

**ASX & MEDIA RELEASE**

**9 May 2018**

**Presentation on Service Stream Limited**

Attached is a copy of the presentation to be given at the Ord Minnett investor session this morning.

**For further details contact:**

**Service Stream Limited**

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**Service Stream Limited**

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**About Service Stream Limited:**

Service Stream 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, energy and water industries. Service Stream operates out of more than 40 locations nationwide and maintains a workforce of around 1,500 employees and up to 3,000 active contractors. For more information please visit [www.servicestream.com.au](http://www.servicestream.com.au).

# Service Stream Limited

## Ord Minnett Investor Day Presentation

Leigh Mackender  
Managing Director

9 May 2018



# Agenda

- 1 Company Overview
- 2 Business Operations
- 3 Group Strategic Themes
- 4 Group Performance & Outlook
- 5 Q&A



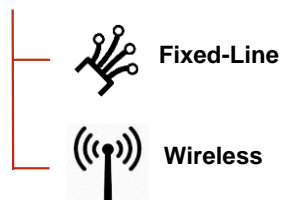
# COMPANY OVERVIEW

# Company Profile

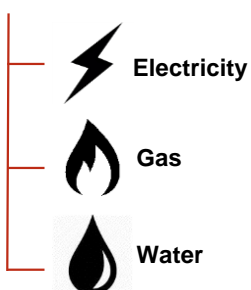
Service Stream Limited (ASX: SSM) is a S&P/ASX 300 company providing **design, construction, installation** and **maintenance** services across essential infrastructure networks within the Telecommunication and Utility sectors.

## MARKETS WE OPERATE ACROSS

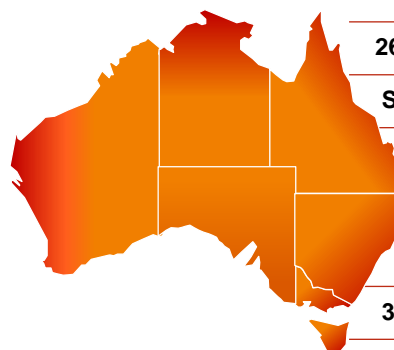
### Telecommunications



### Utilities



## OPERATIONS AT A GLANCE



26 Offices & Depots

Servicing 75% of Australia's land mass

Workforce of over 5,000

10k+ Tickets of Work per day

100k+ Properties visited per day

35m+ Properties visited per annum

## SERVICE STREAM LIMITED (ASX:SSM)

EBITDA (1H 18)	\$32.1m
EPS (1H 18)	5.45cps
DPS (1H 18)	3.00cps
Net Cash (Dec 177)	\$63.6m
Share Price (May 18)	\$1.630
Market Capitalisation (May 18)	\$588.0m
EV/EBITDA* (1H 18)	8.0x
PER* (1H 18)	14.9x

\* Based on consensus earnings

## SHARE PRICE PERFORMANCE – 4 YEARS





# Business Operations

Through our three operating divisions; **Fixed Communications**, **Network Construction** and **Energy & Water**, we work with clients across the telecommunication and utility sectors to provide specialist services associated with the **design, construction, installation** and ongoing **maintenance** of their essential networks



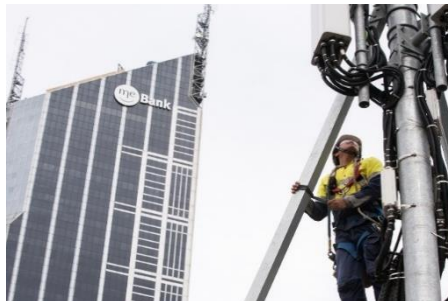
## FIXED COMMUNICATIONS

Network operations,  
maintenance and minor works



## NETWORK CONSTRUCTION

Network engineering, design and  
construction



## ENERGY AND WATER

Utility asset installation,  
inspection and maintenance





**BUSINESS OPERATIONS**



# Fixed Communications

Service Stream's **Fixed Communications** team specialises in providing design, construction, upgrade and maintenance services across Australia's fixed-line telecommunication networks

