

Service Stream Limited

FY15 Results Presentation

For personal use only



Leigh Mackender
Managing Director

12 August 2015



Financial Highlights

\$411.3m

Revenue up from \$389.6m FY14

\$25.4m

EBITDA up from \$16.6m FY14

\$11.7m

NPAT up from \$2.3m FY14

\$14.8m

Net Cash v (Net Debt) of (\$10.4m) at 30.6.14

- Increase in revenue driven by growth in Fixed Communications associated with a ramp-up in nbn-related activities
- Offset by declines in Energy & Water in line with expectation due to conclusion of smart meter rollout in Victoria
- 2H15 is the fourth consecutive half-year delivering EBITDA growth
- EBITDA margin of 6.2% for FY15 continues to improve
- Strong NPAT growth due to increased EBITDA and lower D&A and financing costs
- Declaration of final (fully-franked) dividend of 1.0 cent per share taking total dividends for year to 1.5 cents
- Focus on working capital in 2H15 produced strong OCFBIT¹ for year of \$34.0m
- Cash-on-hand of \$14.8m and zero debt at year-end

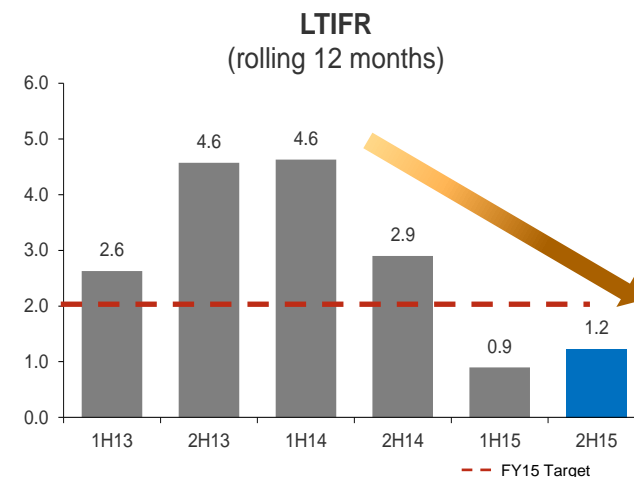
¹ Operating cashflow before interest & tax

Operational Highlights

For personal use only

- Continued focus on safety has driven improvements in all key metrics:

- Lost Time Injury Frequency Rate of 1.2 (down from 2.9)
- Total Recordable Injury Frequency Rate of 17.34 (down from 26.51)
- Lost Time Injury Severity Rate of 4.78 (down from 18.44)



- All major expiring contracts re-secured during FY15:

- Telstra: Wireless design & construction services [renewed for 3 years with 1-yr option]
- VHA: Wireless design & construction services [renewed for 2 years with 2-yr option]
- Origin Energy: Solar PV installation services [renewed for 3 years with 2 x 1-yr options]

- Stronger nbn demand as network deployment continues to gather momentum

- Maintained a steady focus on managing productivity & cost control as operations have grown

Operational Highlights ... continued

- Recently expanded Mobile Communications' customer base to include:
 - Crown Castle;
 - Networks NSW; and
 - Nokia Networks
- Energy & Water secured new field service agreement with AGL's Active Stream for electricity smart meter deployments [3 year initial term with 2 x 1-yr options]
- Expanded our multi-skilled contractor workforce across nbn operations by 1,000+ additional resources
- Launched talent identification and succession program

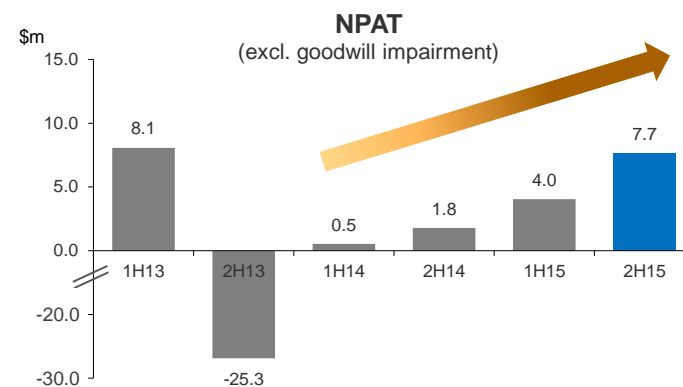
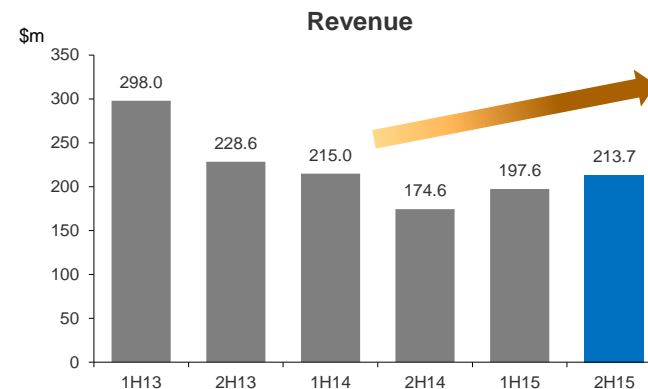


