



## **Investor Presentation**

**25 March 2013**

## Financial

- Revenue up 43% on prior corresponding period to \$120.6m
- NPAT of \$4.3m
- Overhead base increased to support growth
- Major contracts awarded later in H1 than expected but will ramp up in H2
- Strong balance sheet with cash of \$46.9m

## Operational

- LTI free in the period and over eight years LTI free in Australia
- Awarded Rio Tinto Cape Lambert Phase A, largest contract in company's history
- Continued internal investment, \$15.6m capital expenditure and on-going systems developments
- Winner of Rio Tinto Iron Ore's 2012 Supplier Recognition Program - Construction Category award
- Corporate rebranding into three operating divisions: Infrastructure, Construction and Services

## Outlook

- Strong full year result expected
- Results skewed towards H2 driven by Cape Lambert Phase A and Tropicana
- Order book of \$186m at 31 December 2012 and significant project pipeline
- KSJV formed to capitalise on estimated E&I spend of up to \$7bn on Australian LNG

## Powering Australia's resources industry

- emerging Tier One provider of specialised electrical and instrumentation services
- deliver life-of-project services to large-scale resource projects across Australia
- strong reputation for safety and excellence
- established in 1978 and listed on the Australian Securities Exchange under the code SXE



# About us



Three operating divisions provide clients project life cycle support

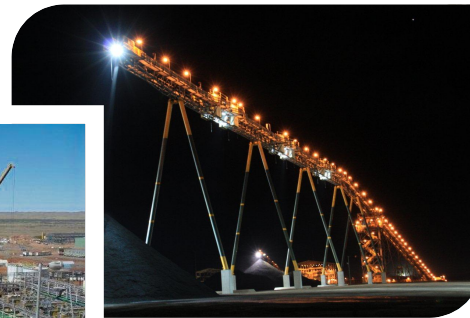


# Exposure to five sectors



## SCEE operates in the following resource sectors:

- Iron ore
- Minerals and metals
- LNG
- CSG
- Coal





# Contract awards – FY13



## Rio Tinto Cape Lambert Phase A

- Largest contract in Company's history at over \$100m
- Awarded under existing framework agreement

