SERVICE STREAM LIMITED

Managing Director’s AGM Presentation

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Company Profile

Service Stream Limited (ASX:SSM) is a S&P/ASX200 company providing integrated end-to-end asset life-cycle services across essential infrastructure networks within the Telecommunications and Utilities sectors

servicestream
ESSENTIAL NETWORK SERVICES

TELECOMMUNICATIONS

WIRELESS

FIXED-LINE

UTILITIES

GAS

ELECTRICITY

WATER

NEW ENERGY

>84% Annuity-style Revenues
Long-term, low-risk agreements

Blue-chip client base
Network owners and operators, regulators and government organisations

Design, construct, operate and maintain
Life-cycle infrastructure management

36+ million
Property visits per annum

5,200+
Strong workforce of employees and skilled contractors

34+ locations
Offices and warehouse nationally

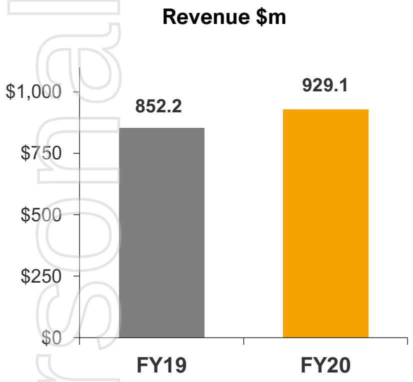
Financial Highlights

Revenue

$929.1m

9.0% v FY19

- Record Group Revenue, up 9.0% on $852.2m in FY19
- Revenue split $544.2m (58.6%) from Telecommunications and $384.1m (41.4%) from Utilities

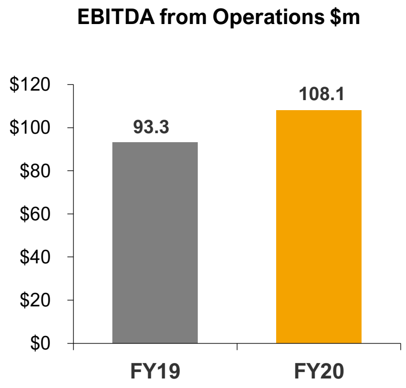


EBITDA from Operations

$108.1m

15.9% v FY19

- Record EBITDA from Operations, up 15.9% on $93.3m in FY19
- Before incurring non-operational costs of $2.5m *

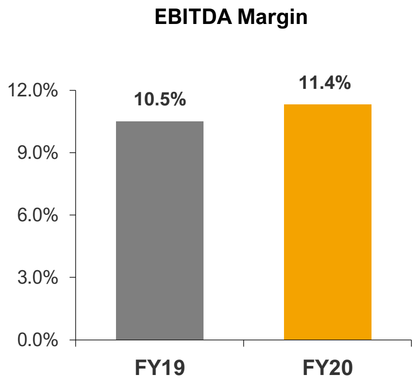


EBITDA Margin

11.4%

0.9% v FY19

- Solid EBITDA margin growth, up 0.9% on 10.5% in FY19
- EBITDA margin improvement across Telecommunications

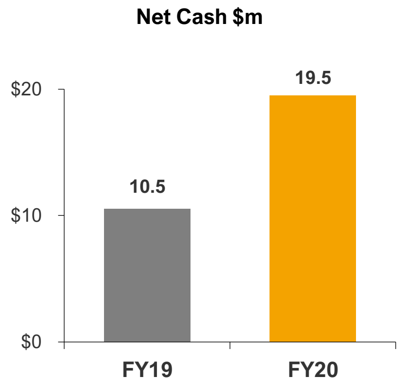


Net Cash

$19.5m

85.1% v FY19

- Full-year EBITDA to OCFBIT conversion rate of 81.9%, with 2H20 at 108.0%
- Group returns to Net Cash position

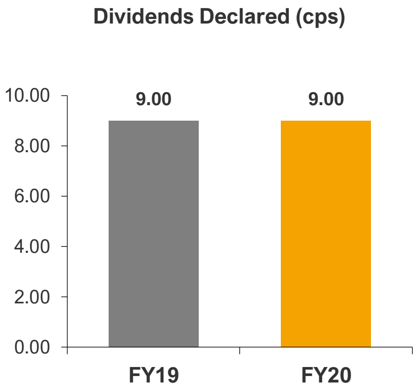


Dividends

$9.0cps

Maintained with FY19

- Final dividend of 5.0 cps, taking full-year to 9.0 cps (fully franked)
- Increased payout ratio of 74.2% based on Statutory EPS

