Service Stream

FY24 First-Half Results Presentation

For the six months ended 31 December 2023

ServiceStream

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Acknowledgment of Country

Service Stream acknowledges the traditional custodians of the country throughout Australia and their continuing connections to land, water and communities.

We pay our respects to their elders past, present and emerging.

1H FY24 Key Messages

Disciplined execution of our strategy creating Shareholder value

1. Strong financial performance
2. Improved quality of earnings
3. Return to net cash position, robust balance sheet to support future growth
4. Strong sector tail winds supporting continued organic growth
5. Improved Shareholder returns

Group Financial Highlights

Significant improvement across key financial metrics supporting enhanced Shareholder returns

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Total Revenue

$ 1,174 million

18.1% on pcp

Underlying EBITDA

$ 63.3 million

14.9% on pcp

NPATA

$ 25.2 million

46.9% on pcp

Cashflow Conversion

111% OCFBIT

Net Cash

$ 3.3 million

$41.8m on pcp

Interim Dividend

2.0 cps Fully franked

300% on pcp

Group Operational Highlights

Creating value through disciplined execution of our strategy

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OPERATIONAL & STRATEGIC UPDATES

New and Existing Works Secured

$ 1.2bn

With **100%** of expiring agreements successfully re-secured

Strong WIH

$5.1bn

Secured over respective initial contract terms

People

Improving Labour Market

Resource availability and attrition continues to improve

Utility Division

Margin Improvement

Increased earnings and further margin improvements

Safety Performance

26% Reduction

in High Potential Incident Rates

Group Optimisation

$4m+ annualised benefits identified

For realisation over next 24 months

Segment Insights

Telecommunications

- Strong sector tailwinds have continued into FY24
- Segment revenue has nearly tripled over past 3 years across a diversified base of clients and services, underpinned by service delivery
- Wireless growth assisted stronger H1 result due to pent up client demand
- Renewal of all contracts, including Optus 5G Wireless providing a solid WIH base
- Increased work volumes from adverse QLD weather events

Utilities

- Further progress demonstrated during H1 FY24 towards strategic repositioning and improving financial performance
- New organic contract wins across targeted markets, leveraging acquired LLS capabilities
- Queensland Pipeline 'First Water' milestone achieved, final completion delayed and cost impacts due to extreme weather events
- Strategic review continued across legacy utility operations, with decisions made to exit underperforming contracts

Transport

- Segment rebased following the demobilisation from WA regional operations in FY23
- Solid pipeline of new O&M opportunities to compliment the existing portfolio of high-quality, low-risk contracts
- Continuing to capitalise on ITS project opportunities, aligned to Group's risk appetite
- Inland rail demobilisation finalised during H1, client settlement agreed

Major Contract Renewals and New Business

Group secured more than $1.2bn in multi-year contract renewals and new works during H1 FY24

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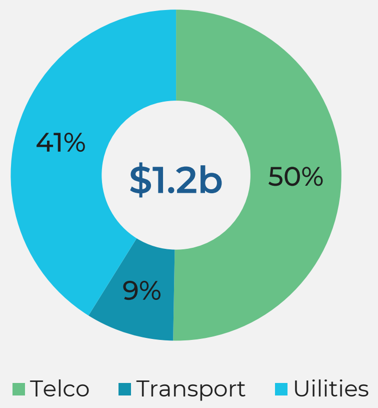
Electricity	Gas	Telecommunications	Water
			
Energy Queensland Metering Services	**Multinet** Victorian Maintenance Operations	**Optus** National 5G Wireless	**South East Water** Metering Services
• 3 year agreement • Expansion of existing metering operations across South East and Northern Queensland	• 3 year extension • Provision of specialist operations, maintenance and provision of capital works across Multinet’s Victorian distribution network	• 3 year extension • National wireless agreement supporting Optus with the provision of site acquisition, design, construction and upgrade services	• 3 year agreement • Provision of Meter Reading and associated field services, smart meter asset upgrade

