

Service Stream Limited

FY16 Results Presentation

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Group Highlights

Financial

- EBITDA of \$35.8m (up 41% on FY15)
- Group NPAT of \$20.0m
- Strong balance sheet, increased cash on hand to \$41.1m, maintained zero debt
- 5.0 cps capital return completed in June
- Declared increased final dividend of 1.50 cents per share (fully-franked)

Operational

- Continued solid performance across major HSE metrics
- Awarded several new contracts during the year, underpinning future growth
- Mobilised recently secured contracts: nbn proceeding 'on schedule'
- Continued focus on business fundamentals: 'execution and service delivery'

Strategic

- Expanded annuity-style revenue base via four-year O&M contract with nbn
- Expanded mobile telecommunications client-base
- Secured additional 'value-added' services across existing contract-base
- Execution against Group's Strategic Plan progressing 'on schedule'



Group Performance

Financial Highlights

\$438.9m

Revenue up from \$411.3m in FY15

\$35.8m

EBITDA up from \$25.4m in FY15

\$20.0m

NPAT up from \$11.7m in FY15

\$5.20cps

EPS up from 3.03cps in FY15

\$41.1m

Net Cash up from \$14.8m in FY15

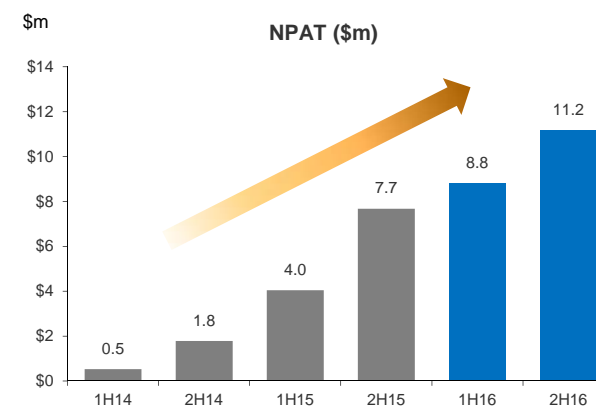
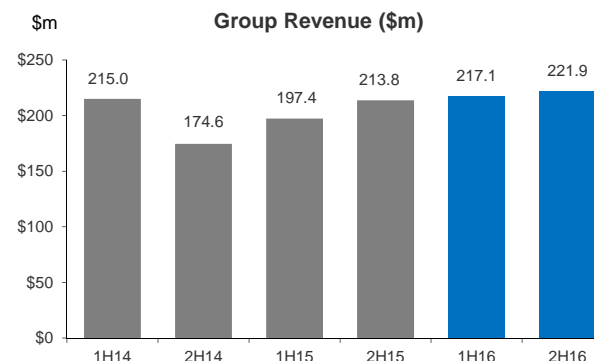
- Steady revenue growth across all three business units
- Revenue influenced by increasing move to client-supplied materials across key contracts
- 2H16 is the sixth consecutive half-year delivering EBITDA growth
- EBITDA margin of 8.1% driven by favourable work mix, scale efficiencies, operational improvements and one-off benefits
- NPAT up 70% due to increased EBITDA and no financing costs
- Increased final dividend of 1.5 cps (fully-franked) taking total dividends for year to 2.5 cps (fully-franked)
- Capital return of 5.0 cps completed in June
- Focus on working capital produced strong Operating Cashflow of \$62.3m
- Cash-on-hand of \$41.1m at year-end with no debt

Key Financial Measures

Key financial measures

\$ million	FY16	FY15	Change	
Revenue	438.9	411.3	27.7	7% ▲
EBITDA	35.8	25.4	10.4	41% ▲
EBITDA %	8.2%	6.2%	2.0%	n/a ▲
Net profit after tax	20.0	11.7	8.3	71% ▲
Earnings per share (cents)	5.20	3.03	2.16	71% ▲
Operating cashflow	62.3	32.3	30.0	93% ▲
Net cash	41.1	14.8	26.3	178% ▲
Total dividends declared (cents)	2.50	1.50	1.0	67% ▲

All financial measures and year-on-year changes thereto, are rounded to the displayed number of decimal places



