ASX & MEDIA RELEASE **15 August 2018**

Service Stream announces another 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 2018, reporting further significant improvement across all key financial measures:

- **EBITDA of $67.3 million (10.6% margin) on revenue of $632.9 million**
- **EPS of 11.29 cents on NPAT of $41.1 million**
- **Operating cashflow of $79.7 million with Net Cash of $73.0 million at year-end**
- **Final dividend (fully-franked) of 4.5 cents per share payable on 27 September 2018**

Key financial measures

$ million	FY18	FY17	Change		
Profitability:					
Revenue	632.9	501.8	131.1	26%	▲
EBITDA	67.3	48.4	18.9	39%	▲
EBITDA %	10.6%	9.6%	1.0%		▲
EBITA	63.9	45.3	18.5	41%	▲
EBIT	57.9	40.9	17.0	42%	▲
EBIT %	9.1%	8.1%	1.0%		▲
Net profit after tax	41.1	28.4	12.7	45%	▲
Cashflow & Capital Management:					
Operating Cashflow	79.7	50.7	29.0	57%	▲
Net Cash	73.0	49.9	23.2	46%	▲
Earnings per share (cents)	11.29	7.78	3.51	45%	▲
Dividends declared per share (cents)	7.5	4.5	3.0	67%	▲
Adjusted Profitability:					
NPATA[1]	41.5	29.1	12.4	43%	▲
Adjusted EPS (cents)	11.39	7.97	3.42	43%	▲

[1] Adjusted for amortisation of TechSafe customer contracts & writeback of TechSafe contingent consideration (tax-effected)

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 once again be able to report yet another year of significant improvement in financial results for Service Stream. On the back of another outstanding cashflow performance and year-end Net Cash position, the Board has declared an increased final dividend of 4.5 cents per share taking total dividends for the year to 7.5 cents. The Board remains confident that each of our markets will present growth opportunities going forward and that the Group continues to be well positioned to take full advantage of them."*

Managing Director, Leigh Mackender said: *"Over the past year, Service Stream has continued to strengthen its position as a market leading essential network service provider. We have delivered growth across each of our markets, and our continued investment in sustainable and scalable improvements to the business' operating model has assisted us to further improve the quality of our service delivery."*

"In respect of financial performance, I am particularly pleased with the level of consistency that the Group has been able to achieve. Delivery of a Group-record EBITDA of $67.3 million represented growth of 39% over the prior year, which follows average growth of 43% in EBITDA over the preceding three years, and each of the Group's three operating segments once again delivered substantial year-on-year increases in both revenue and profit. Further, it is worth noting that the year's second-half produced the tenth consecutive half-year of growth in each of Group EBITDA, EBIT, 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 a further improved Net Cash balance of $73.0 million after funding increased dividends and an on-market share buy-back during the year."

Revenue

The Group's revenue of $632.9 million for the year was favourable to the prior year by $131.1 million, an increase of 26%.

- Fixed Communications revenue of $301.3 million was $85.7 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 Operations and Maintenance Master Agreement (OMMA) ticket-of-work contract and the Network MACs and Restoration Activities (NMRA) minor projects contract.

- Network Construction revenue of $234.9 million was $38.0 million favourable to the prior year primarily due to a significant increase in predominantly fibre-to-the-curb (FTTC) design and construction activity for nbn under the Design and Construction Master Agreement (DCMA). Works undertaken for Telstra, VHA and other wireless carriers also increased, whilst work completed for nbn under the Multi-technology Integrated Master Agreement (MIMA) remained in line with the previous year. Due to expiry of the nbn New Developments contract in the prior financial year, revenue from this activity ceased.

- Energy & Water revenue of $104.7 million was $10.1 million favourable to the prior year primarily due to the inclusion of a full-year of TechSafe revenue following its acquisition in April 2017.

Earnings before interest, tax, depreciation and amortisation

The Group's EBITDA of $67.3 million for the year was favourable to the prior year by $18.9 million, an increase of 39%.

