

Service Stream Limited

FY16 First Half Results Presentation

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Managing Director

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Group Highlights

Financial

- EBITDA of \$15.7m (up 6%) / NPAT growth to \$8.8m (up 15%)¹
- Strong balance sheet and solid cash conversion, cash-on-hand \$37.6m, zero debt
- Increased interim dividend to 1.00 cps (fully-franked)
- Proposing a 5.0 cps return of capital to shareholders²

Operational

- Continued to deliver strong safety performance
- Awarded \$500m+ of new contracts, underpinning future growth
- Continued focus on execution and service delivery
- Operational efficiencies continued to be realised across the Group

Strategic

- Secured important annuity style revenues through 4-year nbn OMMA contract
- Expanded Group's presence across all three core markets
- Secured additional 'value added' services across existing contract base
- Positive progress against Group's Strategic Plan

Financial Highlights

\$217.1m

Revenue up from \$213.8m FY15 H2



\$15.7m

EBITDA up from \$14.7m FY15 H2



\$8.8m

NPAT up from \$7.7m FY15 H2



\$37.6m

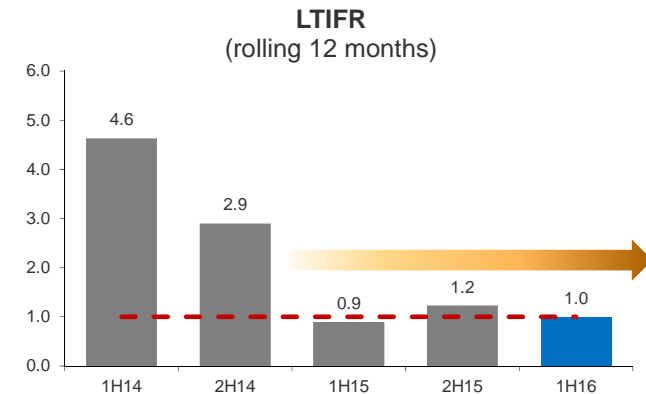
Net Cash up from \$14.8m FY15 H2



- Increase in revenue driven by growth across Mobile Communications and Energy & Water segments
- Strong work volumes continued within Fixed Communications associated with ongoing ramp-up of nbn-related activities
- FY16 H1 is the fifth consecutive half-year delivering EBITDA growth
- EBITDA margin of 7.2% driven by Fixed Communications securing contract 'value adds' and successful demobilisation of concluded programs
- Continued NPAT growth due to increased EBITDA and lower financing costs
- Declaration of interim dividend of 1.0 cps (fully-franked)
- Management of working capital produced strong OCFBIT¹ of \$30.8m
- Cash-on-hand of \$37.6m and zero debt at half-year end
- Board proposing a 5.0 cps return of capital to shareholders²

Operational Highlights

- Continued focus on safety sustaining low LTIFR of 1.0
- Focus on service delivery and client relations underpinning results
- Success in securing new organic growth opportunities across known services and markets:
 - New five-year nbn MIMA construction agreement executed in Sep 15
 - New four-year nbn OMMA operations and maintenance agreement executed in Dec 15
 - New wireless design and construction agreement with Nokia Networks (Optus wireless network) in Feb 16
- Execution against the corporate strategic plan continues to progress well

