ASX & MEDIA RELEASE **17 August 2016**

Service Stream FY16 full-year results

Leading essential network services company Service Stream Limited (ASX: SSM) today released its financial results for the year ended 30 June 2016, reporting significant improvement across all key financial measures:

- EBITDA of $35.8 million (8.2% margin) on revenue of $438.9 million
- EPS of 5.20 cents on a Group-record NPAT of $20.0 million
- Operating cashflow of $62.3 million with cash-on-hand of $41.1 million at year-end
- Increased final dividend (fully-franked) of 1.50 cents per share payable on 29 September 2016

Key financial measures

$ million	FY16	FY15	Change		
Revenue	438.9	411.3	27.7	7%	▲
EBITDA	35.8	25.4	10.4	41%	▲
EBITDA %	8.2%	6.2%	2.0%	n/a	▲
Net profit after tax	20.0	11.7	8.3	71%	▲
Earnings per share (cents)	5.20	3.03	2.16	71%	▲
Operating cashflow	62.3	32.3	30.0	93%	▲
Net cash	41.1	14.8	26.3	178%	▲
Total dividends declared (cents)	2.50	1.50	1.0	67%	▲

All financial measures and year-on-year changes thereto, are rounded to the displayed number of decimal places

Service Stream Chairman, Brett Gallagher said: *"The Board is pleased to be able to report another year of significantly improved financial results and a further increase to (fully-franked) dividends. The Company has generated significant returns to shareholders over the past 12 months through the declaration of dividends totalling 2.5 cents per share, a capital return of 5.0 cents per share and share price appreciation. The Board is confident that the Group remains well positioned to take advantage of further growth opportunities as they present."*

Managing Director, Leigh Mackender said: *"I am particularly pleased with the fact that significant improvement has been recorded across all of the Group's key financial measures. In addition, each of the Group's three operating segments has reported higher revenue, improved margins and greater EBITDA than the previous year, which along with the benefits of no financing costs, has combined to produce a Group-record net profit after tax of $20.0 million."*

"The business has been, and remains focussed on working capital management and on improving its works-to-cash processes in particular. This focus has been rewarded with an outstanding operating cashflow result of $62.3 million for the year and a strong balance sheet at year-end underpinned by Net Cash of $41.1 million."

"Over recent times, each of the operating segments has been successful in securing and mobilising new key contracts, whether that be with nbn in the case of Fixed Communications, with Nokia Networks, NSW Teleco Authority, PIPE Networks and Axicom in the case of Mobile Communications or with AGL's Active Stream in the case of Energy and Water. These new contracts provide the Group with enhanced earnings diversification and a solid platform from which to further grow."

Revenue

The Group's revenue of $438.9 million for the year was favourable to the prior year by $27.7 million, an increase of 7%.

- Fixed Communications revenue of $192.8 million was $12.1 million favourable to the prior year primarily due to a significantly higher number of customer connections and related services being performed under its various FSD, NARA and OMMA ticket-of-work contracts with nbn. In addition, the New Estates contract with nbn saw an increase in volume, and fibre-to-the-node (FTTN) construction commenced during the year under the new Multi-technology Integrated Master Agreement (MIMA) with nbn. In aggregate, revenue from nbn grew by $45.8 million (or 33%) to $184.9 million for the year. This was offset by the winding-up of the Duct Infrastructure & Associated Services (DIAS) contract and FTTN trials with Telstra which saw revenue from Telstra decline by $33.6 million to $7.9 million.

- Mobile Communications revenue of $166.7 million was $12.6 million favourable to the prior year due to a $24.7 million increase in revenue from core wireless site acquisition, design and construction activities, offset by a $6.8 million decline in fixed-line work and a $5.3 million decline in low profitability "other" works.

- Energy and Water revenue of $82.0 million was $4.7 million favourable to the prior year primarily due to a $11.7 million increase in revenue from core metering services, including new revenues arising from commencement of smart meter installations for AGL's Active Stream. This was offset by a $5.5 million decline in in-home services and a $1.5 million reduction in revenue from customer care and other minor works.

Earnings before interest, tax depreciation and amortisation

The Group's EBITDA of $35.8 million for the year was favourable to the prior year by $10.4 million, an increase of 41%.

- Fixed Communications recorded an EBITDA of $20.1 million, an improvement of $6.8 million (or 52%) over the prior year. The higher EBITDA resulted from the increase in revenue detailed above coupled with a 3.1 percentage point increase in margin on the back of scale efficiencies, improved productivity, a favourable mix of work and one-off benefits arising from the successful close-out of certain contracts and trials.

- Mobile Communications recorded an EBITDA of $16.1 million, an improvement of $2.8 million (or 21%) over the prior year. The higher EBITDA resulted from the increase in revenue detailed above coupled with a 1.0 percentage point increase in margin on the back of a favourable mix of work.

- Energy and Water recorded an EBITDA of $5.0 million, an improvement of $1.5 million (or 43%) over the prior year. The higher EBITDA resulted from the increase in revenue detailed above coupled with a 1.5 percentage point increase in margin on the back of a favourable mix of work.

Net profit after tax and earnings per share

The Group's NPAT of $20.0 million for the year was favourable to the prior year by $8.3 million, an increase of 71%.

- Depreciation and amortisation charges totalling $7.4 million were $1.1 million higher than the prior year and included the write-off of redundant systems.
- The Group earned interest income of $0.7 million for the year, which was offset by interest expense and other financing costs of $0.6 million for a net financing benefit of $0.1 million. This was a $2.0 million improvement over the previous year's net financing cost of $1.9 million.
- An income tax expense of $8.5 million was recorded for the year. Whilst this was $3.1 million higher than the prior year, it was in line with the higher profit before tax and the effective tax rate of 29.8% was in line with management's expectations.

Cashflow and cash-on-hand

The Group generated $63.7 million of operating cashflow before interest and tax for the year. After net financing inflows of $0.3 million and tax payments totalling $1.7 million, operating cashflow was $62.3 million, favourable to the prior year by $30.0 million.

The Group ended the financial year with cash-on-hand of $41.1 million and no borrowings compared to cash-on-hand of $14.8 million and no borrowings at the end of the previous year.

Dividends

The Board has declared an increased final dividend for the year of 1.50 cents per share (fully-franked), taking total dividends for the year to 2.5 cents per share (fully-franked).

Key dates for the final dividend are:	Ex-dividend date	14 September 2016
	Record date	15 September 2016
	Payment date	29 September 2016

Outlook

This Group is focussed on delivering further earnings growth in FY17, subject to anticipated customer demand and ongoing success in mobilising recently secured contracts.

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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 1,500 employees and up to 3,000 active contractors. For more information please visit www.servicestream.com.au.