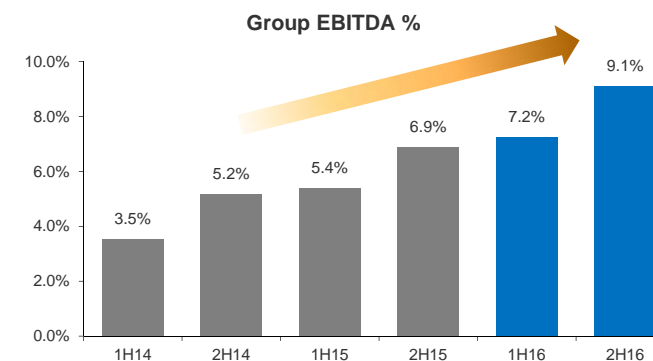
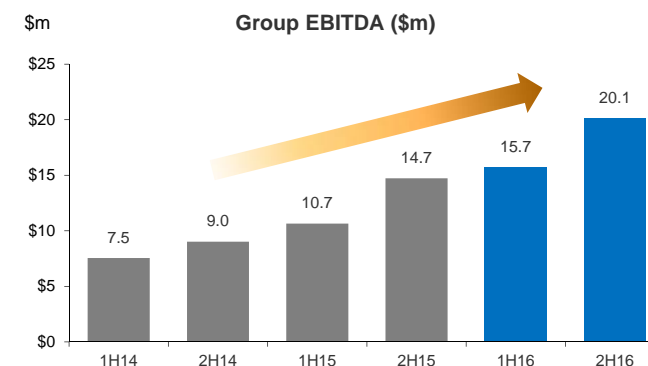
Segment Results

Segment results

\$ million	FY16		FY15		Change	
Fixed Communications	192.8		180.6		12.1	
Mobile Communications	166.7		154.0		12.6	
Energy & Water	82.0		77.3		4.7	
Eliminations & Interest Rec'd	(2.4)		(0.7)		(1.8)	
Total Revenue	438.9		411.3		27.7	
Fixed Communications	20.1	10.4%	13.3	7.4%	6.8	3.1%
Mobile Communications	16.1	9.7%	13.3	8.7%	2.8	1.0%
Energy & Water	5.0	6.1%	3.5	4.6%	1.5	1.6%
Unallocated Corporate Services	(5.4)	(1.2%)	(4.8)	(1.2%)	(0.7)	(0.1%)
Total EBITDA	35.8	8.2%	25.4	6.2%	10.4	2.0%
Depreciation & Amortisation	(7.4)		(6.3)		(1.1)	
EBIT	28.4	6.5%	19.1	4.6%	9.3	1.8%
Financing costs	0.1		(1.9)		2.0	
Income tax expense	(8.5)	29.8% ¹	(5.4)	31.5% ¹	(3.1)	
Net profit after tax	20.0	4.6%	11.7	2.8%	8.3	1.7%

¹ Effective tax rate

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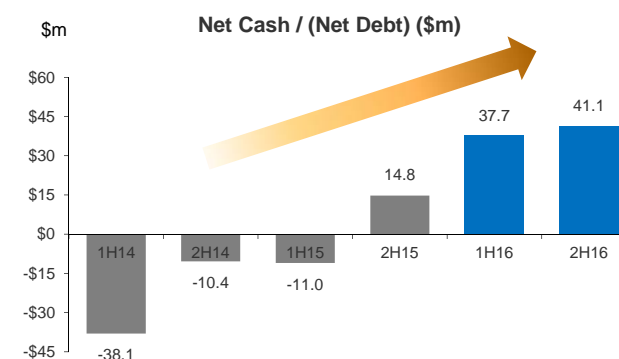
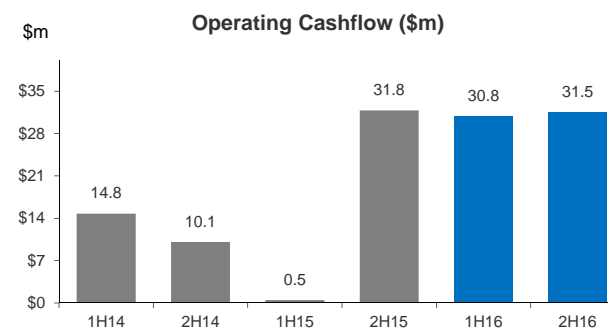
Cashflow Results

