

Service Stream Limited

Managing Director's AGM Presentation

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Agenda

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- 2 FY17 Group Performance
- 3 Business Unit Update
- 4 Group Strategy & Outlook
- 5 Questions

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

People	Revenue	NPAT	Earnings per share	Dividends per share	Market capitalisation ¹
1,800 Staff & 3,500+ Contractors	\$501.8m	\$28.4m	7.78c	4.50c	\$536m

¹ based on share price of \$1.47 as at 8-Oct-17



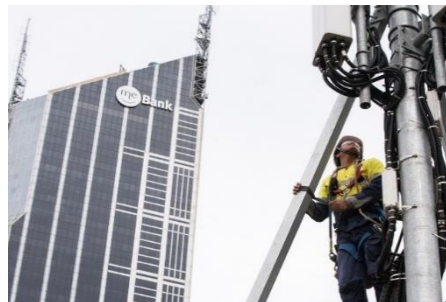
FIXED COMMUNICATIONS

Network operations, maintenance and minor works



NETWORK CONSTRUCTION

Network engineering, design and construction



ENERGY AND WATER

Utility asset installation, inspection and maintenance





FY17 GROUP PERFORMANCE

Performance Highlights

Financial

- EBITDA of \$48.4m ... up 35% on FY16
- Group NPAT of \$28.4m ... up 42% on FY16
- Solid cash generation leading to Net Cash of \$49.9m at year-end
- EPS of 7.78 cps ... up 50% on FY16
- Increased interim and final dividends for year to total of 4.5 cents per share (fully-franked)

Operational

- Continued improvement across all major HSE performance metrics
- Solid growth across major nbn contracts as they scale with increasing volumes
- Expanded service offerings through the TechSafe acquisition, now fully integrated into the wider business
- Continued focus on business fundamentals: 'Execution and Service Delivery'

Strategic

- Successfully completed the acquisition of TechSafe, providing diversification and additional annuity-style revenue streams
- Organisational restructure undertaken to better align functional competencies and to support future growth, leading to revision of operating segments
- Assessment of external business expansion and diversification opportunities continues
- Execution against Group's Strategic Plan progressing 'on schedule'

Financial Performance

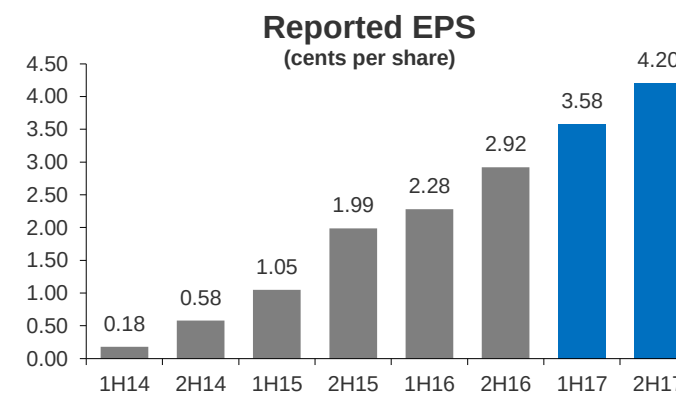
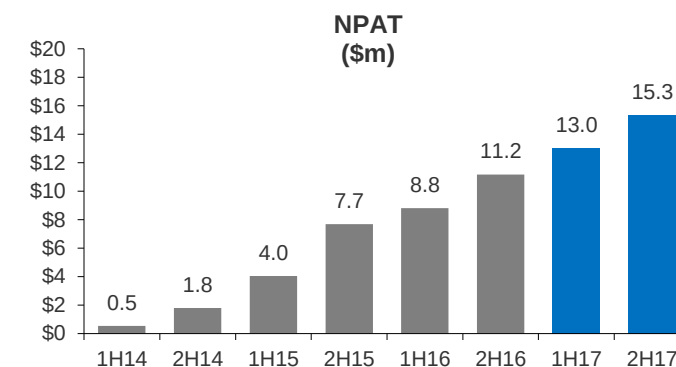
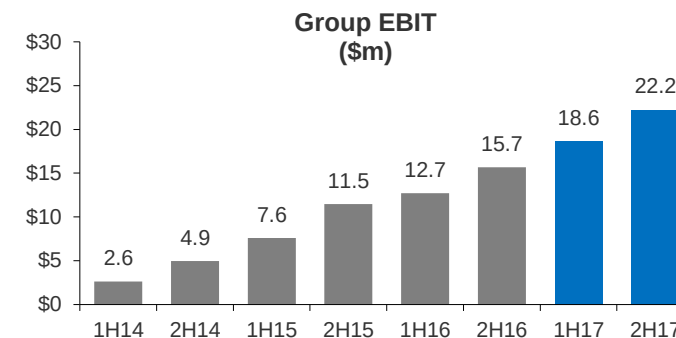
Key financial measures

