Service Stream Limited

HY14 Results Presentation

17 Feb 2014

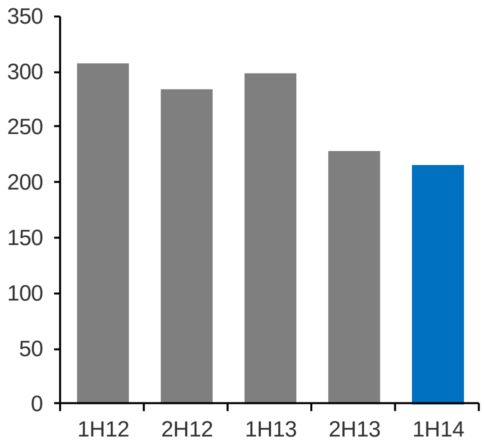
Overview

- Return to profitability underway, 1H14 result in line with expectation.
- Execution of Deed of Variation on 18 July 2013 provides certainty of exposure to Syntheo Joint Venture. Payment of $10.0m during 1H14 in accordance with agreement.
- Repayment of $10.0m of borrowings during 1H14 in accordance with financial obligations.
- Appointment of Terry Sinclair as Managing Director in November 2013.
- Announcement of capital raising on 24 January 2014 with EGM for shareholder approval to be held 19 March 2014.

Key financial trends:

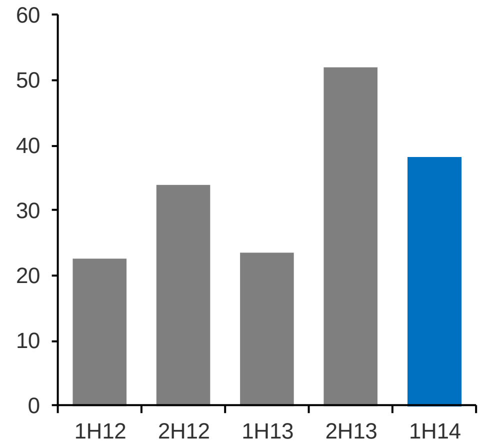
Solid 1H14 results with a strong focus on cash flow & capital management

Revenue ($m)



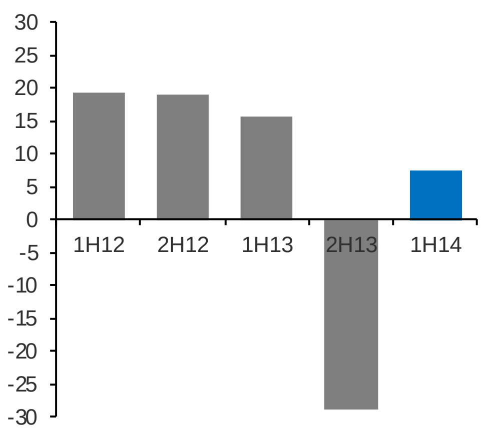
1H14 revenue of $215.0m with slight reduction from previous half relating predominately to Syntheo.

Net Debt ($m)



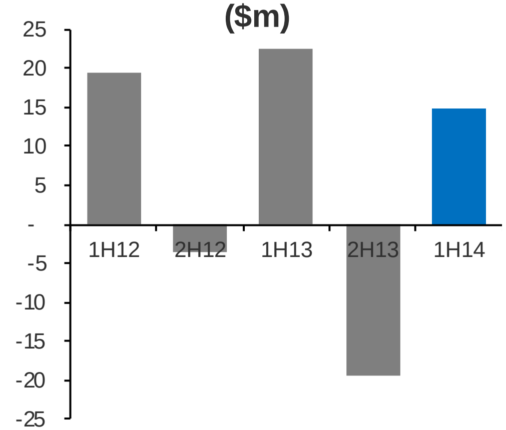
Net debt reduced by $13.9m, debt facilities secured until August 2014.

EBITDA ($m)



Delivered 1H14 EBITDA of $7.5m in line with expectations.

Operating Cashflow ($m)



Operating cashflow of $14.8m, after $10.0m pay down of Syntheo JV liability.

