



Southern Cross Electrical Engineering

Half-Year Result 2009 Presentation

Monday, 23 February 2009





Overview
Stephen Pearce, MD

Group Highlights

- **0** LTI's
- Revenue up 16% to \$57.7m
- EBITDA up 11% to \$10.3m
- EPS up 5% to 6.0cps
- Interim dividend 2.0cpsff (FY08 2.0cpsff)
- Generated \$4.6m cash from operating activities
- Strong balance sheet with net cash of \$23.7m
- Key appointment of GM Business Development
- Completing strategic planning process with Board and senior management

Financial Highlights

		Dec 08
Revenue	\$m	57.7
EBITDA	\$m	10.3
NPAT	\$m	7.2
Operating cash flow	\$m	4.6
EPS	cps	6.0
DPS	cpsff	2.0
Annualised ROE	%	43.2

Key Projects:

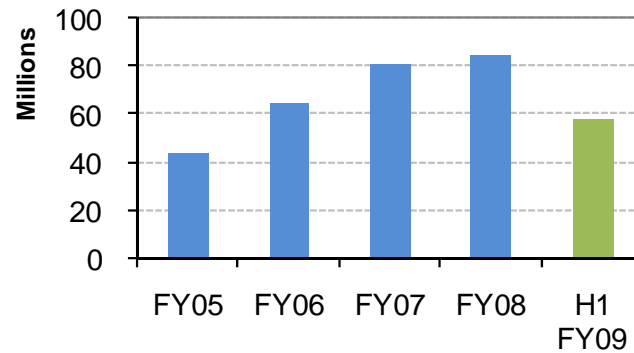
- Cape Lambert
- Hope Downs
- Buzwagi
- Cerro Corona

Expected to be stronger in second half

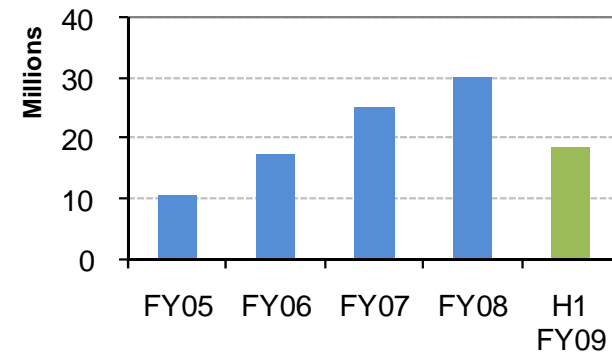
Intention for full year to be consistent with FY08