Group Revenue Profile

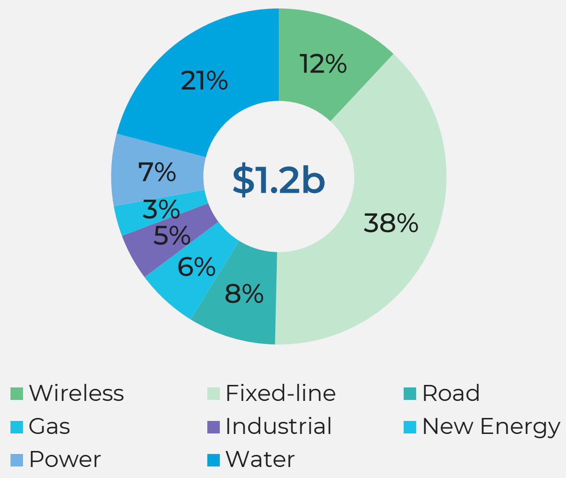
Increased annuity style revenues and maintained a disciplined approach to pricing, commercials and risk appetite

- Further enhancements to the Group's revenue profile in line with our strategy
  - New works secured heavily biased to annuity style, lower-risk maintenance agreements
  - Multi-year O&M operations now reflecting **~70%** (63% in FY23) of Group revenues
  - Continued delivery of selective minor capital works (small projects) under multi-year panel agreements, aligned to the Group's revised risk appetite
- Increased portion of revenues under lower-risk cost reimbursable / alliance style frameworks
- Operations span a favourable mix of industry sectors with significant opportunities for organic growth

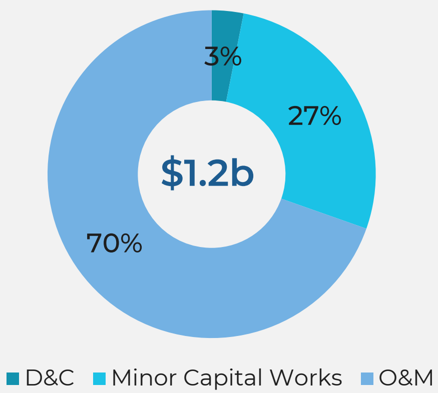
Reporting Segments



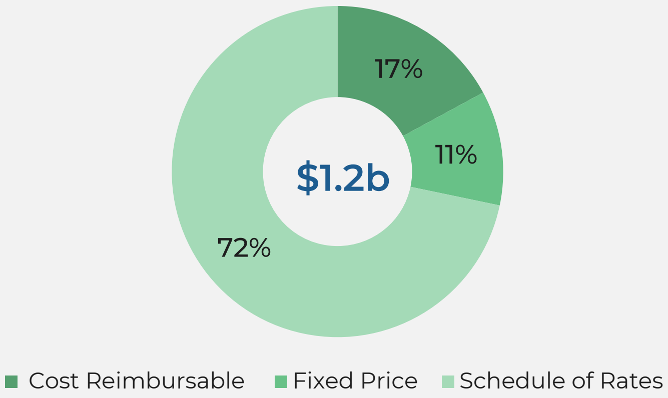
Industry Sectors



Work Type



Commercial Models



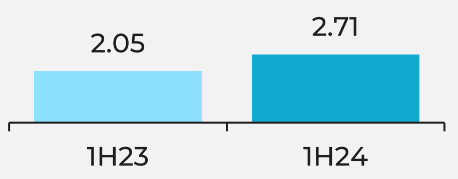
Our People

Improved labour market conditions supporting organic growth

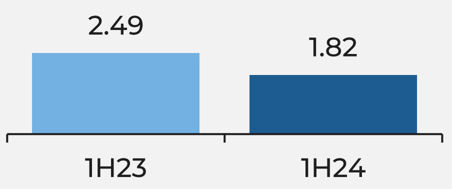
Safety

- Group continued to achieve industry leading performance despite an increase in contractor related incidents impacting TRFIR
- 26% reduction in High Potential Incidents
- Launched several major campaigns to support improved safety outcomes:
  - Safety Leadership Model
  - Critical Controls across higher-risk work activities
  - Front-line supervisor support, training and development program

