

Market update

22 July 2015

ASX & media announcement

ASX code: SXE

- Forecast underlying trading profit for FY15 of \$4.3m (before restructuring, write-down and impairment charges)
- Forecast statutory NPAT loss for FY15 of \$9.4m
- Final dividend for FY15 intended to be maintained at same absolute level as prior year
- \$44.5m cash and no debt at 30 June
- Order book over \$100m at 30 June

The Board of Southern Cross Electrical Engineering Limited provides the following update to the market regarding the Company's FY15 earnings and dividend guidance, financial position, trading outlook and recent awards.

FY15 Earnings guidance

As set out in the table below, the Board is forecasting an underlying trading profit for FY15 of \$4.3m and an NPAT loss of \$9.4m (after restructuring, write-down and impairment charges). This forecast NPAT loss remains subject to final review and to independent audit:

	NPAT (\$m)
Underlying trading profit by period:	
First Half FY15	4.1
Third Quarter FY15	(1.4)
Fourth Quarter FY15	1.6
Underlying trading profit for FY15	4.3
Project claim write-downs	(1.5)
Redundancy and executive restructuring costs	(1.3)
Asset, property lease and inventory write-downs and provisions	(2.5)
Impairment of goodwill	(8.4)
Net Profit/(Loss) After Tax for FY15	(9.4)

Cash and Balance Sheet

The Company is pleased to announce that the cash balance at close of business on 30 June was \$44.5m. The franking account balance on 30 June was \$12.0m. In addition all asset finance debts had been paid out in full prior to 30 June leaving the Company debt free.

The Company has also made significant progress in settling outstanding project claims. This has resulted in a write-down of WIP with an NPAT impact of \$1.5m but the imminent receipt of the settlement amounts

will further increase the underlying cash balance. In particular all claims relating to projects that operationally completed in previous calendar years have been settled before 30 June.

The Board as always will continue to assess recoverability of claims and consequently adjust carrying values when appropriate, but following these write-downs has enhanced confidence regarding the collectability of the carrying values of current WIP and Debtors.

Trading outlook

As previously foreshadowed, the Company returned to trading profitably in the final quarter of FY15. It also returned a small underlying trading profit for H2 FY15.

The volume of activity at Sino Iron is now significantly increased and we continue to work at Curtis Island for Bechtel on the Australia Pacific LNG project through KSJV and we have also recently commenced work at Roy Hill both for Decmil and directly to Samsung. The group workforce currently totals around 800 employees and recruitment is continuing.

The order book at 30 June was over \$100m. Tendering activity remains high across the business but as previously discussed market conditions continue to be challenging in the domestic resources construction sector. The management of overheads and the restructuring initiatives will help to counter the impact of operating in these conditions but, given the medium and long-term outlook for the volume of work in this sector, initiatives continue to be implemented to access other potential revenue streams, both geographical and in adjacent or complementary sectors and markets.

Dividends

Notwithstanding the forecast NPAT loss for FY15, given the strong cash and franking credit position of the company, the Board currently intends to maintain dividend payments at the same absolute level as in the prior year of 2.7cps.

Banking covenants and finance facilities

The Board expects the Company to continue to remain fully compliant with all of its banking covenants following the restructuring initiatives.

SCEE's bank facility with CBA is due for renewal in August 2015 and negotiations have commenced in this regard. Management is anticipating seeking a reduction in the size of the facility in order to maintain an appropriate balance between funding requirements and facility costs.

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