



**Interim Results Presentation**  
**Half Year Ended 31 December 2013**

25 February 2014

## Financial

Revenue of \$110.7m and gross margin of 23.5%

NPAT of \$6.2m up 45% on previous corresponding period

Maintaining strong balance sheet with net cash of \$27.7m

## Operational

Successful completion and close out of key contracts on time and on budget

Order book of \$97.6m at 31 January 2014 with \$52m in advanced negotiations

First LNG award secured by KSJV

## Strategic

Opportunities for growth despite difficult market conditions

Focus on increasing recurring revenues through operations and maintenance and sustaining capital

# About SCEE



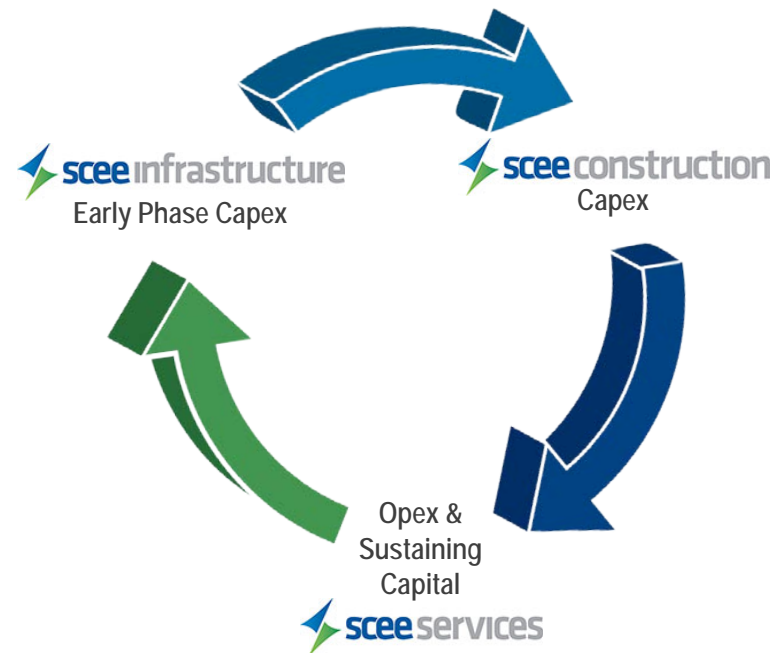
Emerging Tier One provider of specialised electrical and instrumentation services

Delivers services to large-scale resource projects across Australia and overseas throughout the project life cycle

