FY22
FIRST HALF RESULTS PRESENTATION

for the six months ended 31 December 2021

ServiceStream

Leading essential network service provider

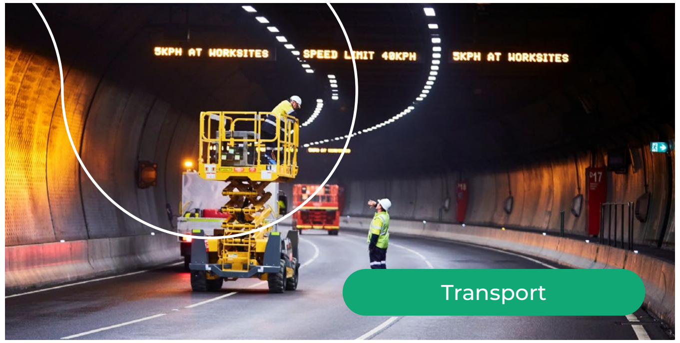
24 February 2022

Contents

ServiceStream

Key highlights

- **Soild operating result** across re-based legacy Service Stream operations
- **Exceptional cash result** for the half year – OCFBIT conversion of 235%
- Closing **net debt $47.1m**
- Significant strategic milestone reached with **Lendlease Services ("LLS") acquisition successfully completed** 1 November 21;
  - Acquisition delivers against the Group's strategy of diversifying revenues, enhancing capabilities and expanding addressable markets
  - Acquisition equity raise and debt refinance well supported
  - All client contracts successfully transitioned
  - Integration and synergy program progressing well, 50% synergy run-rate target brought forward to 30 June 22
  - Strong profit contribution across the initial 2 months of ownership
- Group **navigated through dynamic COVID environment**, without material financial impact
- Focus on **improving ESG credentials** through expanded range of initiatives
- Considerable **pipeline of new work opportunities** across telecommunications, utilities and transport sectors to support future growth



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Financial headlines

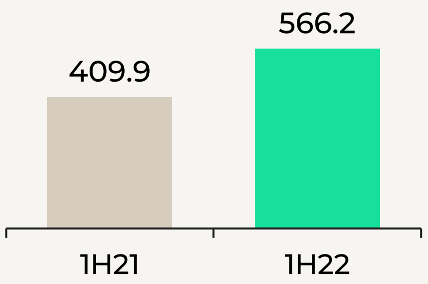
Total Revenue[1]

$566.2m

+38.1% vs pcp

- Lendlease Services (LLS) revenue $168m
- Legacy SSM business revenue down $11.7m, due to rebase of Telco work and mix

Total Revenue ($m)



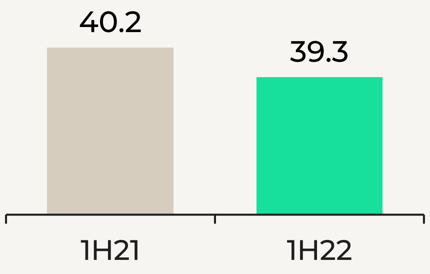
EBITDA from Operations[2]

$39.3m

-2.3% vs pcp

- Rebased EBITDA margin 6.9%
- Profit and margin in line with Management expectations for H1
- H1 result includes only minor contribution of synergies

EBITDA from operations ($m)



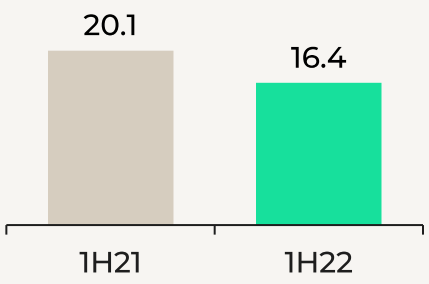
Adjusted NPAT

$16.4m

-18.6% vs pcp

- Statutory NPAT $5.3m after non-operational costs and amortisation of customer contracts from historical acquisitions
- No amortisation from LLS contracts recognised as yet under provisional accounting

NPAT-A ($m)

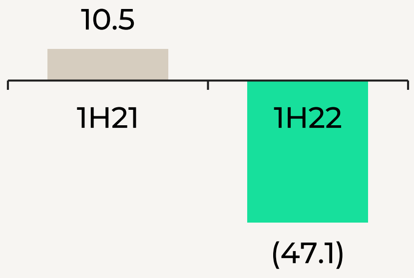


Net debt

$47.1m

- Exceptional EBITDA to OCFBIT conversion rate of 235%
- Includes release of pre-Completion working capital build from new LLS contracts mobilised

