26 August 2021

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The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Service Stream FY21 Full-Year Results

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

Yours faithfully

CJ Chapman

Chris Chapman
Company Secretary

ASX & MEDIA RELEASE

26 August 2021

SERVICE STREAM ANNOUNCES FY21 FULL YEAR RESULTS

Leading essential network services company Service Stream Limited (ASX: SSM) today released its financial results for the year ended 30 June 2021, highlighted by the following:

- **Total Revenue of $804.2 million**
- **Group EBITDA from Operations of $80.1 million, in line with guidance**
- **Adjusted NPAT of $38.9 million**
- **OCFBIT of $74.4 million, with EBITDA to cash conversion rate of 99.0%**
- **Net Cash position of $15.6 million**
- **In excess of $2.0bn in future contracted work in hand (excluding extension options)**
- **Transformational acquisition of Lendlease Services announced on 21 July, and successful completion of $185 million capital raise**
- **Final FY21 dividend not declared to support funding of the Lendlease Services acquisition**

Managing Director, Leigh Mackender said:

"Whilst COVID-19 impacted the Group's performance during the year, most notably through restrictions on movement throughout several lockdowns and delays to some proactive maintenance programs, the nature of Service Stream's operations in supporting essential infrastructure networks provided resilience.

I am very pleased at how the business responded during these challenging times, and in particular delivered solid financial results and strong cash flow conversion rates, albeit on reduced revenues.

Service Stream continued to safely support our client's operations, reduced indirect costs to align with lower future revenues, and was not distracted from executing against the Group's Strategy, positioning the business for a strong and exciting future."

Utilities Division

The Utilities division delivered strong revenue growth associated with increased design and construction programs across gas and water infrastructure.

Revenue for FY21 was $411.5 million, an increase of $27.5 million or 7.1% on the prior year:

- Comdain Infrastructure revenue was $319.8 million, up 11.0% on the prior year. Project delivery was negatively impacted during the latter months of the year due to severe weather along the east coast
- Metering and Technical Services revenue was $91.8 million, down $4.2 million or 4.4% on the prior year. COVID-19 related restrictions including reduced disconnection / reconnection and meter exchange works, ad-hoc restrictions due to snap lockdowns and pause to Techsafe's operations during Victoria's Stage 4 lockdowns all impacted the year

The business continues to see a robust pipeline of new gas and water project opportunities, supported by growing urban development and the upgrade or replacement of ageing infrastructure.

Telecommunications Division

The Telecommunications division had lower revenues in FY21 when compared to the prior year, primarily due to the conclusion of one-time construction projects, reduced activation volumes following peak volumes in FY20 and unexpected delays to proactive maintenance programs.

Revenue for FY21 was $392.4 million, reflecting a decrease of $151.8 million or 27.9% on the prior year:

- Activation and assurance revenues of $232.0 million were $101.6 million below last year, with overall activation volumes in line with nbn's corporate plan
- Wireless revenue of $63.1 million was down $10.0 million or 13.6% on the prior year, with 5G work volumes continuing to track below expectations

The successful renewal of all major telecommunication agreements during the year provides future earnings sustainability and a significant long-term foundation for the business.

Cashflow and Capital Management

The Group generated $74.4 million of operating cashflow before interest and tax for the year, representing an outstanding EBITDA to OCFBIT conversion ratio of 99.0%, with better than expected working capital outcomes delivered across both the Telecommunications and Utility divisions.

Closing net cash was $15.6 million, comprising cash-on-hand of $50.6 million net of borrowings of $35.0 million.

Safety

Service Stream's commitment to safety and focus on continual improvement was evidenced through another year of positive performance. Lag indicator metrics for the year concluded with:

- Total Recordable Injury Frequency Rate of 1.53, equating to a 26% reduction on the prior year
- Medical Treated Injury Frequency Rate of 0.85, equating to a 50% reduction on the prior year
- Lost Time Injury Frequency Rate of 0.68, reflecting the 6th consecutive year of below 1.0x

Dividends

In line with the announced acquisition of Lendlease Services on 21 July, and to ensure the Group maintains a strong balance sheet, the Board determined there would be no final dividend declared for FY21.

The resumption of dividends is expected post the acquisition reaching Completion and will be determined based on business performance over the year ahead.