Strong reputation for safety and excellence

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

## Project life cycle support



# Exposure to six sectors



**Iron ore**



**Australia**

**Minerals & metals**



**Australia & overseas**

**LNG**



**Australia**

**CSG**



**Australia**

**Coal**



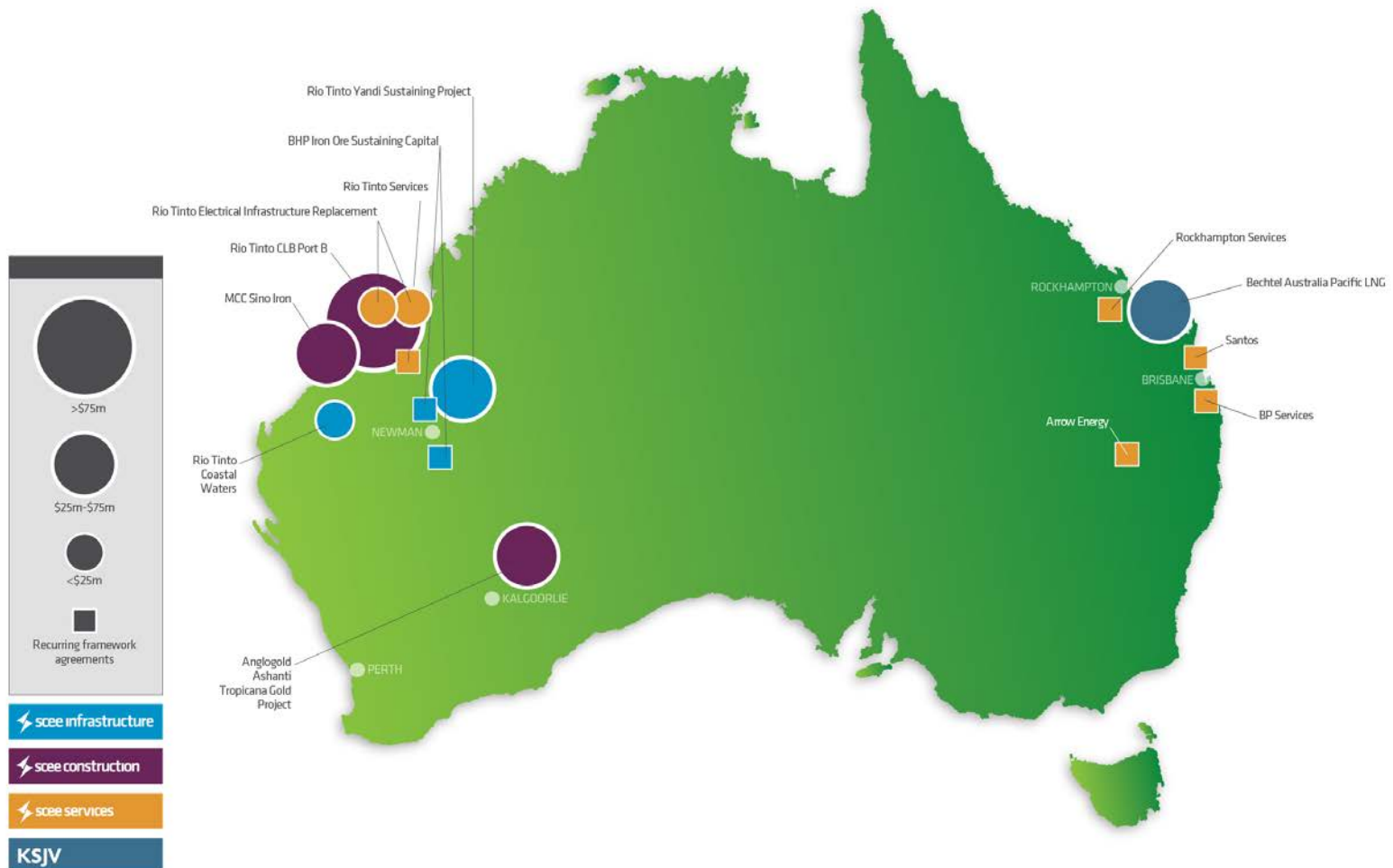
**Australia**

**Power generation**



**Australia**

# FY14 projects



# Half year financial results



	<b>HY14</b>	<b>HY13</b>	<b>Change</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Revenue	110.7	120.6	-8%
Gross profit	26.0	24.0	8%
Gross margin	23.5%	19.9%	
EBITDA	12.3	9.5	29%
EBIT	8.8	7.2	22%
NPAT	6.2	4.3	45%
Net Margin	5.6%	3.5%	

