

**ASX & MEDIA RELEASE**
**14 February 2018**
**Service Stream announces record half-year profit and on-market share buy-back**

Leading essential network services company Service Stream Limited (ASX: SSM) today released its financial results for the half-year ended 31 December 2017, reporting strong profit and cashflow performance, an increase in interim dividend and an on-market share buy-back.

**Group Summary**

- EBITDA of \$32.1 million (10.9% margin) on revenue of \$294.1 million
- EPS of 5.45 cents on a NPAT of \$19.9 million
- Operating cashflow of \$42.6 million with Net Cash of \$63.6 million at half-year-end
- Interim dividend (fully-franked) of 3.0 cents per share payable on 29 March 2018
- On-market share buy-back of up to 27.4 million shares

All key financial measures for the half-year are up on both the prior corresponding period "pcp" (FY17 1<sup>st</sup> half) and the immediately preceding period (FY17 2<sup>nd</sup> half).

<b>Key financial measures</b> compared to prior corresponding period						
\$ million	FY18 1st half	FY17 1st half	Change			FY17 2nd half
<b>Profitability:</b>						
Revenue	294.1	240.8	53.4	22%	▲	261.0 ▲
EBITDA	32.1	21.1	11.0	52%	▲	27.3 ▲
EBITDA %	10.9%	8.8%	2.1%		▲	10.4% ▲
EBITA	30.8	20.0	10.8	54%	▲	25.3 ▲
EBIT	28.4	18.6	9.7	52%	▲	22.2 ▲
EBIT %	9.6%	7.7%	1.9%		▲	8.5% ▲
Net profit after tax	19.9	13.0	6.9	53%	▲	15.3 ▲
<b>Cashflow &amp; Capital Management:</b>						
Operating Cashflow	42.6	17.4	25.2	145%	▲	33.3 ▲
Net Cash	63.6	44.1 <sup>2</sup>	19.5	44%	▲	49.9 <sup>3</sup> ▲
Earnings per share (cents)	5.45	3.58	1.87	52%	▲	4.20 ▲
Dividends declared per share (cents)	3.0	1.5	1.5	100%	▲	3.0 --
<b>Adjusted Profitability:</b>						
NPATA <sup>1</sup>	20.6	13.0	7.5	58%	▲	16.0 ▲
Adjusted EPS (cents)	5.63	3.58	2.05	57%	▲	4.39 ▲
<sup>1</sup> NPATA adjusted for TechSafe acquisition costs & amortisation of customer contracts (tax-effected)						
Net Cash at <sup>2</sup> 31-Dec-16 and <sup>3</sup> 30-Jun-17 respectively						
All financial measures and period-on-period changes thereto are rounded to the displayed number of decimal places						

Commenting on the results for the half-year, Chairman Brett Gallagher said: *“This is another very strong performance from Service Stream with the Group producing a record half-year profit and the ninth consecutive half-year increase in each of EBITDA and NPAT.”*

*“Continued solid cashflow performance has enabled the Board to increase the interim dividend to 3.0 cents per share (fully-franked) and to approve an on-market share buy-back of up to 7.5% of the Company’s issued capital.”*

## Segment summary

Each of the Group’s operating segments reported improved performance for the half-year:

- Fixed Communications contributed EBITDA of \$18.9 million (12.9% margin) on revenue of \$145.7 million. Revenue was higher than pcp by \$44.7 million due to a significant increase in the volume of activation and assurance work undertaken for nbn under the OMMA contract. EBITDA margin improved by +2.0 percentage points over pcp and was steady against the immediately preceding period.
- Network Construction contributed EBITDA of \$11.2 million (11.3% margin) on revenue of \$99.2 million. Revenue was higher than pcp by \$5.6 million due to an increase in the volume of design & construction activity under the nbn MIMA & DCMA contracts offsetting the loss of revenue from the ceased nbn New Developments contract and lower revenues from Wireless. EBITDA margin improved by +1.6 percentage points over pcp and was steady against the immediately preceding period.
- Energy & Water contributed EBITDA of \$5.0 million (9.3% margin) on revenue of \$53.5 million. Revenue was higher than pcp by \$5.0 million due to the TechSafe acquisition. EBITDA margin improved by +2.6 percentage points over pcp and was steady against the immediately preceding period.

## Capital Management

On the back of further improvements in working capital efficiency, operating cashflow before interest and tax for the half-year once again exceeded EBITDA (by 178%). After increased tax payments and the purchase of shares for share-based incentive plans, the Group’s net cash increased to \$63.6 million as at 31 December 2017.

### • Dividends

The Board has declared an interim dividend for the half-year of 3.0 cents per share (fully-franked), a 100% increase over the interim dividend for the prior year. Key dates for the interim dividend are:

Ex-dividend date	14 March 2018
Record date	15 March 2018
Payment date	29 March 2018

### • On-market Share Buy-back

The Board has approved an on-market share buy-back of up to 27.4 million shares, the equivalent of 7.5% of the Company’s issued capital.

Chairman, Brett Gallagher commented: *“The Board is of the view that the Company’s share price trading range since November 2017 materially under-values Service Stream. In this regard, an on-market share buy-back is considered to be the most appropriate means of investing the Group’s surplus cash to create value for shareholders.”*

*“The on-market share buy-back has been modelled to be EPS accretive in the range of 6.0% to 6.5%.”*

## Outlook

Commenting on the outlook for the balance-of-year, Managing Director Leigh Mackender said: *"We expect that the second-half of FY18 will generate profit broadly in-line with the first-half, and we are targeting full-year Group EBITDA of approximately \$64 million."*

*"We expect Fixed Communications to experience an increase in assurance, remediation and minor project works in the second-half, to offset the impact of nbn's decision to temporarily pause HFC activations".*

## Results Webcast

Service Stream Managing Director, Leigh Mackender and Chief Financial Officer, Bob Grant, will host an on-line FY18 Half-year Results Briefing at 9:00 am Thursday, 15 February 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](http://www.servicestream.com.au).