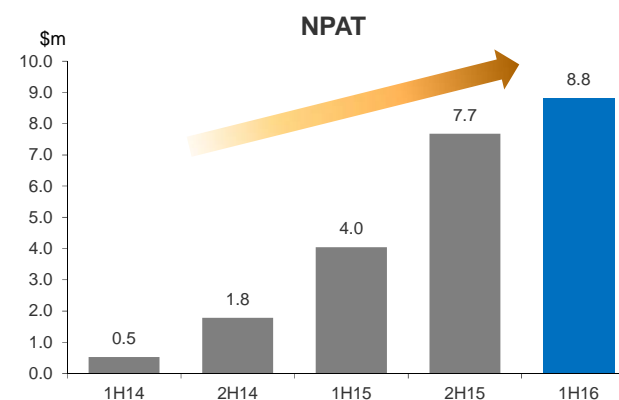
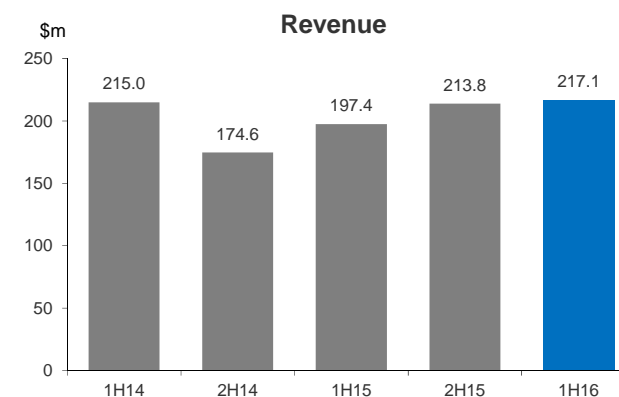


Key Financial Measures

Key financial measures

compared to immediately preceding period

\$ million	FY16 1st half	FY15 2nd half	Change		
Revenue	217.1	213.8	3.2	2%	▲
EBITDA	15.7	14.7	0.9	6%	▲
EBITDA %	7.2%	6.9%	0.3%		▲
Net profit after tax	8.8	7.7	1.1	15%	▲
Earnings per share (cents)	2.28	1.99	0.29	15%	▲
Operating Cashflow	30.8	31.8	(1.0)	(3%)	▼
Net Cash	37.6	14.8	22.9	155%	▲
Dividends declared per share (cents)	1.0	1.0	0.0	0%	

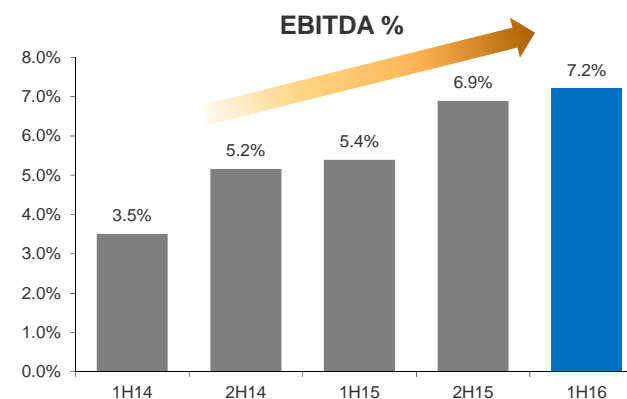
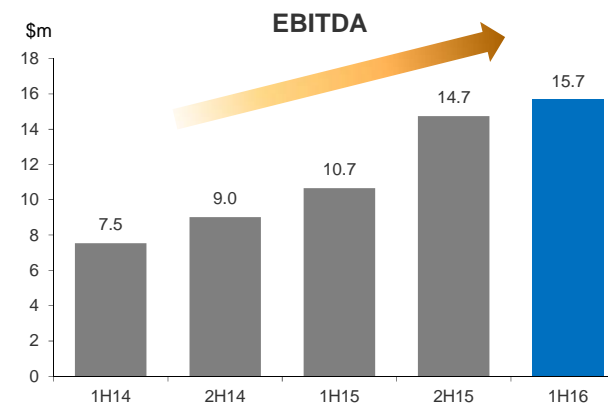


The Board has determined that comparison of the financial results to the immediately preceding period (six months ending 30-Jun-15) may be more beneficial to shareholders than a comparison to the prior comparative period (six months ending 31-Dec-14). Comparisons to the prior comparative period are contained in both the Financial Statements and the appendix to the Results Presentation.