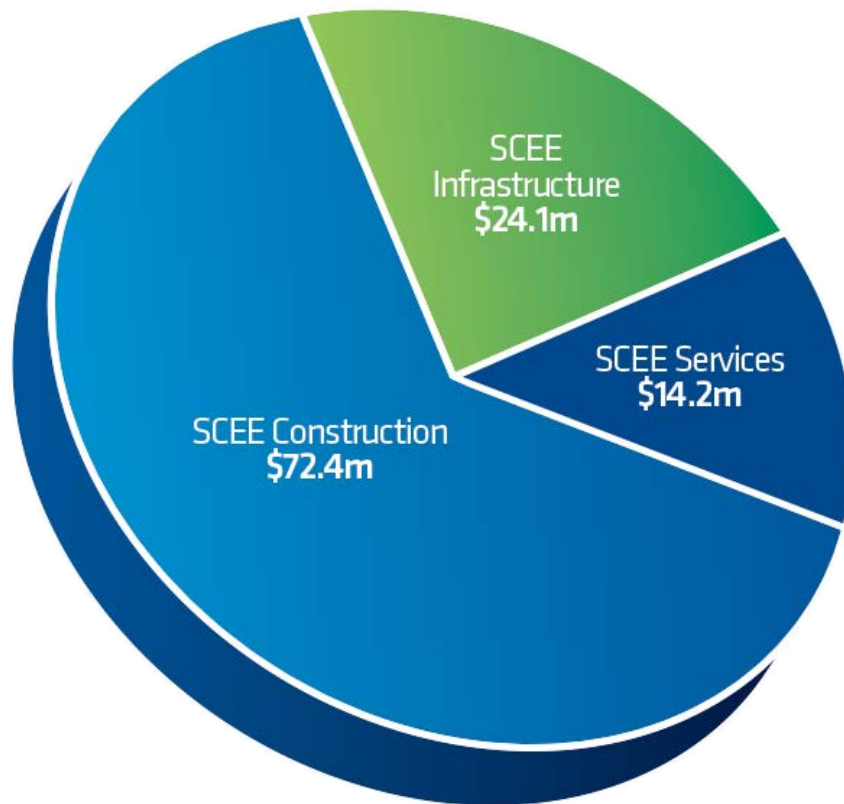
45% increase in NPAT from PCP

Strong gross margins from a project mix weighted towards large scale lump sum works and the capacity to utilise owned rather than hired equipment

Activity slowed towards the end of the period due to a timing gap between project close outs and new awards

Focussed on managing overhead base to strike a balance between cost control and operational effectiveness

# Revenues by operating division



## Main Contributors:

### SCEE Infrastructure

- BHP Sustaining Capital
- Rio Tinto Yandi Expansion

### SCEE Construction

- Rio Tinto Cape Lambert Port B
- AngloGold Ashanti Tropicana Gold

### SCEE Services

- Rio Tinto Services
- Rio Tinto EIR program
- BP and Caltex refineries

# Balance sheet



	<b>Dec 13</b> <b>\$m</b>	<b>Jun 13</b> <b>\$m</b>
Current assets	86.8	106.7
Non current assets	50.4	51.0
Total assets	137.2	157.7
Current liabilities	29.9	43.8
Non current liabilities	4.8	12.6
Total liabilities	34.6	56.4
Equity	102.6	101.3

