

Chairman's Address to Shareholders

Fellow Shareholders,

On behalf of the Board and Management, I'm pleased to report that the financial year ending 30 June 2017 has been another successful year for your company and a year where further improvement has been achieved across almost all key financial measures:

- A Group-record EBITDA of \$48.4m was generated on revenue of \$501.8m;
- Net Profit After Tax increased by 42% to \$28.4m and earnings per share increased by 50% to 7.78 cents;
- Operating cashflow of \$50.7m was generated for the year resulting in the company holding Net Cash of \$49.9m at year-end; and
- Total dividends in respect of the year increased by 80% to 4.5 cents per share (fully-franked), with the final dividend of 3.0 cents per share paid to shareholders on 28 September 2017.

During the year the business completed the acquisition and successful integration of TechSafe, Australia's largest independent electrical inspection, compliance and auditing business, providing the business with additional annuity-style revenues and diversification into new service offerings and clients.

The Board and Management remain confident that the business is well positioned for further growth and we continue to assess external business expansion opportunities.

The company's share price continues to perform strongly against our peers. The volume-weighted average price of Service Stream's shares over the 10 days following release of the FY17 results was a touch over \$1.46, resulting in a Total Shareholder Return of 53% for the 12 months to the end of August.

During the year the business recently undertook an organisational restructure to better align functional competencies with our various customer contracts and to support the growth in revenue and EBITDA that we expect to deliver in FY18.

In respect of the outlook for FY18, we expect:

- Fixed Communications to continue to grow as the number of customer activations and assurance works under our nbn contracts increases.
- Network Construction to be relatively flat with increased earnings from the nbn DCMA contract offsetting the cessation of nbn New Developments, and with Wireless spending remaining around FY17 levels prior to the expected start of the 5G roll-out in FY19.
- Energy and Water to grow with a full-year's contribution from TechSafe and an increase in the level of *new energy* activities such as commercial solar PV and battery storage.

Service Stream remains in a strong position to continue to grow in the key financial measures of EBITDA, NPAT and EPS which have each grown over the past eight consecutive fiscal halves. The business remains focussed on its longer term outlook and management continues to execute well against this strategy.

I would like to acknowledge the trust that our key customers place in Service Stream. We do not take that trust lightly and we are proud of the role that we play in the design, construction and operation of some of the country's most significant infrastructure projects. Each year, we review and enhance our commitment to deliver services to our customers while striving to achieve the highest possible standard in safety, quality and customer experience.

In conclusion, I would like to thank my fellow board members for their guidance and commitment over the course of the year. I would also like to thank the management team and all of our valued staff and contractors for their hard work and dedication, which has underpinned the success of the past year and has cast the foundation for future success in the years to come.



Brett Gallagher
Chairman