Service Stream's Chairman, Brett Gallagher, said: *"Although earnings related to the Group's telecommunication division reduced during the year, the fundamentals of Service Stream remained strong, reinforcing the resilience of our business model and the nature of the Group's operations supporting essential infrastructure across the country.*

The Board is proud of the way the company has met and adapted to the challenges that presented throughout the COVID-19 pandemic during the year. In particular the way Management have dealt with consistent interruptions across the country, all the time supporting our clients' operations in a safe and responsible manner.

The Board is also pleased that despite a challenging year, Management has maintained its focus on executing the Group's Strategy, and is delighted with the acquisition of Lendlease Services which will create a broader portfolio of operations across the wider infrastructure services market".

COVID-19

Service Stream's exposure to essential infrastructure demonstrated considerable resilience and positioned the business well to navigate through the COVID-19 pandemic. The business was not however totally immune from the impacts with both escalation in Government's response and delays to programs of work negatively impacting the Group's operations and near-term financial performance.

Impacts of COVID-19 have progressively abated over the course of FY21, however certain aspects are still yet to return to pre-COVID levels. The business continues to carefully monitor current outbreaks and associated lockdowns across the country, engaging with clients on impacts to programs of work.

Acquisition of Lendlease Services

The Group announced the acquisition of Lendlease Services on 21 July 2021:[1]

- Acquisition enterprise value of $310 million and an expected equity purchase price of ~$295 million once adjustment for debt and debt like items are considered
- Implied Enterprise Value / FY21 pro forma (FY21PF) EBITDA multiple of 6.9x pre-synergies or 5.0x post-synergies
- Acquisition to be funded through a combination of $185 million capital raise which has been successfully completed, and $123 million draw down of debt facilities
- Completion is expected to occur around November 2021, subject to customary completion conditions precedent including client consents

Consistent with the Group's Strategy, the acquisition of Lendlease Services will diversify revenues, enhance current capabilities and expand addressable markets. The business is highly complementary to Service Stream's existing operations, with the acquisition expected to:

- Diversify Service Stream's operations, creating a comprehensive multi-network essential service provider with increased scale and exposure to the broader infrastructure services market
- Enhance existing service offerings and provide new capabilities across electricity, water & waste-water, industrial and transportation sectors
- Complement and expand on the current client base of major asset owners, operators and government entities across the growing infrastructure services market
- Realise compelling synergies and business combination benefits, including cost synergies of ~$17 million and further opportunities to be fully assessed during the integration process
- Be accretive to earnings, with expected pro forma FY22 (FY22PF) EPS-A accretion of ~30% before one-off transaction and implementation costs[2]

Managing Director, Leigh Mackender said*: "Service Stream's operating sectors are supported by strong industry fundamentals and enhanced by significant private and public investment in infrastructure assets, which are expected to drive sustained demand and growth over the longer-term.*

The Group will be significantly bolstered into the future following the acquisition of Lendlease Services, which is highly complementary to our existing operations and capabilities. The acquisition will provide a meaningful step change to Service Stream's future financial and earnings profile, and supports the transition to a multi-network infrastructure service provider.

The business is focussed on the successful separation and integration program, which will leverage the frameworks and learnings from prior acquisitions which have been delivered on time and budget."

[1] Refer to the investor presentation lodged with the ASX on 21 July 2021 for further information.

[2] Calculated against broker consensus published for Service Stream's FY22 EPS-A on a standalone basis in the last 3 months prior to the announcement of the acquisition. FY22PF assumes the full pro forma run-rate of net synergies ($17 million) and excludes one-off acquisition and integration/separation related costs.

Group Outlook

Service Stream expects post acquisition pro forma FY22 EBITDA from Operations (inclusive of full run rate of synergies of $17 million) to be approximately $120 - $125 million:

- Service Stream's FY22 standalone earnings are expected to rebase below FY21, in line with the Telecommunication contracts secured during FY21
- Timing of Completion (currently expected to be around November 2021), ramp up and phasing of synergies will determine actual FY22 outcome

The recent outbreak of the Delta variant of COVID-19 is currently interrupting some of the Group's operations, however the financial impacts to date have not been material.

Whilst the business expects there will continue to be intermittent interruptions, it has not forecast for major lockdowns to continue throughout the year. We expect that lockdowns should diminish as vaccination rates increase across the country, however given the unpredictable nature of this pandemic and the associated response, any impact to the full year outlook is currently difficult to predict.

Results webcast

Service Stream Managing Director, Leigh Mackender and Chief Financial Officer, Linda Kow, will host an on-line FY21 Full-Year Results Briefing at 10:00 am Thursday, 26 August 2021.

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