Maintained a strong balance sheet throughout the period

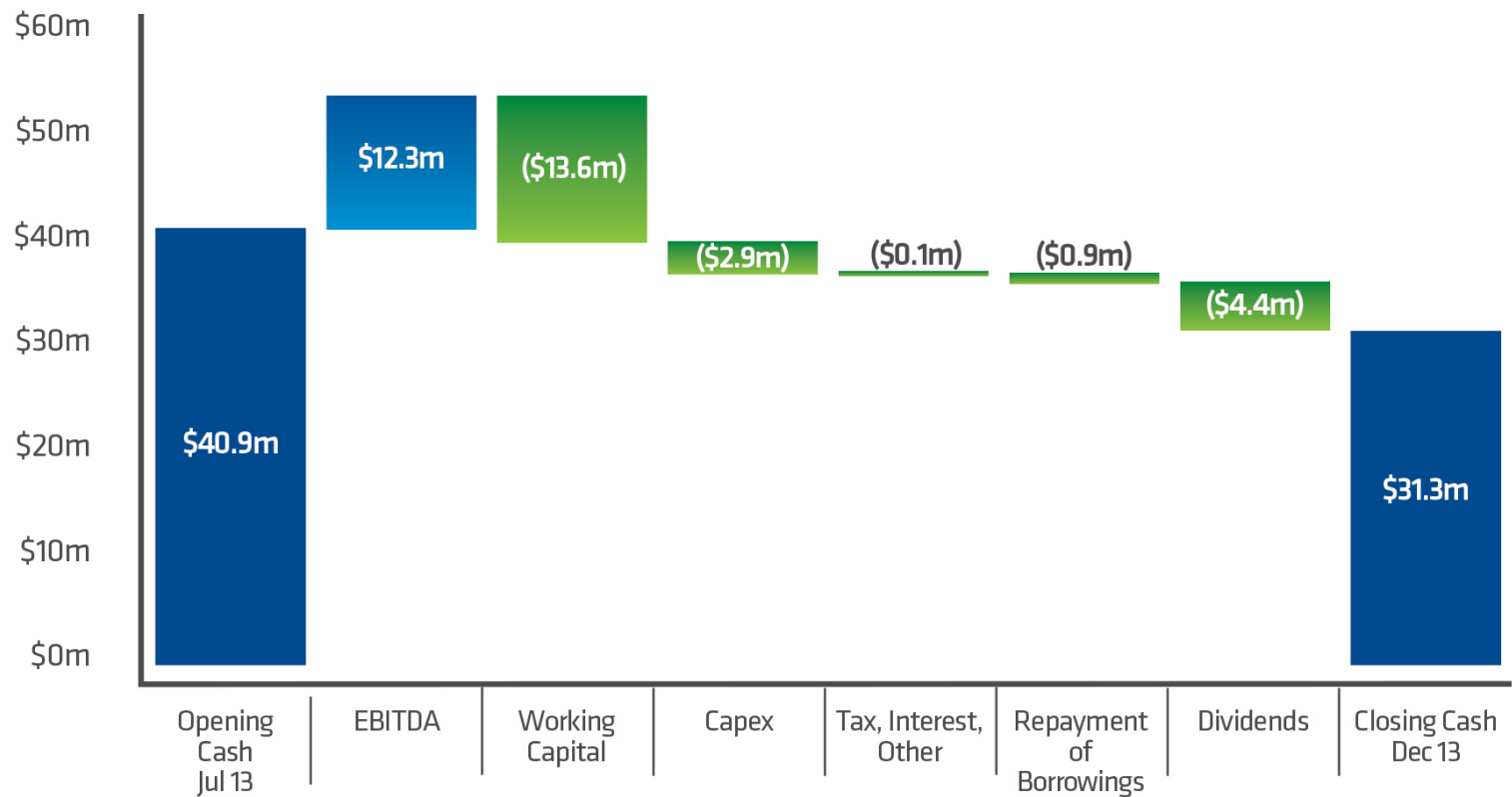
Cash of \$31.3m and minimal debt of \$3.6m

Over \$30m of short term receivables as a result of close out and invoicing of key contracts

Low capital expenditure of \$3.9m in current period following plant and equipment fleet expansion in FY12 and FY13



# Cashflow



# Historical results summary

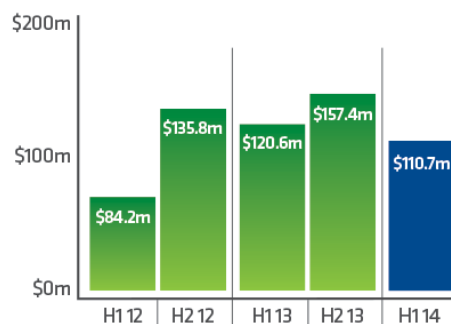


	H1 12 \$m	H2 12 \$m	H1 13 \$m	H2 13 \$m	H1 14 \$m
Revenue	84.2	135.8	120.6	157.4	<b>110.7</b>
Gross profit	17.8	25.6	24.0	37.3	<b>26.0</b>
Gross margin	21.1%	18.9%	19.9%	23.7%	<b>23.5%</b>
EBITDA	8.3	13.9	9.5	21.7	<b>12.3</b>
EBIT	7.3	12.1	7.2	18.1	<b>8.8</b>
NPAT	5.1	8.6	4.3	13.0	<b>6.2</b>
Net margin	6.1%	6.3%	3.5%	8.3%	<b>5.6%</b>
Dividend (cps)	0.0	2.25	0.0	2.70	<b>0.0</b>
Net Cash	16.8	30.0	41.5	36.3	<b>27.7</b>
Net Assets	78.3	86.9	87.9	101.3	<b>102.6</b>