\$ million

\$ million	FY17	FY16	Change		
Profitability:					
Revenue	501.8	438.9	62.9	14%	▲
EBITDA	48.4	35.8	12.5	35%	▲
EBITDA %	9.6%	8.2%	1.5%		▲
EBITA	45.3	32.0	13.3	42%	▲
EBIT	40.9	28.4	12.5	44%	▲
Net profit after tax	28.4	20.0	8.4	42%	▲
Cashflow & Capital Management:					
Operating Cashflow	50.7	62.3	(11.6)	(19%)	▼
Net Cash	49.9	41.1	8.8	21%	▲
Earnings per share (cents)	7.78	5.20	2.58	50%	▲
Dividends declared per share (cents)	4.5	2.5	2.0	80%	▲
Adjusted Profitability:					
Adjusted ¹ EBIT	41.8	28.4	13.4	47%	▲
Adjusted ¹ NPAT	29.1	20.0	9.1	45%	▲
Adjusted ¹ EPS (cents)	7.97	5.20	2.77	53%	▲

¹ Adjusted for TechSafe acquisition costs and amortisation of customer contracts

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

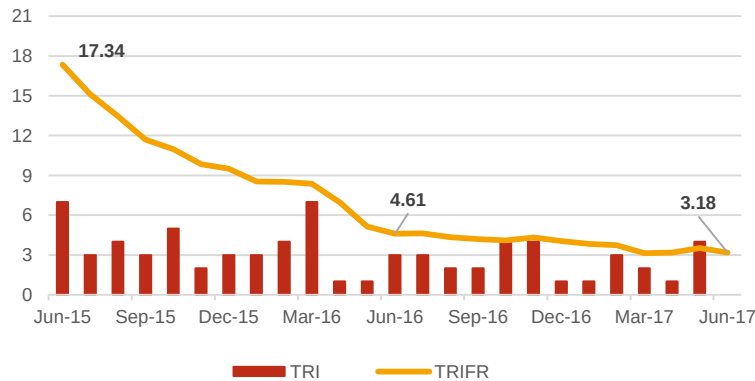


Safety Performance

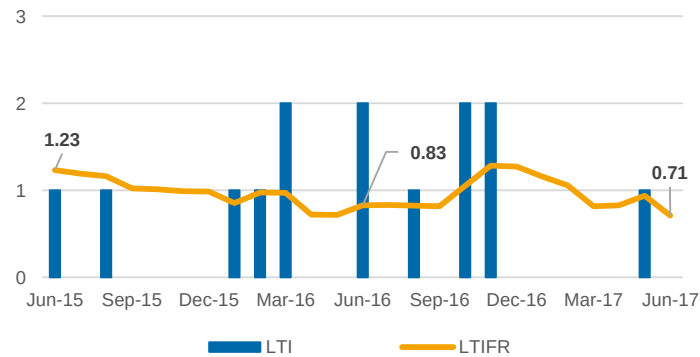
Continued to deliver improved HSE performance across all major performance metrics