Net debt ($m)

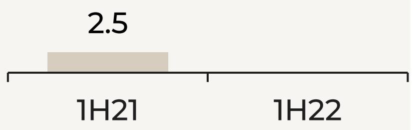


Dividend

Nil

- Interim dividend not declared to assist with funding the LLS acquisition, as outlined at AGM
- Resumption of dividends expected for the full year, subject to business performance

Dividend (cps)



Notes:
1. Includes proportionate revenue take-up of incorporated Joint Ventures. Refer to the Appendix for a reconciliation of Total Revenue to Statutory Revenue.
2. EBITDA from Operations excludes acquisition transaction and integration costs of $8.9m

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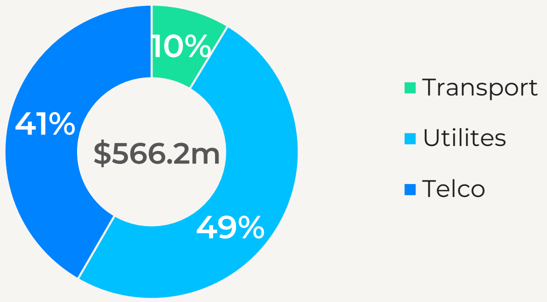
Enhanced Group revenue profile

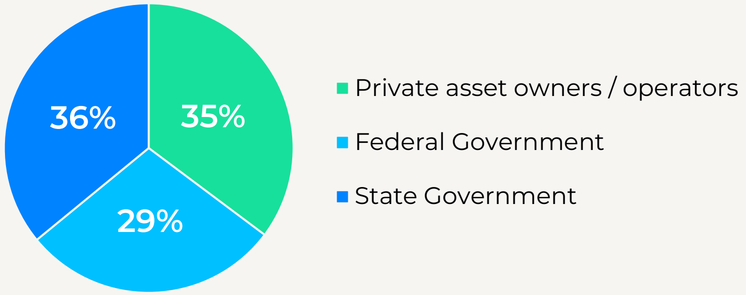
Solid order book of ~$5.6bn in secured revenue across the growing infrastructure services market

- Revenue mix improving with diversification, noting initial contribution from Lendlease Services (LLS) following completion on 1 November 21
- Group's contract profile continues to provide a position of strength:
  - Long term, multi-year agreements with a strong retention rate
  - Large portion of works operating under lower-risk schedule of rate models
  - Increasing blue-chip client base of government entities and private asset owners/operators
  - Long-term service based agreements generally include regular rise/fall mechanisms to support escalations in labour and operating costs
  - Shorter dated D&C works priced taking near-term escalations in labour/operating costs into consideration

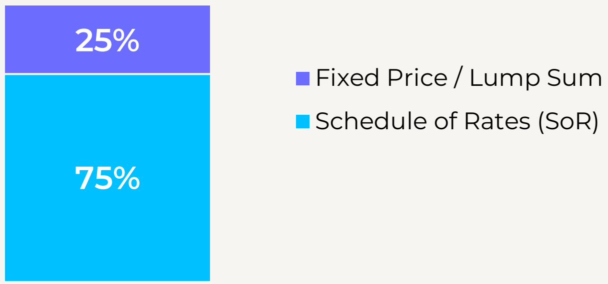
Revenue mix



Customer type



Contract type



1H22 Revenue

COVID-19

The Group has maintained operational delivery and managed through the Omicron outbreak without material financial impact

Business Impacts
(Limited COVID-19 impacts to date)

- Reduced preventative / discretionary work volumes across utility operations
- Restrictions on movement across state borders, particularly Western Australia
- Construction based lockdowns during Q1 FY22 impacted progress of utility project works
- Continued costs to manage COVID response and monitor changing regulations
- Limited impact on Service Stream's ability to deliver field operations to clients

Workforce Impacts
(Short-term in nature)

- Sporadic workforce absences in early 2022 due to illness or quarantine requirements
- Omicron pressures have been short-term in nature and workforce returning post isolation period
- No major labour shortages/absences due to Omicron variant
- Western Australia still presents short-term resource challenges across Transport and Utility operations
- Workforce impacts successfully mitigated across Group portfolio

Risk Mitigation

- Strong volume of contracted works secured across the Group's pipeline
- Improved revenue mix given diversification across the Group
- Enhanced COVID safe practices, staggered rostering and flexible resource base utilised
- Clients generally supportive of any short-term challenges in operational delivery
- Nature of commercial agreements assist the Group to navigate through future increase in wages and/or operating costs