## AngloGold Ashanti/Independence Tropicana Gold Project

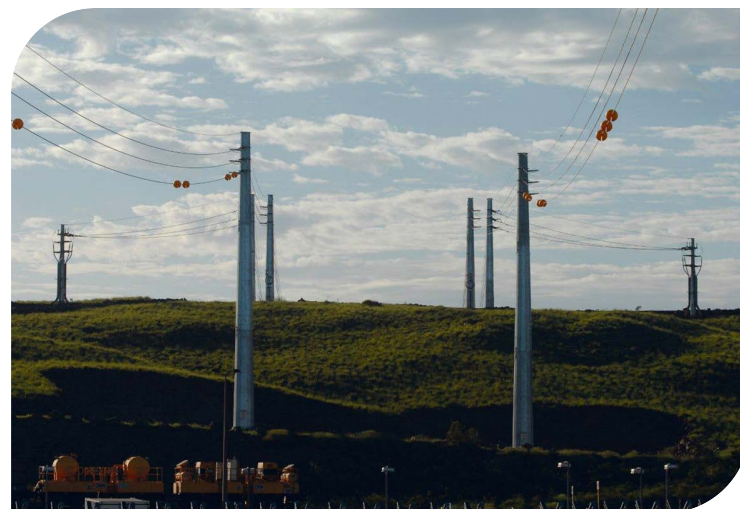
- Contract value over \$40m

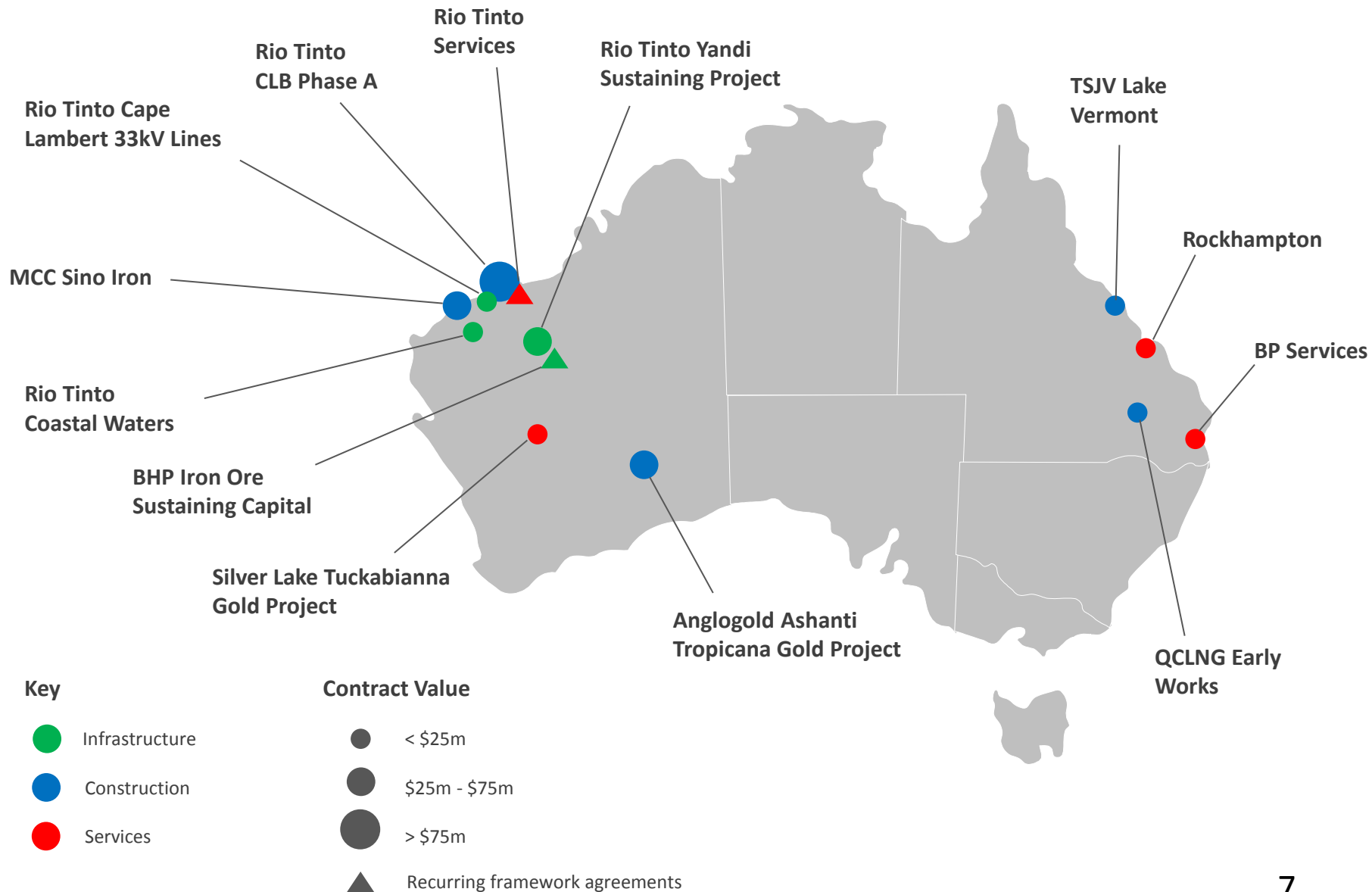
## Rio Tinto Yandi Expansion Project

- Contract value over \$29m

## New framework agreements

- Rio Tinto Services
- BHP Sustaining Capital





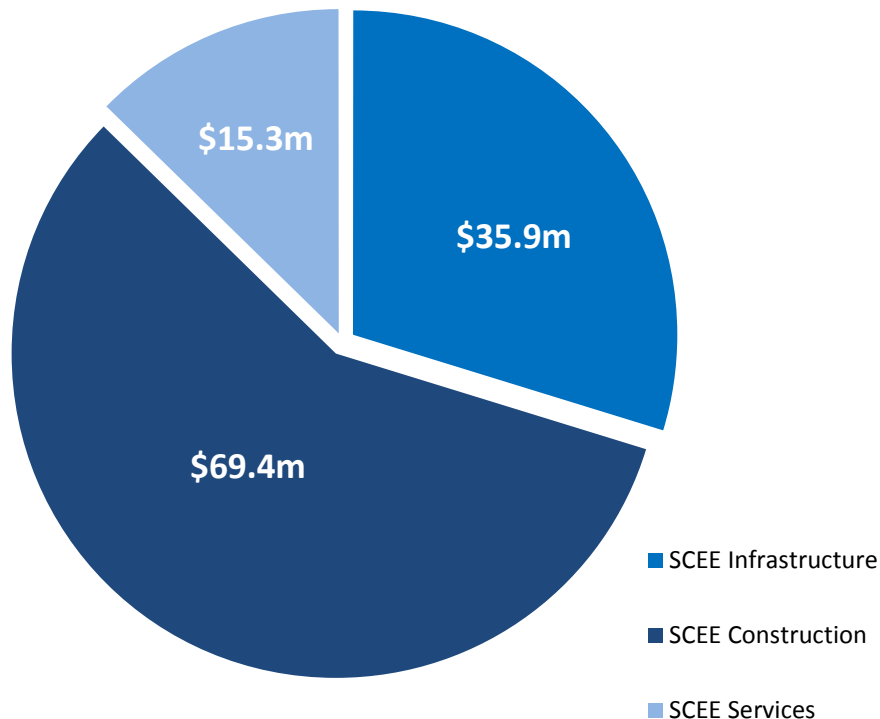
# HY financial results



	<b>HY13</b>	<b>HY12</b>	<b>Change</b>	
	<b>\$m</b>	<b>\$m</b>	<b>%</b>	
Revenue	120.6	84.2	43%	<ul style="list-style-type: none"><li>• Significant increase in revenue from corresponding prior period</li><li>• Overhead base grown to support expected higher activity levels</li><li>• Key contracts awards received later in H1 than expected</li><li>• Significant increase in revenue and NPAT forecast for H2</li><li>• Expect strong full year result</li></ul>
Gross profit	24.0	17.8	35%	
<i>Gross margin (%)</i>	<i>19.9</i>	<i>21.1</i>		
EBITDA	9.5	8.3	14%	
EBIT	7.2	7.3	(1%)	
NPAT	4.3	5.1	(17%)	
<i>Net Margin (%)</i>	<i>3.5</i>	<i>6.1</i>		



# Revenues by operating division



## Main contributors:

### SCEE Infrastructure

- Rio Tinto Coastal Waters
- Rio Tinto Yandi Expansion
- Rio Tinto Cape Lambert 33kV

### SCEE Construction

- MCC Sino Iron
- AngloGold Ashanti Tropicana
- QGC Early Works
- TSJV Lake Vermont
- Rio Tinto Early Works

