

Service Stream Limited

FY14 Results Presentation

13 August 2014



Highlights (1 of 2)

- Return to profitability with EBITDA of \$16.6 million in line with revised guidance
- Business generates Operating Cashflow before Interest & Tax of \$50.7 million
- Successful capital raise nets \$18.9 million proceeds
- Repayment of core debt by \$43.0 million exceeding financial obligations by \$30.0 million
- Year-end net debt down to \$10.4 million, representing a leverage ratio of 1.73x
- Leigh Mackender appointed as Managing Director in May 2014



Source: Google finance

Highlights (2 of 2)

- Safety performance improves with LTIFR of 2.93
- Payments to Syntheo JV of \$20.4 million to finalise liability ahead of schedule
- Refinancing of banking facilities out to September 2016 nearing finalisation on improved terms
- Fixed Communication restores profitability and operational effectiveness
- Group completes strategic plan
- Major NBN, wireless and metering contracts renewed



Successful capital raise

to reduce debt and complete refinance on more favourable terms

- Placement to Thorney International, Thorney Opportunities and other sophisticated investors of 42.5 million shares at \$0.22 to raise \$9.4 million
- Rights Issue of 59.4 million shares at \$0.18 to raise \$10.7 million with 82.6% initial take-up and shortfall taken-up by oversubscription by existing shareholders
- Total net proceeds of \$18.9 million accelerates the Company's return to a more sustainable financial position and enables it to explore new growth opportunities
- Thorney entities now hold 92.9 million shares representing 28.4% of the voting rights in the company

Source: Google finance

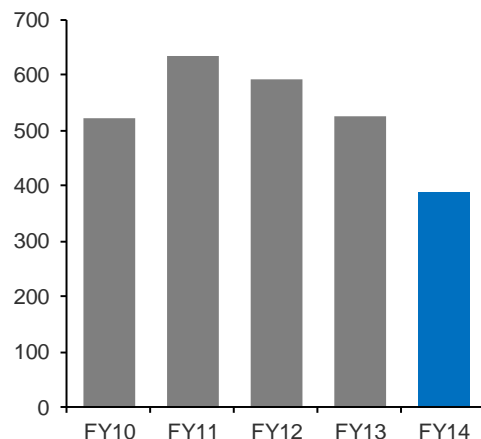
Key financial measures

Return to profitability with a focus on cash flow & capital management

\$ million	FY14	FY13	Change	
Revenue	\$389.6	\$526.6	(\$137.0)	▼
EBITDA	\$16.6	(\$13.4)	\$30.0	▲
EBITDA %	4.3%	(2.5%)	n/a	▲
Net profit after tax (before goodwill impairment)	\$2.3	(\$17.3)	\$19.6	▲
Net profit after tax	\$2.3	(\$107.1)	\$109.4	▲
Earnings per share (cents)	0.76	(37.77)	n/a	▲
Operating cashflow	\$24.9	\$3.2	\$21.7	▲
Net Debt	\$10.4	\$52.0	(\$41.6)	▼
Leverage Ratio x	1.73	(7.00)	n/a	▲

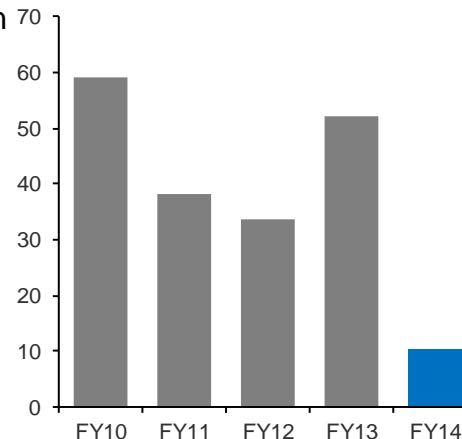
Key financial trends

Revenue (\$m)



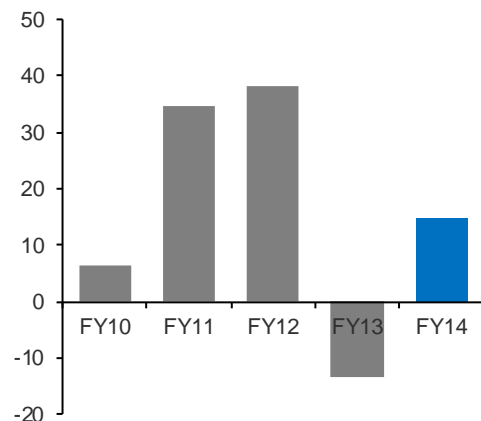
Revenue of \$389.6m, down from prior period primarily due to cessation of contracts not yet offset by NBN related ramp up.