- Group-wide safety initiatives implemented across higher-risk field operations
- Over 34 million property visits completed during the year
- Delivered further improvement across all major HSE performance metrics:
 - Lost Time Injury Frequency Rate of 0.71 (down from 0.83)
 - Medically Treated Incident Rate of 2.36 (down from 3.78)
 - Total Recordable Injury Frequency Rate of 3.18 (down from 4.61)

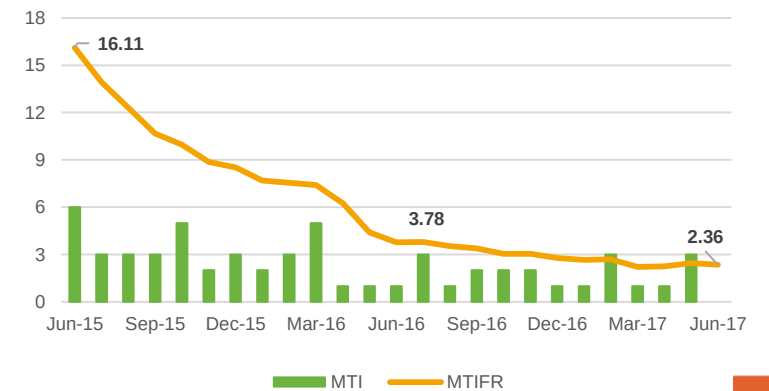
Total Reportable Injuries



Lost Time Injuries



Medically Treated Injuries





BUSINESS UNIT UPDATE

Fixed Communications

Network operations, maintenance and minor works

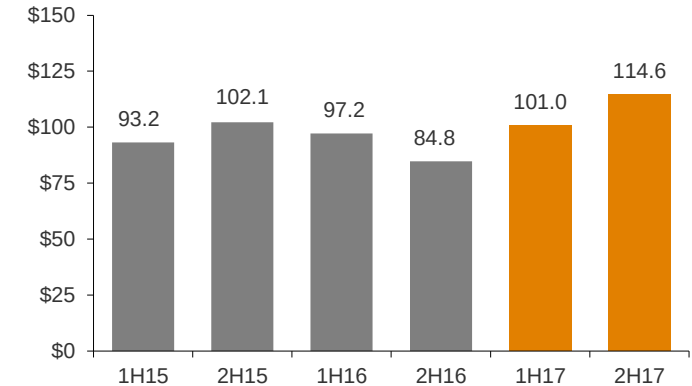
FY17 Highlights

- 18.5% year-on-year increase in revenue driven by ramp-up of nbn activation and assurance activities under the OMMA & FSD contracts
- Service Stream completed approximately 545,000 nbn customer activations during the year
- EBITDA margin of 11.9% for the year assisted by scale and operational efficiencies, additional contracts operating under a free-issue-materials model, and one-off benefits accruing from the successful decommissioning of the nbn FSD contract
- nbn operations (OMMA) has successfully scaled to meet the required monthly run-rate for the year ahead

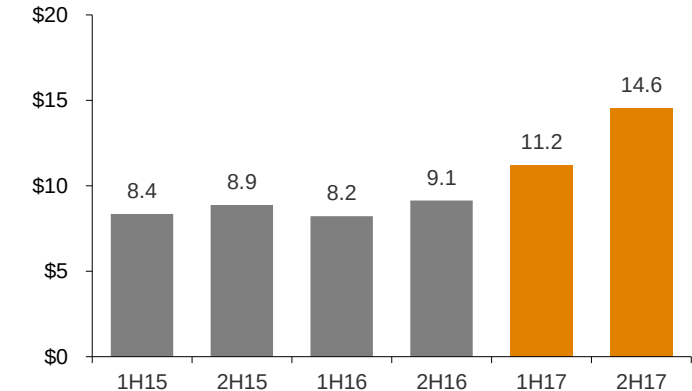
FY18 Priorities

- Continue to support the Operations & Maintenance (OMMA) contract with nbn as network deployment expands
- Recruitment, training and ongoing support across our large multi-skilled workforce

Revenue (\$m)