### SCEE Services

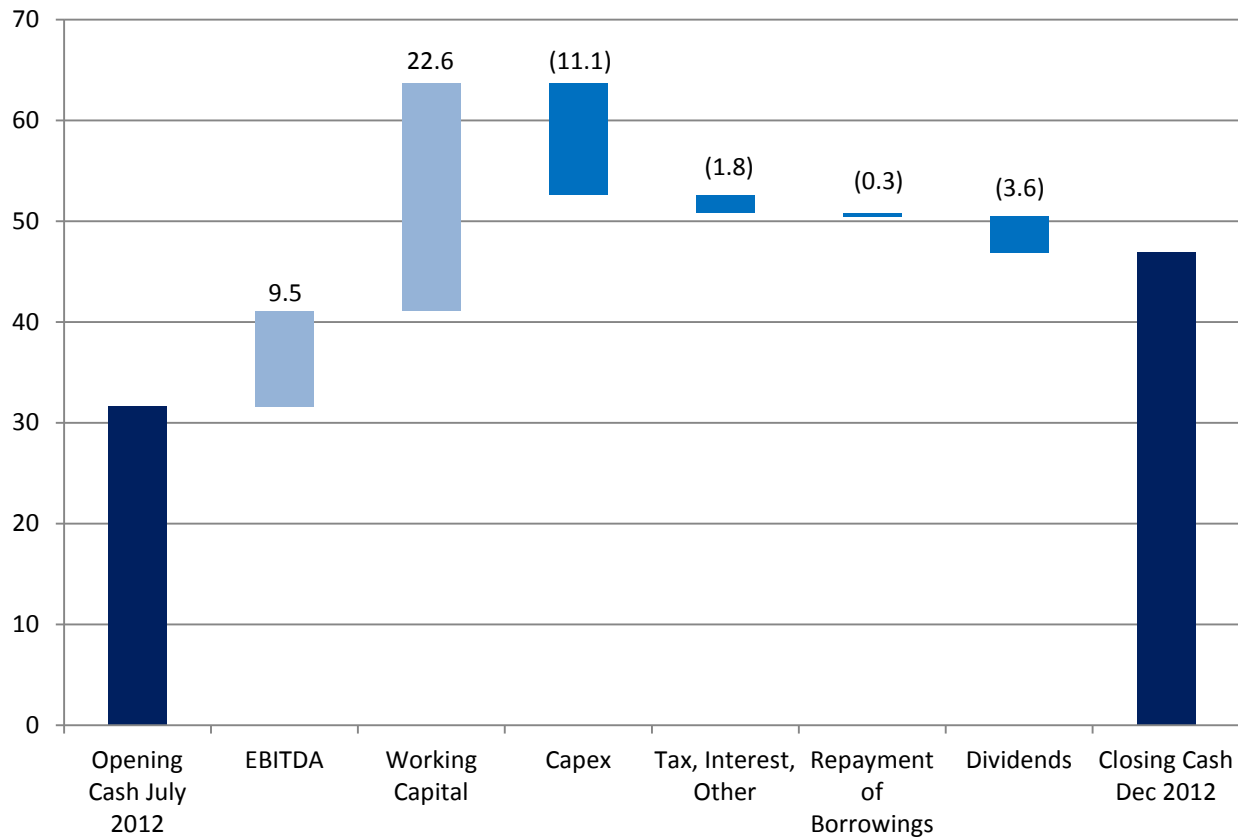
- Rio Tinto Services
- Silver Lake Resources Tuckabianna

# Balance Sheet



	Dec 12 \$m	Jun 12 \$m	
Current assets	110.2	91.9	• 46.9m cash balance
Non current assets	47.8	34.7	• \$15.6m investment in plant and equipment
Total assets	158.0	126.6	• \$5.4m debt
Current liabilities	61.2	33.4	• \$60.0m banking and bonding capacity of which \$35.7m on issue at period end
Non current liabilities	8.9	6.4	
Total liabilities	70.1	39.8	
Equity	87.9	86.8	

# Cashflow



- Strong operating cash inflow in period
- \$11.1m cash outflow on plant and equipment
- FY12 dividend of \$3.6m paid in period

# Historical results summary

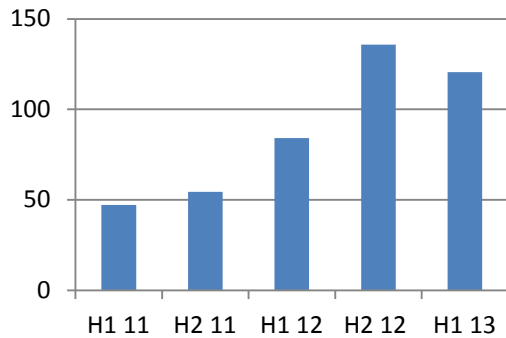


	2011		2012		2013
	H1	H2	H1	H2	H1
	\$m	\$m	\$m	\$m	\$m
Revenue	47.3	54.5	84.2	135.8	<b>120.6</b>
Gross profit	2.3	13.9	17.8	25.6	<b>24.0</b>
<i>Gross margin (%)</i>	<i>4.9</i>	<i>25.5</i>	<i>21.1</i>	<i>18.9</i>	<i>19.9</i>
EBITDA	(5.4)	6.1	8.3	13.9	<b>9.5</b>
EBIT	(6.3)	5.2	7.3	12.1	<b>7.2</b>
NPAT	(4.8)	3.1	5.1	8.6	<b>4.3</b>
<i>Net margin (%)</i>	<i>(10.1)</i>	<i>5.7</i>	<i>6.1</i>	<i>6.3</i>	<i>3.5</i>
Dividends (cps)	0.0	0.0	0.0	2.25	<b>0.0</b>
Net Cash	(8.1)	22.8	16.8	30.0	<b>41.5</b>
Net Assets	37.1	72.7	78.3	86.9	<b>87.9</b>