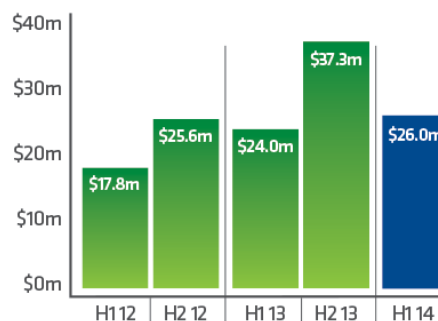
# Financial trends



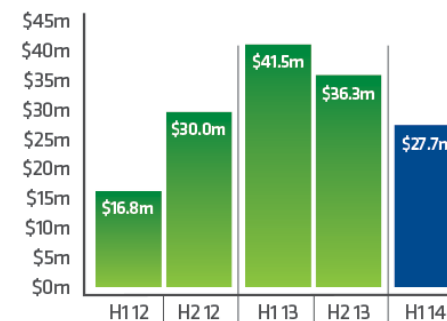
## Revenue



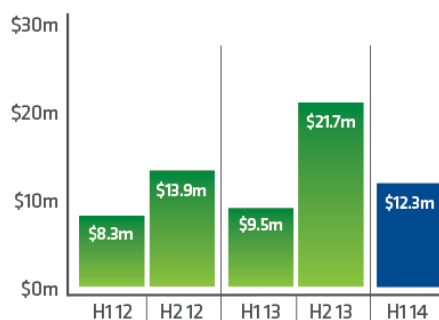
## Gross profit



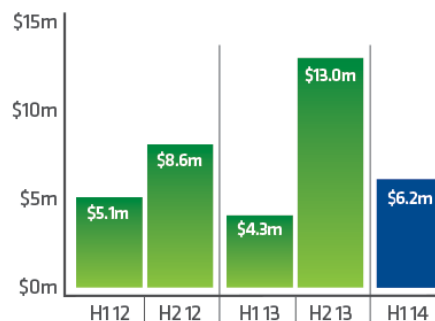
## Net cash



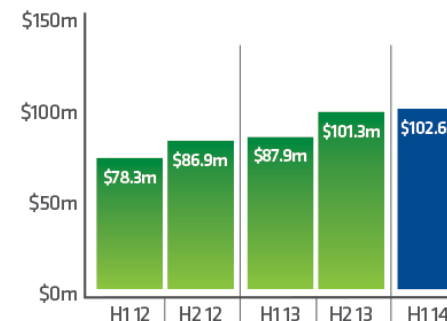
## EBITDA



## Net profit after tax



## Net assets



# Contract wins



## Rio Tinto Cape Lambert Port B Phase B

- Award followed successful completion of Phase A works
- Approximately \$50m of works awarded to date with further scope in advanced stages of negotiations

## Civmec Nammuldi

- Subcontracting to Civmec at Rio Tinto's Nammuldi project
- Award value of over \$10m

