



ServiceStream

22 February 2024

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 releases FY24 Half Year results

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

22 February 2024

Service Stream 1H24 Results Announcement

Leading essential network service provider Service Stream Limited (ASX: SSM) today released its financial results for the half-year ended 31 December 2023 (1H24).

Group Highlights

- Total Revenue of \$1,173.8 million, up 18.1% on 1H23
- Underlying EBITDA from Operations¹ of \$63.3 million, up 14.9% on 1H23
- NPATA of \$25.2 million, up 46.9% on 1H23
- EBITDA to OCFBIT² cash conversion of 111%
- Balance sheet returned to a net cash position of \$3.3m
- Over \$1.2bn of contracted works secured
- Interim Dividend of 2.0 cps (fully-franked)
- Additional \$9.8m recognised on near-complete Queensland Project; due to extreme weather impacts
- Strong financial performance delivered in 1H24 to continue and support a comparable level of underlying earnings for H2

Managing Director, Leigh Mackender said:

“Service Stream’s standout first half result was driven by significant work volumes, improved operating margins, diligent management of costs in the inflationary environment and further improvements across the Group’s profit to cash work cycles.

Headlined by double digit improvements in Underlying EBITDA-A and NPATA, and a transition back to a net cash balance sheet, this result demonstrates further positive progress in executing against the Group’s strategy.”

1. Underlying EBITDA excludes further costs associated with the onerous Queensland Project

2. Operating cash flow before interest, tax, non-operational items and impact of QLD onerous contract

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Operational Performance & Market Conditions

Service Stream's operations performed well during the first half, headlined by increased demand for both programmed and preventative maintenance works across the Telecommunication and Utility Divisions. The business continues to benefit from a growing pipeline of infrastructure investments across its core markets, driven by increased digitisation, ageing infrastructure, population growth and the national energy transition.

Service Stream successfully secured more than \$1.2bn of works during the first half 2024 on improved commercial terms, associated with both the retention of existing agreements and new growth. These positive changes have strengthened work in hand and materially shifted the Group's revenue profile, with more than 70% of work delivered across lower-risk operation and maintenance agreements, and 30% relating to program or project operations.

Conditions across the labour market continued to improve and support organic growth, with Service Stream recording a reduction in employee turnover. Whilst attrition remains elevated from pre-COVID levels, this has not negatively impacted on the delivery of any work major programs and the Group continues to maintain an expansive contractor network to compliment Service Stream's self-perform capabilities.

Cashflow and Balance Sheet

Service Stream generated \$70.1 million of OCFBIT in the first half compared to \$38.5m in the prior period. The exceptionally strong operating cashflow resulted in an EBITDA to OCFBIT conversion rate of 111% and the Group transitioning to a net cash position as at 31 December 2023 of \$3.3 million.

Weather Impacts

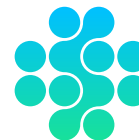
A severe storm event in late-December and multiple extreme wet weather events across South East Queensland during January caused considerable damage to the near complete QLD Pipeline Project. These events occurred days after the business successfully completed the commissioning of major infrastructure to support the 'First Water Milestone', reflecting an ability for the plant to supply water to near-by communities.

Whilst the plant remains operational, the unforeseen damage has required the business to recognise an additional increase in the onerous contract provision of \$9.8 million. This additional provision covers repairs to the damaged infrastructure, the lost time incurred and associated prolongation costs. Final project handover is now scheduled towards the end of this financial year.

Service Stream's Managing Director Leigh Mackender said:

"It is very disappointing for this legacy and near complete project to have been so heavily impacted by the extreme weather events in South East Queensland shortly after the business successfully reached the major project milestone of first water.

However, we recognise that the same adverse weather systems resulted in additional demand for Service Stream's reactive maintenance services in the region, supporting an improved contribution to the Group's full-year results."



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Safety Performance

The business continued to prioritise safety performance, reflecting Service Stream's commitment to maintaining a strong safety culture and continuous improvement. The Group recorded a material reduction in high potential incident rates of 26%, compared to the prior period.

Dividends

Given Service Stream's strong underlying performance and confidence in the Group's outlook, the Board has declared an interim dividend for the half-year of 2.0 cents per share (fully-franked), reflecting a 300% increase on the interim dividend for the prior half-year.

Key dates for the final dividend are:	Ex-dividend date	21 March 2024
	Record date	22 March 2024
	Payment date	5 April 2024

Service Stream's Chairman, Brett Gallagher, said:

"Given the strong performance delivered over the first half of the year and recognising the patience of our investors during the successful acquisition and integration of Lendlease Services, the Board is pleased to declare an interim dividend of 2.0 cents per share (fully-franked)."

"This reflects Service Stream transitioning to a more sustainable dividend, whilst still providing optionality in terms of the Group's capital management strategy."

Outlook

In respect of the outlook for the business, Leigh Mackender said:

"The Group expects the strong financial performance delivered in the first half to continue and support a comparable level of underlying earnings in the second half of FY24."

Results Webcast

Service Stream Managing Director, Leigh Mackender and Chief Financial Officer, Linda Kow, will host an on-line Results Briefing at 10am (AEDT) on 22 February 2024.

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/3kx3556n>

For further information on this announcement, please contact:

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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, operating across all States and Territories. For more information visit www.servicestream.com.au