Key Financial Measures

For personal use only

Key financial measures

\$ million	FY15	FY14	Change	
Revenue	411.3	389.6	21.7	6% ▲
EBITDA	25.4	16.6	8.8	53% ▲
EBITDA %	6.2%	4.3%	1.9%	▲
Net profit after tax	11.7	2.3	9.4	408% ▲
Earnings per share (cents)	3.03	0.76	2.28	301% ▲
Operating cashflow	32.3	24.9	7.5	30% ▲
Net cash / (Net debt)	14.8	(10.4)	25.2	(242%) ▲
Total dividends declared (cents)	1.50	0.00	n/a	n/a ▲

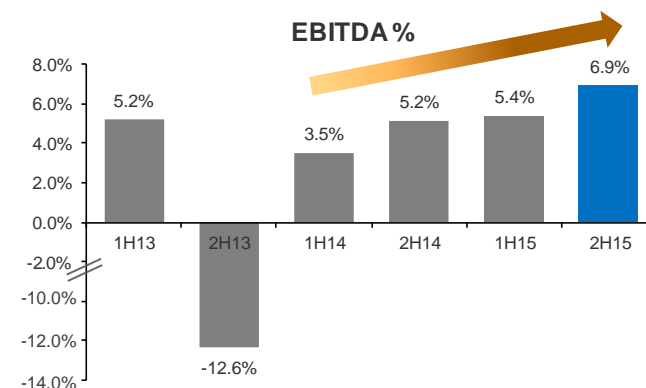
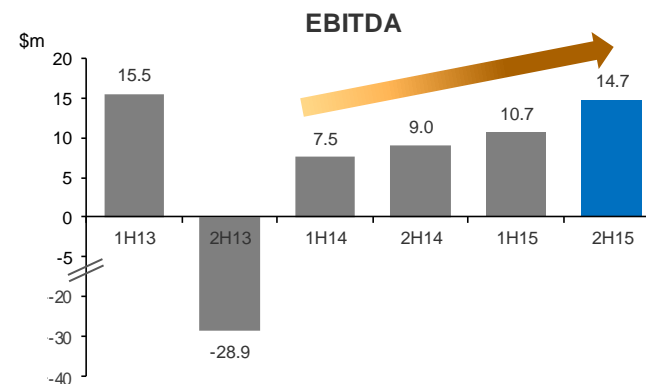


Segment Results

Segment results

\$ million	FY15		FY14		Change	
Fixed Communications	180.6		98.4		82.2	
Mobile Communications	154.0		166.9		(12.9)	
Energy & Water	77.3		124.2		(47.0)	
Eliminations & Interest Rec'd	(0.7)		0.1		(0.7)	
Total Revenue	411.3		389.6		21.7	
Fixed Communications	13.3	7.4%	2.4	2.4%	10.9	4.9%
Mobile Communications	13.3	8.7%	7.7	4.6%	5.6	4.0%
Energy & Water	3.5	4.6%	11.2	9.0%	(7.7)	(4.4%)
Unallocated Corporate Services	(4.8)	(1.2%)	(4.8)	(1.2%)	(0.0)	0.1%
Total EBITDA	25.4	6.2%	16.6	4.3%	8.8	1.9%
Depreciation & Amortisation	(6.3)		(9.0)		2.7	
EBIT	19.1	4.6%	7.6	1.9%	11.5	2.7%
Financing costs	(1.9)		(5.0)		3.0	
Income tax expense	(5.4)	31.5% ¹	(0.3)	11.1% ¹	(5.1)	
Net profit after tax	11.7	2.8%	2.3	0.6%	9.4	2.3%