Cashflow results

\$ million	FY16	FY15	Change
EBITDA	35.8	25.4	10.4
+/- non-cash items and change in working capital	27.9	8.6	19.3
OCFBIT¹	63.7	34.0	29.7
Net tax paid	(1.7)	0.0	(1.7)
Net interest and financing costs	0.3	(1.6)	2.0
Operating cashflow	62.3	32.3	30.0
Capital expenditure (net of proceeds from sales)	(8.3)	(3.7)	(4.6)
Free cashflow	54.0	28.6	25.4
Dividends paid	(7.7)	(1.9)	(5.8)
Purchase of shares	(0.5)	(1.5)	1.0
Return of capital	(19.4)	0.0	(19.4)
Increase / (decrease) in net cash	26.3	25.2	1.2

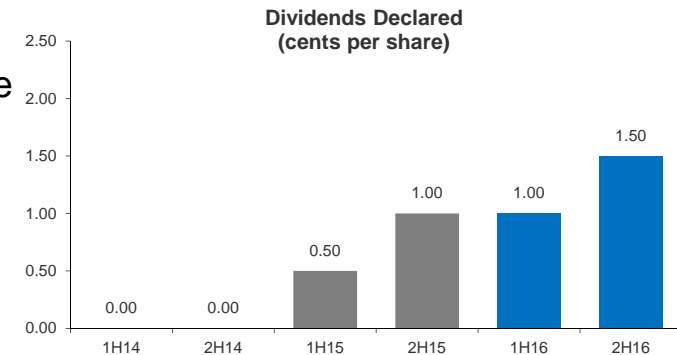
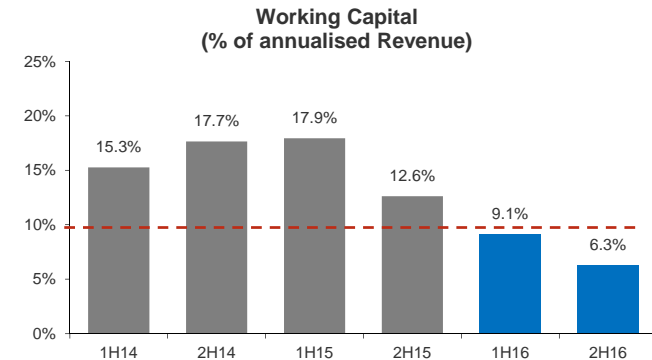
¹ Operating cashflow before interest & tax

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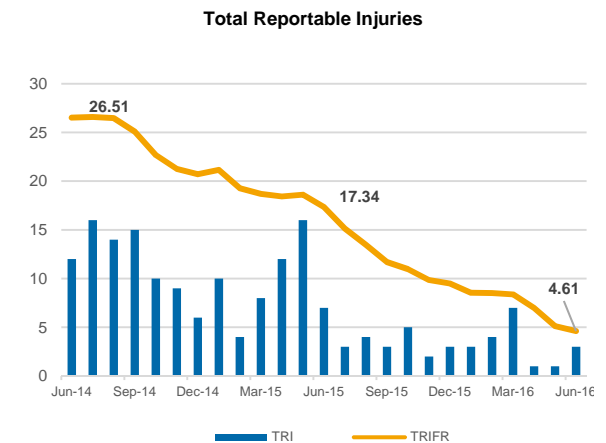
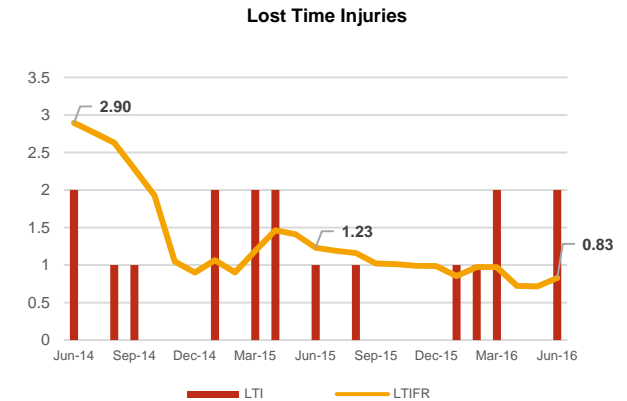
Capital Management

