18th August 2020

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The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Service Stream Announces Record Earnings and Final Dividend

In accordance with the Listing Rules, I attach a market release, for release to the market.

Yours faithfully

CJ Chapman

Chris Chapman
Company Secretary

servicestream
ESSENTIAL NETWORK SERVICES

ASX & MEDIA RELEASE

SERVICE STREAM ANNOUNCES RECORD EARNINGS AND FINAL DIVIDEND

Leading essential network services company Service Stream Limited (ASX: SSM) today released its financial results for the year ended 30 June 2020, highlighted by record earnings result, the return to a net cash position and continued dividend payments to shareholders.

Highlights

- **Group EBITDA from Operations of $108.1 million, up 15.9% on prior year**
- **Group Revenue of $929.1 million, up 9.0% on prior year**
- **Further improvement in Group EBITDA margin**
- **Statutory NPAT of $49.3 million, 1.1% lower than FY19**
- **OCFBIT of $86.4 million, with profit to cash conversion exceeding 80% for the year**
- **Group returned to Net Cash of $19.5 million**
- **Final dividend of 5.0 cps (fully-franked), holding total dividends for the year at 9.0 cps**
- **Secured and/or renewed more than $200m in annual utility contracted works**

Managing Director, Leigh Mackender said: *"We are very pleased with the operational and financial performance that the business has delivered over the past 12 months. Service Stream has achieved record earnings of $108.1 million, representing 16% growth on the prior year. This was further complemented by improved Group EBITDA margins, a strong profit-to-cash conversion, and the business successfully securing more than $200m in future annual revenues through contract extensions or new agreements across our utility operations.*

The business is benefiting from our strategy to progressively diversify across critical utility infrastructure markets and to expand our service offerings. These markets are well understood by Service Stream, and hold positive long-term outlooks associated with increased urbanisation and consistent expenditure associated with maintaining and upgrading critical infrastructure.

Although there has been some impact to the business due to COVID-19 restrictions, we have been able to continue supporting our clients since the start of this pandemic. I would like to acknowledge the exceptional efforts of our people in being able to safely deliver our essential services throughout this challenging period."

Revenue

The Group's revenue of $929.1 million was an increase of 9.0% over the prior year's $852.2 million.

- Telecommunications revenue was $544.2 million, down $45.2 million on the prior year, due to the successful conclusion of the Group's nbn D&C operations in addition to clients delays in commencing a number of wireless projects due to the COVID-19 pandemic. Revenue associated with fixed-line activation and maintenance services increased during the year, despite reductions across some O&M activities due to COVID-19 in the second-half of the year.

- Utilities revenue was $384.1 million, up $119.8 million on the prior year, due to the inclusion of a full-year of revenue from Comdain Infrastructure. Revenue from Metering Services and New Energy activities was largely flat with prior year, with a moratorium across gas and electricity disconnections and delays in contract awards due to COVID-19 impacting growth in the second half of the year.

Earnings before interest, tax, depreciation and amortisation

The Group's EBITDA from Operations of $108.1 million for the year was favourable to the prior year by $14.8 million, an increase of 15.9%.

- Telecommunications recorded EBITDA of $83.1 million, an increase of $6.0 million or 7.8% over the prior year. The increase in EBITDA resulted from a 2.2% percentage point improvement in margin and despite the aforementioned reduction in revenue. Margins improved due to the adoption of AASB 16 Leases, a favourable O&M work mix and the successful wind-up of nbn D&C operations.

- Utilities recorded EBITDA of $30.8 million, an increase of $8.3 million or 36.7% over the prior year. The increase in EBITDA largely resulted from higher revenue, with an EBITDA margin of 8.0% being in-line with management's expectations and reflecting the consolidation of Comdain Infrastructure into the Utilities segment.

- Unallocated Corporate Costs of $5.8 million, a reduction of $0.5 million from the prior year.

- Reported EBITDA was $105.6 million after one-off non-operational costs associated with the evaluation of M&A opportunities and final integration activities associated with Comdain Infrastructure.

Net profit after tax

The Group's Adjusted NPAT (NPATA) of $58.8 million for the year was favourable to the prior year by $1.1 million.

- Depreciation and amortisation charges totalling $20.7 million were recorded for the year in relation to the Group's plant & equipment and software. $9.5 million of the increase was due to the adoption of AASB 16, with the balance primarily due to the full-year impact of Comdain Infrastructure.

- The net impact from the adoption of AASB 16 was a reduction of $0.1 million to NPAT.

- Statutory NPAT was $49.3 million after the impact of the one-off non-operational costs mentioned above and charges totalling $11.0 million in relation to the amortisation of customer contracts and customer relationships acquired as part of the TechSafe and Comdain Infrastructure acquisitions, both adjusted for the tax-effect thereof.

