construction projects in Australia, and throughout the world.

SCEE is a quality endorsed company, with AS/NZS ISO 9001 accreditation and has a strong track record of safety and excellence that is recognised by numerous industry awards over the years. For further information on Southern Cross Electrical Engineering visit [www.scee.com.au](http://www.scee.com.au)