Total Recordable Injury Frequency Rate



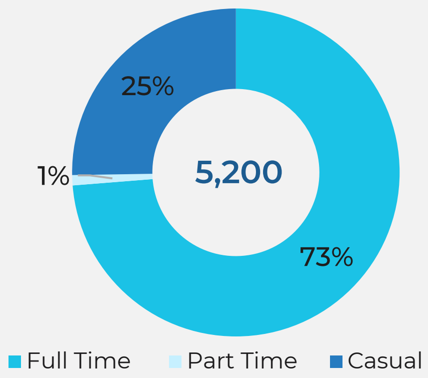
High Potential Incident Frequency Rate



Workforce

- Workforce attrition continued to reduce during H1 FY24, albeit still higher than pre-COVID levels
- No workforce related challenges impacting Group operations
- Contractor network and employee workforce expanded to support organic growth and new contracts secured
- Increased investment in apprenticeship and graduate positions to support new business growth

Employee Workforce



Financial Performance

Financial Headlines

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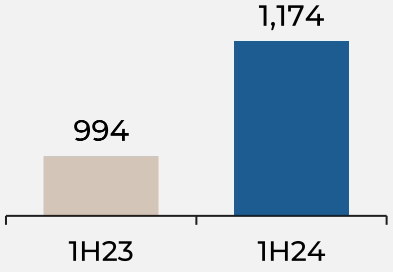
Total Revenue[1]

$1,173.8m

+18.1% vs pcp

- Strong sector tailwinds driving revenue growth across Telco and Utility operations
- Revenue growth well in excess of contractual pricing adjustments

Total Revenue[1] ($m)



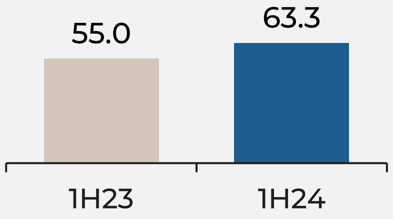
Underlying EBITDA from Operations[2]

$63.3m

14.9% vs pcp

- Group EBITDA margin of 5.4%
- Includes initial investments into new sectors– ramp up in H2

Underlying EBITDA from operations[2] ($m)



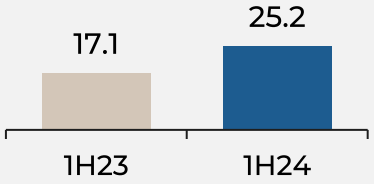
Adjusted NPAT

$25.2m

+46.9% vs pcp

- Statutory NPAT $12.8m includes:
  - Amortisation of customer contracts $7.8m
  - Additional $9.8m provision recognised on the QLD project

NPAT-A ($m)



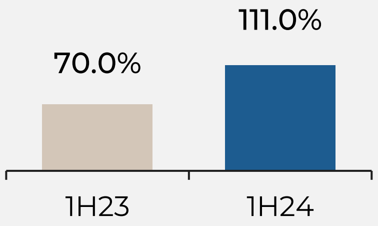
Underlying Operating Cashflow (OCFBIT)

$70.1m

82.1% vs pcp

- Exceptional OCFBIT conversion of 111%
- Net cash $3.3m
- Return to net cash 24 months post acquisition
- Net leverage 0.46x (post AASB-16)

EBITDA-A to OCFBIT conversion (%)



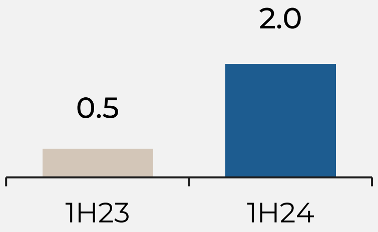
Interim Dividend

2.0cps

300.0% vs pcp

- Strong H1 profit & balance sheet enabling substantial increase to interim dividend
- Fully franked, payable 5 April 2024

Dividends (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. Underlying EBITDA from Operations excludes acquisition transaction and integration costs, and further costs associated with the onerous QLD project