The business continues to focus on keeping our employees safe, whilst monitoring and adapting to the changing landscape

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Lendlease Services acquisition

Transformational acquisition providing the foundations for future growth

Strategic rationale:

- Aligned with Service Stream's strategy to diversify revenues, enhance capabilities and expand the Group's addressable markets
- Highly complementary acquisition creating a leading multi-network service provider across Australia
- Providing additional scale that builds upon the Comdain Infrastructure acquisition in January 2019
- Significant synergies with intent to select and adopt the best people, systems and processes from across the combined businesses

- Created a broader portfolio of operations across the wider infrastructure services market
- Deepened existing capabilities and expanded into new transport, electricity and industrial sectors
- Diversified revenue concentration across additional quality blue-chip customer base
- Significant synergy opportunity, initial assessment of $17m pa
- Supporting strong EPS value creation of ~30% (excluding transaction and integration costs)[1]

Notes:
1. Calculated against broker consensus published for Service Stream's FY22 EPS-A on a standalone basis in the last 3 months prior to the announcement of the acquisition. FY22PF assumes the full pro forma run-rate of net synergies ($17 million) and excludes one-off acquisition and integration/separation related costs.

Integration update

The integration program is progressing well with the timing realisation of $17m in synergies brought forward

Delivery timeframe (18-24 months)

Post completion

- ✓ Integration PMO successfully mobilised
- ✓ Strong engagement with staff and clients
- ✓ Assessment of joint people, systems and processes

Clients

- ✓ Maintained strong relationships with client base
- ✓ Maintained BAU operational continuity
- ✓ All client contracts successfully transitioned

Restructure

- ✓ Future organisational structure determined
- ✓ Restructure of Telco and corporate support divisions largely complete

TSA Exit

- ✓ On target to exit Transitional Services Agreement (TSA) with Lendlease Group by 30 June 22

Synergies

- ✓ Synergy target of $17m validated
- ✓ Realisation flowing from 2H FY22
- ✓ Timing ahead of schedule – 50% run rate by 30 June 22 (vs November 22)

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Telecommunications

Expanded the breadth and depth of services delivered to major Telco clients under long-term agreements

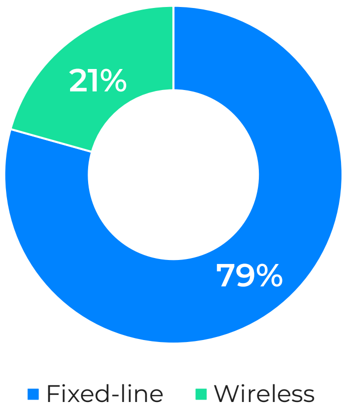
Highlights

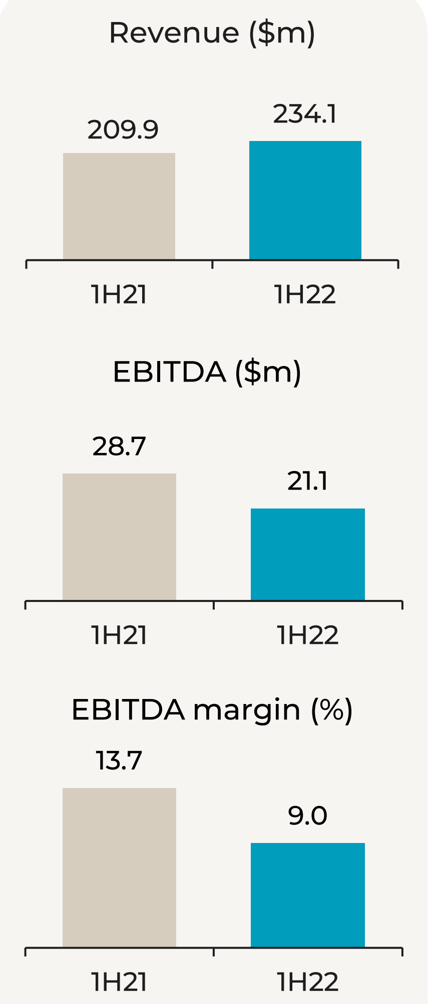
1. Revenue growth ~11% reflecting contribution of LLS, including mobilisation of network upgrade program (N2P)
2. Revenue and margin across re-based legacy Telco operations performing better than anticipated, supported by increased maintenance and upgrade works
3. EBITDA margin reflective of re-based work volumes, work mix, and contribution from LLS from 1 November 21 (lower margin contracts in-line with expectations)
4. Enhanced mix of long-term contracted operations across key clients, covering both fixed-line and wireless infrastructure
5. Mobilisation of nbn N2P network upgrade program progressing well