EBITDA (\$m)



Network Construction

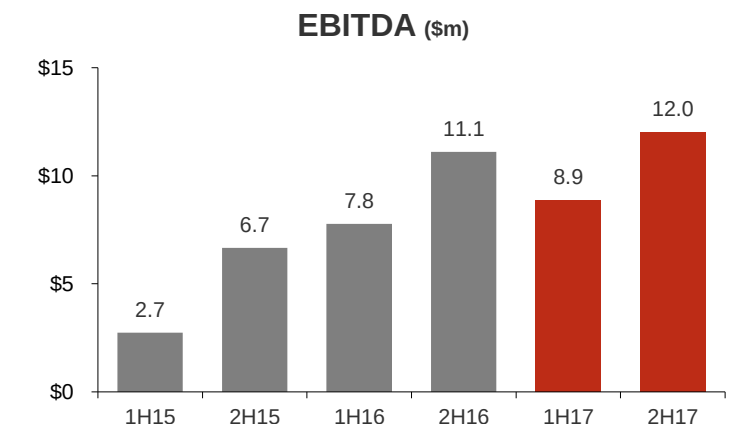
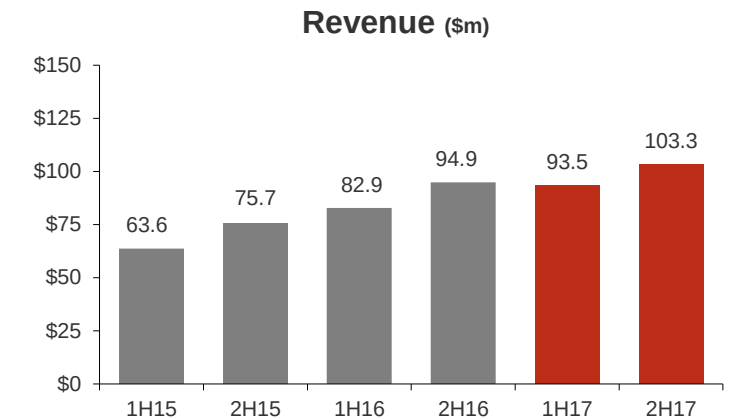
Network engineering, design and construction

FY17 Highlights

- 10.7% year-on-year increase in revenue driven by ramp-up of nbn construction activity under the MIMA contract: \$41 million in FY17 up from \$9 million in FY16
- Revenue flat year-on-year in Wireless in line with management expectations
- nbn DCMA contract has mobilised well with focus on the ramp-up of design activities in advance of construction works commencing in early FY18
- EBITDA margin for the year is unchanged at 10.6%

FY18 Priorities

- Refine operational delivery model to support anticipated increase in work volumes associated with the deployment of 5G wireless infrastructure
- Scale resources as nbn FTTC operations under the DCMA contract to support the build phase
- Continue working with key clients to improve future visibility, continuity and timing of wireless work package releases across major programs



Energy & Water

Utility asset installation, inspection and maintenance

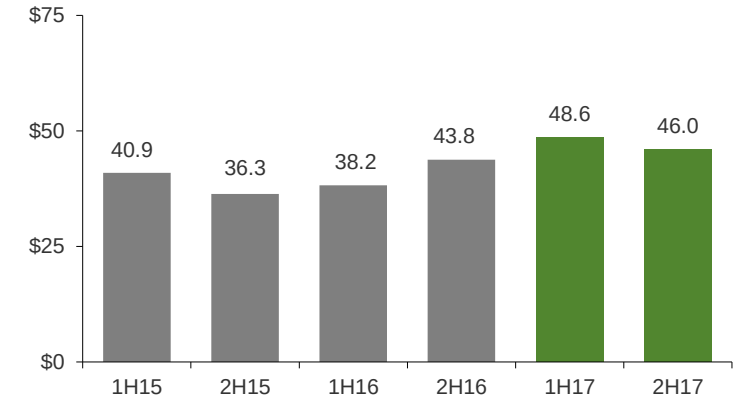
FY17 Highlights

- 15.5% year-on-year increase in revenue driven by ramp-up of activity in metering services:
 - Completed 106,000 electricity smart meter replacements during the year
 - Successful mobilisation of new meter reading contracts in VIC and QLD
- Increase in commercial solar PV activity, offset by decline in residential solar PV works
- Improved EBITDA margin of 8.0% for the year, driven by improved productivity in metering services and higher-margin contribution from TechSafe
- Increased participation in residential battery storage trial programs across new customer base

