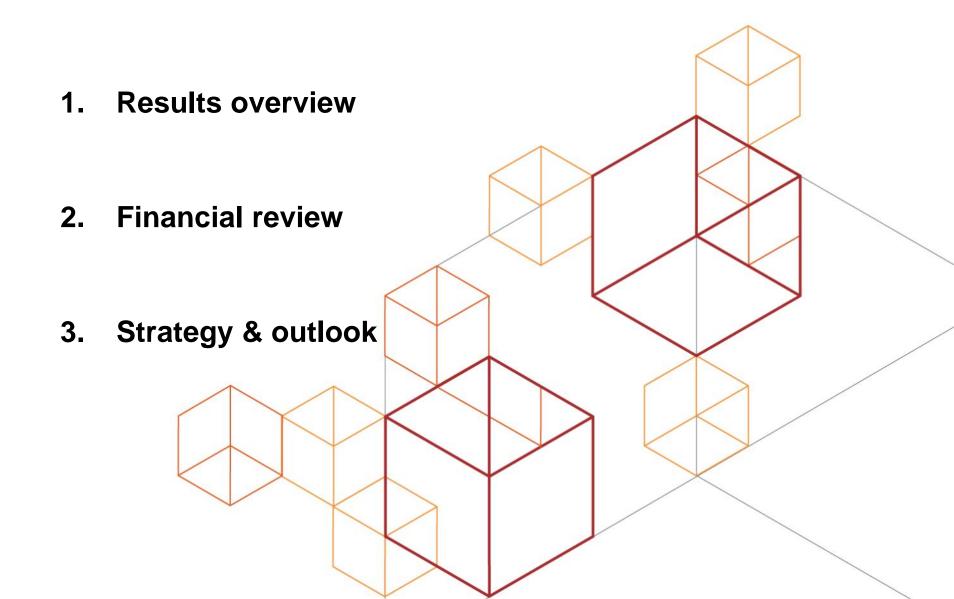
# Service Stream Limited

**HY13 Results Presentation** 



# Agenda





#### H1 Overview

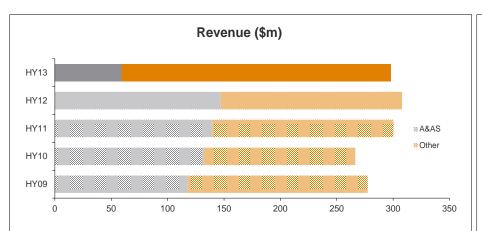
- Migration from Telstra A&AS to NBN-related programs building momentum, with ~\$60m of NBN-related revenue in H1.
- Growth in Origin solar volumes despite decline in government assistance programmes.
- Investment in IT and end-to-end capability to strengthen our service offerings.
- Greater concentration of lower-margin construction activities in Mobile Communications.
- Financially:
  - EBITDA of \$15.5m.
  - NPAT \$8.1m, EPS 2.85 cents.
  - Strong Operating Cashflow result of \$22.5m.
- Interim dividend stable at 1.0 cent per share.