Segment Results

Segment results compared to immediately preceding period

\$ million	FY16 1st half		FY15 2nd half		Change	
Fixed Communications	95.0		96.4		(1.3)	
Mobile Communications	85.0		81.5		3.5	
Energy & Water	38.2		36.3		1.9	
Eliminations & Interest Rec'd	(1.1)		(0.4)		(0.8)	
Total Revenue	217.1		213.8		3.2	
Fixed Communications	9.7	10.2%	6.4	6.7%	3.2	3.5%
Mobile Communications	6.3	7.4%	9.1	11.2%	(2.8)	(3.7%)
Energy & Water	2.3	6.1%	1.4	3.9%	0.9	2.2%
Unallocated Corporate Services	(2.6)	(1.2%)	(2.2)	(1.0%)	(0.4)	(0.2%)
Total EBITDA	15.7	7.2%	14.7	6.9%	0.9	0.3%
Depreciation & Amortisation	(3.0)		(3.3)		0.3	
EBIT	12.7	5.9%	11.5	5.4%	1.3	0.5%
Financing costs	(0.1)		(0.5)		0.4	
Income tax expense	(3.8)		(3.3)		0.5	
Net profit after tax	8.8	4.1%	7.7	3.6%	1.1	0.5%



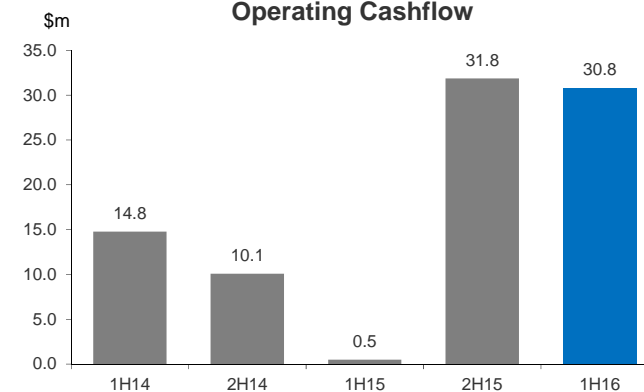
Cashflow Results

Cashflow results

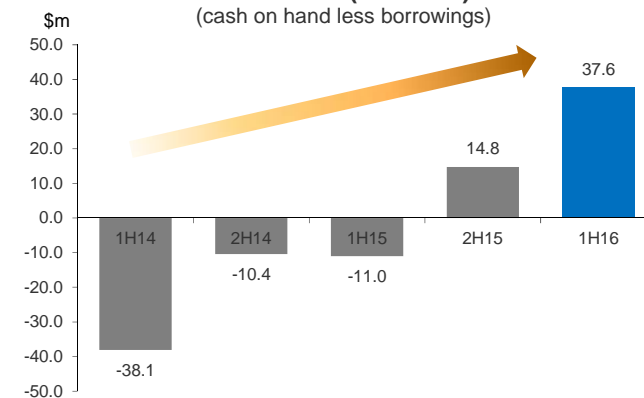
compared to immediately preceding period

\$ million	FY16 1st half	FY15 2nd half	Change
EBITDA	15.7	14.7	0.9
+/- change in working capital	15.0	17.5	(2.5)
OCFBIT	30.7	32.3	(1.6)
Net interest and financing costs	0.1	(0.4)	0.5
Operating Cashflow	30.8	31.8	(1.0)
Capital expenditure (net of proceeds from sales)	(3.7)	(2.7)	(1.0)
Free cashflow	27.1	29.2	(2.1)
Dividends paid	(3.9)	(1.9)	(1.9)
Purchase of shares	(0.4)	(1.4)	1.1
Increase in net cash	22.9	25.8	(2.9)