- Strong cashflow performance for year assisted by:
 - wind-up of certain programs of work and mobilisation of new contracts within Fixed Communications
 - relentless focus on working capital management
- Capital return of 5.0 cps successfully completed in Jun-16
- Net cash of \$41.1m at year-end:
 - normal tax payments expected to resume in FY17
- Final dividend of 1.5 cps follows interim dividend of 1.0 cps at the half-year:
 - all dividends remain fully-franked
- Refinance of banking facilities to September 2019 on improved terms



Operational Performance

- Continued to deliver improved HSE performance across all major performance metrics:
 - Lost Time Injury Frequency Rate of 0.83 (down from 1.23)
 - Total Recordable Injury Frequency Rate of 4.61 (down from 17.34)
- Maintained a balanced position on managing productivity and cost control.
- Mobilisation of new contracts progressing well:
 - nbn MIMA construction contract delivering against targets, secured FTTN volume increases for FY17
 - nbn OMMA operations and maintenance contract delivering against initial network deployment targets
 - AGL Active Stream smart meter deployment met year-end targets, working to increase installation volumes during FY17



Operational Performance ... continued

- Mobile Communications has diversified its client-base and delivery of initial works has commenced:
 - Nokia Networks (work on Optus' wireless network)
 - NSW Telco Authority
 - PIPE Networks (part of the TPG group)
 - Axicom (previously known as Crown Castle Australia)
- Continued to implement and refine Group-wide frameworks to enhance our operating and delivery model
- Increasing strategic investment in technology to support growing operations
- Continued to focus on service delivery and building client relationships to underpin performance
- Execution against the corporate strategic plan continues to progress well

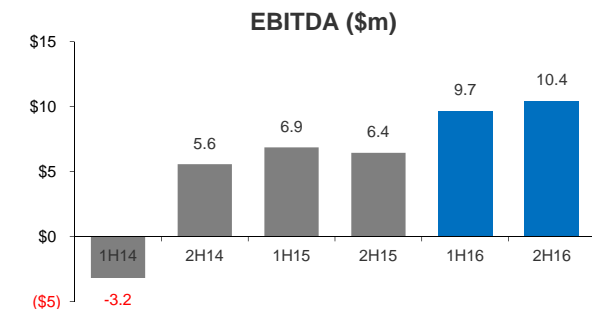
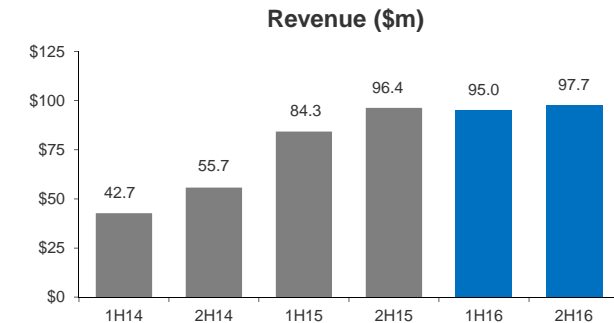


Business Unit Performance & Update

Fixed Communications

FY16 Highlights

- Significant progress in further improving the “works-to-cash” cycle and reducing ongoing working capital requirements
- Mobilisation of new Operations & Maintenance contract with nbn on-track
- Secured increase to FTTN allocation under nbn’s FY17 construction plan, moving from \$20m pa to \$40m+ pa
- Maintained a steady focus on managing productivity & cost control as operations have grown
- Improved EBITDA margins due to favourable work mix and one-off benefits associated with the successful close-out of certain programs of work and trials during the year