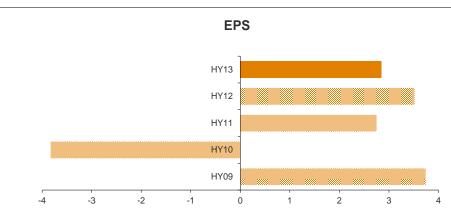


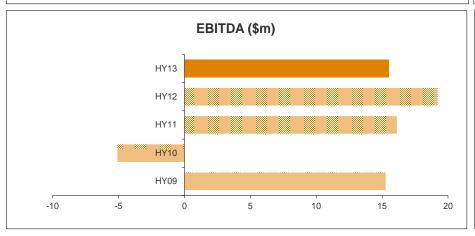
### Highlights: Contracts

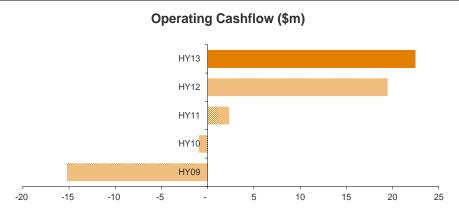
- Service Stream awarded Field Services Delivery (FSD) and Network Augmentation and Restoration Activities (NARA) contracts by NBN Co:
  - Contracts relate to Western Australia, South Australia, Northern Territory and Victoria.
  - Each contract is for two years, with two one-year options for extension.
  - Service Stream estimates these contracts will generate revenue of \$80m over the first two years, with a bias in the second year.
- Service Stream awarded Telstra Remediation contract for an initial period of three years valued at \$180m, with the option to renew (2+2 years).

# Solid H1 results achieved through a period of transition











# In line with expectations, Group revenue and earnings are softer, however cashflow performance remains strong

\$ million	Dec 2012	Dec 2011	Change \$m	Change %
Revenue	298.0	308.0	(10.0)	(3.2%)
EBITDA	15.5	19.2	(3.7)	(19.3%)
EBITDA %	5.2%	6.2%	n/a	(1.0%)
EBIT	11.6	15.4	(3.8)	(24.5%)
NPAT	8.1	10.0	(1.9)	(19.0%)
Operating cash flow	22.5	19.5	3.0	15.6%
Net debt <sup>2</sup>	23.6	33.9 <sup>1</sup>	10.2	30.1%
EPS (cents per share)	2.85	3.51	(0.66)	(19.0%)
DPS (cents per share)	1.00	1.00	-	-

<sup>&</sup>lt;sup>1</sup> as at 30 June 2012

<sup>&</sup>lt;sup>2</sup> Net debt = Current borrowings + Non-current borrowings - Cash on hand