¹ Effective tax rate

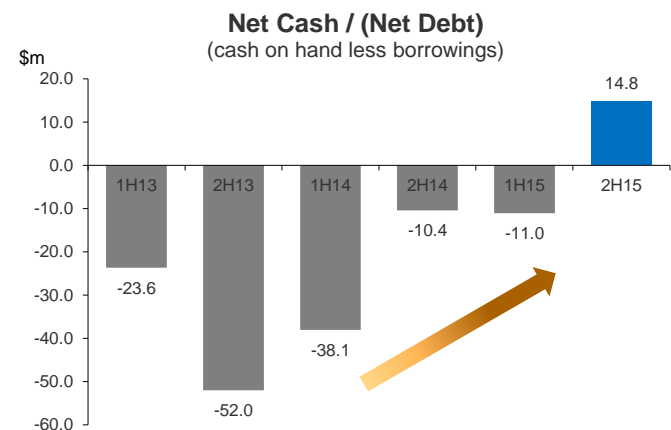
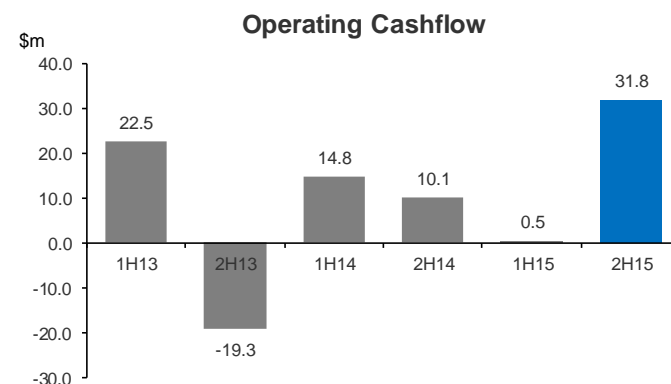


