

21 August 2024

## Full Year Results Announcement

- Record EBITDA of \$40.1m up 5.0%, record EBIT of \$32.7m up 10.4% and record NPAT of \$21.9m up 9.1% on record prior year
- Record cash balance of \$84.1m up 8.3% on record prior year and no debt
- Record order book of \$720m up 18.0% on record prior year
- Fully franked 5.0 cps final dividend declared, up 25% on prior year final dividend
- Three structural tailwinds of Data Centres, electrification and decarbonisation, and infrastructure presenting significant opportunities across our businesses
- Anticipating FY25 EBITDA of at least \$53m with growth in FY26 and beyond

Southern Cross Electrical Engineering Limited ("SCEE Group") today released its results for the year ended 30 June 2024.

In 2024 SCEE Group has delivered its largest ever profits for the second consecutive year and ended with a record cash balance and a record order book.

### Results for the year ended 30 June 2024

Revenue for the year of \$551.9m was up 18.8% on prior year revenue of \$464.7m and exceeded guidance of targeting full year revenue of over \$500m.

Revenue contribution by sector was as follows:

- Infrastructure – revenue for the year was \$233.7m, a record for the sector and up from \$141.0m in the prior year. Infrastructure became the largest section in the year and comprised 42.3% of total revenue. Work on the Multiplex Western Sydney International Airport project ramped up during the period and is now at peak levels of activity. Other ongoing significant contributors include the Next DC SYD03 and other Data Centres, the Pitt Street Sydney Metro station project in NSW and the Ergon Energy Queensland Service Agreement. The supply of the Westgate Tunnel switchboards in Victoria was completed in the year.
- Commercial – revenue for the year was \$171.1m, compared to \$154.9m in the prior year. Trivantage's national supermarket services business continues to deliver strong results. Heyday has various ongoing projects in NSW and the ACT including the Pitt Street Sydney Metro station



commercial and residential towers.

- Resources – revenue for the period was \$147.0m, down from \$168.8m in the prior year with the large-scale construction projects at Rio Tinto Gudai-Darri and the MARBL JV Kemerton lithium plant having successfully completed in FY23. Key projects in the period included the security upgrade works at the Dysart, Moranbah and Stayover Dysart accommodation villages in the Bowen Basin in Queensland, the CPB Mount Keith debottlenecking project and various ongoing works for BHP, Rio Tinto and Sino Iron.

Recurring revenues from services, maintenance and framework agreements contributed over one-third of activity in the period.

Gross profit for the period of \$82.7m was up on the prior year gross profit of \$76.3m. Gross margin percentages were 15.0% compared to the prior year gross margins of 16.4%.

Overheads of \$43.3m were up 8.8% on the prior year overhead of \$39.8m. Overheads as a percentage of revenue were 7.8% compared with 8.6% in the prior year.

Record EBITDA for the year of \$40.1m was up 5% on the prior year's record \$38.2m and exceeded guidance to match FY23. Record EBIT of \$32.7m was up 10.4% on the prior year's record \$26.7m

Net profit after tax of \$21.9m was also a record result and was up 9.1% on the prior year. Included in the NPAT for the year was \$2.2m of amortisation of intangibles relating to the FY21 acquisition of Trivantage (FY23 \$2.1m) and a \$1.1m post tax expense from the revaluation of the liability for the component of the group's long term incentive scheme that may be cash-settled in order to reflect the impact of the 158% growth in share price in the year on the fair value of the performance rights.

The Board has declared a fully franked final dividend of 5.0 cents per share to be paid on 9 October 2024. Total dividends declared for the year, including the interim dividend of 1.0 cents per share paid in April, were 6.0 cents per share, up from 5.0 cents per share in the prior year.

The cash balance at 30 June 2024 increased to a record \$84.1m from \$77.7m at the start of the year. The record cash balance was achieved after incurring significant cash outflows in the year for the final Trivantage acquisition earn-out which was achieved in full (\$7.3m), the initial acquisition consideration (net of cash acquired) for the acquisition of MDE Group (\$4.9m), a record fully franked dividend pay-out (\$12.7m) and income tax instalments (\$17.3m) of which a significant portion related to the successful close out of the major FY23 resources projects. A \$15.1m advance payment related to the Collie Battery Energy Storage System project was received prior to year end.