Operating Cashflow

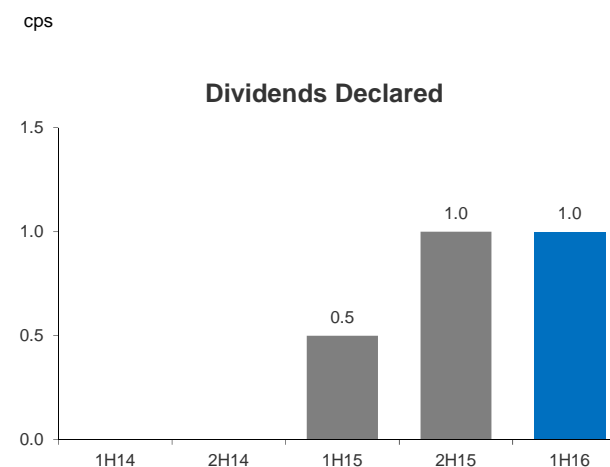
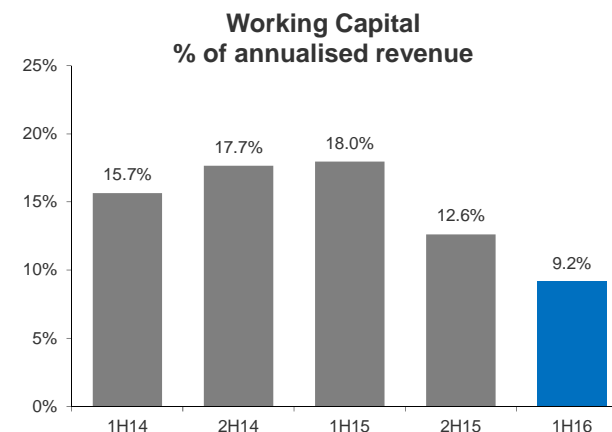


Net Cash / (Net Debt) (cash on hand less borrowings)



Capital Management

- Strong cashflow performance assisted by:
 - successful wind-up of certain programs of work within Fixed Communications
 - continued focus on working capital management
- Interim dividend increased from 0.5 cps (FY15 H1) to 1.0 cps (FY16 H1) fully-franked.
 - tax to be paid in FY16 H2 for franking credits
- Board proposing a 5.0 cps return of capital to shareholders:
 - currently in the process of requesting tax rulings from the ATO to confirm the tax treatment; and
 - also subject to approval by SSM shareholders at an EGM in late May 2016



Business Unit Update



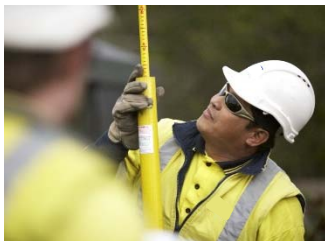
Fixed Communications

- Continued growth in work volumes associated with nbn customer connections contract replacing concluded programs of work
- Secured new nbn MIMA construction agreement for a five-year term, expect future growth as nbn-related construction activities increase
- Secured new nbn OMMA operations and maintenance agreement for a four-year term, expected to see significant growth as nbn network expands



Mobile Communications

- Wireless work volumes remained steady
- Secured new three-year wireless design and construction agreement with Nokia Networks (Optus Network)
- Focus remains on receipt of consistent wireless work packages to support future pipeline



Energy & Water

- Revenue increase in line with Management's expectations
- New agreements secured with Alinta Energy (solar pv) and Hunter Water (meter reading and replacement)
- Focus now on supporting clients to grow volumes associated with solar pv installation agreements and continuing to target new business development opportunities

Delivering against our Strategic Plan

Continued execution against our Strategic Plan, underpinning sustainable profitability and growing shareholder returns

UNLOCK

additional value from the core business

- ✓ Consistent service delivery across key contracts
- ✓ Delivered continued improvements across all HSE performance metrics
- ✓ Strengthened Group's balance sheet and cash conversion
- ✓ Increased Group EBITDA and EBITDA % margin

RECONFIGURE

the operating model by driving continual improvements

- ✓ Commenced implementation of a new enterprise-level project management and finance system (IFS) to support business growth
- ✓ Improved contractor on-boarding, deployment and management systems
- ✓ Increased investment in IT infrastructure and common enterprise level systems to support growth
- ✓ Focus on increasing the level and quality of engagement with key Customers