Historical Financial Performance

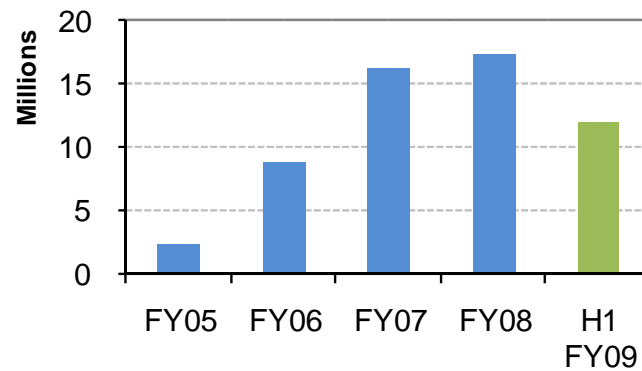
SCEE Five Year Revenue



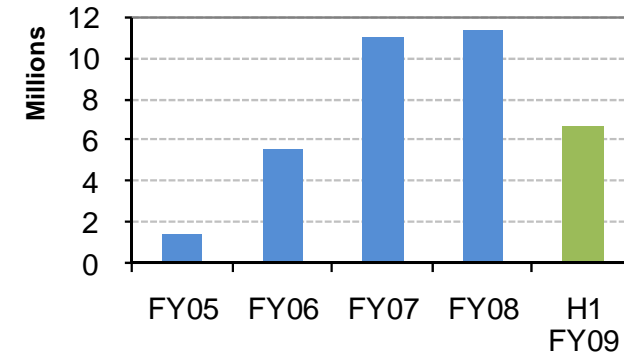
SCEE Five Year Gross Profit



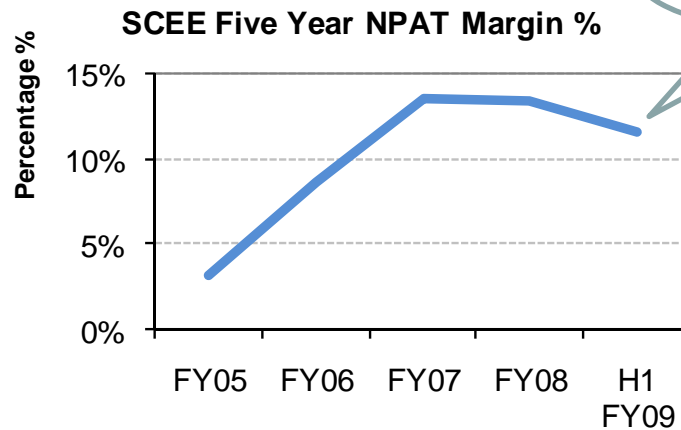
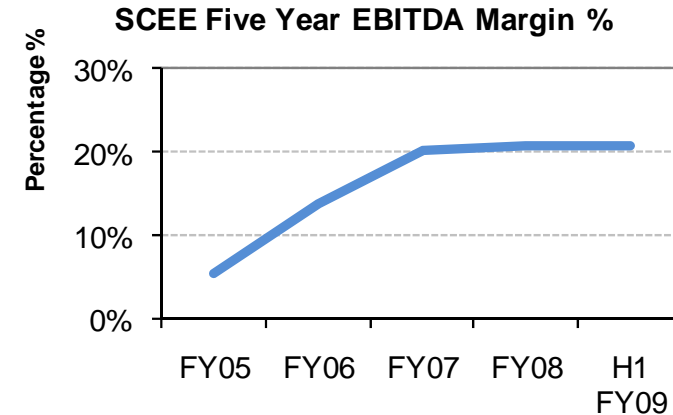
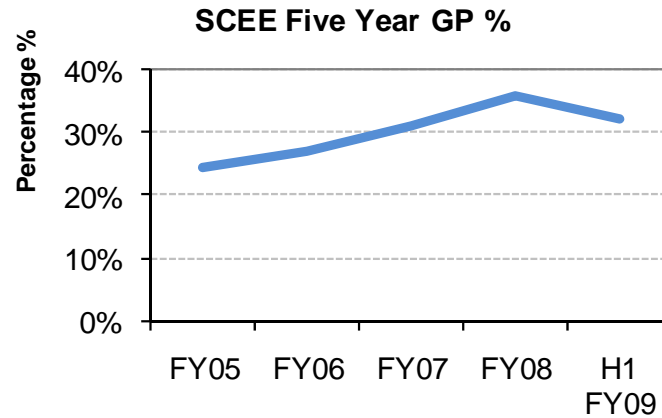
SCEE Five Year EBITDA



SCEE Five Year NPAT



Historical Margins



Margin affected by unrealised FX losses

- FY09 GP% affected by increased mix of cost plus projects
- EBITDA margins are holding steady
- Effective tax rate has returned to 30% following IPO tax effect accounting
- Full year NPAT margin expected to be 15%



Financial Analysis
Stephen Fewster, CFO

Financial Performance

\$m	Dec 08	Dec 07
Revenue	57.7	49.8
Gross profit	18.6	17.2
Gross margin	32%	35%
EBITDA	10.3	9.3
EBITDA margin	18%	19%
Net finance (rev)/exp	(0.6)	0.1
Tax	3.2	1.9
NPAT	7.2	6.8
NPAT margin	12%	14%

- Change in contract mix has affected gross margin (38% cost plus)
- Corporate salaries increase in line with revenue increase and exec appointments
- Admin costs up due to exec recruiting, strategic planning and compliance costs
- Derivative losses relate to USD hedge on the Buzwagi contract at \$0.9195

Balance Sheet

The key balance sheet items are:

- Net cash \$23.7m
- \$1.6m WIP balance associated with Cerro Corona reduced to nil following completion of project
- Derivative financial asset has become a derivative financial liability with the depreciation of the AUD
- Increase in reserves primarily due to the lower AUD increasing the value of assets held in Peru

Cash Flow

\$m	Dec 08
NPAT	7.2
Non - cash items	3.6
<i>Working capital movement</i>	
Receivables	(3.4)
Payables	(3.3)
WIP/Provisions/other	0.5
Operating cash flow	4.6

- Working capital affected by timing of project start dates around April 08
- Materials ordered at start of project and reduce over life of project
- Receivables have been subsequently collected
- Quality clients = no doubtful debts
- Second half operating cash flow expected to be stronger