Cashflow Results

For personal use only

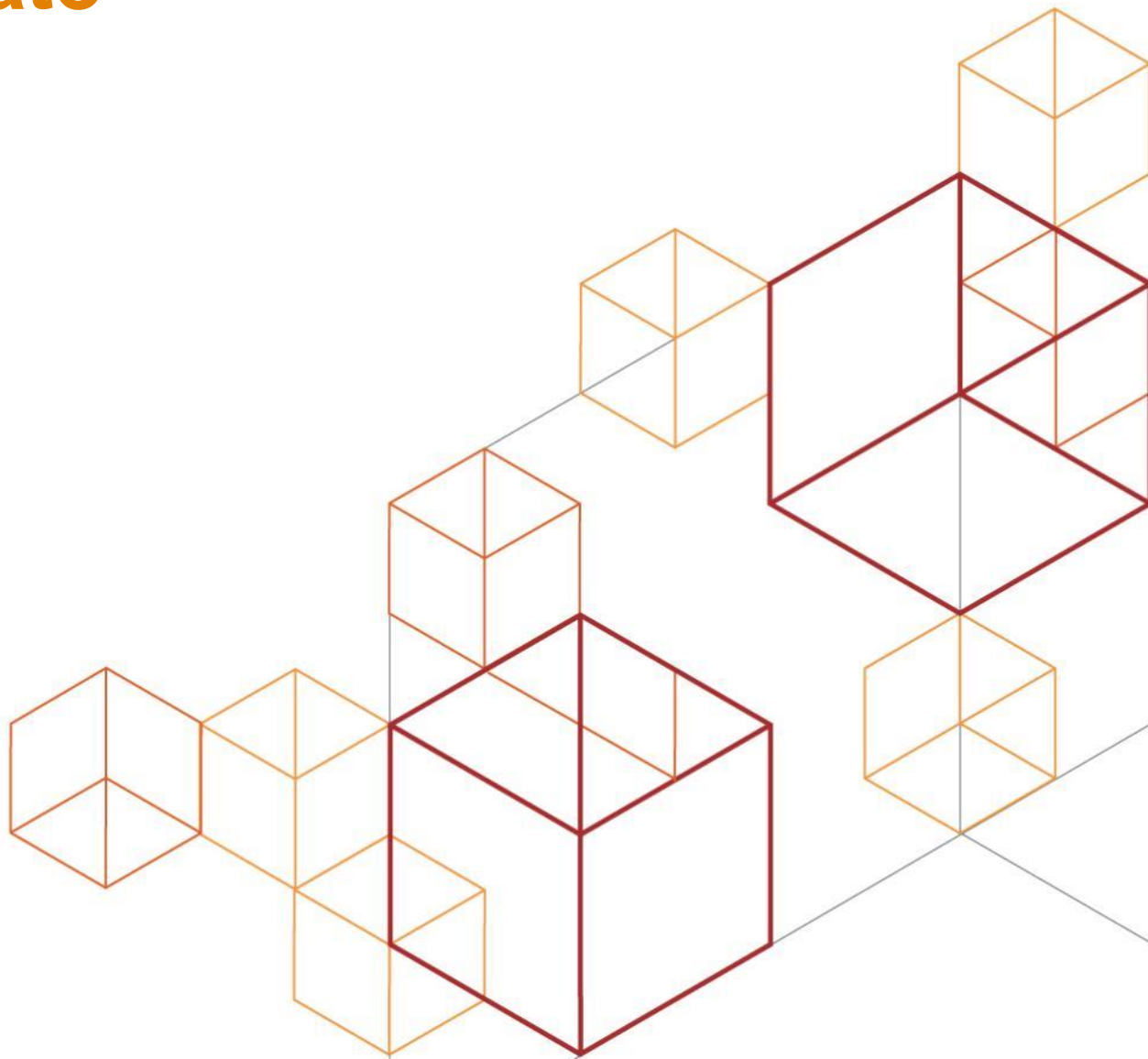
Cashflow results

\$ million	FY15	FY14	Change
EBITDA	25.4	16.6	8.8
+/- change in working capital etc.	8.6	34.1	(25.6)
Payments to Syntheo JV	0.0	(20.4)	
OCFBIT	34.0	30.3	3.6
Net tax paid	0.0	0.0	0.0
Net interest and financing costs	(1.6)	(5.5)	3.8
Operating cashflow	32.3	24.9	7.5
Capital expenditure (net of proceeds from sales)	(3.7)	(2.1)	(1.5)
Purchase of shares	(1.5)	0.0	(1.5)
Free cashflow	27.1	22.7	4.4
Net proceeds from capital raise	0.0	18.9	(18.9)
Dividends paid	(1.9)	0.0	(1.9)
(Increase) / Decrease in net debt	25.2	41.6	(16.4)



For personal use only

Business Units Update



Fixed Communications Update

FY15 Highlights

- Increase in revenue driven by ramp-up in nbn-related activities, most notably customer connections & activations
- Significant effort in working with nbn on improving the “works to cash” cycle
- Increased the recruitment, training and deployment of a multi-skilled contractor field workforce by 1,000+ resources
- Maintained a steady focus on managing productivity & cost control as operations have grown
- Successfully undertook FTTN trials for nbn and Telstra (22 SAMs equating to ~60,000 premises)



SAM = Service Area Module, a geographic area comprising approximately 2,500 premises and the unit of work package expected to be issued by nbn for Fibre-to-the-Node construction.

Fixed Communications Update... continued

FY16 Priorities

- Secure additional nbn-related work programs including those associated with nbn's new multi-technology deployment model (eg FTTN & HFC)
- Secure renewal/extension of New Developments contract with nbn
- Continued focus on the recruitment, training and deployment of a multi-skilled workforce to support field operations



Mobile Communications Update

FY15 Highlights

- Secured renewal of wireless design & construction contracts with Telstra & VHA
- Worked closely with major customers to improve visibility across future works and flow of volumes
- Increased the diversity of customers and operations including:
 - Network testing program with nbn
 - Various road lighting & signalling projects
 - Expanded wireless infrastructure customer base to include Crown Castle, Networks NSW and Nokia Networks



Mobile Communications Update... continued

FY16 Priorities

- Build on recent customer diversity with the mobilisation of new operations and securing additional work volumes
- Continue working with key clients to improve continuity of work orders
- Enhancement and expansion of centralised national design team
- Secure renewal of Telstra wireline contracts



