

Service Stream Limited

FY17 First Half Results Presentation

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Managing Director

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Group Highlights

Financial

- EBITDA of \$21.1 m (up 35% on FY16 H1)
- Group NPAT of \$13.0m (up 48% on FY16 H1)
- Strong balance sheet, increased net cash to \$44.1m, maintained zero debt
- Increased interim dividend to 1.5 cents per share (fully-franked)

Operational

- Maintained solid HSE performance across major metrics
- Mobilisation of key nbn OMMA contract proceeding well
- Superior 'execution and service delivery' continues to assist in securing work

Strategic

- Awarded several new contracts during the year, underpinning future growth
- Execution against Group's Strategic Plan progressing 'on schedule'
- Actively exploring 'bolt-on' business expansion opportunities



Group Performance

Financial Highlights

\$240.8m

Revenue up from \$217.1m in FY16 H1

\$21.1m

EBITDA up from \$15.7m in FY16 H1

\$13.0m

NPAT up from \$8.8m in FY16 H1

\$3.58cps

EPS up from 2.28cps in FY16 H1

\$44.1m

Net Cash up from \$41.1m at Jun-16

- Fixed Communications revenue up 16.5% on FY16 H1
- Energy & Water revenue up 27.2% on FY16 H1
- FY17 H1 is the seventh consecutive half-year delivering EBITDA growth
- EBITDA margin of 8.8% driven by favourable work mix, scale efficiencies, operational improvements and one-off benefits
- NPAT up 48% due to increased EBITDA and lower D&A
- Declaration of increased interim dividend of 1.5 cps (fully-franked)
- EPS up 57% on FY16 H1
- Continued focus on working capital produced a strong Operating Cashflow result of \$17.4m
- Balance Sheet further strengthened with Net Cash of \$44.1m at Dec-16

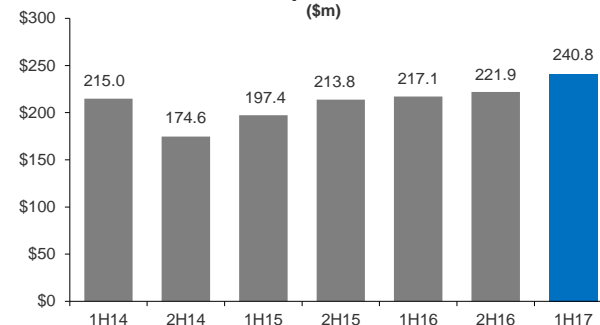
Key Financial Measures

Key financial measures compared to prior corresponding period

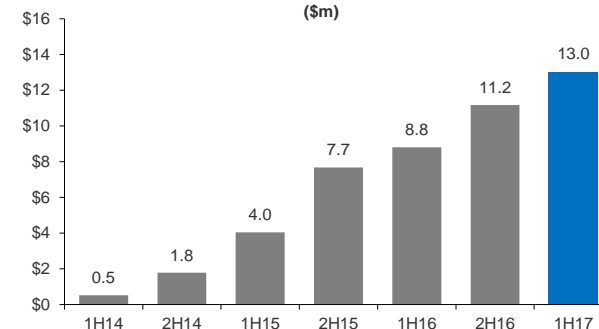
\$ million	FY17 1st half	FY16 1st half	Change		
Revenue	240.8	217.1	23.7	11%	▲
EBITDA	21.1	15.7	5.4	35%	▲
EBITDA %	8.8%	7.2%	1.5%		▲
Net profit after tax	13.0	8.8	4.2	48%	▲
Earnings per share (cents)	3.58	2.28	1.30	57%	▲
Operating Cashflow	17.4	30.8	(13.4)	(43%)	▼
Net Cash	44.1	37.6	6.5	17%	▲
Dividends declared per share (cents)	1.5	1.0	0.5	50%	▲

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

Group Revenue
(\$m)



NPAT
(\$m)



Comparisons to the immediately preceding period (six months ending 30-Jun-16) are contained in the appendix to this Results Presentation.