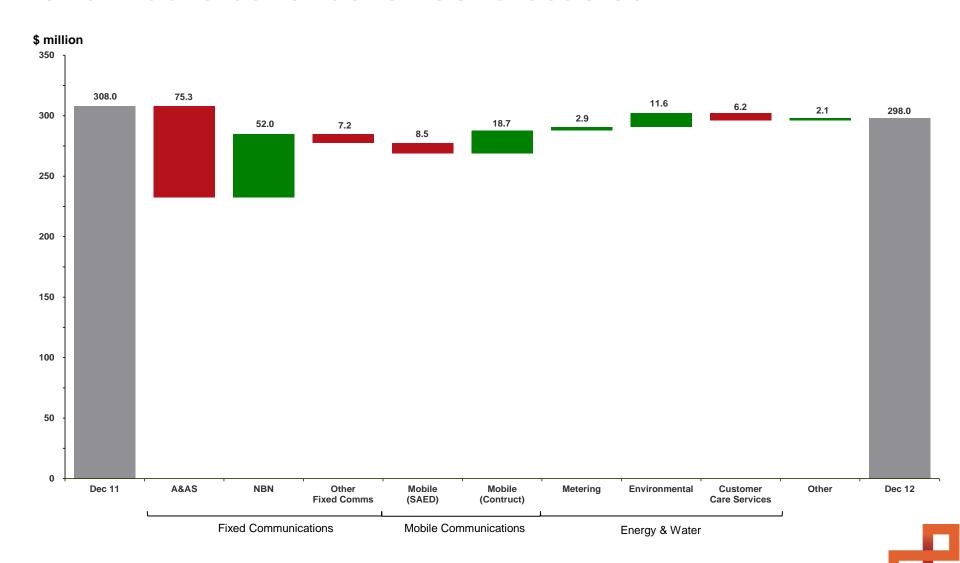
## Segment results

	Dec	EBITDA	Dec	EBITDA	Net	Change
	2012	%	2011	%	change	%
Fixed Communications	136.6		167.1		(30.5)	
Mobile Communications	63.0		52.8		10.2	
Energy & Water	97.6		89.4		8.2	
Inter-company revenue	(0.5)		(1.5)		1.0	
Interest received	1.3		0.2		1.1	
Total Revenue	298.0		308.0		(10.0)	(3.2%)
Fixed Communications	7.8	5.7%	10.9	6.5%	(3.1)	
Mobile Communications	3.4	5.4%	4.7	8.8%	(1.3)	
Energy & Water	7.4	7.6%	6.8	7.6%	0.6	
Write-off FX reserve <sup>1</sup>	(0.6)		0.0		(0.6)	
Unallocated Corporate Services	(2.5)		(3.2)		0.7	
Total EBITDA	15.5	5.2%	19.2	6.2%	(3.7)	(19.3%)
Depreciation / Amortisation	(3.9)		(3.8)		(0.1)	
EBIT	11.6		15.4		(3.8)	(24.5%)
Net interest expense	(0.4)		(1.6)		1.1	
Income tax expense	(3.1)		(3.9)		0.8	
NPAT	8.1		10.0		(1.9)	(19.0%)

<sup>&</sup>lt;sup>1</sup> The investment in Total Comm Infra Services Pvt Ltd (India) was sold during the period. Upon sale, the cumulative amount of the exchange differences relating to this investment has been reclassified from equity to profit and loss.



# Greater revenue contribution from NBN-related programs and mobile construction as forecasted



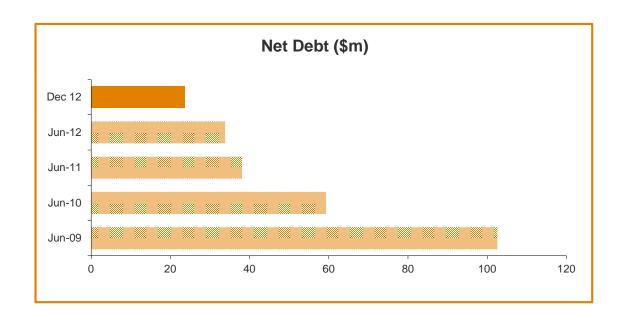
### Another solid cash result

\$ million	Dec 2012	Dec 2011	20% -	<b>W</b>	orking of R	g Capi evenu			
EBITDA	15.5	19.2							
+/- change in working capital etc	(4.2)	8.6							
OCFBIT <sup>1</sup>	11.2	27.8	15% -						
Net tax refund/(paid)	12.0	(7.0)							
Net interest paid	(0.7)	(1.4)	10% -						
Operating cash flow	22.5	19.5							
Proceeds from sale of assets/investments	0.4	0.1	5% -						
Capital expenditure	(9.8)	(3.9)							
Free cash flow	13.0	15.6	00/						
			0% -	HY09	HY10	HY11	HY12	HY13	3

<sup>&</sup>lt;sup>1</sup> Operating Cashflow before Interest & Tax



## Capital management remains strong



Leverage = 0.7x
(Net Debt/EBITDA)

Interest Cover = 6.8x
(EBIT/Interest expense)

- Target debt going forward remains at 1.0x to 1.5x EBITDA.
- Maintained 1cps interim dividend.



### Our key businesses remain on track for growth

## Fixed Communications

- Service Stream involved in four major NBN programs.
- NBN-related revenues expected to be approx.
   \$140m for FY13, growing to over \$300m in FY14.
- Focus on execution of large forward order book.