For personal use only

Energy & Water Update

FY15 Highlights

- Completed 2,700 residential & commercial Solar PV installations with aggregate capacity >10,000kW
- Secured renewal of Solar PV installation contract with Origin Energy for a further 3 years
- Secured new contracts with ATCO Gas (meter exchange) and SAPN (pole inspection)
- Secured new contract with AGL's Active Stream for electricity smart meter deployment.
- Successfully completed a number of residential battery storage trials



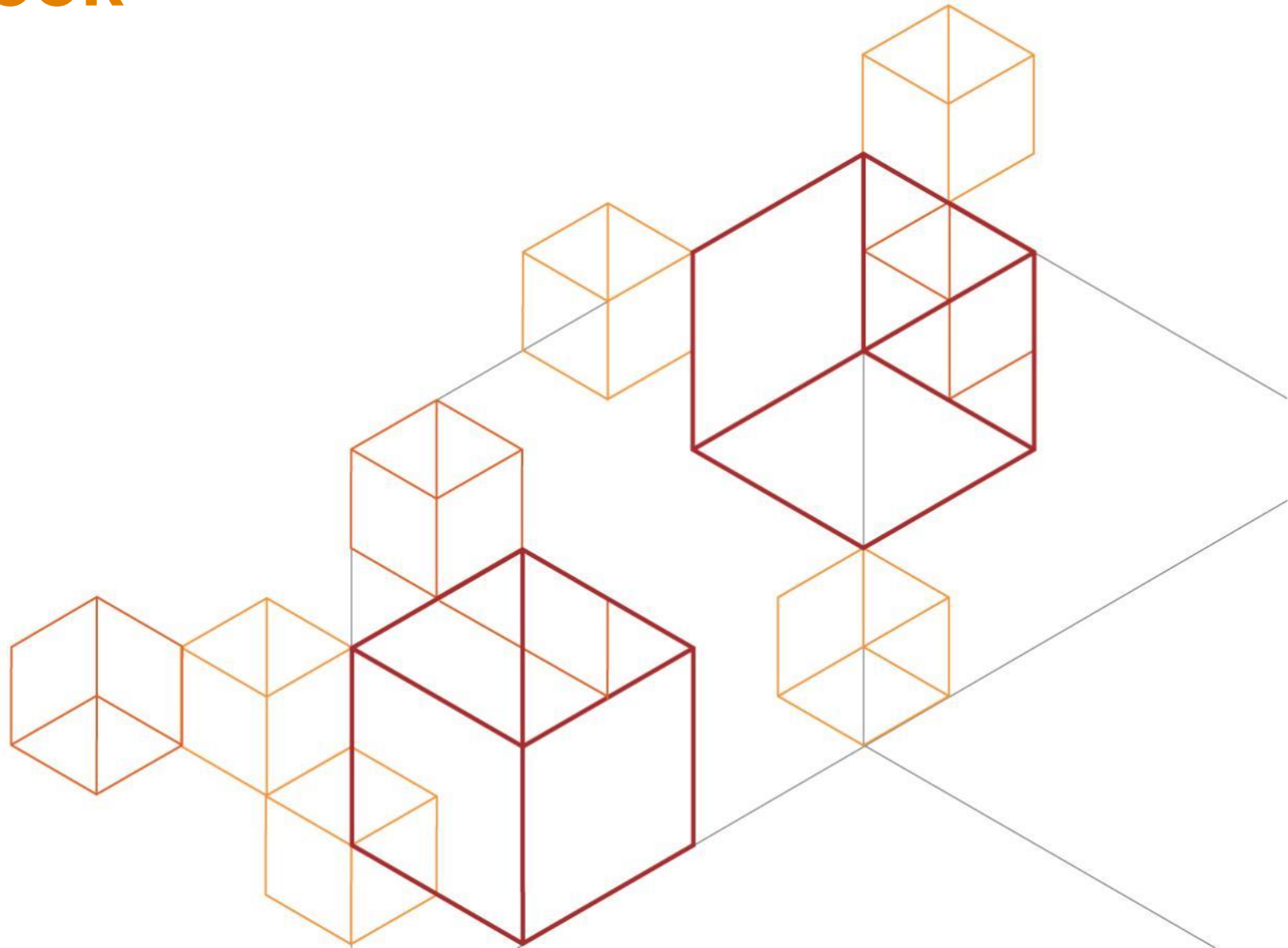
Energy & Water Update... continued

FY16 Priorities

- Successful renewal of smaller metering contracts which expire during the year
- Work with Active Stream to maximise year 1 work volumes under the new metering field services contract
- Work with Origin Energy to maximise volume under the renewed Solar PV installation contract
- Seek further customer and work type diversity
- Continue to build credentials and work with customers to accelerate the commercialisation of disruptive technology offerings e.g. battery solar grid systems