Major Clients

- NBN
- Optus
- Telstra
- TPG Telecom (incl Vodafone)

Revenue Mix





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Utilities Infrastructures

Increasing our long-term O&M (services) revenues across water, electricity and industrial client base

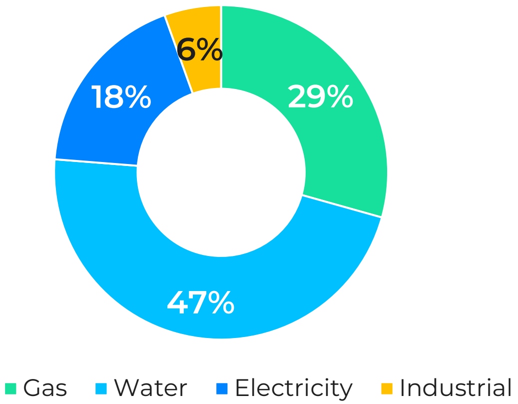
Highlights

1. Revenue growth ~40% reflecting contribution from LLS and increase in infrastructure upgrade (construction) works across SSM legacy utility operations
2. Re-based margin reflective of increased construction works and inclusion of LLS from 1 November 21
3. Mobilisation of long-term 10-year SA Water maintenance agreement, now in stabilisation phase
4. Re-secured long-term agreement with Multinet Gas Distribution encompassing gas operations, maintenance and capital works across Victorian network
5. COVID lockdowns impacted Q1 project delivery and continued to reduce metering/inspection work volumes

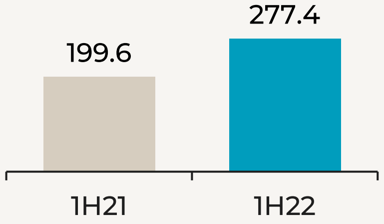
Major Clients

- Sydney Water
- South East Water
- Australian Gas Infrastructure Group
- SA Water
- APA

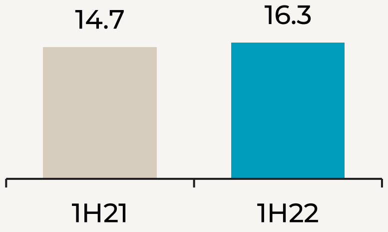
Revenue Mix



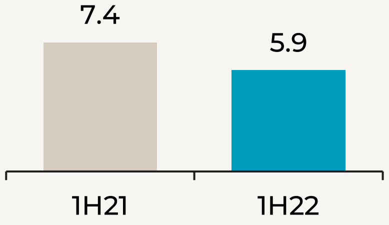
Revenue ($m)



EBITDA ($m)



EBITDA margin (%)



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Transport

Providing long-term operational support and maintenance services to public and private road asset owners

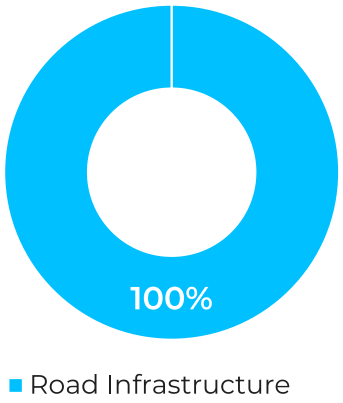
Highlights

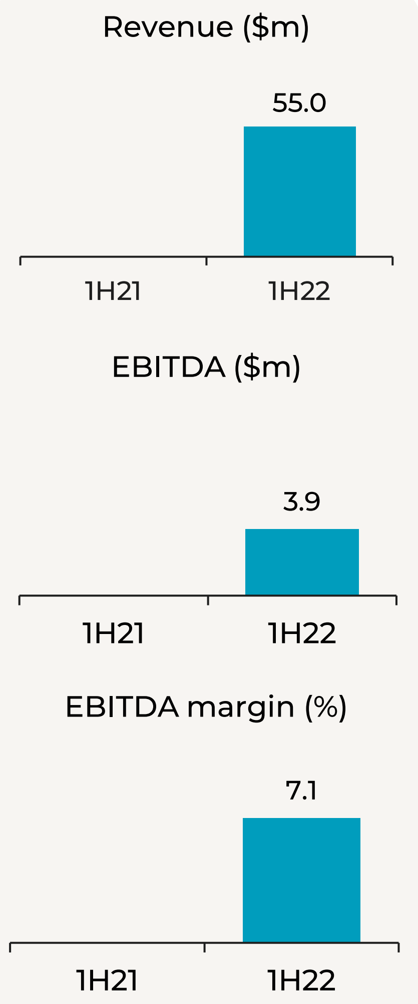
1. Revenue reflects contribution from initial two months of operations, post completion
2. Post acquisition segment contribution in line with initial expectations
3. Successful mobilisation of new 15-year road and traffic infrastructure maintenance agreement with Transport for New South Wales
4. Successful delivery of increased road maintenance works with Main Roads WA, supporting delivery of local government stimulus
5. Strong pipeline of works associated with increasing government spend across road operations, maintenance and deployment of ITS (smart) infrastructure