The group remains debt free.

The group's total available project bonding capacity was increased during the year from \$100m to \$150m in order to service the record order book while providing further headroom for the significant opportunities presenting in the markets in which we operate. At 30 June 2024 there was \$94.1m of bank guarantees and surety bonds on issue.

## Health, Safety and Environment

Delivering our work safely is our highest priority and we are extremely proud of our strong safety culture. We were Lost Time Injury ("LTI") free across the group's operations in FY24 for the second year running. This represented over 2.3 million manhours LTI-free in the year delivered by our

workforce of over 1,700 employees which has grown by 300 in the year. Our SCEE Electrical business is now over 20 years LTI free in Australia.

We continue to voluntarily monitor our greenhouse gas emissions and maintain a low emissions base. In FY24, our operational emissions (Scope 1 and 2) totalled 3,687 tCO<sub>2</sub>-e (FY23: 3,288tCO<sub>2</sub>-e), significantly below the National Greenhouse and Energy Reporting ("NGER") scheme mandatory reporting threshold of 50,000tCO<sub>2</sub>-e.

### **Acquisition of MDE**

Consistent with our strategy to broaden our geographic diversity through expanding our core competencies and adding adjacent and complementary capabilities, we completed the acquisition of east coast communications specialist MDE Group on 31 May 2024 for an enterprise value of up to \$10.55m.

Founded in 2006 and based in Sydney, MDE provides communications, data, and electrical services for construction and fit out projects across a range of sectors including commercial building developments, Data Centres, and healthcare and transport infrastructure.

MDE have worked successfully with our Heyday business for several years on a variety of major projects, and are currently delivering the communications components of Heyday's projects at the Western Sydney International Airport. It has been pleasing to see MDE establish a good relationship with our other group entities in order to explore cross-selling and growth opportunities, a number of which have already been identified and are being explored.

We are forecasting an EBIT contribution of at least \$5m from MDE in FY25 and see potential for growth beyond this in future years.

We have a successful track record of acquiring value accretive businesses. The three Trivantage businesses SJ Electric, SEME Solutions and Trivantage Manufacturing each delivered record profits in FY24 building on their record prior year results.

### **Outlook**

The group is anticipating FY25 EBITDA of at least \$53m, an increase of 32% on FY24, with expectations of further growth in FY26 onwards.

The order book at 30 June 2024 was \$720m, up 18% on the prior year's record \$610m. Infrastructure makes up the largest component of the order book at 67% with commercial contributing 16% and resources 17%.

In May SCEE Electrical were awarded the balance of plants work for the Collie Battery Energy Storage System ("CBESS"). At an initial contract value of circa \$160m it was the largest award by value in the group's history. We have subsequently been awarded a variation for the CBESS 330kV Switchyard Package taking the total value awarded to date to circa \$210m. Other notable projects secured in the year included various awards at the Next DC SYD03 and other Data Centres, the Australian Border Force's integrated fit out at Western Sydney International Airport, the City Tattersall's Club redevelopment project in NSW, and various works for BHP Iron Ore. We continue to secure regular works under our key framework agreements including various supermarket roll-outs.

The confidence in our growth forecasts is underpinned by this record order book and by the three structural tailwinds of the growth in Data Centre construction, the electrification and decarbonisation of the economy, and infrastructure.

The Data Centre sector is showing exponential growth driven by cloud computing and AI developments. Data Centres are electrically dense, with electrical work comprising the largest component of construction cost, and typically require triple power supplies to satisfy uptime requirements. SCEE Group businesses have worked on Data Centre projects for over twenty years and have multiple touch points into the sector including Heyday's very strong position in general construction, Trivantage Manufacturing building and supplying sophisticated electrical equipment, Datatel and MDE providing communications services and SEME offering security solutions.

Over \$150m of our order book is Data Centre related and we are forecasting revenues of at least \$100m per annum in FY25 and beyond. We are currently tendering on or positioning for over \$500m of work to be awarded in the next two years for extensions at existing or new builds of multiple Data Centres.

