ASX & MEDIA RELEASE **16 August 2017**

Service Stream announces record profit and increased dividend

Leading essential network services company Service Stream Limited (ASX: SSM) today released its financial results for the year ended 30 June 2017, reporting further significant improvement across almost all key financial measures:

- EBITDA of $48.4 million (9.6% margin) on revenue of $501.8 million
- EPS of 7.78 cents on a NPAT of $28.4 million
- Operating cashflow of $50.7 million with Net Cash of $49.9 million at year-end
- Final dividend (fully-franked) of 3.0 cents per share payable on 28 September 2017

Key financial measures

$ 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	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

Chairman, Brett Gallagher said: *"The Board is delighted to be able to report yet another year of further improved financial results for Service Stream. On the back of a strong cashflow performance and year-end Net Cash position, the Board has declared an increased final dividend of 3.0 cents per share taking total dividends for the year to 4.5 cents. The Board remains confident that the Group continues to be well positioned to take advantage of further growth opportunities across each of our markets."*

Managing Director, Leigh Mackender said: *"Over the past twelve months, Service Stream has continued to strengthen its position as a market leading essential network service provider. We have taken a targeted and disciplined approach to drive sustainable and scalable improvements to the business delivery model, including an organisational restructure of our telecommunication activities to better align functional competencies and support future growth."*

"In respect of financial performance, I am particularly pleased with the level of consistency that the Group has been able to achieve. Growth of 35% for the year delivered a Group-record EBITDA of $48.4 million, which follows growth of 41% and 53% in the previous two years, and each of the Group's three operating segments delivered substantial year-on-year increases in both revenue and profit. Further, it is worth noting that the year's second-half produced the eighth consecutive half-year of growth in each of Group EBITDA, NPAT and EPS measures."

"Our focus on working capital management and works-to-cash processes continues to deliver cashflow outcomes in excess of profit, such that the Group finished the year with an improved Net Cash balance of $49.9 million after funding its acquisition of the TechSafe business and increased dividends during the year."

Revenue

The Group's revenue of $501.8 million for the year was favourable to the prior year by $62.9 million, an increase of 14%.

- Fixed Communications revenue of $215.6 million was $33.6 million favourable to the prior year primarily due to a significantly higher number of customer connections and related services being performed for nbn under the Field Service Delivery (FSD) and Operations and Maintenance Master Agreement (OMMA) ticket-of-work contracts.

- Network Construction revenue of $196.8 million was $19.0 million favourable to the prior year primarily due to a significant increase in predominantly fibre-to-the-node (FTTN) construction activity for nbn under the Multi-technology Integrated Master Agreement (MIMA). Works undertaken for wireless carriers remained in line with the previous year, whilst nbn New Developments saw a decline in revenue as activities wound-down following expiry of that contract during the year.

- Energy and Water revenue of $94.6 million was $12.7 million favourable to the prior year primarily due to a significant increase in metering services activity that included an increase in the number of smart meter installations and commencement of a number of new contracts during the year. In addition, the TechSafe business contributed $2.8 million of revenue following its acquisition on 28 April 2017. This was offset by a decline in revenue from new energy activities due to lower residential solar PV installations.

Earnings before interest, tax, depreciation and amortisation

The Group's EBITDA of $48.4 million for the year was favourable to the prior year by $12.5 million, an increase of 35%.

- Fixed Communications recorded an EBITDA of $25.8 million, an improvement of $8.4 million (or 48%) over the prior year. The higher EBITDA resulted from the increase in revenue detailed above coupled with a 2.4 percentage point increase in margin on the back of scale efficiencies, improved productivity, a larger concentration of revenue from contracts with client-provided materials and benefits arising from the successful close-out of the nbn FSD contract which has, for all intents and purposes, now been rolled into the nbn OMMA contract.

- Network Construction recorded an EBITDA of $20.9 million, an improvement of $2.0 million (or 11%) over the prior year. The higher EBITDA resulted from the increase in revenue detailed above whilst margin remained in line with the previous year.

- Energy and Water recorded an EBITDA of $7.6 million, an improvement of $2.6 million (or 51%) over the prior year. The higher EBITDA resulted from the increase in revenue detailed above coupled with a 1.9 percentage point increase in margin on the back of scale efficiencies and improved productivity in metering services and a more favourable mix of work arising from the inclusion of higher margin revenue from TechSafe.

Net profit after tax and earnings per share

The Group's NPAT of $28.4 million for the year was favourable to the prior year by $8.4 million, an increase of 42%.

- Depreciation and amortisation charges totalling $7.0 million were recorded for the year in relation to the Group's plant & equipment and software. This was $0.4 million favourable to the prior year.

- A charge of $0.5 million was recorded for the year in relation to the amortisation of customer contracts acquired as part of the TechSafe acquisition. Since TechSafe was only acquired in April 2017, there was no corresponding charge in the prior year.

- The Group earned interest income of $0.7 million for the year, which was offset by interest expense and other financing costs of $0.8 million for a net financing charge of $0.2 million. This compared to a $0.1 million net financing benefit in the previous year.

- An income tax expense of $12.3 million was recorded for the year. Whilst this was $3.8 million higher than the prior year, it was in line with the higher profit before tax and the effective tax rate of 30.3% was in line with management's expectations.

- The Group reported earnings per share of 7.78 cents for the year, an increase of 2.58 cents (or 50%) over the prior year.

Cashflow and Net Cash

The Group generated $56.9 million of operating cashflow before interest and tax for the year. After tax payments totalling $6.1 million, operating cashflow was $50.7 million, unfavourable to the prior year by $11.6 million.

The Group ended the financial year with Net Cash of $49.9 million comprising cash-on-hand of $50.9 million less the outstanding balance of an IT infrastructure finance lease of $1.0 million and borrowings of nil, compared to Net Cash of $41.1 million at the end of the previous year.

Dividends

The Board has declared a final dividend for the year of 3.0 cents per share (fully-franked), taking total dividends for the year to 4.5 cents per share (fully-franked) compared to total dividends for the prior year of 2.5 cents per share (fully-franked).

Key dates for the final dividend are:	Ex-dividend date	13 September 2017
	Record date	14 September 2017
	Payment date	28 September 2017

Outlook

In respect of the outlook for the business, Leigh Mackender said: *"The Group is focussed on delivering further revenue and profit growth in FY18 on the back of a full-year's contribution from TechSafe and growth across key customer contracts*."

"*Priorities for the coming year include the scaling of resources as nbn customer activations ramp and nbn FTTC operations progress to the construction phase; refinement of the delivery model within the newly created Network Construction segment to support future increases in investment by wireless carriers; securing organic growth opportunities across our existing operations; and continuing to identify and assess further market expansion and diversification opportunities."*

Results Webcast

Service Stream Managing Director, Leigh Mackender and Chief Financial Officer, Bob Grant, will host an on-line FY17 Results Briefing at 9:00 am Thursday, 17 August 2017.

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, energy and water industries. Service Stream operates out of more than 40 locations nationwide and maintains a workforce of around 1,800 employees and up to 3,500 active contractors. For more information please visit www.servicestream.com.au.