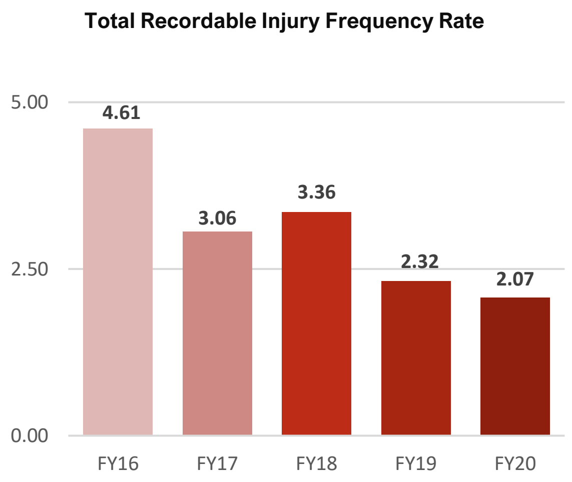


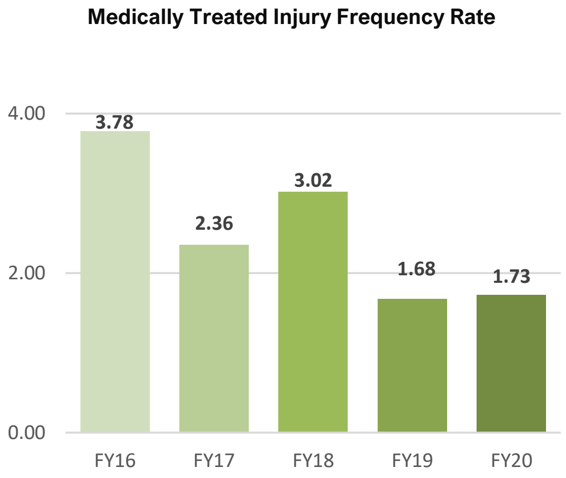
* Associated with assessment of M&A opportunities and integration of Comdain Infrastructure acquisition

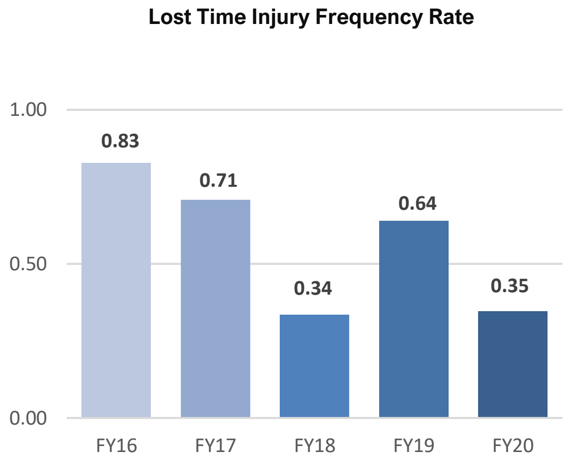
Safety Performance

Maintaining our focus on the safety of our people, our customers and the community

- Continued to deliver industry leading safety performance, demonstrating a strong safety culture throughout the organisation
- Superior safety performance continues to be a key differentiator for the business
- Performance across key lag-indicators either improved or remained steady at low levels
- Management continue to target high-risk work activities, identifying opportunities to drive further improvements