## Services include:

- ▶ End-user installation and commissioning **Activation**
- ▶ End-user fault diagnosis and rectification **Service Assurance**
- ▶ Network fault diagnosis and rectification **Network Assurance**
- ▶ Network fault prevention **Remediation**
- ▶ Proactive network augmentation and upgrade **Minor Projects**
- ▶ Network asset relocation **Recoverable Works**

## Technologies include:

- ▶ Fibre-optic (FTTP, FTTC, FTTN, FTTB)
- ▶ Copper
- ▶ Hybrid-fibre Coaxial (HFC)

## Customers include:

- ▶ nbn co
- ▶ Telstra
- ▶ Optus
- ▶ TPG





# Network Construction

Service Stream's **Network Construction** team specialises in site acquisition, design, engineering, construction, installation, upgrade and maintenance of wireless & fibre-optic fixed-line telecommunication infrastructure

## Services include:

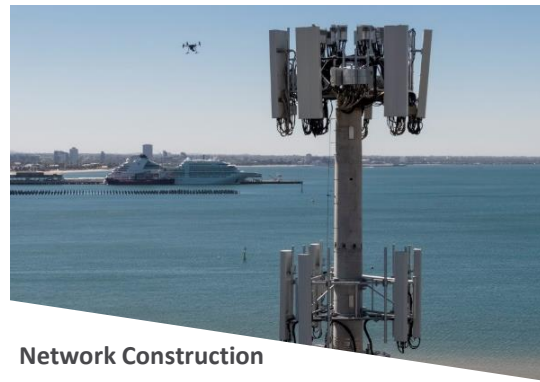
- ▶ Design & construction of multi-technology telecommunication networks
- ▶ Site acquisition for greenfield wireless infrastructure
- ▶ Engineering, design, construction & decommissioning of wireless infrastructure ... including LTE base stations, towers and rooftop deployments
- ▶ Upgrade of wireless infrastructure ... including LTE base stations, towers and rooftop deployments
- ▶ Lease management & colocation negotiations
- ▶ Wi-Fi design & installation and satellite earth stations

## Technologies include:

- ▶ Fibre-optic (FTTP, FTTC, FTTN, FTTB)
- ▶ Wireless (2G, 3G, 4G, 5G)

## Customers include:

- ▶ nbn co
- ▶ Telstra, Vodafone, Nokia, TPG
- ▶ Private wireless network owners



# Energy & Water

Service Stream's **Energy & Water** team specialises in providing design, installation, maintenance and customer management services to Australia's electricity, gas and water network owners and retailer service providers

## Services include:

- ▶ Meter reading
- ▶ Meter and asset replacement
- ▶ Disconnection/re-connection services
- ▶ Smart-meter network deployments
- ▶ Asset inspection and compliance auditing
- ▶ Commercial and residential solar PV
- ▶ Electric vehicle charge station
- ▶ Battery storage

## Technologies include:

- ▶ Electricity
- ▶ Gas
- ▶ Water

## Customers include:

- ▶ Network owners
- ▶ Network operators
- ▶ Utility Regulators
- ▶ Utility Retailers



Installation & Maintenance



Design & Installation



Inspection & Auditing



## GROUP STRATEGIC THEMES



# Group Strategic Pillars

*We continue to focus on the five fundamentals which drive operational effectiveness, continual improvement and support future growth*



## SERVICE DELIVERY

- ▶ Continued focus on **service delivery** and **execution**
- ▶ Drive ongoing improvements across our **Safety performance**
- ▶ Maintain a comprehensive **quality management** program
- ▶ Deliver a **positive customer** experience



## CLIENT RELATIONSHIPS

- ▶ Continue to **develop and enhance** our existing client relationships
- ▶ Expand and secure **new relationships** to support business growth



## OPTIMISE OUR DELIVERY MODEL

- ▶ Ongoing investments in technology to support growth and increase efficiency
- ▶ Implement **mature and scalable** business frameworks and processes
- ▶ Increase use of **data analytics** and **Business intelligence** tools to drive improved business outcomes