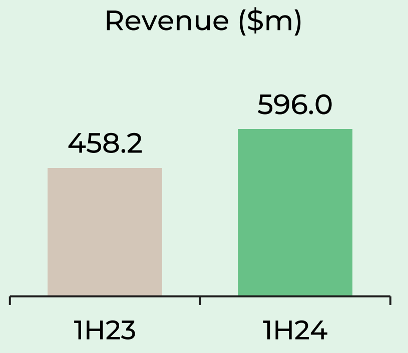
Telecommunications

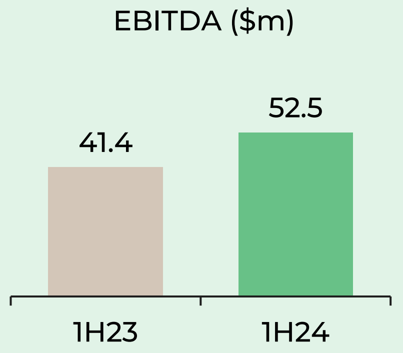
Highlights

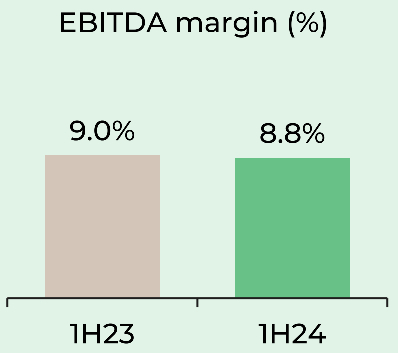
- Strong sector tail winds are continuing to drive elevated performance across all aspects of Telecommunications operations
- 1H bolstered by pull forward of project works in last quarter and phasing of wireless programs. Segment performance will be 1H skewed in FY24

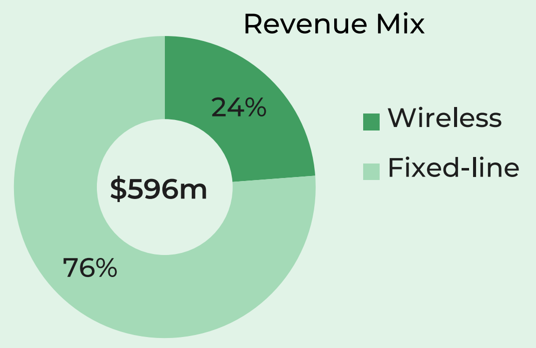
- Revenue of $596m, up $137.8m (30.1%):
  - Revenue growth delivered across both fixed line and wireless operations
  - Recent adverse weather events have provided additional revenue and earnings opportunities

- EBITDA of $52.5m, up $11.1m (26.8%):
  - EBITDA margin of 8.8% in line with expectations
  - Margin improved on FY23 H2 exit rate by 20 basis points









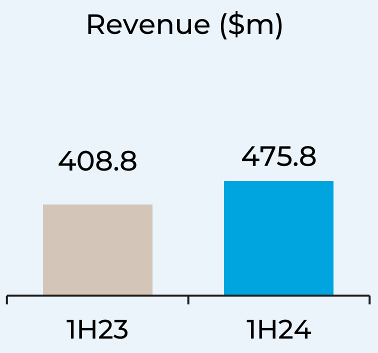
Utilities

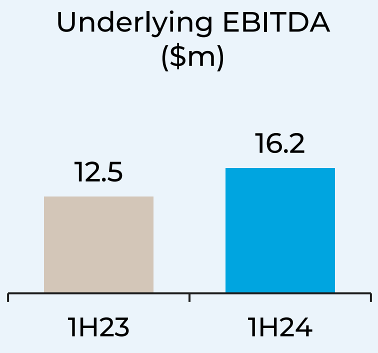
Highlights

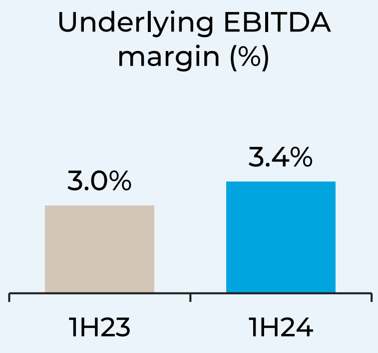
- Solid progress made during H1 FY24 towards repositioning and improving Utilities performance