- Fixed Communications recorded an EBITDA of $38.7 million, an improvement of $12.9 million (or 50%) over the prior year. The higher EBITDA resulted from the increase in revenue detailed above coupled with a 0.9 percentage point increase in margin on the back of scale efficiencies and improved productivity.

- Network Construction recorded an EBITDA of $24.4 million, an improvement of $3.5 million (or 17%) over the prior year. The higher EBITDA resulted from the increase in revenue detailed above offset by a marginal 0.2 percentage point decrease in margin.

- Energy & Water recorded an EBITDA of $9.8 million, an improvement of $2.2 million (or 28%) over the prior year. The higher EBITDA resulted from the increase in revenue detailed above coupled with a 1.3 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.

- Unallocated Corporate Costs were $5.5 million, a decrease of $0.4 million over the prior year due in part to the write-back to profit of the $1.0 million allowance for deferred consideration that was booked in the prior year in relation to the TechSafe acquisition.

Net profit after tax and earnings per share

The Group's Reported NPAT of $41.1 million for the year was favourable to the prior year by $12.7 million, an increase of 45%.

- Depreciation and amortisation charges totalling $7.5 million were recorded for the year in relation to the Group's plant & equipment and software. This was $0.5 million higher than the prior year.

- A charge of $1.9 million was recorded for the year in relation to the amortisation of customer contracts acquired as part of the TechSafe acquisition. Since TechSafe was acquired in April 2017, the corresponding charge in the prior year was only $0.5 million.

- The Group earned interest income of $0.9 million for the year, which was offset by line fees of $0.5 million for a net financing benefit of $0.4 million. This compared to a $0.2 million net financing benefit in the previous year.

- An income tax expense of $17.2 million was recorded for the year, representing an effective tax rate of 29.5% which was in line with management's expectations.

- The Group reported earnings per share of 11.29 cents for the year, an increase of 3.51 cents (or 45%) over the prior year.

Cashflow and Net Cash

The Group generated $99.9 million of operating cashflow before interest and tax for the year. After net financing receipts of $0.4 million and tax payments totalling $20.6 million, operating cashflow was $79.7 million, favourable to the prior year by $28.9 million.

Other significant cashflows for the year included net payments totalling $7.5 million for capital expenditure; $0.7 million for the completion adjustment to the TechSafe purchase price; $21.7 million for dividends; $8.0 million relating to the purchase and cancellation of 5.0 million shares under the Company's on-market share buy-back; and $18.6 million for the purchase of shares to satisfy the actual vesting outcomes of the Group's FY17 share-based incentive plans as well as the estimated vesting outcomes of the FY18 ESBIP.

The Group ended the financial year with Net Cash of $73.0 million comprising cash-on-hand of $73.7 million less the outstanding balance of an IT infrastructure finance lease of $0.7 million and borrowings of nil, compared to Net Cash of $49.9 million at the end of the previous year.

Dividends

The Board has declared a final dividend for the year of 4.5 cents per share (fully-franked), taking total dividends for the year to 7.5 cents per share (fully-franked) compared to total dividends for the prior year of 4.5 cents per share (fully-franked).

Key dates for the final dividend are:	Ex-dividend date	12 September 2018
	Record date	13 September 2018
	Payment date	27 September 2018

Outlook

In respect of the outlook for the business, **Leigh Mackender** said: *"The Group is focussed on delivering further revenue and profit growth in FY19 and is targeting EPS growth of at least 10%, subject to forecasted customer demand.*"

"*Priorities for the coming year include continued focus on superior service delivery and customer satisfaction for nbn in respect of customer activations and assurance; Network Construction's completion of the MIMA and DCMA programs; completion of the Group's ERP replacement project with go-live of the third and final phase; securing organic growth opportunities across our existing operations; and continuing to identify and assess further market expansion and diversification opportunities."*

"We expect operation of the on-market share buy-back to continue absent any emerging alternate use of the Group's surplus cash."

Results Webcast

Service Stream Managing Director, Leigh Mackender and Chief Financial Officer, Bob Grant, will host an on-line FY18 Results Briefing at 9:00 am Thursday, 16 August 2018.

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.