Divisional Highlights

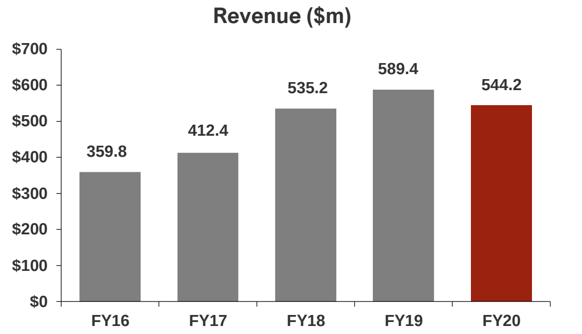
TELECOMMUNICATIONS

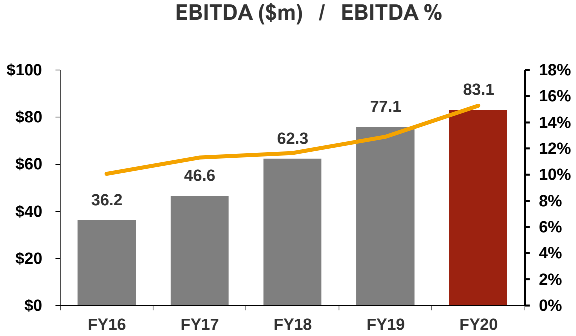
FINANCIAL

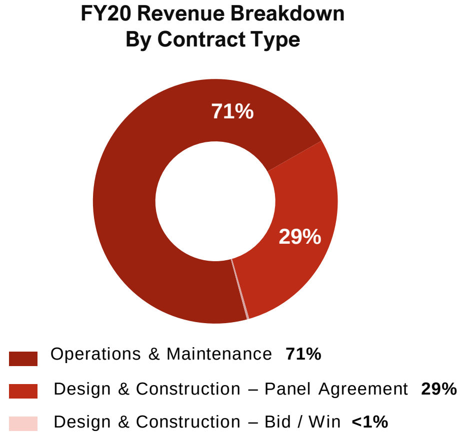
- FY20 Revenue down $45.2m on pcp, due to successful conclusion of nbn D&C operations, and minor COVID-19 related impacts during 2H20:
  - Revenue of $471.0m across fixed line infrastructure works, with increased revenues associated with nbn activation and network maintenance activities, despite COVID-19 reducing some O&M programs
  - Wireless revenue of $73.1m down $14.4m on pcp, due to slow ramp-up of 5G expenditure by mobile carriers and COVID-19 impacts delaying the commencement of some projects
- Strong contracted Telecommunications revenue base, with >99% of works delivered through long-held O&M contracts, or low-risk multi-year panel agreements

OPERATIONAL

- Secured multi-year (4+2+2) Unified Field Operations (networks) agreement with nbn
- Successfully extended OMMA (service activation and assurance) agreement with nbn, from Dec 2020
- Maintenance work volumes continue to increase as the nbn connections grow and network footprint expands
- Solid pipeline of telecommunication maintenance and project related works associated with new network expansions and existing infrastructure upgrades