Segment Results

Segment results

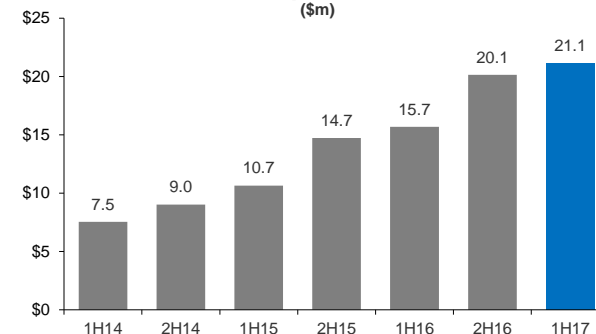
compared to prior corresponding period

\$ million	FY17 1st half		FY16 1st half		Change	
Fixed Communications	110.7		95.0		15.7	
Mobile Communications	83.5		85.0		(1.5)	
Energy & Water	48.6		38.2		10.4	
Eliminations & Interest Rec'd	(2.0)		(1.1)		(0.9)	
Total Revenue	240.8		217.1		23.7	
Fixed Communications	13.8	12.5%	9.7	10.2%	4.1	2.3%
Mobile Communications	6.2	7.5%	6.3	7.4%	(0.1)	0.0%
Energy & Water	3.2	6.7%	2.3	6.1%	0.9	0.6%
Unallocated Corporate Services	(2.2)	(0.9%)	(2.6)	(1.2%)	0.4	0.3%
Total EBITDA	21.1	8.8%	15.7	7.2%	5.4	1.5%
Depreciation & Amortisation	(2.5)		(3.0)		0.5	
EBIT	18.6	7.7%	12.7	5.9%	5.9	1.9%
Financing costs	0.0		(0.1)		0.1	
Income tax expense	(5.6)		(3.8)		(1.8)	
Net profit after tax	13.0	5.4%	8.8	4.1%	4.2	1.4%

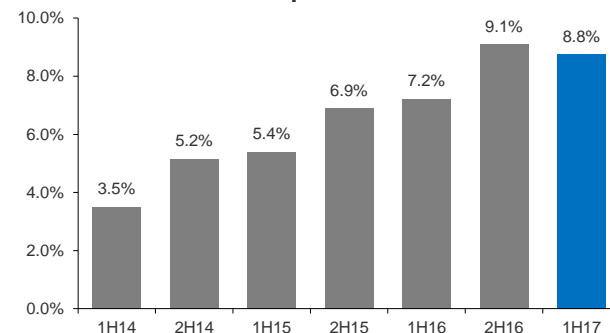
¹ Effective tax rate

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Group EBITDA
(\$m)



Group EBITDA %



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Cashflow Results

Cashflow results

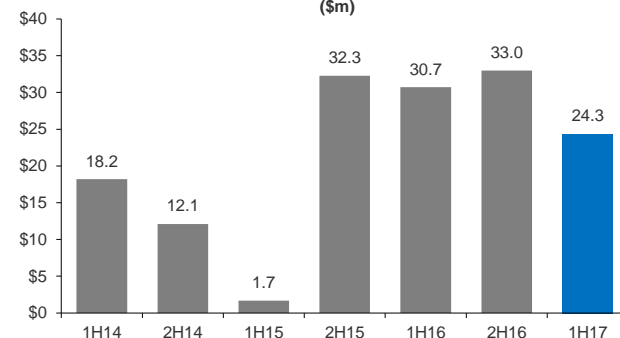
compared to prior corresponding period

\$ million	FY17 1st half	FY16 1st half	Change
EBITDA	21.1	15.7	5.4
+/- non-cash items & change in working capital	3.2	15.0	(11.8)
OCFBIT¹	24.3	30.7	(6.4)
Net tax paid	(6.8)	0.0	(6.8)
Net interest and financing costs	(0.1)	0.1	(0.2)
Operating cashflow	17.4	30.8	(13.4)
Capital expenditure (net of proceeds from sales)	(5.1)	(3.7)	(1.4)
Free cashflow	12.4	27.1	(14.8)
Dividends paid	(5.5)	(3.9)	(1.6)
Purchase of shares	(3.8)	(0.4)	(3.5)
Return of capital	0.0	0.0	0.0
Increase in net cash	3.0	22.9	(19.9)