Fixed Communications ... continued

FY17 Priorities

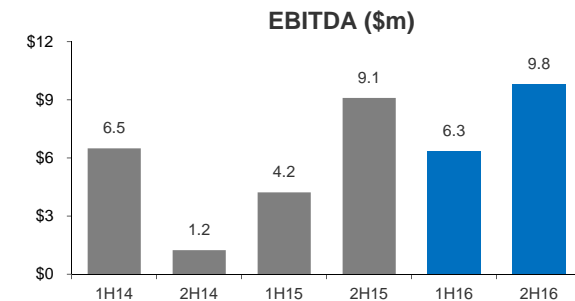
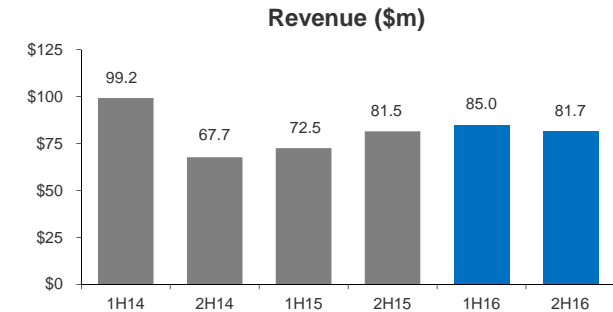
- Continued mobilisation of Operations & Maintenance contract with nbn as FTTN and HFC network deployment increases
- Scaling of resources to meet increased FTTN construction program secured for delivery during FY17
- Recruitment, training and deployment of a multi-skilled workforce to support scaling field operations
- Secure renewal/extension of New Developments contract with nbn



Mobile Communications

FY16 Highlights

- Increased client-base and revenue diversity across the wireless and recoverable works operations:
 - Nokia Networks, NSW Telco Authority, PIPE Networks, Axicom
- Mobilisation of new contracts with work programs underway across each new client
- Worked closely with major customers to improve visibility of future work volumes and consistent flow of work packages
- Maintained improved EBITDA margins



Mobile Communications ... continued

FY17 Priorities

- Enhancement and expansion of internal delivery teams, to support a multi-client operating environment
- Mobilisation and bolstering of additional personnel to support recently expanded client base
- Continue working with key clients to improve continuity and timing of work package releases across major programs

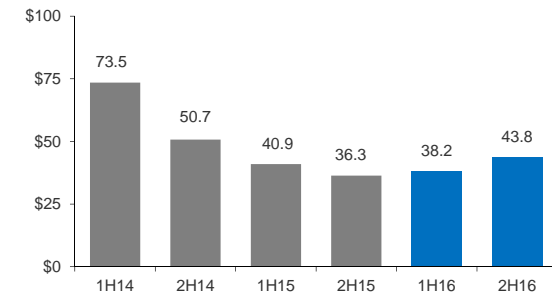


Energy & Water

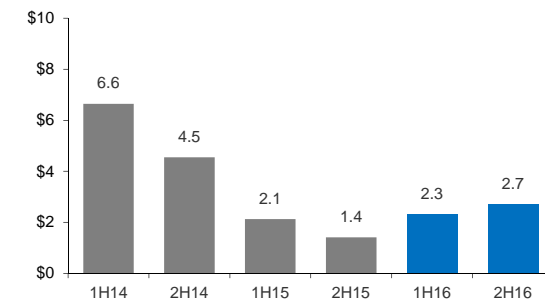
FY16 Highlights

- Effective mobilisation of new contract with AGL's Active Stream - installing 40,000+ electricity smart meters
- Completed 2,445 residential & commercial Solar PV installations with aggregate capacity of 11.3 megawatts
- Secured and mobilised new meter reading and meter replacement contracts with Hunter Water (Jan-16)
- Completed a number of trials associated with disruptive technologies (battery storage & solar PV) across new and existing client base

Revenue (\$m)



EBITDA (\$m)



Energy & Water ... continued

FY17 Priorities

- Scale smart metering operations in SA, QLD and NSW to support increased installation volumes
- Increase commercial solar pv operations through a wider customer base
- Continue to build credentials and work pipeline with customers to accelerate the commercialisation of disruptive technology offerings e.g. battery-solar pv grid systems
- Seek further customer and work type diversity across disruptive technologies