## OUR PEOPLE

- ▶ Continual investment in **talent development** and **succession programs** to support our valued people
- ▶ Ongoing investment in programs to **attract and retain new talent**
- ▶ Make it simple for our field workforce to engage with the business



## DELIVER GROWTH

- ▶ Target additional **'annuity style'** revenues to support ongoing future growth
- ▶ Maximise organic **'value added'** opportunities across our existing client base
- ▶ Consider **acquisitions** which provide revenue diversity and support growth across known / adjacent markets



## GROUP PERFORMANCE & OUTLOOK

# Financial Highlights

## \$294.1m

Revenue up from \$240.8m in 1H17

## \$32.1m

EBITDA up from \$21.1m in 1H17

## \$19.9m

NPAT up from \$13.0m in 1H17

## 5.45cps

EPS up from 3.58cps in 1H17

## \$63.6m

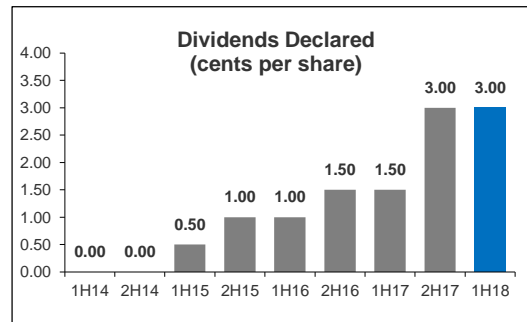
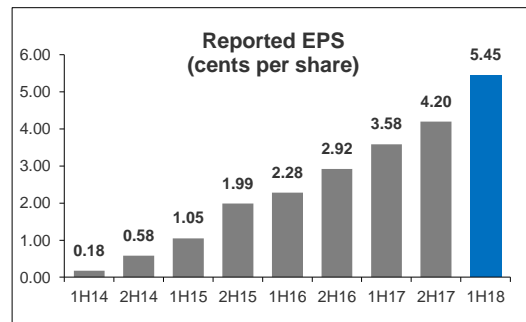
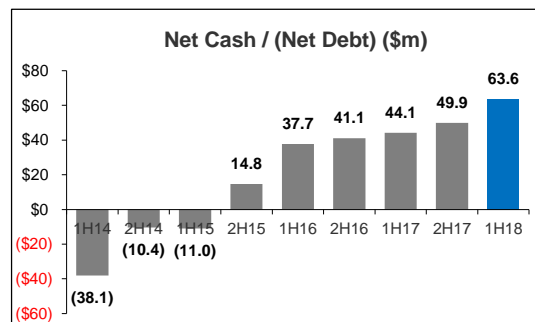
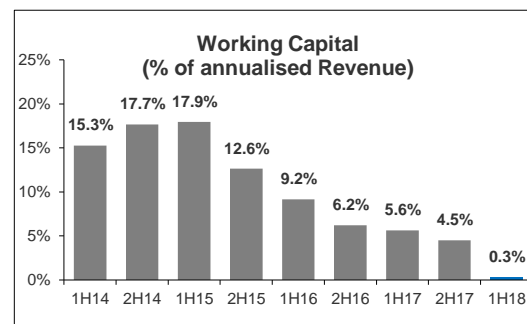
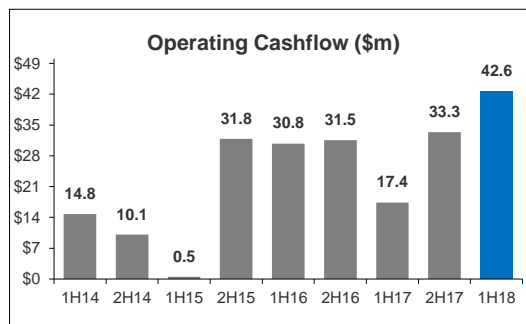
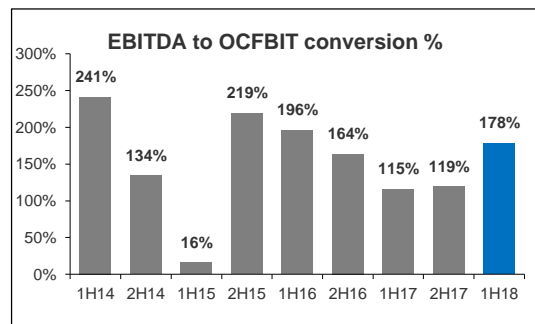
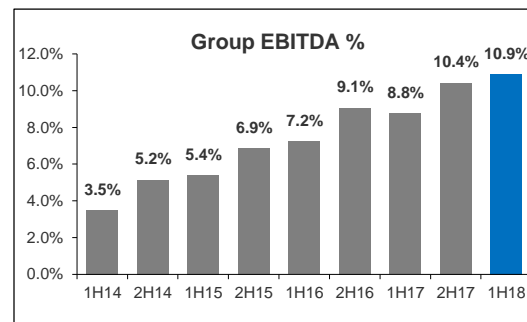
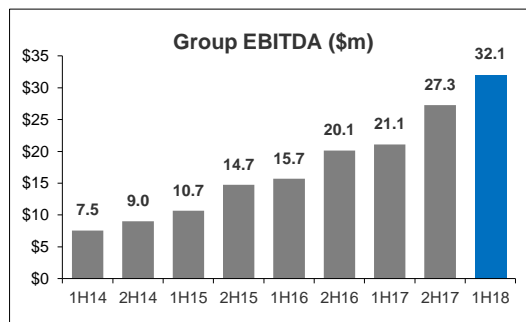
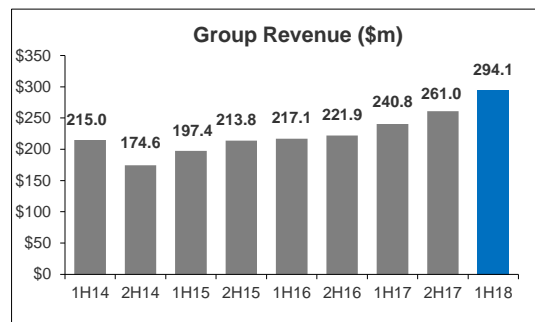
Net Cash up from \$49.9m at Jun-17