Net Debt (\$m)



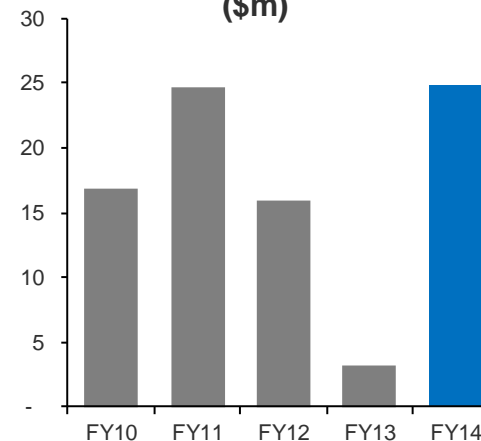
Net debt reduced to \$10.4m, a reduction of \$41.6m over the year.

EBITDA (\$m)



Returning to profitability with EBITDA of \$16.6m

Operating Cashflow (\$m)



Strong cash flow performance with an operating cashflow of \$24.9m, after payments of \$20.4m to finalise Syntheo JV liability.

Segment results

\$ million	FY14	EBITDA %	FY13	EBITDA %	Change
Fixed Communications	\$98.4		\$136.0		(\$37.6)
Mobile Communications	\$166.9		\$215.8		(\$48.9)
Energy & Water	\$124.2		\$174.2		(\$49.9)
Inter-company revenue	(\$0.8)		(\$0.8)		(\$0.0)
Interest received and other	\$0.9		\$1.4		(\$0.5)
Total Revenue	\$389.6		\$526.6		(\$137.0)
Fixed Communications	\$2.4	2.4%	(\$23.0)	(16.9%)	\$25.4
Mobile Communications	\$7.7	4.6%	\$1.0	0.4%	\$6.8
Energy & Water	\$11.2	9.0%	\$14.3	8.2%	(\$3.1)
Investment in associate ¹	\$0.0		(\$0.6)		\$0.6
Unallocated Corporate Services	(\$4.8)		(\$5.1)		\$0.3
Total EBITDA	\$16.6	4.3%	(\$13.4)	(2.5%)	\$30.0

¹ Relates to the sale of investment in Total Communications Infrastructure (Singapore) Pte Ltd.

Cashflow results

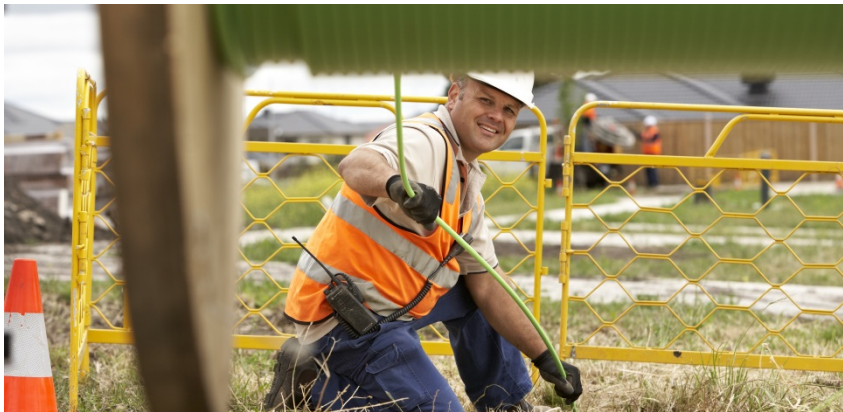
Net debt reduced from \$52.0m to \$10.4m over the year