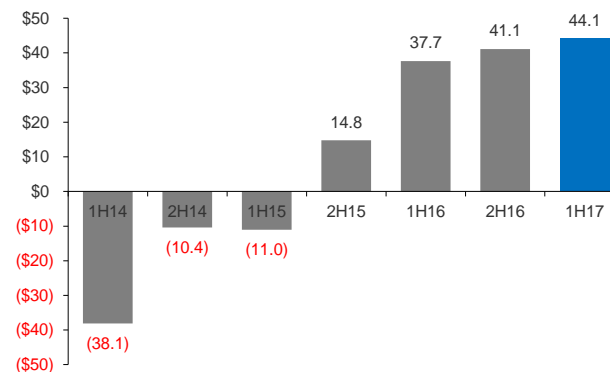
¹ Operating cashflow before interest & tax

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Group OCFBIT
(\$m)



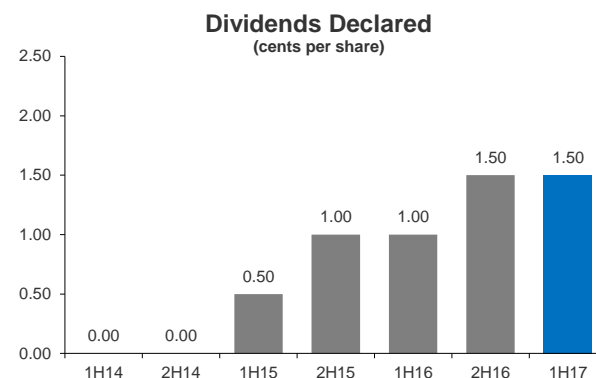
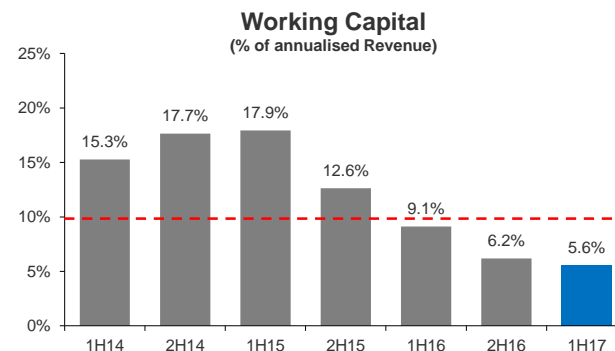
Net Cash / (Net Debt)
(\$m)



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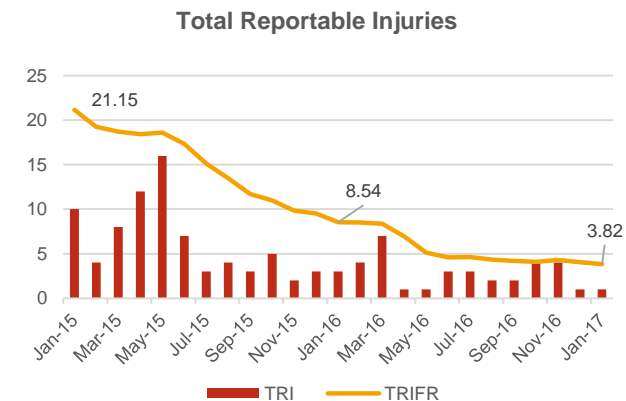
Capital Management