## Rio Tinto Electrical Infrastructure Replacement

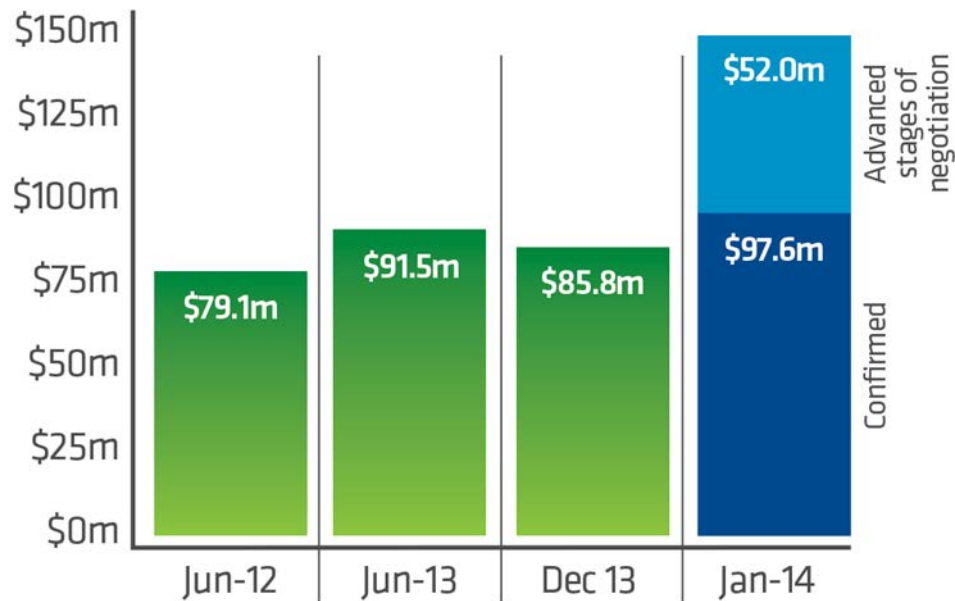
- Replacement, refurbishment and installation of new electrical equipment at Cape Lambert and East Intercourse Island
- Approximately \$10m awarded to SCEE Services to date and further work in advanced stages of negotiations

## KSJV – Bechtel Australia Pacific LNG

- First LNG award for KSJV with value in excess of \$40m
- Subcontract from Bechtel for electrical installation services



# Order book



Order book at 31 January 2014 of \$97m

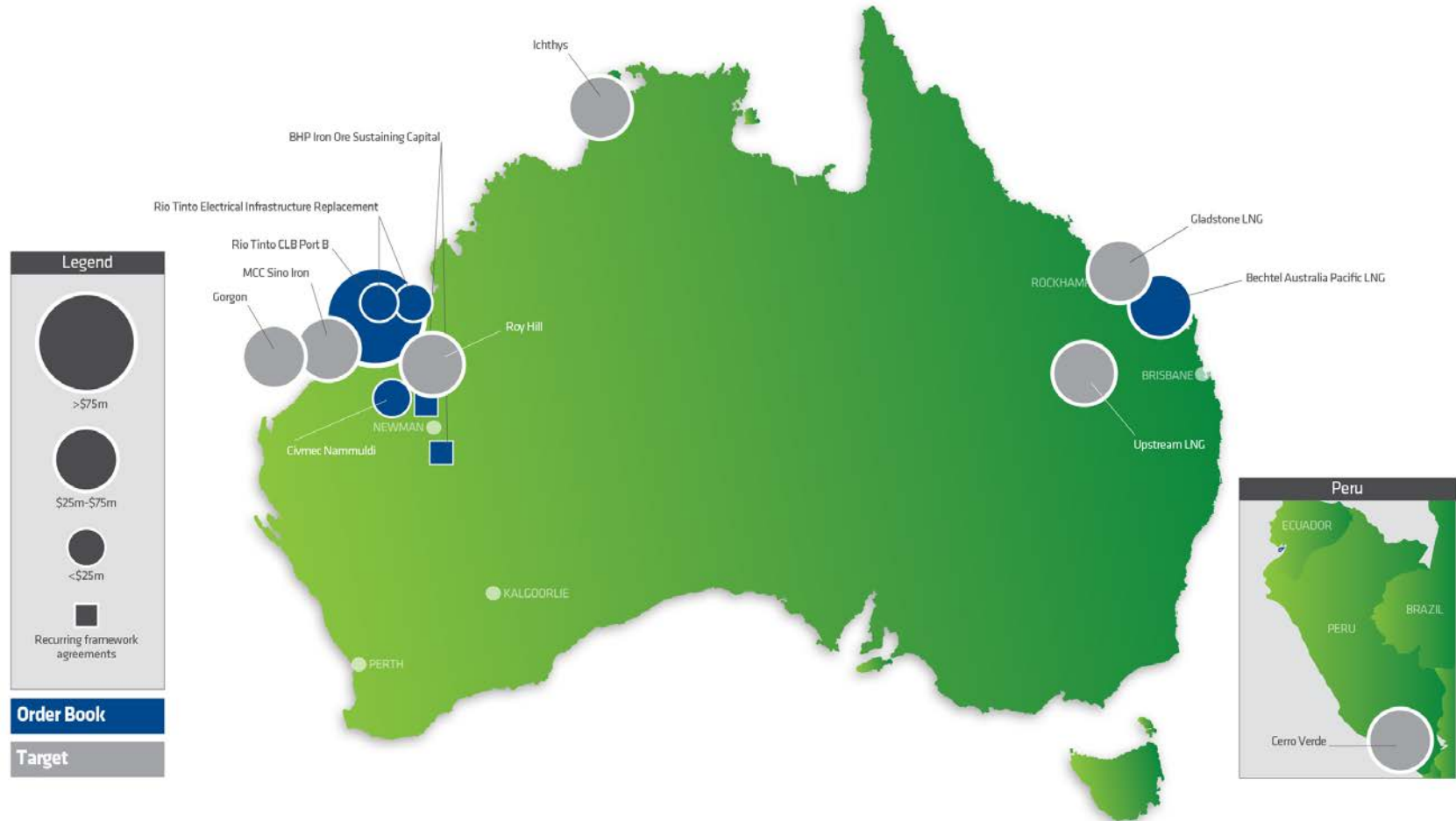
A further \$52m in advanced stages of negotiations