Major Clients

- Main Roads Western Australia
- Transport New South Wales
- Vic Roads
- Transurban

Revenue Mix





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Profit and Loss

Comparison of results for the six months to 31 December 2021

$m	1H22	1H21	Change $
Revenue	**560.4**	**409.9**	**150.5**
EBITDA	**30.4**	**39.1**	**(8.7)**
Non-operational costs	(8.9)	(1.1)	(7.8)
Depreciation & amortisation	(14.6)	(9.7)	(4.9)
Amortisation of customer contracts	(4.3)	(4.4)	0.1
EBIT	**11.5**	**25.0**	**(13.5)**
Net financing costs	(2.4)	(1.8)	(0.6)
Income tax expense	(3.7)	(7.0)	3.2
Net profit after tax	**5.3**	**16.2**	**(10.9)**

Adjusted profitability:

Total Revenue	**566.2**	**409.9**	**156.3**
EBITDA from Operations	**39.3**	**40.2**	**(0.9)**
EBITDA from Operations %	*6.9%*	*9.8%*	*(2.8%)*
Adjusted NPAT (NPAT-A)	**16.4**	**20.1**	**(3.7)**
Adjusted EPS (cents)	2.8	4.9	(2.1)

Total Revenue +38.1%:

- Includes $168m contribution from LLS post acquisition
- SSM legacy operations down $11.7m, due to Telco rebase but offset by Comdain growth

EBITDA from Operations -2.3%:

- Solid result from legacy SSM operations, with strong Telco result offsetting shortfall across Utilities
- Strong initial 2 months contribution from LLS
- Minor amount of synergies included in H1
- Excludes acquisition transaction and integration expenses of $8.9m

NPAT-A -18.6%:

- Higher depreciation charge primarily with addition of LLS

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Cashflow

Comparison of results for the six months to 31 December 2021

$m	1H22	1H21	Change $
EBITDA from Operations	39.3	40.2	(0.9)
+/- non-cash items & change in working capital	53.0	2.2	50.9
OCFBIT	**92.3**	**42.4**	**49.9**
EBITDA from Ops to OCFBIT conversion %	*235%*	*105%*	*130%*
Non-operational costs	(4.8)	-	(4.8)
Net interest and financing paid	(2.6)	(2.8)	0.2
Tax paid	(6.0)	(19.3)	13.3
Operating cashflow	**78.9**	**20.3**	**58.6**
Capital expenditure	(1.2)	(4.6)	3.4
Business acquisitions (net of cash acquired)	(313.5)	-	(313.5)
Free cashflow	**(235.8)**	**15.6**	**(251.5)**
Dividends paid	-	(19.2)	19.2
Lease liability payments	(7.2)	(5.5)	(1.8)
Proceeds / (repayment) of borrowings	84.1	(20.0)	104.1
Proceeds from share issue	179.2	-	179.2
Purchase of shares	(0.2)	-	(0.2)
Net decrease in cash	**20.0**	**(29.0)**	**49.0**

Key highlights

- Exceptional H1 cash conversion with OCFBIT of 235%
- Includes one-off benefit from release of some of the working capital built up in LLS prior to Completion from recent project mobilisations
- Timing benefit from early receipts from a number of government clients due to year-end shutdown /COVID
- Acquisition payment of $316.6m includes $310m purchase price less assumed debt and debt like items of $16.4m plus adjustment for net assets (working capital) of $23.0m, less cash acquired
- Review of the final Completion Balance Sheet in progress with final adjustment to vendor pending

Net debt

- December timing benefit expected to reverse by June
- Full year group OCFBIT (from operations) expected to normalise in-line with historical performance of ~80%+

$m	Dec-21	Jun-21	Change $
Net (Debt) / Cash	**(47.1)**	**16.8**	**(63.8)**
TLR (excl AASB-16)	0.94x	n/a	
TLR (incl AASB-16)	0.90x	n/a	