- Continued operational focus produced a further improvement in working capital efficiency at 5.6% of annualised revenue
- Strong EBITDA to OCFBIT conversion of 115%
- Resumption of tax payments replenishes franking credits
- Increased interim dividend of 1.5 cps (fully-franked) maintains payout ratio in-line with FY16 H1
- Increase in Net Cash to \$44.1m further improves capacity of the Group to fund business expansion



Operational Performance

- Maintained solid HSE performance across major metrics:
 - Lost Time Injury Frequency Rate of 1.27
 - Total Recordable Injury Frequency Rate of 4.05
- Phase I of ERP implementation has been delivered on-budget
- Maintained superior nbn performance rating for both ticket-of-work and construction activities
- Mobilisation of new contracts progressing well:
 - nbn MIMA construction contract delivering well against higher FTTN volume targets
 - nbn OMMA operations and maintenance contract also delivering strongly against initial network deployment targets
 - AGL Active Stream smart meter deployment achieving increased installation volumes





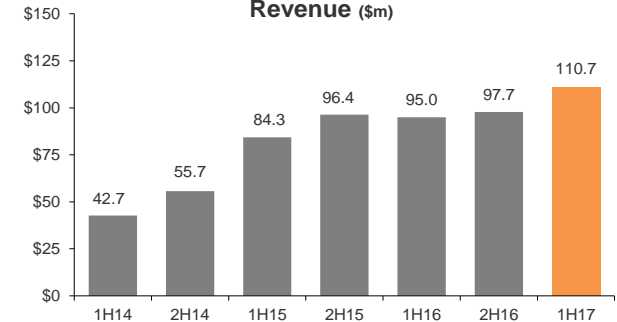
Business Unit Performance & Update

Fixed Communications

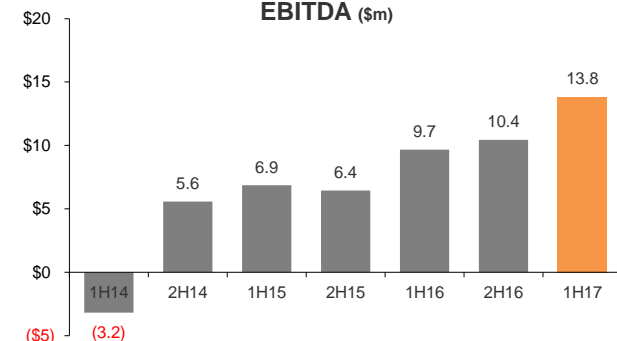
Cable network specialists

- Strong EBITDA margin of 12.5% for first-half assisted by favourable work mix, scale efficiencies, operational improvements and one-off benefits
- Performance under nbn Operations & Maintenance Master Agreement (OMMA) remains strong with scaling of volume 'on-track'
- Performance under nbn Multi-technology Integrated Master Agreement (MIMA) for deployment of Fibre-to-the-Node (FTTN) in Victoria also remains strong with scaling of resources during first-half to meet increase in construction program
- Secured two-year \$120m Design & Construction Master Agreement (DCMA) with nbn to deploy Fibre-to-the-Curb (FTTC) in Melbourne. Design activity to commence in FY17 second-half