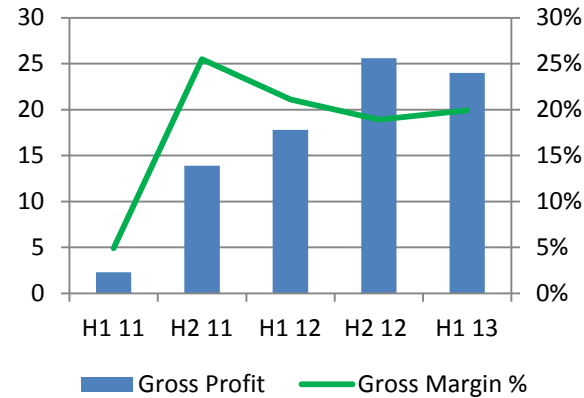
# Financial trends



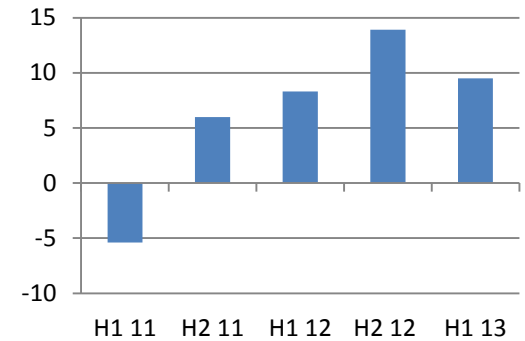
Revenue (\$m)



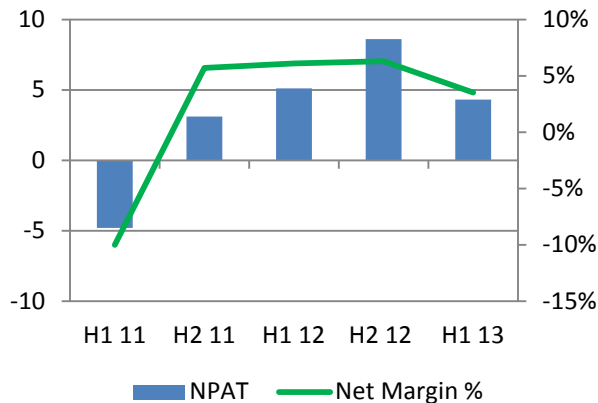
Gross Profit (\$m) and Gross Margin



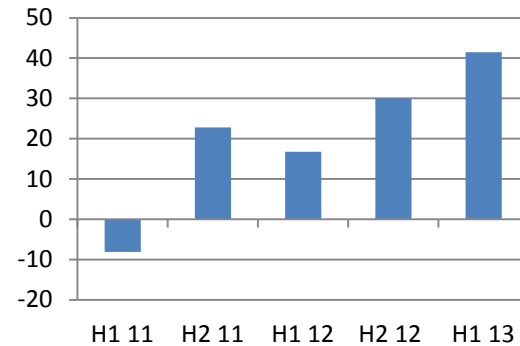
EBITDA (\$m)



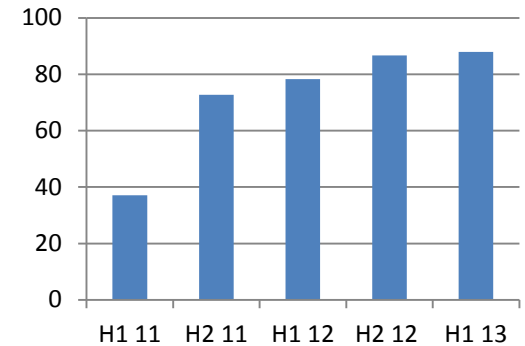
NPAT(\$m) and Net Margin



Net Cash (\$m)



Net Assets (\$m)