Divisional Highlights

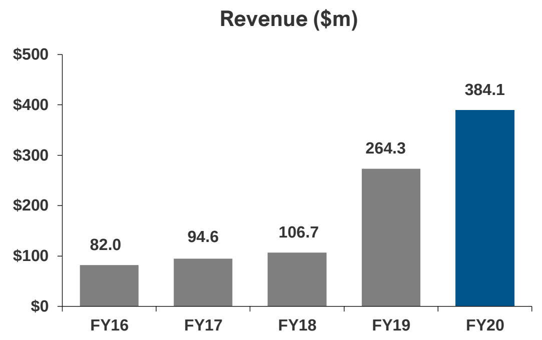
UTILITIES

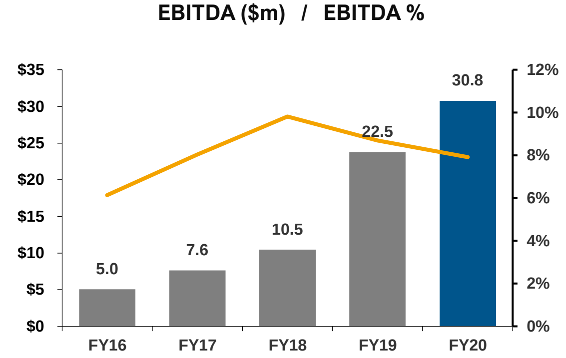
FINANCIAL

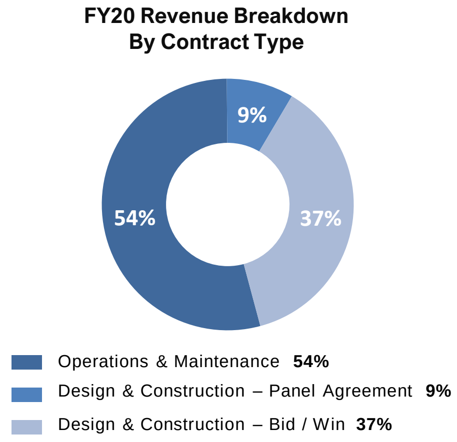
- Revenue up $119.8m (+45.3%) on pcp, due to the full-year inclusion of Comdain Infrastructure, with some minor COVID impacts in 2H20:
  - Comdain Infrastructure revenue of $288.1m up 79.8% on pcp
  - Metering Services, New Energy & Inspection Services revenue largely flat with pcp, with New Energy down 36% due to fluctuating volumes across commercial solar and battery storage work programs
- EBITDA Margins of 8.0%, in-line with Management's expectations, reflecting consolidation of Comdain Infrastructure into existing utility operations
- Strong contracted utility revenue base, with ~63% of works delivered through predictable, low-risk O&M contracts or multi-year panel agreements

OPERATIONAL

- Successfully renewed / secured in excess of $200m in annual contracted utility revenues in FY20
- Successfully expanded Comdain's operations across western states, with initial works secured in Western Australia to commence in 1H21
- D4C Joint Venture with Sydney Water, successfully mobilised and commenced on 1 July 2020
- Strong pipeline of gas and water utility projects being bid, associated with urban development and upgrade/ replacement of aging infrastructure







COVID-19

Positive exposure to essential network infrastructure has limited the impact of COVID-19 to Group earnings

- Exposure to essential infrastructure networks has provided a solid revenue base and sustained resilience through the COVID-19 pandemic
- The Group's balance sheet, cashflow and liquidity remains very strong
- The Group did not draw upon JobKeeper or other government support packages in FY20
- Impact to earnings has been associated with:
  - Increased costs to support specific safety-related protocols across business operations
  - Moratorium on electricity and gas disconnections (and subsequent reconnections)
  - Reduced residential land development activity (new housing estates)
  - Deferral of some maintenance activities by asset owners to ensure networks remain available to consumers working from home
  - Delay in some projects due to shortage of client-supplied free-issue materials, travel and access restrictions

Group Strategy

Continuing to grow and diversify the Group's addressable market and recurring revenue base

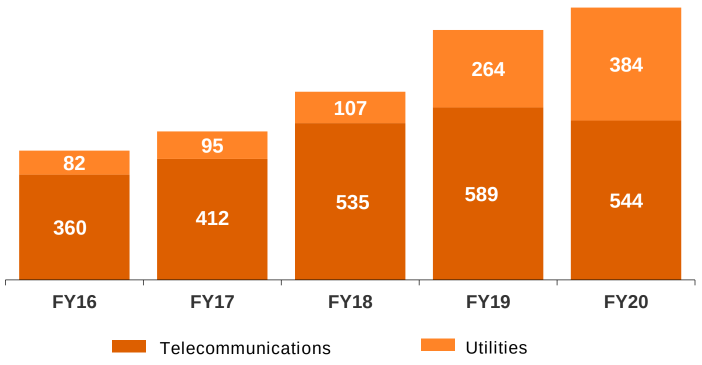
DIVERSIFICATION & GROWTH

- Diversify Group revenues from strong Telecommunication bias across broader essential infrastructure markets
- Focus on servicing and maintaining essential infrastructure assets, across known utility markets and familiar B2B client base
- Expand Group's utility capabilities and service offerings

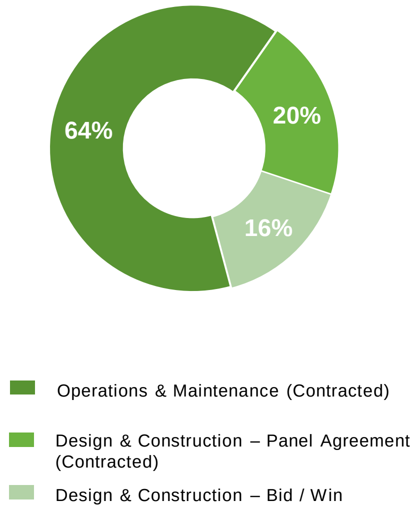
PROGRESS

- Service Stream's execution continues to position the business positively:
  - improved diversification of Group Revenue, progressively reducing Telco dependence
  - maintaining expansive client base of leading network owners and operators, regulators and government organisations
  - exposure to a broad range of regulated essential infrastructure markets
  - resilient base of long-term, capital light, low-risk contractual agreements
  - more than 84% of Group revenues associated with O&M (annuity-style) work programs or low-risk, multi-year panel agreements