# Mobile Communications

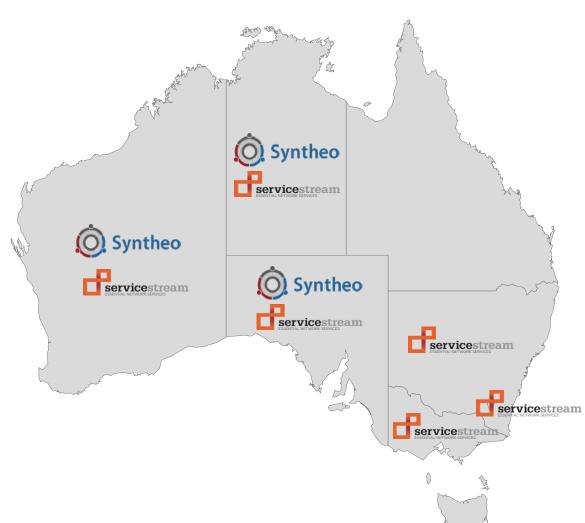
- Strong demand from carriers expected to be maintained as 4G roll-out continues.
- Smart phones and tablets achieve 52% penetration in 2012.

#### Energy & Water

- Residential solar pv to remain steady.
- Smart metering programme still on track for deployment in other states.
- Emphasis on growing electrical distribution capability as entry to low-voltage maintenance market.

# We have a growing and diverse role in the nation's NBN program

- Brownfields Construction WA, SA, NT (Syntheo)
- New Developments WA, SA, NT and NSW (Service Stream)
- Customer Connections & Network Maintenance - WA, SA, NT and Victoria (Service Stream)
- Telstra Remediation WA, SA, NT, NSW and ACT (Service Stream)



### Strong medium term outlook

- Tender packages still available for NBN work, with significant contract expansion opportunities looming.
- Telstra network remediation expected to grow strongly.
- Despite challenges faced in H1 FY13, outlook in the mobile communications market expected to remain strong.
- Strong demand for electrical distribution services seen as avenue for growth.
- Improved cash flows provides potential for dividend growth.
- FY13 reported EBITDA expected to be ~\$34m, after incurring one-time charges of \$3.8m in H1.
- Growth to recommence in FY14.



# Questions?





## Group overview

#### SERVICE STREAM LIMITED (ASX:SSM)

EBITDA (HY13)	\$15.5m
EPS (HY13)	2.85cps
DPS (HY13)	1.00cps
Net debt (Dec 2012)	\$23.6m
Total shareholders' equity (Dec 2012)	\$276.4m
Enterprise value (Net debt plus market cap)	\$139.8m
EV/EBITDA PER <sup>1</sup>	4.1x 6.9x
Shares on issue (Dec 2012) Market capitalisation (\$0.41/share @ 20-Feb-13)	283.4m \$116.2m

**BOARD & MANAGEMENT** 

Peter Dempsey Graeme Sumner	Chairman Managing Director
Stephe Wilks	Non-Executive Director
Brett Gallagher	Non-Executive Director
Deborah Page AM	Non-Executive Director
Bob Grant	CFO, Alternate Director
Vicki Letcher Jessica Lyons	Company Secretary Company Secretary

#### **Fixed Communications**

Fixed Communications provides a wide range of design, construction and maintenance services for copper and fibre optic telecommunications infrastructure assets. The division's principal activities are minor design and construction (D&C) projects under the Telstra Access & Associated Services (A&AS) and Remediation contracts, the roll-out of fibre into new housing estates for NBN Co. and D&C of the National Broadband Network through the Syntheo Joint Venture with Lend Lease.

#### **Mobile Communications**

Mobile Communications provides turnkey Project Management services for the access, design, and construction of telecommunications wireless infrastructure across Australia. The division provides these services to each of Australia's three major mobile network providers, Telstra, Vodafone-Hutchison and Singtel Optus and its capabilities make it the market leader in the provision of such services nationally.

#### **Energy & Water**

The Energy & Water division provides a range of specialist metering and environmental services to utilities and government authorities nationally, and through the Customer Care business, the provision of contact centre services and end-to-end customer support for key contracts. Major customers include Origin Energy, Jemena, ETSA, Southeast Water, Citipower / Powercor and other utility companies nationally.

<sup>&</sup>lt;sup>1</sup> Based on rolling 12 months EPS of 6.1 cents per share