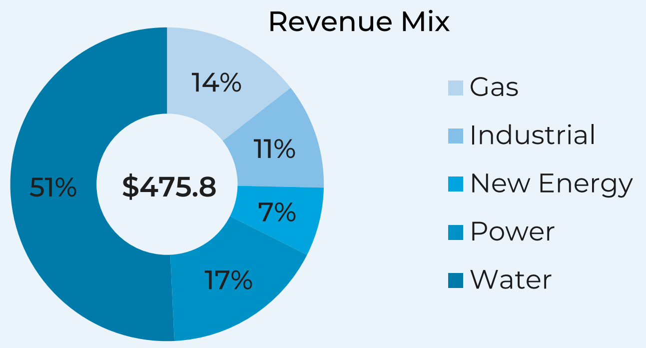
- Revenue of $475.8m up $66.9m (16.4%)
  - Growth across Industrials, Power and Water sectors
  - Fixed price lump sum D&C project revenues being progressively replaced with new annuity-style O&M revenues

- Underlying H1 EBITDA of $16.2m, up $3.7m (29.7%) from prior year
  - EBITDA margin of 3.4%, up 40 basis point on pcp, ahead of expectations given improvements achieved in H2 FY23
  - Completion of legacy projects and contracts progressively clearing the path for improved future financial performance
  - Core O&M works delivering at or above target margins









Transport

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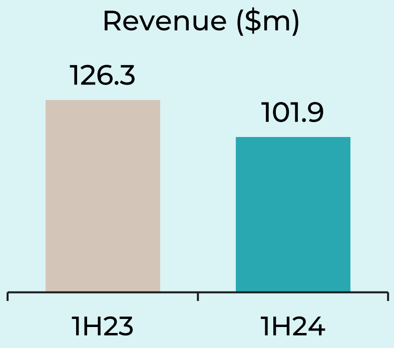
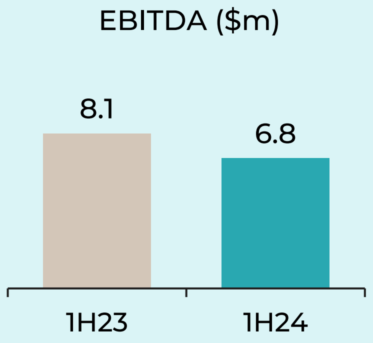
Highlights

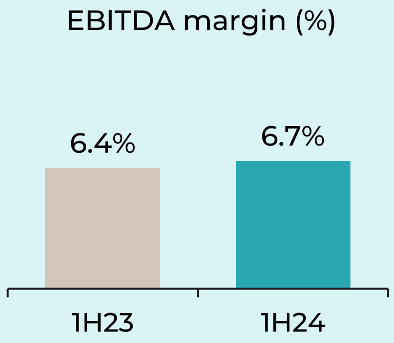
- Transport operations rebased following the de-mobilisation of WA regional road operations in FY23
- Solid pipeline of growth opportunities across O&M and ITS markets

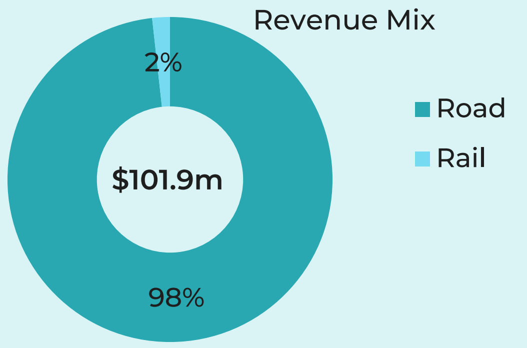
- Revenue of $101.9m, down $24.4m (19.4%) in-line with Management expectations
  - ITS operations delivering consistent revenue growth across existing and new opportunities

- EBITDA reduction due to WA de-mobilisation and higher Inland Rail recoveries in 1H FY23
  - Segment cost base re-sized to align with revenue profile
  - Inland Rail PPP demobilisation agreement reached with final settlement reflected in H1 results.