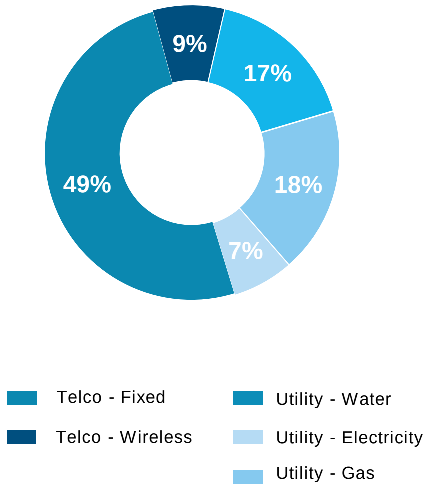
Group Revenue by Division ($m)



FY20 Revenue Breakdown By Contract Type



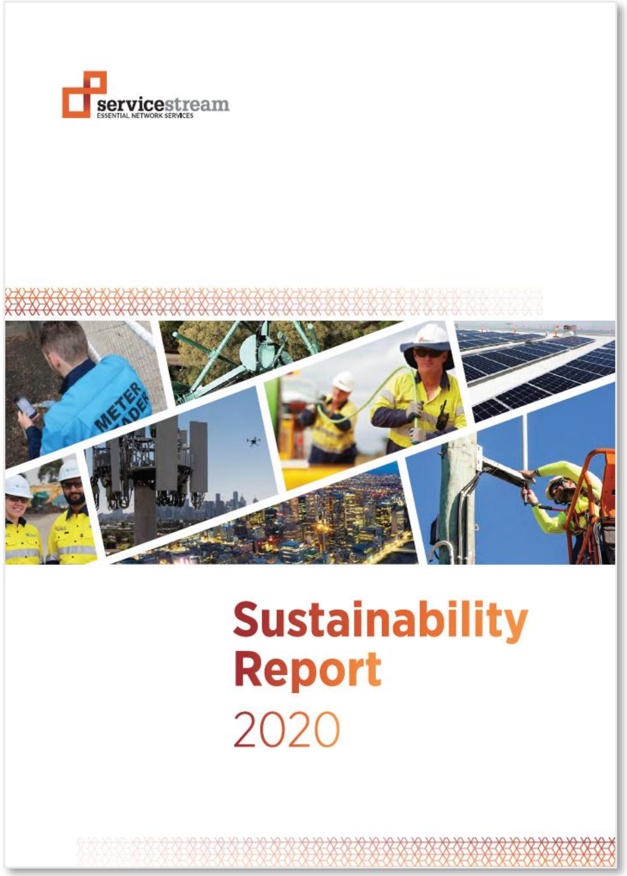
FY20 Revenue Breakdown By Industry Type



Sustainability

Committed to driving long-term sustainable practices which support and enhance the economic, safety, people and environmental performance of the business and our wider stakeholder groups

- **Financial**
- **Health & Safety**
- **People**
- **Environment**
- **Governance**



Group Outlook

FY21 OUTLOOK

- Service Stream expects continued demand for its services across critical infrastructure networks throughout the Utilities and Telecommunications industries
- Annual earnings are expected to remain resilient, supported by the Group’s long-term contracts, but dependent on:
  - Continued work volumes from clients across existing contracts
  - No further client initiated delays to planned programs of work in response to COVID-19
  - Resumption of programs of work previously delayed by clients due to COVID-19

FY21 PRIORITIES

- Securing organic growth opportunities across utility and telecommunications operations
- Support the mobilisation and progressive growth of work programs throughout the year ahead
- Securing additional work programs recently announced by nbn associated with the $4.5bn network upgrade
- Continue to assess external market opportunities supporting further growth and diversification of Group revenue

Q1 TRADING UPDATE

- COVID-19 response and associated border restrictions, continues to have a negative impact across some programs of work
- Group results will be more noticeably biased to H2 than in prior years, reflecting:
  - an easing of stage 4 restrictions across Victoria towards the end of year
  - the expected resumption of slowed proactive maintenance programs across each division
  - the slower resumption of utility disconnection & reconnection services from H2
  - the progressive growth of work programs during the year
  - new projects being secured and mobilised across each operating division