Business Unit Overview

Executing on operating priorities

- Fixed Communications' recovery plan in line with expectations
  – Leadership strengthened through restructuring
  – Focus on fixed-cost reduction to reduce exposure to volume variability
  – Continue to work closely with NBN & Telstra to meet emerging network demand

- Mobile Communications focused on meeting customer infrastructure plans
  – Delivered $6.5m of EBITDA
  – Focus on fixed-cost reduction to reduce exposure to volume variability
  – Working closely with Telstra & Vodafone on Q3 & Q4 programs
  – Telstra minor works, RW & SEQUD operations transferred from Fixed Communications to Mobile Communications

- Energy & Water has successfully secured extensions and renewals of its metering contracts
  – Delivered $6.6m of EBITDA
  – Contracts secured include Western Power[1], APA Group and SA Water

[1] subject to final signing by the parties

Segment results:

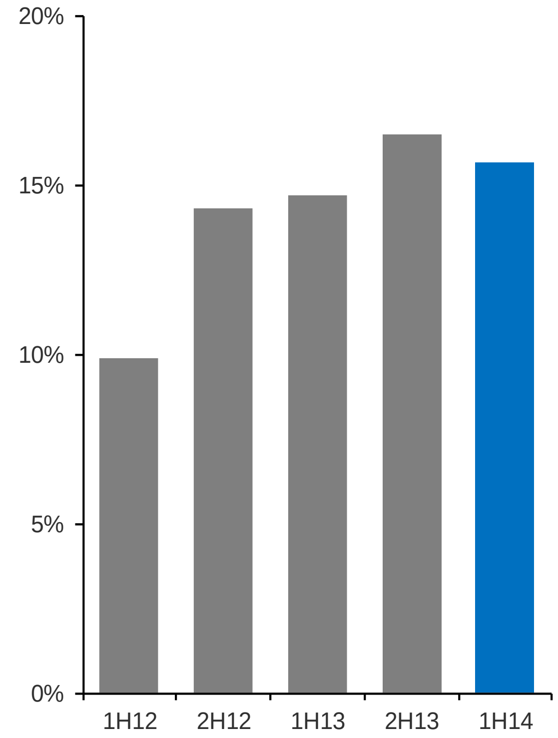
	1H14	*EBITDA %*	1H13	*EBITDA %*	Net change	*Change %*
Fixed Communications	42.7		63.6		(20.9)	
Mobile Communications	99.2		136.0		(36.8)	
Energy & Water	73.5		97.6		(24.1)	
Inter-company revenue	(0.5)		(0.5)		(0.0)	
Interest received	0.1		1.3		(1.2)	
Total Revenue	**215.0**		**298.0**		**(83.0)**	***(27.9%)***
Fixed Communications	(3.2)	*-7.5%*	8.4	*13.1%*	(11.5)	
Mobile Communications	6.5	*6.5%*	2.8	*2.1%*	3.7	
Energy & Water	6.6	*9.0%*	7.4	*7.6%*	(0.7)	
Write-off FX reserve[1]	0.0		(0.6)		0.6	
Unallocated Corporate Services	(2.4)		(2.5)		0.1	
Total EBITDA	**7.5**	***3.5%***	**15.5**	***5.2%***	**(7.9)**	***(51.3%)***
Depreciation / Amortisation	(4.9)		(3.9)		(1.1)	
EBIT	**2.6**		**11.6**		**(9.0)**	***(77.5%)***
Net interest expense	(1.9)		(0.4)		(1.5)	
Income tax expense	(0.2)		(3.1)		2.9	
NPAT	**0.5**		**8.1**		**(7.5)**	***(93.5%)***
EPS (cents per share)	**0.18**		**2.85**		**(2.7)**	***(93.5%)***

[1] Relates to the sale of investment in Total Comm Infra Services Pvt Ltd (India)

Cashflow results:

$ million	1H14	1H13
EBITDA	7.5	15.5
+/- change in working capital etc	10.7	(4.2)
OCFBIT[1]	**18.2**	**11.2**
Net tax refund/(paid)	0.0	12.0
Net interest paid	(3.4)	(0.7)
Operating cash flow	**14.8**	**22.5**
Proceeds from sale of assets/investments	0.4	0.4
Capital expenditure	(1.2)	(9.8)
Free cash flow	**13.9**	**13.0**
Net debt	**38.1**	**23.6**
Leverage ratio[2]		
Pre capital raising	3.5x	
Post capital raising	2.6x	

Working Capital % of Revenue



[1] Operating Cash Flow before Interest & Tax

[2] Leverage ratio = Net Debt + Bank Guarantees / EBITDA (FY14 Guidance)

FY14 outlook

- Board confirms guidance of approximately $20.0m EBITDA (subject to the timing of customer demand in H2), having delivered $7.5m in the first half.
- Priorities in the second half are:
  – working with customers to secure greater certainty over volumes.
  – renewing / extending key contracts on improved terms.
  – cost reductions.
  – developing growth opportunities.
- Capital raising (subject to shareholder approval) due for completion in early May expected to:
  – result in a funds injection of $19.0m to be used to pay down debt and strengthen the Company's balance sheet.
  – enable the Company to refinance its facilities (expiring Aug-14) on more favourable terms.