Group Profit and Loss

Comparison of results for the period ended 31 December 2023

$m	1H24	1H23	$
Revenue	**1,134.0**	**955.4**	**178.6**
EBITDA	**53.0**	**32.7**	**20.3**
Depreciation & amortisation	(21.6)	(23.2)	1.6
Gain/(Loss) of sale of assets	0.6	(4.1)	4.7
Amortisation of customer contracts	(7.8)	(7.6)	(0.2)
EBIT	**24.1**	**(2.2)**	**26.3**
Net financing costs	(5.8)	(6.8)	1.0
Income tax expense	(5.5)	2.7	(8.2)
Net profit after tax	**12.8**	**(6.3)**	**19.1**

Adjusted Profitability:

Total revenue	**1,173.8**	**993.6**	**180.2**
Underlying EBITDA from Operations	**63.3**	**55.0**	**8.2**
Underlying EBITDA from Operations %	*5.4%*	*5.5%*	*(0.1%)*
Adjusted NPAT (NPAT-A)	**25.2**	**17.1**	**8.0**
Adjusted EPS (cents)	4.1	2.8	1.3

- **Total Revenue +18.1%:**
  - Strong sector tailwinds driving revenue growth across Telco and Utility operations
  - Revenue growth well in excess of contractual pricing adjustments
  - Some Telco volume bought forward into H1
- **Underlying EBITDA from Operations 14.9%:**
  - Group EBITDA-A margin of 5.4%
  - Includes initial investment into new sectors – further ramp up in H2
- **NPAT-A +46.9%:**
  - Lower D&A benefitting from leasehold consolidation & tight capex discipline
  - Net financing cost reduction due to improved leverage position
  - Substantial EPS-A improvement to 4.1 cps (+46%)

1. Refer to the Appendix for a reconciliation of reported to statutory metrics, including details of non-operational costs and the amortisation of customer contracts schedule

Cashflow

Comparison of results for the period ended 31 December 2023

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$m	1H24	1H23	Change $
Underlying EBITDA from Operations	63.3	55.0	8.2
+/- non-cash items & change in working capital	5.9	(15.2)	21.0
Adjustments for joint ventures	1.0	(1.4)	2.3
OCFBIT [1]	**70.1**	**38.5**	**31.6**
Underlying EBITDA from Ops to OCFBIT %	**111%**	**70%**	
Non-operational costs and onerous contract	(2.6)	(17.3)	14.7
Net interest and financing paid	(5.2)	(6.8)	1.6
Tax paid	(3.0)	(4.7)	1.7
Operating cashflow	**59.3**	**9.7**	**49.5**
Capital expenditure	(4.9)	(4.0)	(0.8)
Proceeds from sale of assets	3.5	2.3	1.3
Free cashflow	**57.9**	**8.0**	**50.0**
Dividends paid	(6.2)	(6.2)	(0.0)
Lease liability payments	(11.8)	(11.1)	(0.7)
Purchase of shares	(0.9)	-	(0.9)
Decrease / (Increase) in net debt	**39.0**	**(9.4)**	**48.4**
Proceeds from / (repayment of) borrowings	(50.0)	45.2	(95.2)
Net increase / (decrease) in cash	**(11.0)**	**35.8**	**(46.8)**

[1] Operating cashflow before interest, tax, non-operational items and impact of QLD onerous contract

- Exceptional H1 operating OCFBIT conversion of 111%:
  - Continuing focus on working capital optimisation
  - Some timing benefits typical of December cycle expected to unwind over H2
- First dividend received from Connect Sydney JV
- Cash outflow from Queensland onerous project was $2.6m
- Return to payment of tax instalments following loss carryback claim and refund during FY23
- Disciplined approach on new capex and assets deployed:
  - Total capex/leasing outflows remains well below target 2.0-2.5% of revenue range
  - Fleet refresh progressing but continuing to be influenced by availability
  - Systems consolidation projects continuing