# Our vision

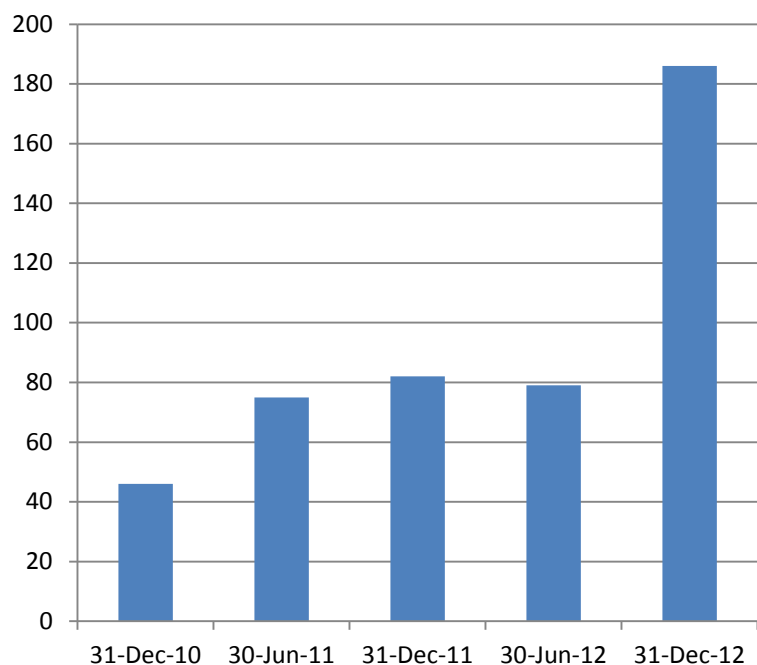


SCEE's vision statement communicates our future mid-to-long term aspirations for the business, it is a unified statement to our team and other stakeholders of both SCEE's intent and direction:

**An emerging Tier One E&I contractor with first class systems, health and safety performance, a can-do culture and exceptional reputation**



# Order book



Order book at 31 December 2012 includes \$46m of orders for FY14

Ongoing works:

- Rio Tinto Cape Lambert Phase A
- AngloGold Ashanti Tropicana Gold Project
- Rio Tinto Coastal Waters
- Rio Tinto Yandi Expansion
- MCC Sino Iron

Order book excludes work under recurring framework agreements – typically \$2m/month

Work continuing on further significant tenders

# Strong full year expectations



- Revenue and NPAT to significantly improve in H2 as key projects ramp up
- Overheads as a percentage of revenue in H2 to return to levels equal to or lower than FY12
- Ability to meet those expectations dependent on:
  - Volume of activity on key projects remaining in line with current schedules
  - Commercial close out of QCLNG Early Works and Lake Vermont projects

# Opportunity pipeline



## **Iron ore**

Rio Tinto Cape Lambert Phase B, Sino Iron Trains 3 to 6, Hancock Prospecting Roy Hill, BHP Sustaining Capital

## **LNG**

Chevron Wheatstone, Inpex Ichthys, Chevron Gorgon, QCLNG, APLNG, GLNG

## **CSG**

QCLNG facilities, APLNG facilities, GLNG facilities

## **Minerals & metals**

Orica Tan Burrup nitrate plant, Newcrest Cadia expansion, Sustaining capital projects

## **Coal**

Anglo American Grosvenor, Maules Creek Coal JV, Xstrata Wandoan, Adani Mining Queensland Coal

## Unprecedented growth potential

- Up to \$7bn of E&I work to be performed in Australia over the next five years on projects with FID
- Additional work expected from projects in FEED
- Formed KSJV with highly regarded international E&I contractor Kentech in December 2012
- 50:50 unincorporated joint venture targeting E&I work on Australian onshore LNG construction projects
- E&I packages on LNG construction projects expected to be in the range of \$400m-\$500m
- Tendering to commence in H2 FY13



# Growing recurring revenues



- Growth of services business fundamental to long term growth strategy
- SCEE Services brand established from 1 July 2012
- Framework agreements in place with Rio Tinto and BHP
- Targeting existing and new LNG facilities – Gorgon, Pluto and NWS



# Health and safety



- Continual focus on performing our work safely
- LTI free in the period
- Eight years LTI free in Australia
- Purpose built training facilities and training programs aimed at maintaining these high standards