EXTEND

the reach of the business to achieve step growth

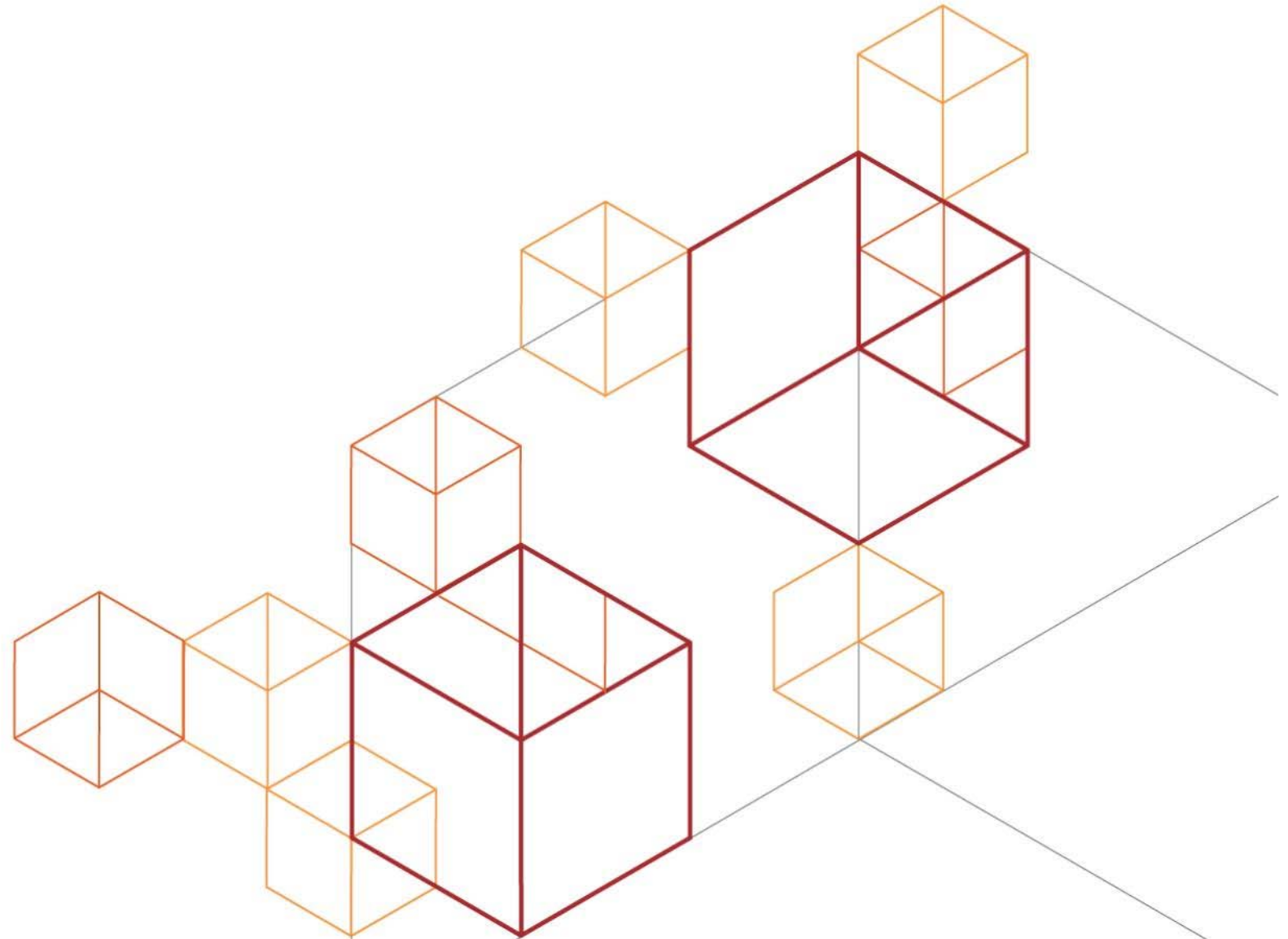
- ✓ Awarded \$500m+ of new contracts, underpinning future growth
- ✓ Secured new 'annuity style' revenues, supporting sustainable future growth
- ✓ Continued to secure new 'value added' work programs across existing client contracts
- ✓ Strong business development pipeline across all three business units