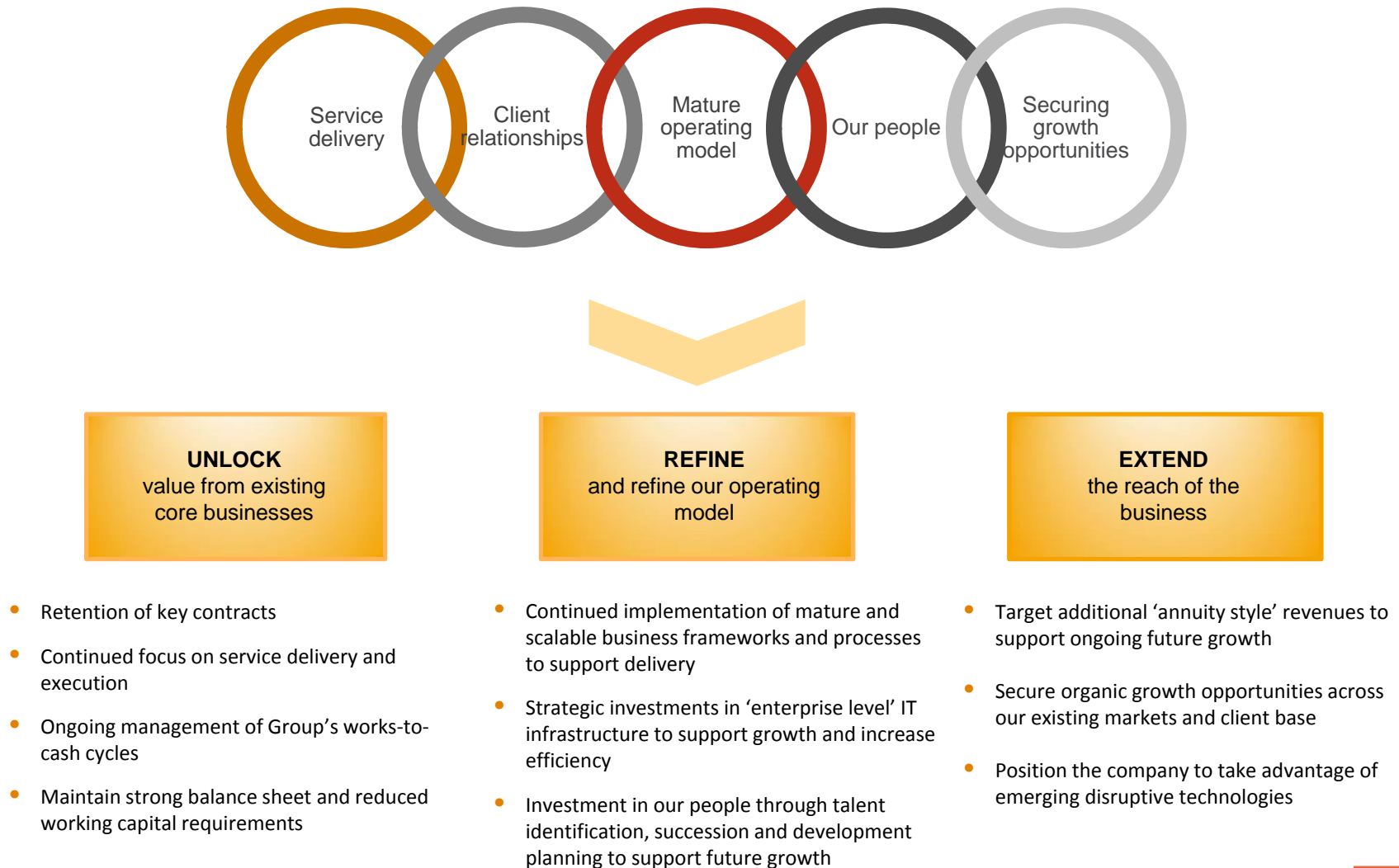




Group Strategy & Outlook

Group Strategy

Continue to deliver against our strategic plan during FY17 by focusing on the fundamentals of our business



Outlook

- The Group is focussed on delivering earnings growth in FY17, subject to anticipated customer demand and ongoing success in mobilising recently-secured contracts
- FY17 key priorities:
 - Continue to effectively mobilise the Operations & Maintenance contract with nbn, as the network footprint increases
 - Scale our delivery capability to support recently secured increases in FTTN construction volumes
 - Enhance delivery capabilities to support an extended client-base across Mobile Communications
 - Secure further customer and work diversification across the utilities market
 - Deliver initial phase of enhanced IT platforms and applications, to improve efficiency and effectiveness of operations