Provides good visibility into H2

Continuing to experience high level of tendering activity

Order book excludes work under recurring framework agreements

# Order book and near term targets



# Market conditions



Continuing to see clients become more commercially focussed

Increased competition as pool of available work decreases

Contractors coming under margin pressure

Large scale projects are being replaced by smaller expansion and sustaining capital projects

Shift from EPCM model to Design and Construct or EPC

SCEE evaluating potential alliances to provide clients with a more integrated service offering

Return to selected overseas opportunities

We continue to see opportunity in the market



## Iron ore

- Remains a core business for SCEE
- Framework agreements with Rio Tinto and BHP
- Tendering for further work at Sino
- Continue to monitor Roy Hill
- Targeting sustaining capital works as a growth area

## Minerals and metals

- Viewed as a spot market
- Domestic market slow
- Resumed selective tendering on targeted overseas projects

## Coal

- Market remains deflated but expected to ultimately return
- Positioned for future work having executed Lake Vermont
- Power distribution opportunities becoming more visible





## LNG

- KSVJ formed with Kentech in December 2012
- Demonstrated capability with first award at Australia Pacific LNG on Curtis Island, QLD
- Large volume of work to be performed on Australian LNG projects will require additional capacity
- Optimistic LNG will become a key revenue contributor in the near term
- Major brownfield opportunities will become a feature of the market

## CSG

- CSG element to East Coast LNG projects
- Revenue stream for duration of plant life of 25+ years
- Positioning for Phase Two awards

## Power Generation

- Completion of works previously awarded to Forge
- Growth of new gas fired power plants in WA and QLD



# Recurring revenues



Growth of recurring revenues fundamental to long term strategy

Making good progress in growth of recurring iron ore work with framework agreements in place with Rio Tinto and BHP Billiton

Targeting operations & maintenance and sustaining capital opportunities

Potential LNG and CSG workflow over long-term

Looking to increase revenues considerably over three to five years through organic growth and acquisition opportunities (targeting > \$100m p.a. by FY16)



# Solid operational and financial platform



Proven operational processes and systems which successfully delivered CLB Phase A and Tropicana Gold on time and on budget