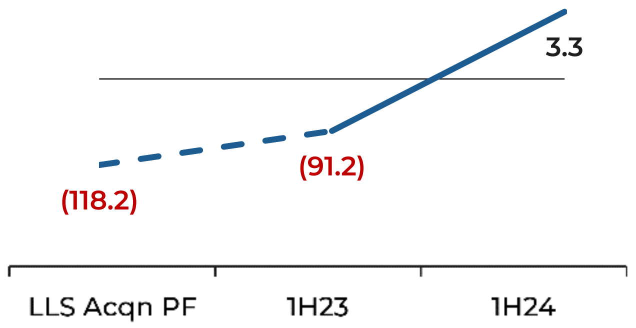
Balance Sheet & Capital Management

Strong financial position supporting a material increase to the interim dividend

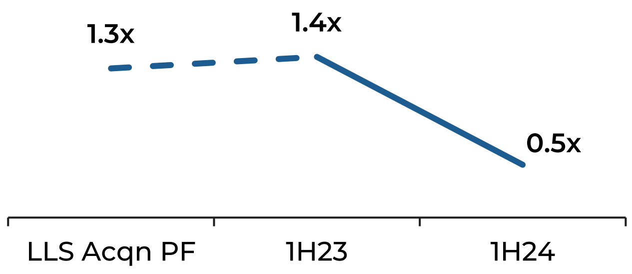
$m	Dec-23
Syndicated debt facilities	395.0
Bonding facility	25.0
Total available facilities	**420.0**
Net cash	3.3
Bonding issued	134.2
Available liquidity	**289.1**

- Return to net cash position 2 years post LLS acquisition (Nov 2021)
  - Reduction in debt well ahead of target (< 1.0x TLR in 2 years)
  - Current NWC $ on par with LLS acquisition pro-forma balance sheet, but supports ~25% higher revenues
  - Expected return to small net debt balance at June with unwind of H1 timing benefits and client contractual cycles
- Syndicated debt facilities expire Nov-25
  - Refinance expected to be completed Q2 FY25
  - All facility covenants have been comfortably met

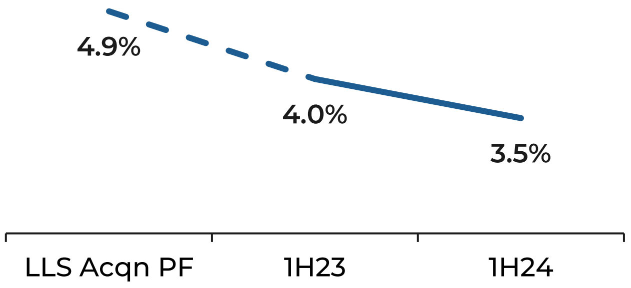
Net Cash /(Debt)



Net Leverage Ratio (incl. leases)



Net working capital % of LTM revenue



Group Outlook

Profitable Growth

Strong levels of WIH and a significant pipeline of growth opportunities across core markets

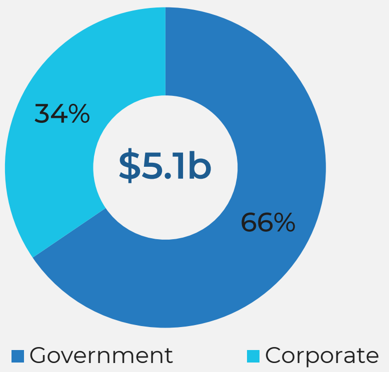
Work In Hand

- Business secured $1.2bn of work during 1H FY24
- $5.1bn of WIH excludes extensions options, equating to an additional $3bn if options fully executed
- Long-dated WIH providing a solid platform for future growth and expansion
- Tendering activity remains strong, reflecting heightened levels with the business increasingly selective on which market opportunities to pursue given revised risk appetite
- Enviable client base reflecting government entities and blue-chip industrial asset owners / operators

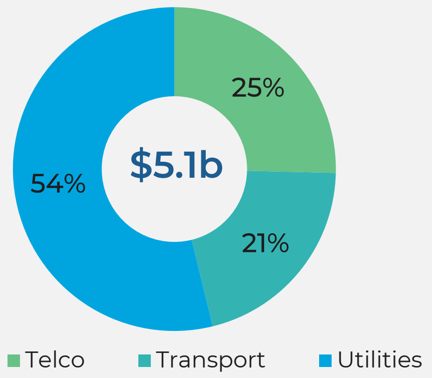
Market Conditions

- Unprecedented levels of investment supporting the deployment and maintenance of critical infrastructure across our core markets
- Business managing costs well given inflationary environment, with pressures expected to ease during FY24
- Broader market drivers continue to support favourable long-term growth outlook (Aging assets, population growth, adverse weather events, digitalisation, energy transition)
- Business in a positive position to commence assessing external growth opportunities