FY16 Outlook

- We expect that the second-half of FY16 will continue to deliver solid operational and financial performance. EBITDA to be in line with the first-half, subject to a continuation of prevailing market conditions:
 - 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 level of our 'target range of '5-7%'
- FY16 H2 priorities:
 - Mobilisation of new nbn OMMA operations & maintenance agreement in FY16 Q1-Q2
 - Delivery of initial FTTN work packages to nbn under new MIMA construction agreement
 - Secure additional allocation of FTTN work packages from nbn
 - Successful implementation of new enterprise-level project management and financial system (IFS) to support business growth
 - Continue to explore organic diversification opportunities for Mobile Communications and Energy & Water



Appendices



Key Financial Measures

Key financial measures compared to prior corresponding period

\$ million	FY16 1st half	FY15 1st half	Change	
Revenue	217.1	197.4	19.6	10% ▲
EBITDA	15.7	10.7	5.0	47% ▲
EBITDA %	7.2%	5.4%	1.8%	▲
Net profit after tax	8.8	4.0	4.8	118% ▲
Earnings per share (cents)	2.28	1.05	1.23	118% ▲
Operating Cashflow	30.8	0.5	30.3	6,328% ▲
Net Cash / (Net Debt)	37.6	(11.0)	48.7	(441%) ▲
Dividends declared per share (cents)	1.0	0.5	0.5	100% ▲

Segment Results

Segment results

compared to prior corresponding period

\$ million	FY16 1st half		FY15 1st half		Change	
Fixed Communications	95.0		84.3		10.7	
Mobile Communications	85.0		72.5		12.5	
Energy & Water	38.2		40.9		(2.7)	
Eliminations & Interest Rec'd	(1.1)		(0.3)		(0.8)	
Total Revenue	217.1		197.4		19.6	
Fixed Communications	9.7	10.2%	6.9	8.1%	2.8	2.0%
Mobile Communications	6.3	7.4%	4.2	5.8%	2.1	1.6%
Energy & Water	2.3	6.1%	2.1	5.2%	0.2	0.9%
Unallocated Corporate Services	(2.6)	(1.2%)	(2.6)	(1.3%)	(0.1)	0.1%
Total EBITDA	15.7	7.2%	10.7	5.4%	5.0	1.8%
Depreciation & Amortisation	(3.0)		(3.0)		0.1	
EBIT	12.7	5.9%	7.6	3.9%	5.1	2.0%
Financing costs	(0.1)		(1.4)		1.3	
Income tax expense	(3.8)		(2.1)			
Net profit after tax	8.8	4.1%	4.0	2.0%	4.8	2.0%

Cashflow Results

Cashflow results

compared to prior corresponding period

\$ million	FY16 1st half	FY15 1st half	Change
EBITDA	15.7	10.7	5.0
+/- change in working capital	15.0	(9.0)	24.0
OCFBIT	30.7	1.7	29.0
Net interest and financing costs	0.1	(1.2)	1.3
Operating Cashflow	30.8	0.5	30.3
Capital expenditure (net of proceeds from sales)	(3.7)	(1.0)	(2.7)
Free cashflow	27.1	(0.5)	27.6
Dividends paid	(3.9)	0.0	(3.9)
Purchase of shares	(0.4)	(0.1)	(0.3)
Increase / (Decrease) in net cash	22.9	(0.6)	23.5