



ServiceStream

9 February 2023

Office of Company Secretary

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Company Announcements
Australian Securities Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000
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Dear Sir/Madam

RE: Service Stream Limited Business Update

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

Yours faithfully,

Chris Chapman
Company Secretary
Service Stream Limited



ServiceStream

ASX ANNOUNCEMENT

9 February 2023

SERVICE STREAM LIMITED BUSINESS UPDATE

Service Stream Limited (ASX: **SSM**) provides the following market update on its business operations.

Onerous Contract Update

In the Company's FY22 full-year results an onerous contract provision of \$5 million was recognised against a single Queensland utility project. With the business having recently completed major design activities for all packages of work and now commencing final construction activities, an internal and external review of the total cost to complete the outstanding works has been completed.

These reviews have identified a further \$20 million in costs, including a prudent contingency, to finalise the project. The increased costs relate to design delays, scope development, increased labour and material costs, and additional overheads to cover schedule slippage. Management is confident that this provision will support the project's completion by late 2023. The additional cost will be reflected as an increase to the onerous contract provision in the Group's first-half results.

The Company continues to take a conservative approach towards the future recovery of claims against 3rd parties. Appropriate resources are focused towards resolving these commercial matters.

Service Stream has made a number of changes to the Utility Division, including strengthening the leadership and senior management team. The Utility Division's growth strategy is now focused towards lower-risk operation & maintenance works.

FY23 Half-year performance

- The Group's FY23 half-year results will be released to the market on 22 February 2023
- Performance at a Group-level has been positive, with a particular standout being the Telecommunications Division, which is benefiting from strong volumes and has accelerated a portion of works into the first-half
- The Group's unaudited first-half EBITDA from Operations is around \$54m, excluding the additional provision taken for the project referred to above
- The Group's balance sheet remains in a strong position, with a closing net debt at 31 December 2022 of \$91.2m

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- Given the Board's confidence in the underlying performance of the business, the Board expects to declare an interim dividend of 0.5 cps for the half-year subject to completion of the half-year audit review

Service Stream Managing Director, Leigh Mackender said *"Today's announcement that the business will incur further costs to complete this single water project is extremely disappointing. The revision will however allow the project to be successfully completed and provide Shareholders with confidence that the strong underlying performance of the broader business won't be further eroded in the future."*

Investor webcast

Service Stream Managing Director, Leigh Mackender and Chief Financial Officer, Linda Kow, will host an on-line teleconference at 9:00am (AEDT) on Friday 10 February.

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: <https://edge.media-server.com/mmc/p/ishxn56e>

For further information on this announcement, please contact:

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Service Stream Limited

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This document has been authorised for release by the Board of Directors.

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, utility and transport sectors. Service Stream operates across all States and Territories, has a workforce in excess of 4,500 employees and access to a pool of over 5,000 specialist contractors. For more information visit www.servicestream.com.au