- Revenue up 22% ... with growth in all three operating segments relative to the prior corresponding period (1H17)
- 1H18 is the ninth consecutive half-year delivering growth in each of EBITDA, EBIT, NPAT and EPS
- Improvement in EBITDA and EBIT margins relative to both 1H17 and the immediately preceding period (2H17)
- NPAT up 53% on 1H17 in-line with increase in EBITDA
- NPATA (adjusted for amortisation of customer contracts) up 58%
- EPS growth of 52% over 1H17
- Interim dividend of 3.0 cps (fully-franked) up 100% on 1H17
- Continued working capital improvements produced an EBITDA-to-OCFBIT conversion of 178%
- Operating Cashflow for the half-year of \$42.6m
- On-market share buy-back of up to 7.5% of issued capital announced



# Financial Performance

*The last four years have been characterised by the Group delivering consistent growth in profit, underpinned by strong cashflow generation and sound capital management*

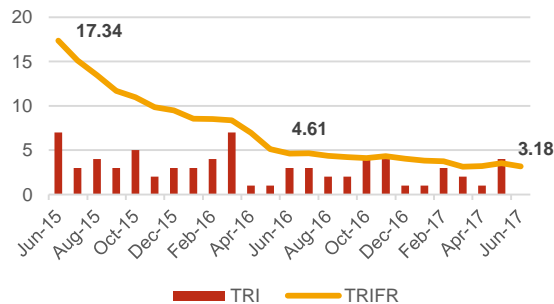


# Safety Performance

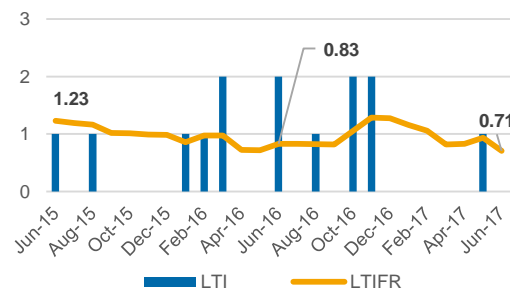
*The Group's safety performance is industry-leading and remains the first priority for the business*