# Systems development



- Project management system (SCEEtrak) development on schedule and on budget
- New ERP selected and phase one of implementation scheduled to go live June 2013

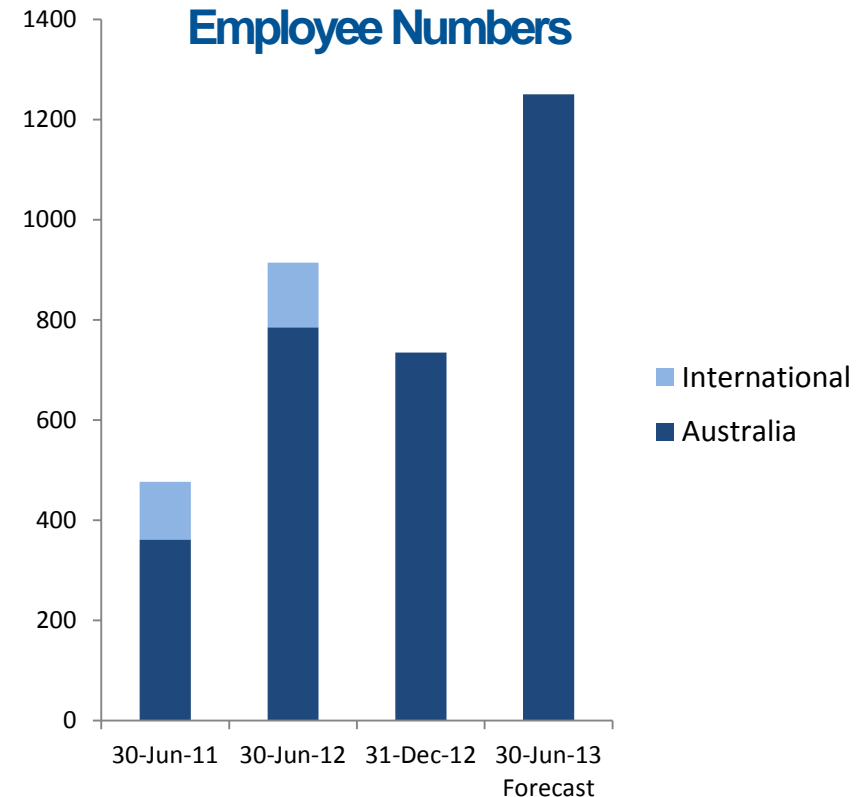


# Growing our people



## Focus on recruitment and training

- Return to growth in employee numbers as activity increases in H2
- Recruitment and training valuable part of company growth and development
- Dedicated training managers, facilities and training management systems
- Apprenticeship program has high retention rates



# Client recognition



## Rio Tinto Iron Ore Supplier Recognition Program



- Winner of 2012 Construction Category
- Recognition of the significant value added by SCEE
- Demonstrates SCEE's ongoing commitment to outstanding levels of client service

## Set for second half surge

- First half revenues 43% higher than corresponding prior period
- Order book of \$186m supports growth in full year revenues
- Increased overhead base supporting growth in the business, overheads as a percentage of revenue expected to reduce in H2
- Strong full year result expected
- Continued investment in our people, systems and equipment
- Framework agreements in place with key clients
- KSJV formed to target unprecedented LNG activity



# 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.

## EBIT and EBITDA Reconciliations:

	2011		2012		2013
	H1 \$m	H2 \$m	H1 \$m	H2 \$m	H1 \$m
Profit before tax	(6.6)	4.7	7.6	12.1	7.1
Finance expense	0.4	0.6	0.4	0.4	0.4
Finance income	(0.1)	(0.1)	(0.7)	(0.4)	(0.3)
<b>EBIT</b>	<b>(6.3)</b>	<b>5.2</b>	<b>7.3</b>	<b>12.1</b>	<b>7.2</b>
Depreciation	0.8	0.8	0.9	1.7	2.2
Amortisation	0.1	0.1	0.1	0.1	0.1
<b>EBITDA</b>	<b>(5.4)</b>	<b>6.1</b>	<b>8.3</b>	<b>13.9</b>	<b>9.5</b>

# Disclaimer



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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.