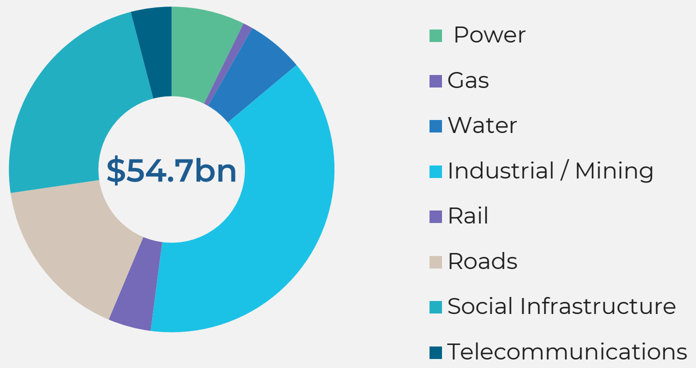
WIH By Client



WIH By Reporting Segment



Australian Maintenance Market



Group Outlook

ServiceStream

FY24 Outlook

- Strong financial performance delivered in H1 setting the foundation for a positive full-year
- Business successfully managing the inflationary environment well
- Improved visibility across short and medium-term revenues, albeit no work volume guarantees remains a constant risk
- Expect further improvement in quality of earnings across Utility division in H2 and beyond

The Group expects the strong financial performance delivered in the first half to continue and support a comparable level of underlying earnings in the second half of FY24.

FY24 H2 Priorities

Creating long-term value for our Shareholders

1. Maintain industry leading safety performance
2. Realise further improvements across Utility Division earnings
3. Delivery of full-year optimisation benefits currently underway
4. Securing further sustainable growth opportunities aligned to Group's revised risk appetite
5. Considering external growth and diversification opportunities

Appendices

1. Reconciliation of statutory to adjusted profitability measures

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Reconciliation of EBITDA from Operations to NPAT

$m	1H24	1H23	$
Underlying EBITDA from Operations	**63.3**	**55.0**	**8.2**
Onerous contract provision for QLD Utility project	(9.8)	(20.1)	10.3
EBITDA from Operations	**53.5**	**34.9**	**18.6**
Joint venture adjustments	(0.5)	(0.6)	0.1
Non-operational costs	-	(1.6)	1.6
EBITDA	**53.0**	**32.7**	**20.3**
Depreciation and amortisation	(29.4)	(30.8)	1.3
Loss on disposal of assets	0.6	(4.1)	4.7
Net finance costs	(5.8)	(6.8)	1.0
Income tax expense	(5.5)	2.7	(8.2)
Net profit after tax	**12.8**	**(6.3)**	**19.1**

Reconciliation of NPAT-A to Net profit after tax

$m	1H24	1H23	$
Net profit after tax	**12.8**	**(6.3)**	**19.1**
Addback:			
Amortisation of customer intangibles (tax effected)	5.5	5.3	0.2
Non-operational costs after tax	-	4.0	(4.0)
Onerous contract provision for QLD Utility project (tax effected)	6.9	14.1	(7.2)
NPAT-A	**25.2**	**17.1**	**15.3**

2. Other information

ServiceStream

Reconciliation of Total Revenue to revenue

$m	1H24	1H23	$
Total Revenue	**1,173.8**	**993.6**	**180.2**
Joint venture adjustments	(39.8)	(38.2)	(1.6)
Revenue	**1,134.0**	**955.4**	**178.6**
	-	-	

Amortisation of customer contracts & relationship

$m	FY24	FY25	FY26	FY27	Balance 31 Dec 23
Comdain Infrastructure	8.0	5.7	5.7	5.7	36.4
Lendlease Services	7.6	7.6	7.6	7.6	80.0
Total amortisation	**15.7**	**13.3**	**13.3**	**13.3**	**116.4**

Disclaimer

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