**Fixed Communications
Revenue (\$m)**



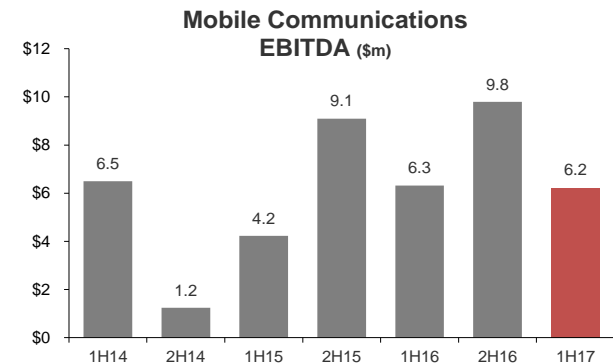
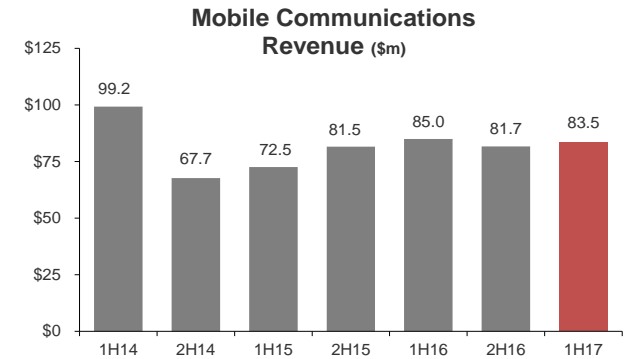
**Fixed Communications
EBITDA (\$m)**



Mobile Communications

Wireless network specialists

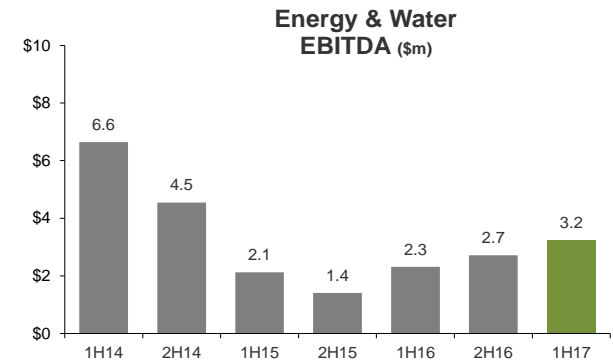
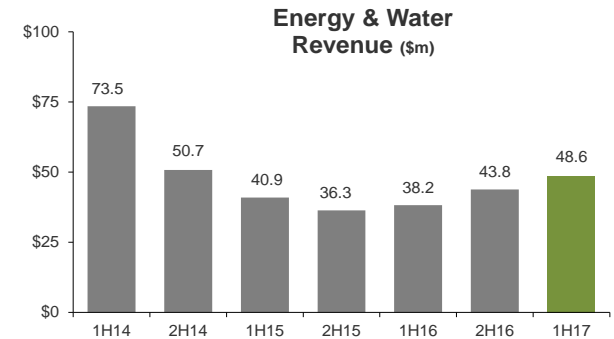
- Revenue for the first-half was steady
- Continuing to work closely with major customers to improve visibility of future work volumes and consistent flow of work packages
- H1:H2 split of EBITDA for FY17 is shaping up to replicate the two previous years with bias towards the second-half
- Significant investment in the first-half to mobilise activity in support of recently expanded client base



Energy & Water

Utility network specialists

- Increase in revenue & EBITDA in line with expectations
- Secured new meter reading contracts during first-half to support continued growth:
 - City West Water VIC (to commence Apr-17)
 - Ergon Energy QLD (to commence Mar-17)
- Expanded residential & commercial solar pv client base, with 5.1 megawatts of solar pv capacity installed during first-half
- Continued to build credentials and pipeline of activity associated with disruptive technology offerings across new and existing client base
- Selected by AGL as its contractor to deploy virtual power plant (VPP) targeting 1,000 digital, connected batteries installed at homes and small business across metropolitan Adelaide





Group Strategy & Outlook

Group Strategy

Continuing to deliver against our strategic plan during FY17 with dual focus on the fundamentals of our business and future growth



SERVICE DELIVERY



CLIENT RELATIONSHIPS



OPTIMISE DELIVERY MODEL



OUR PEOPLE



FUTURE GROWTH



- ▶ Superior service delivery and execution
- ▶ Maintain strong balance sheet and manage working capital within target range
- ▶ Maintain group EBITDA margin at the upper-end of 6%-8% target range
- ▶ Continued assessment of external business expansion opportunities with focus on utility markets
- ▶ Continue to maintain and develop our client relationships
- ▶ Strategic investments in 'enterprise level' IT infrastructure to support growth and increase efficiency
- ▶ Target additional 'annuity style' revenues to support ongoing growth
- ▶ Maximise organic growth opportunities across our existing markets and client base