Cashflow and Net Cash

The Group generated $86.4 million of operating cashflow before interest and tax for the year, representing an increase of $6.7 million or 8.5% to the $79.7 million recorded in the prior period. The EBITDA to OCFBIT conversion ratio was 81.9% for the year and 108% for the second-half, with better than expected working capital outcomes delivered across both the Telecommunications and Utilities segments. After net financing costs of $3.6 million and tax payments totalling $25.2 million, operating cashflow was $57.7 million.

The Group ended the financial year in a solid net cash position of $19.5 million, comprising cash-on-hand of $79.5 million net of borrowings of $60.0 million.

Safety

The Group continued to deliver an industry-leading safety performance, reporting a Total Recordable Injury Frequency Rate of 1.73, reflecting an improvement of 10% on the prior year. The Group's Lost Time Injury Frequency Rate also improved, reaching 0.35, a reduction of 45% on the prior year.

Dividends

The Service Stream Board has declared a final dividend for the year of 5.0 cents per share (fully-franked), taking total dividends for the year to 9.0 cents per share (fully-franked), maintaining total dividends in-line with the prior year.

Key dates for the final dividend are:	Ex-dividend date	15 September 2020
	Record date	16 September 2020
	Payment date	1 October 2020

Chairman, Brett Gallagher said: *"The Board is delighted to report a further year in which Service Stream has delivered another strong result. It's especially pleasing that the fundamentals of our business have provided a position of strength, enabling dividend payments to be maintained, particularly at a time when many organisations have come under considerable pressure due to COVID-19.*

The Board remains confident of continued demand for our essential services through these uncertain times, and that the business is uniquely positioned with a strong base of contracted revenues across a stable and dependable client base of utility and telecommunications asset owners and operators.

On behalf of the Board, I would also like to acknowledge the extraordinary efforts of our people in being able to safely deliver our essential services, and provide ongoing support to our clients throughout this challenging period."

COVID-19

Service Stream provides essential infrastructure services to gas, electricity, water and telecommunications network owners and operators nationally. To date, these industries have been allowed to continue operations under various lock-down restrictions imposed to manage the pandemic. Although there have been some negative impacts to Service Stream's operations from the pandemic, demand for essential network services has remained firm, and the Group's earnings to date have not been significantly impacted.

To date, restrictions on people movement have not had a significant impact on the Group's field-based operations, and appropriate safety and hygiene protocols have been adopted to minimise the risk of any spread of the COVID-19 virus.

The Group's balance sheet, cash flow and liquidity remain very strong and the business has not drawn upon JobKeeper or other government support packages.

The impacts to earnings to date include:

- increased costs to support specific safety-related protocols across business operations. This includes additional expenditure on protective equipment and hygiene, including operating distinct shifts across our warehouse operations with additional cleaning incurred between each shift;
- customer initiated moratoriums on electricity and gas disconnections (and subsequent reconnections);
- reduced residential land development activity (new housing estates);
- deferral of some proactive maintenance activities by asset owners to ensure networks remain available to consumers working from home;

- delays in projects due to availability of client-supplied free-issue materials; and
- deferral of some projects due to travel and access restrictions.

Although impacts to the Group's operations to date have not been significant, the evolution of the pandemic and any escalation of the government's response, including but not limited to, increased restriction of movement, increased safety protocols, and/or reduction in demand from the Group's customers may further negatively impact the Group's operations.

Outlook

Given the current environment, **Leigh Mackender** said: *"Service Stream remains well positioned to deliver consistent performance into the future and expects earnings to continue to be resilient, supported by the business holding a significant contract base of strong annuity-style revenues, exposed to essential infrastructure networks. The Group's balance sheet and cash flow is strong with access to ample liquidity.*

Priorities for the coming year include securing organic growth opportunities from a significant and expanding internal pipeline; re-securing those agreements which are due to expire, and further progressing strategic growth opportunities aligned to our core sectors, supporting ongoing growth and diversification."

Results webcast

Service Stream Managing Director, Leigh Mackender and Chief Financial Officer, Linda Kow, will host an on-line FY20 Full-Year Results Briefing at 9:00 am Wednesday, 19 August 2020.

The briefing will be webcast live, as well as archived on the Service Stream website, for the convenience of shareholders. To access the webcast, visit the *AGM & Results Presentations* page on the Service Stream website at http://www.servicestream.com.au/investors/annual-general-meetings.

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About Service Stream Limited:

Service Stream is a public company listed on the Australian Securities Exchange (Code: SSM). The Service Stream Group is a provider of essential network services to the telecommunications and utility sectors. Service Stream operates across all states and territories, has a workforce in excess of 2,200 employees and access to a pool of over 3,000 specialist contractors. For more information please visit www.servicestream.com.au