Operations
Stephen Pearce, MD

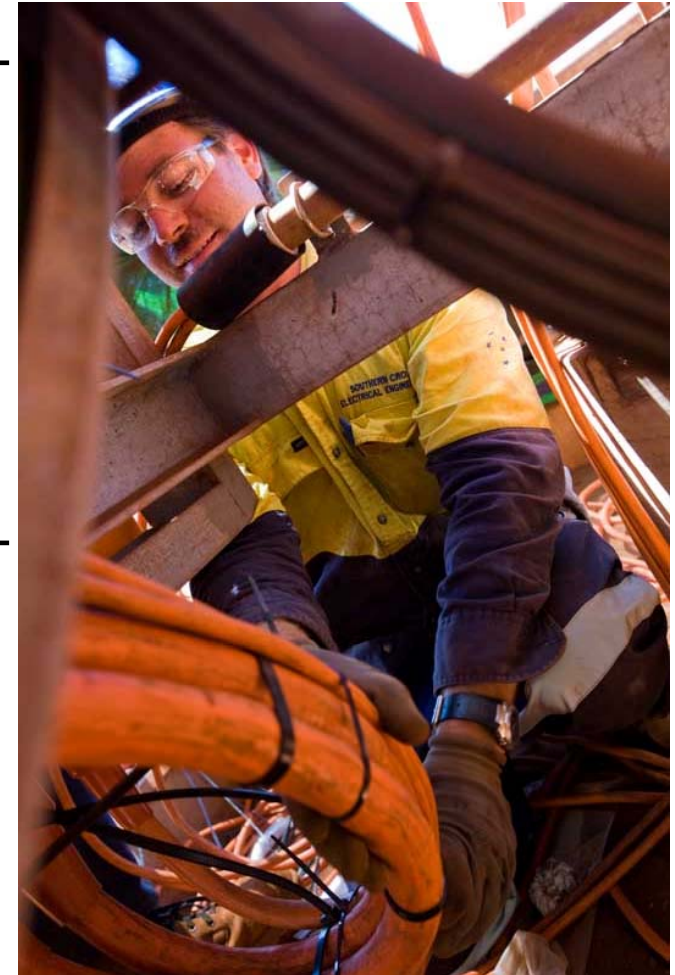
Major Project Overview

Cape Lambert Upgrade

- Contributed approx 38% of revenue
- Cost plus margins in line with expectations
- Demobilisation commences March
- Zero LTI's to date

Hope Downs

- Contributed approx 23% of revenue
- Lump sum margins in line with expectations
- Completion expected in fourth quarter
- Zero LTI's to date



Major Project Overview

Cerro Corona

- Contributed approx 8% of revenue
- Lump sum margins in line with expectations
- Completed project in second quarter
- > 670,000 man hours & zero LTI's

Buzwagi

- Contributed approx 17% of revenue
- Lump sum margins in line with expectations
- Completion expected in fourth quarter
- Zero LTI's to date



FY09 Outlook

- Given global economic events it is very difficult to forecast
- Selected as preferred contractor for early phase electrical work at Cape Preston
- Pending award and commencement of above, SXE's revenue is expected to exceed \$94m (FY08: \$84m)
- Margins are tracking as expected
- Full year NPAT expected to be approximately \$14.5m (FY08: \$11.3m)
- First half NPAT affected by unrealised FX losses on USD hedge contracts
- NPAT split adjusted for unrealised FX losses likely to be H1 \$8.4m; H2 \$6.1M
- Interim dividend maintained 2.0cps (FY08: 2.0cps) and expect full year dividend to be consistent with FY08
- Strong balance sheet being maintained

FY10 Outlook

- Reiterate global economic events make it very difficult to forecast
- Substantial amount of work expected from oil and gas sector
- Mining capex has wound back but there are still a number of quality projects proceeding
- Current tender book exceeds \$300m
- FY10 tender awards expected in FY09 fourth quarter
- Commenced early stage investigation into acquisition opportunities with complimentary skills which could lead to a potential acquisition

The Value Metrics

	Dec 08
Closing share price 20 th Feb	\$0.55
Shares on issue	120.0m
Market Capitalisation	\$66.0m
Net cash	(\$23.7m)
Enterprise value	\$42.3m
FY09 NPAT guidance	\$14.5m
Price Earnings Multiple	2.9x

Conclusion

- SXE has maintained its outstanding safety record of zero LTI's
- Current projects are in line with expectations from a safety, quality and financial basis
- FY09 earnings expected to increase by 28%
- Company is generating positive cash flows from operating activities
- Cash balance at 31 December was \$24.4m
- Global economic conditions make it difficult to forecast but tender pipeline still appears strong for FY10