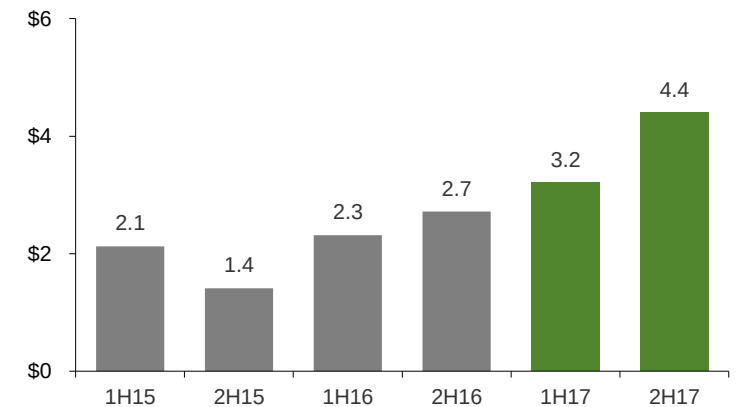
FY18 Priorities

- Expand commercial solar pv service offerings and client base
- Continue to build credentials and work pipeline with customers to accelerate the deployment of disruptive technology offerings e.g. battery-solar pv grid systems

Revenue (\$m)



EBITDA (\$m)





GROUP STRATEGY & OUTLOOK

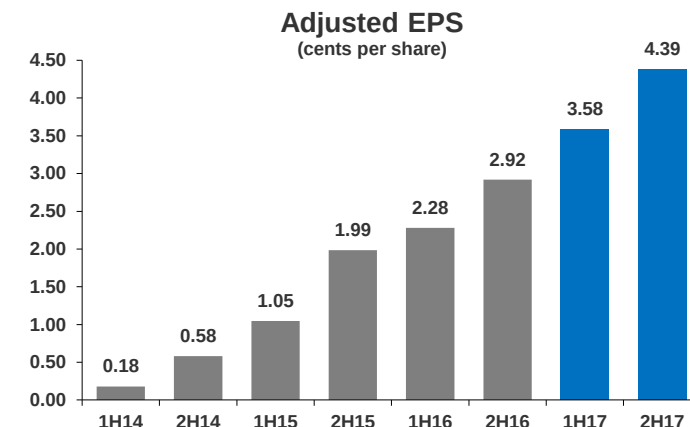
Acquisition of TechSafe

Australia's largest independent electrical inspection, compliance and auditing specialist

- Service Stream's acquisition of TechSafe was completed on 28 April 2017
- TechSafe expands the Group's service offerings and improves the diversity and quality of the Group's earnings
- FY17 Group results includes two months of TechSafe contribution (Revenue: \$2.8 million & EBITDA: \$0.7 million) in line with Management expectations, and one-time transaction costs of \$0.5m
- Fair value of acquired customer contracts is \$6.9 million, to be amortised over the life of the contracts, with a charge of \$0.5 million in FY17
- Integration has been successfully completed and the business is targeting EBITDA of \$4.0 million in FY18

NPAT & EPS - adjusted for TechSafe-related abnormal costs						
\$ million	FY17		FY16		Change	
Group NPAT - reported	28.4	5.7%	20.0	4.6%	8.4	1.1%
Group EPS - reported (cents)	7.78		5.20		2.6	49.6%
Add-back adjustments:						
Amortisation of customer contracts	(0.5)		-		(0.5)	
TechSafe transaction costs	(0.5)		-		(0.5)	
Tax on above items	0.3		-		0.3	
Group NPAT - adjusted	29.1	5.8%	20.0	4.6%	9.1	1.2%
Group EPS - adjusted (cents)	7.97		5.20		2.77	53.3%