FY17 Outlook

- We expect that the second-half of FY17 will continue to deliver solid operational and financial performance, with EBITDA to be broadly in-line with the first-half:
 - Extent of growth in wireless work volumes within Mobile Communications still difficult for Management to predict month-on-month
 - Group EBITDA margins to remain at the upper-end of our 6%-8% target range
- FY17 second-half priorities:
 - Successful mobilisation of the new nbn DCMA to support FTTC design & construction deployment
 - Successful mobilisation of recently secured contracts within the Energy & Water division
 - Mobile Communications' delivery of an increased second-half, in-line with prior years' performance
 - Energy & Water's continued assessment of 'bolt-on' business expansion opportunities





Appendices

Key Financial Measures

Key financial measures

compared to immediately preceding period

\$ million	FY17 1st half	FY16 2nd half	Change		
Revenue	240.8	221.9	18.9	9%	▲
EBITDA	21.1	20.1	1.0	5%	▲
EBITDA %	8.8%	9.1%	(0.3%)		▼
Net profit after tax	13.0	11.2	1.9	17%	▲
Earnings per share (cents)	3.58	2.91	0.68	23%	▲
Operating Cashflow	17.4	31.5	(14.1)	(45%)	▼
Net Cash	44.1	41.1	3.0	7%	▲
Dividends declared per share (cents)	1.5	1.5	0.0	0%	---

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Segment Results

Segment results

compared to immediately preceding period

\$ million	FY17 1st half		FY16 2nd half		Change	
Fixed Communications	110.7		97.7		13.0	
Mobile Communications	83.5		81.7		1.8	
Energy & Water	48.6		43.8		4.8	
Eliminations & Interest Rec'd	(2.0)		(1.3)		(0.7)	
Total Revenue	240.8		221.9		18.9	
Fixed Communications	13.8	12.5%	10.4	10.7%	3.4	1.8%
Mobile Communications	6.2	7.5%	9.8	12.0%	(3.6)	(4.5%)
Energy & Water	3.2	6.7%	2.7	6.2%	0.5	0.5%
Unallocated Corporate Services	(2.2)	(0.9%)	(2.8)	(1.3%)	0.6	0.4%
Total EBITDA	21.1	8.8%	20.1	9.1%	1.0	(0.3%)
Depreciation & Amortisation	(2.5)		(4.5)		2.0	
EBIT	18.6	7.7%	15.7	7.1%	3.0	0.7%
Financing costs	0.0		0.2		(0.2)	
Income tax expense	(5.6)	30.1% ¹	(4.7)	29.6% ¹	(0.9)	
Net profit after tax	13.0	5.4%	11.2	5.0%	1.9	0.4%

¹ Effective tax rate

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Cashflow Results

Cashflow results

compared to immediately preceding period

\$ million	FY17 1st half	FY16 2nd half	Change
EBITDA	21.1	20.1	1.0
+/- non-cash items & change in working capital	3.2	12.8	(9.6)
OCFBIT¹	24.3	33.0	(8.6)
Net tax paid	(6.8)	(1.7)	(5.1)
Net interest and financing costs	(0.1)	0.2	(0.4)
Operating cashflow	17.4	31.5	(14.1)
Capital expenditure (net of proceeds from sales)	(5.1)	(4.6)	(0.4)
Free cashflow	12.4	26.9	(14.6)
Dividends paid	(5.5)	(3.9)	(1.6)
Purchase of shares	(3.8)	(0.2)	(3.7)
Return of capital	0.0	(19.4)	19.4
Increase in net cash	3.0	3.4	(0.4)

¹ Operating cashflow before interest & tax

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