\$ million	FY14	FY13	Change	
EBITDA	\$16.6	(\$13.4)	\$30.0	▲
+/- change in working capital	\$34.1	\$19.0	\$15.1	▲
OCFBIT (from Service Stream operations)	\$50.7	\$5.6	\$45.1	▲
Payments (to) / from Syntheo Joint Venture	(\$20.4)	(\$12.1)	(\$8.3)	▲
Net tax (paid) / refund	\$0.0	\$12.0	(\$12.0)	▼
Net interest and financing costs paid	(\$5.5)	(\$2.3)	(\$3.2)	▲
Operating cashflow	\$24.9	\$3.2	\$21.7	▲
Capital expenditure (net of proceeds from sales)	(\$2.1)	(\$15.7)	\$13.6	▼
Free cashflow	\$22.7	(\$12.5)	\$35.2	▲
Proceeds from capital raise	\$18.9	\$0.0	\$18.9	▲
Dividends paid	\$0.0	(\$5.7)	\$5.7	▼
(Increase) / Decrease in net debt	\$41.6	(\$18.2)	\$59.8	▲

BU Overview: Fixed Communications

Recovery in line with expectations

- More effective operating structure implemented
- Focus on fixed-cost reduction to reduce exposure to volume variability
- Continue to work closely with NBN & Telstra to meet emerging network demand
- NBN New Developments contract renewed in May 2014 ... expected to generate ~\$70 million across the initial two-year term with the potential to be awarded work in other regions
- NBN Field Services Delivery contract renewed in June 2014 ... estimated to deliver revenue of \$140 million across the initial two-year term



"Service Stream has been NBN Co's leading partner in providing Greenfield New Development design and construction services for the past few years. This new agreement further cements Service Stream's ongoing relationship with NBN Co and shows our continued commitment to one of the nation's leading infrastructure projects."

Service Stream Managing Director, 19 May 2014

BU Overview: Mobile Communications

Meeting customer infrastructure plans

- Focus on fixed-cost reduction to reduce exposure to volume variability
- New management team also focussed on:
 - increasing market-share and providing expanded service offering to telecommunications customers
 - broadening work mix to include design and construction services within electricity, roads and other infrastructure sectors
- Telstra Wireless Construction contract renewed in June 2014 ... two year extension



"The [wireless construction] extension represents a continuation of the very strong working relationship between Service Stream and Telstra as this is now the third consecutive renewal of this important contract"

Service Stream Managing Director, 13 June 2014

BU Overview: Energy & Water

Successfully secured contract renewals and extensions

- Secured renewals and extensions of core metering contracts during the year, and continues to be a metering service provider of choice across key regions and clients:
 - Western Power: Three-year initial term with two one-year extension options to 2019
 - APA Gas: Five-year term to 2019 in QLD, VIC & SA
 - SA Power Networks: Five-year term to 2019
- Secured renewal of solar PV contract with Origin Energy, as well as new deployment opportunities with other solar market participants
- Positioned well to capitalise on emerging opportunities in asset inspection works and the roll-out of AMI (smart meters) nationally



"The renewal of these [metering] contracts affirms Service Stream as the major provider of meter reading and field services to utility distribution businesses throughout Australia. Renewed contracts provide a foundation for recurring revenue of approximately \$140 million over their respective terms, and their renewal continues to strengthen our position as the provider of choice in Western Australia, South Australia, Victoria and Queensland"

Service Stream Managing Director, 21 July 2014

Focused strategy going forward

to underpin sustainable profitability and to grow shareholder value

- Unlocking value from existing core businesses ...
Strengthening customer relationships, retaining key contracts, mitigating contract risk, maximizing volume through delivery excellence
- Re-configuring the operating model ...
Reduction of indirect costs, implementation of common processes and platforms, increasing capabilities in a number of areas
- Extending the reach of the business model ...
Identifying and securing growth opportunities to reduce concentration risk

Positive outlook

with each segment positioned well to take advantage of opportunities

- Fixed Communications

Australian government's investment in the NBN will present new opportunities on the back of its mixed technology strategy as well as in areas of proven competence such as New Estates and Customer Connections

- Mobile Communications

Increasing demand for mobile data will continue to drive the development and augmentation of the necessary supporting infrastructure

- Energy & Water

Energy network owners, retailers and governments will continue to pursue better demand side management, use of consumption data and distributed generation presenting significant opportunities in smart metering, in-home services and asset maintenance