Balance sheet & capital management

Comparison of results as at December 2021

$m	SSM Dec-21	SSM Jun-21	LLS provisional
Cash and cash equivalents	70.6	50.6	3.0
Trade and other receivables	90.0	46.8	79.1
Inventories	15.8	6.8	9.7
Accrued revenue	218.3	88.4	139.3
Other assets	14.7	4.9	7.9
Investments accounted for using the equity method	4.4	-	4.2
Property, plant and equipment	53.1	13.2	48.2
Right-of-use assets	52.4	30.0	22.3
Intangible assets	510.3	306.7	208.7
Total Assets	**1,029.5**	**547.4**	**522.4**
Trade and other payables	240.8	103.5	128.0
Provisions	57.5	30.4	30.1
Borrowings	117.6	33.8	-
Lease liabilities	56.8	33.7	22.8
Other liabilities	-	3.7	-
Deferred tax liabilities (net)	45.8	19.0	24.9
Total Liabilities	**518.4**	**224.1**	**205.8**
Net Assets	**511.1**	**323.3**	**316.6**
Net working capital	41.7	19.7	79.2

Balance sheet

- Provisional accounting of LLS Acquisition adopted at December 21
- Goodwill includes customer intangibles to be split out
- Valuation of PPE & customer contracts in progress
- Significant net working capital of $79.2m acquired

Debt facilities

- Debt facilities were upsized to $395m to undertake the acquisition and provide headroom for further growth
- Key terms aligned to existing SFA terms
- Bank guarantees issued of $135.8m at Dec (LLS $87.4m)
- Significant headroom (incl cash) of $205m at 31 December 21
- All covenants (TLR, ICR and net assets comfortably met)

Dividend

- Interim dividend has not been declared
- Resumption of dividends is expected for the full year, subject to business performance

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Group outlook

The Group has maintained guidance provided for FY22, and expects continued growth into FY23 and beyond

Trading Update

- The Group maintains its guidance for FY22 and expects post acquisition pro forma FY22 EBITDA from Operations (inclusive of a full run rate of synergies of $17m) of $120-125m:
  - Group has made a positive start to H2
  - Integration program tracking ahead of schedule and synergies being realised against targets
  - Omicron impacts successfully mitigated across Group portfolio
  - Group holds a strong pipeline of contracted works, increasing O&M (Services) works
  - Cost and wage pressures evident across the industry

Medium Term Outlook

- Expanded capabilities and recent exposure to new markets positions the Group to deliver future growth into FY23 and over the medium term:
  - Industry remains buoyant and continues to grow across Group's core markets
  - Increase in capital and operating expenditure to support essential networks driving increased demand and new opportunities coming to market

FY22 H2 Priorities

- Business integration program to reach ~60% completion
- Exit Transitional Services Agreement (TSA) with Lendlease Group
- Delivery of targeted integration synergies
- Continue to secure new business opportunities
- Attraction and retention of key resources in a dynamic labour market
- Resumption of dividends at the full year, subject to business performance

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ServiceStream

1. Reconciliation of statutory to adjusted profitability measures

$m	1H22	1H21
Reconciliation of Revenue to Total Revenue		
Revenue	**560.4**	**409.9**
Share of revenue from joint ventures	5.8	-
Total Revenue (including joint ventures)	**566.2**	**409.9**

Reconciliation of EBITDA from Operations to EBITDA / NPAT		
EBITDA from Operations	**39.3**	**40.2**
Joint venture adjustments	-	-
Non-operational costs (before tax)	(8.9)	(1.1)
EBITDA	**30.4**	**39.1**
Depreciation and amortisation	(19.0)	(14.1)
Financing costs	(2.4)	(1.8)
Tax expense	(3.7)	(7.0)
Net profit after tax	**5.3**	**16.2**

Reconciliation of NPAT-A to net profit after tax		
Net profit after tax	**5.3**	**16.2**
Add back:		
Customer relationships (tax effected)	3.0	3.1
Non-operational costs (after tax)	8.0	0.8
NPAT-A	**16.4**	**20.1**

About

Service Stream Limited is a public company listed on the Australian Securities Exchange (Code: SSM). The Service Stream Group is a provider of essential network services to the telecommunications, utility and transport sectors. Service Stream operates across all states and territories, has a workforce in excess of 4,500 employees and access to a pool of over 5,000 specialist subcontractors.

For more information visit **www.servicestream.com.au**