- Group-wide safety initiatives implemented across higher-risk field operations
- Over 35 million property visits completed during the year
- Delivered further improvement across all major HSE performance metrics:
  - Lost Time Injury Frequency Rate reduced to 0.71
  - Total Recordable Injury Frequency Rate reduced to 3.18

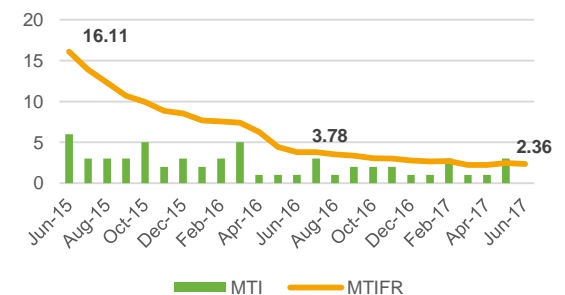
## Total Reportable Injuries



## Lost Time Injuries



## Medically Treated Injuries



# Delivering Continued Growth

*The business remains well positioned to deliver continued and sustainable growth into the future*

## ORGANIC



- Business continues to experience solid organic growth across all three market sectors
- Growth underpinned by a solid contracted pipeline across a blue-chip client base
- Contract pipeline supports 2H18 targets and growth into FY19:
  - ✓ nbn activations forecasted to increase in FY19 after HFC pause in 2H18
  - ✓ nbn network maintenance volumes continue to significantly increase
  - ✓ Increased investment in mobile technology and 5G wireless trials commencing
  - ✓ Increase in utility contract wins and participation in new energy projects (commercial solar PV and battery storage)
  - ✓ New contract opportunities being tendered to market across each business unit

## EXTERNAL

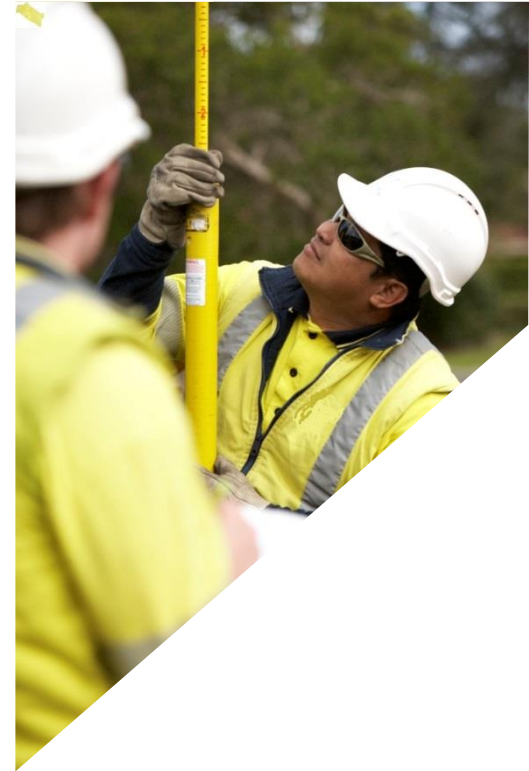


- We continue to identify and assess further market expansion and diversification opportunities
- Business has engaged strategic partners to assist with an expanded market search
- We continue to take a disciplined approach towards M&A
- Acquisitions are not required to support the business's growth profile over the medium-term



# FY18 Outlook

- Since announcing a share buy-back in February, the Company has acquired and cancelled a total of 4.5 million shares
- We expect operation of the share buy-back to continue
- In February, we confirmed that we expected full-year Group EBITDA to be approximately \$64m





**Q&A**