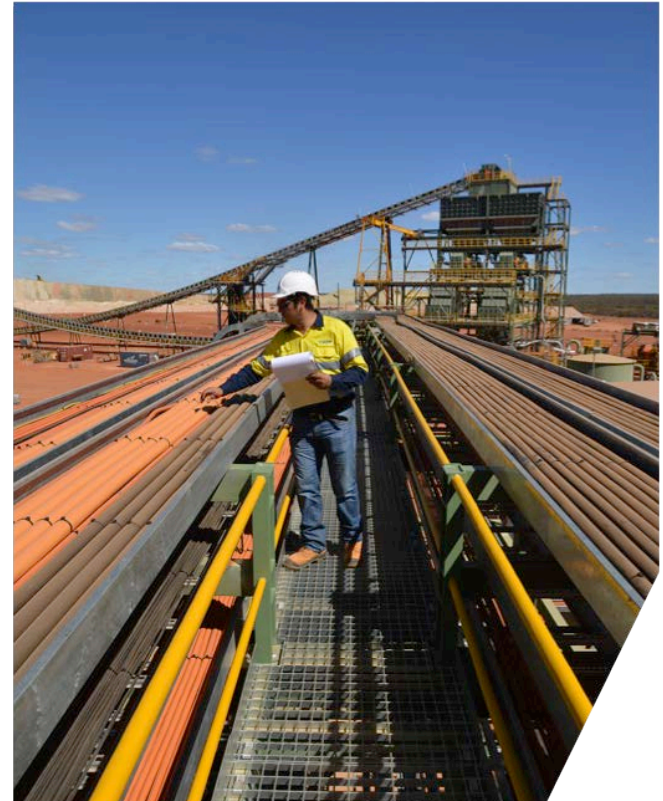
Over \$30m invested in systems and fixed assets since FY12

Expansion and renewal of plant and equipment fleet provides financial benefit from reduction in hired equipment

Implementation of ERP and SCEEtrak suite of project controls in H1 14 will help drive efficiency improvements to counter margin pressure

Strong balance sheet and cash reserves

Capacity to capitalise on growth opportunities that arise



# Health and safety



Lost Time Incident free in the period

Over nine years LTI free in Australia

Reflective of the emphasis placed on safety from the Board through to our project teams

We place a priority on creating a proactive safety culture across the whole of SCEE

Mick Garstone awarded the “Best Individual Contribution To Safety & Health Award” by Worksafe WA for his role on the Rio Tinto Yandi Sustaining project



# Training and people



Dedicated training centre provides cost effective and flexible training schedules to ensure efficient mobilisation of project teams

Recruitment handled by in-house capability

Strong commitment to indigenous participation

Award winning apprenticeship program

SCEE apprentices won the 2013 WA NECA Excellence and Apprentices Awards in the 1<sup>st</sup>, 2<sup>nd</sup> and 4<sup>th</sup> year categories.





# Conclusion



Solid financial result in increasingly challenging market conditions

Successfully completed and closed out key projects on time and on budget

Healthy order book moving into H2

Pipeline of opportunities remains but will require flexible contracting approach including increased focus on alliance partners

Operations and maintenance and sustaining capital key to building recurring revenues

Strong financial position and proven processes and systems provide platform to capitalise on growth opportunities



# 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:

	H1 12 \$m	H2 12 \$m	H1 13 \$m	H2 13 \$m	H1 14 \$m
Profit before tax	7.6	12.1	7.1	17.9	8.7
Finance expense	0.4	0.4	0.4	0.8	0.6
Finance income	(0.7)	(0.4)	(0.3)	(0.6)	(0.5)
<b>EBIT</b>	7.3	12.1	7.2	18.1	8.8
Depreciation	0.9	1.7	2.2	3.5	3.4
Amortisation	0.1	0.1	0.1	0.1	0.1
<b>EBITDA</b>	8.3	13.9	9.5	21.7	12.3

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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.