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



Group Strategy

Continuing to deliver against our strategic plan during FY18 with a focus on the fundamentals which support the business's continued success



SERVICE DELIVERY



CLIENT RELATIONSHIPS



OPTIMISE DELIVERY MODEL



OUR PEOPLE



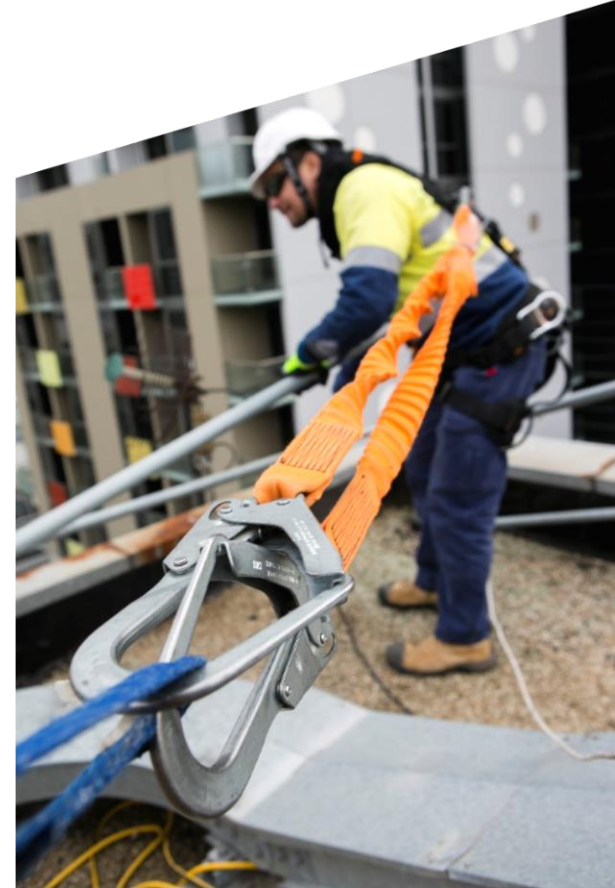
FUTURE GROWTH



- ▶ Superior service delivery and execution, underpinned by our focus across Safety, Quality and Customer Experience
- ▶ Maintain a strong balance sheet and continue to minimise working capital requirements
- ▶ Improve Group EBITDA margin through scale and operational efficiencies
- ▶ Maintain our position as a flexible and agile business, which is easy to engage with
- ▶ Driving continual improvement and keeping pace with the competitive landscape
- ▶ Investing in and supporting our valued people
- ▶ Continued assessment of external business expansion and diversification opportunities
- ▶ Delivering continued growth and value to our stakeholders

Outlook

- We expect FY18 to deliver further growth in Group revenue and profitability:
 - **Fixed Communications** - expected to grow as the number of customer activations and assurance (maintenance) works completed under the nbn OMMA contract increases
 - **Network Construction** - expected to be relatively flat with increased earnings from the nbn DCMA contract offsetting the cessation of nbn New Developments, and Wireless spend remaining around current levels prior to the expected start of the 5G roll-out in FY19
 - **Energy & Water** - expected to grow with a full-year's contribution from TechSafe and an increase in the level of *new energy* activities such as commercial solar PV and battery storage
- Group performance during Quarter 1 FY18 has delivered to target, supporting our outlook
- FY18 Group priorities include:
 - Focus on further optimisation and enhancement of our nbn operations, now that we have scaled resources to meet the forecasted volumes for FY18
 - Scale resources to support nbn DCMA program as construction work increases
 - Refine operational delivery model to support an anticipated increase in work volumes associated with the deployment of 5G across wireless infrastructure
 - Continue to identify and assess further market expansion and diversification opportunities





QUESTIONS