Australia is undergoing an energy transition to achieve net zero emissions by 2050. SCEE's exposure to the electrification and decarbonisation of society is becoming all-encompassing in our work and presents the group with huge opportunities across all the markets in which it operates. These include decarbonising our client's operations, helping client's meet the demand for commodities and products required for decarbonisation, the movement to sustainable buildings to comply with building codes and sustainability standards, and offering our services across a diverse and growing range of electrification and decarbonisation initiatives, examples including battery recharging solutions, LED lighting in education facilities and manufacturing solar-powered security gates.

The transition of Australia's electricity supply to run mainly on renewables requires huge investment in solar and wind developments supported by battery storage and grid reconfiguration. We have previous experience in delivering solar, wind and battery projects and the recent award of the CBESS project marks a significant step change in our exposure to the battery sector where we are positioning for further battery developments across Australia.

The broader infrastructure market is a very wide sector for SCEE and spans federal, state, and private investment in transport (road, rail, airports, ports), defence, Data Centres, education, agriculture, water, energy, renewables, utilities, health and aged care. Outside of the Data Centre and renewables opportunities discussed above, there are a number of particularly strong infrastructure segments for the group.

The Western Sydney International Airport and Aerotropolis was our largest revenue contributor in FY24 with multiple packages awarded to date. Tendering is currently in progress on the cargo handling, command and maintenance facilities and we are expecting a long-term pipeline of works with further airport expansion and in the surrounding Aerotropolis region.

On the Sydney Metro programme we have ongoing work at the Pitt Street Metro station and tower projects and are positioning for other opportunities around the airport line and Sydney Metro West station developments.

In health care we are delivering the Shoalhaven Hospital, with multiple major hospital developments presenting in NSW and ACT.

Activity in the commercial sector is expected to continue at similar levels in FY25 with work ongoing on a number of construction and fit-out projects across NSW and ACT and for the major supermarkets.

Resource sector volumes will remain at lower levels in the near term in the absence of large construction opportunities

The ability to deliver our growth forecasts could be adversely affected by delays to current and future projects or by project delivery issues, however we do not anticipate any impact at the current time and note that opportunities exist outside the current forecasts that could mitigate against any shortfalls or even exceed these forecasts.

Macro factors including economic and geopolitical uncertainty have the potential to destabilise or change the markets in which we operate. The group continues to monitor and manage the broader economic environment. There have been no material impacts on our operations from inflationary cost pressures or labour market issues to date.

### **Strategy**

SCEE Group primarily sees itself as an electrical contractor diversified across the resources, commercial and infrastructure markets.

Our growth strategy continues to be to deepen our presence in those sectors and broaden our geographic diversity through expanding our core competencies and adding adjacent and complementary capabilities, either organically or by acquisition.

We have increasing exposure to service and maintenance style work with recurring revenues now over one-third of our activity.

We are actively exploring a range of acquisition targets offering further geographic diversification and new capabilities.

The electrification and decarbonisation of the Australian and global economies present SCEE with opportunities across all its operations.

### **Comment**

Commenting on the full year results, SCEE Group Managing Director Graeme Dunn said "I am delighted to have been able to announce that we have achieved record profits for a second consecutive year. We have also delivered a record year end cash balance and a record order book and secured the largest initial contract award in our history at the Collie Battery Energy Storage System project.

We anticipate further growth in FY25 and beyond, driven by our high levels of exposure across the group to an extremely strong and growing pipeline of Data Centre, electrification and decarbonisation, and broader infrastructure opportunities."

### **Results webcast**

Investors and analysts are invited to attend a results presentation webcast with Graeme Dunn (SCEE Group CEO and Managing Director) and Chris Douglass (SCEE Group CFO) today, Wednesday 21 August 2024 at 11am WST.

Investors and analysts wishing to attend the webcast are required to register at the following link:

<https://edge.media-server.com/mmc/p/ijmze6pt>

**Authorised for release by Graeme Dunn – SCEE Group Managing Director**

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