Group Strategy & Outlook



Delivered against our strategic plan in FY15

Underpinning sustainable profitability and growing shareholder value

UNLOCK

- Retention of contracts proceeding to market
- Improve contract and commercial management disciplines
- Implement variable direct cost structures to reduce risks of volume fluctuation

- ✓ Retained 100% of all major contracts that expired during the year
- ✓ Improved works-to-cash processes developed and being managed
- ✓ Centralised commercial division established
- ✓ Increased the use of contractor resources across field operations

RECONFIGURE

- Increased capability and focus on HSE performance
- Implement common business frameworks and processes
- Remuneration and recognition schemes
- Investment in our valued people

- ✓ HSE team transformed
- ✓ Significant improvement in safety performance
- ✓ Group level bid management framework implemented
- ✓ Executive team transitioned to share-based incentive programs, aligned with shareholder interests
- ✓ Talent identification and succession program launched

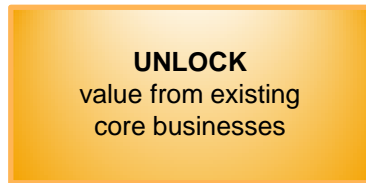
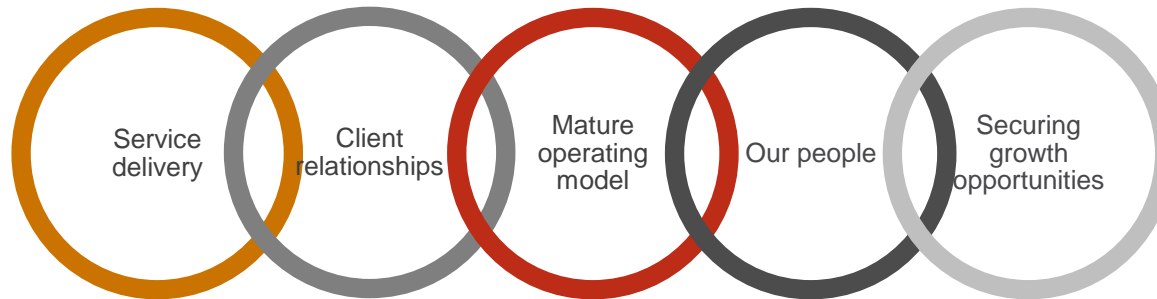
EXTEND

- Secure organic 'Value Add' opportunities
- Extension of core capabilities across known markets
- Build pipeline to support future growth

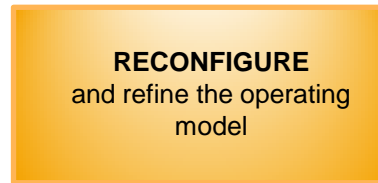
- ✓ New contract opportunities secured in Energy & Water
- ✓ Successful delivery of FTTN pilot programs
- ✓ Expanded customer base across Mobile telecommunication providers
- ✓ Expanded our variable contractor workforce by 1,000+ resources

Group Strategy

Continued execution against the strategic plan in FY16



- Retention of key contracts on improved pricing & commercial terms
- Continual improvement in group EBITDA margins
- Continued progress on works-to-cash cycles
- Strengthen customer relationships through closer engagement



- Continued implementation of mature and scalable business frameworks and processes
- A measured increase in 'enterprise level' IT infrastructure to support growth
- Continued investment in our people through talent identification, succession and development planning



- Secure organic growth opportunities across existing customer base
- Extension of core capabilities across known markets
- Investment in business development to maintain a healthy growth pipeline

FY16 Outlook

- The Group is targeting further earnings growth in FY16, subject to successfully expanding existing operations and securing new contract works across key clients
- FY16 Key priorities:
 - Securing additional works associated with nbn's new deployment and operating models
 - Achieving further customer and work type diversification across utilities market
 - Securing new work programs across the recently extended client base in Mobile Communications
 - Investment in enhanced IT platforms and applications to improve efficiency and effectiveness of operations, whilst reducing risk

