

**Annual General Meeting**

21 October 2020

## **Chairman's Address to Shareholders**

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Fellow Shareholders,

On behalf of the Board, I would like to acknowledge the tremendous work of all of Service Stream's people, led by our Managing Director Leigh Mackender, to achieve a record financial result in 2020 – particularly against the backdrop of COVID-19.

The Board is very pleased with the way in which Management has navigated the business through the COVID-19 crisis, seamlessly transitioning to a remote working environment whilst continuing to perform strongly and deliver for our valued clients.

As an essential service provider, demand for our services has generally remained strong throughout the COVID-19 crisis. As advised in our ASX announcement of 21 May 2020, the business experienced some negative impacts due to COVID-19 in the FY20 financial year but nevertheless remains resilient in the face of the current crisis. Management has been working closely with our valued clients throughout this challenging period to ensure we are able to continue supporting their critical network infrastructure and provide certainty and continuity to our workforce. Whilst it is unfortunate that some clients have had to temporarily adjust or delay aspects of their work programs, Service Stream continues to hold a healthy contracted pipeline of ongoing work across a blue-chip client base. Leigh will provide a brief review of the Company's FY20 results and a further update on the business's current performance later in the meeting.

Of course, the health and safety of our workforce and the communities in which we operate remains the number one priority for the Board and Management. Never has this been more relevant than during the COVID-19 crisis. The business continues to maintain industry leading health and safety performance, and the Board remains committed to supporting Management to uphold and drive the highest levels of safety performance. The welfare of our people, our community, our financial strength and the continuing safe operations of Service Stream are of paramount importance to the Board.

### **2020 financial performance**

Turning to our financial performance.

Despite the challenges of COVID-19, 2020 was a very good year for Service Stream, off the back of an extremely successful 2019, with the financial highlights including:

- a 9% increase in Group Revenue to a record \$929.1m;
- a 15.9% increase in EBITDA from Operations to a record \$108.1m; and
- strong operating cashflows, which assisted the business to finish the year with a net cash balance of \$19.5m.

With the Company's balance sheet remaining strong, the Board was pleased to declare a final dividend of 5 cents per share fully-franked. This brings the full-year dividends to 9 cents per share fully-franked, in-line with the prior year.

The Group's balance sheet, cashflow and liquidity remains very strong. Not only has this underpinned the Group's ability to effectively deal to COVID-19 headwinds, but it provides the Board with confidence as to the Group's continuing ability to support growth and expansion opportunities across our core markets.

The Board is acutely aware of the fall in our share price over the past 6-9 months, despite the Company's strong financial performance. The Board and Management remain focused on identifying and securing ongoing growth opportunities across our core markets, whilst continuing to deliver strong, sustainable results for our shareholders.

## **Board Renewal**

As Chairman, I am aware that the Board plays an important role in setting the tone from the top and achieving a culture that reflects the Company's purpose. I am also aware of the importance in having the right skills, experience, sector knowledge and attributes among the Directors to effectively govern the Company and discharge its strategic objectives.

In FY20, the Board reviewed and updated its skills matrix to identify the necessary attributes, sector knowledge, skills and experience required of the Directors of Service Stream for FY21 and beyond. Following the completion of this exercise the Board concluded that the current Directors do possess the appropriate mix of skills and experience required to effectively govern the Company. However, it was acknowledged that with three longstanding directors on the Board, appropriate succession planning will need to be a key consideration for the Board in FY21. Returning to a board composition of at least 30% female representation will be a focal point of the Board's succession plan.

## Remuneration

While the Board is very pleased with the performance of the business in FY20, we are aware that the challenges introduced by the COVID-19 pandemic will remain with the community for some time to come. On that basis, the Board determined that Board fees and Executive Management remuneration would remain unchanged in FY21, with pay freezes largely implemented across the remaining business.

The Board is also aware of some concerns raised by proxy advisors in relation to the Company's Incentive Plans and in particular, the non-disclosure of annual short and long-term incentive targets, and the re-testing regime under the long term incentive plan. The Board is mindful of the need to strike the right balance between addressing these concerns, whilst ensuring that we cater to the specific industry dynamics within which Service Stream operates. Over the next year, the Board will proactively engage with proxy advisors to obtain qualitative feedback on proposed amendments to the Incentive Plans in an effort to reach an appropriate balance. It is in the interest of all shareholders that any future changes to these plans encourage and reward Management to take a longer-term view of the business and drive behaviours and decisions which will ultimately deliver long-term sustainable results.

## Looking Ahead

As an essential service provider to utility and telecommunication asset owners, the business remains in a strong position to not only navigate its way through the COVID-19 crisis but continue to grow and diversify operations. The Board has every confidence in the Executive Management Team, led by Leigh Mackender, to steer the Company successfully through this challenging period in a way that will ensure we remain the essential service provider of choice by our valued clients and positions the business well for ongoing growth in the years ahead.

I would like to thank my fellow board members for their contributions and commitment over the course of a challenging but successful year. Their dedication to the continuing growth and success of the Company is considerable and greatly appreciated. I would also like to acknowledge Bob Grant's retirement as CFO at the end of last financial year and thank him for his 10 years of service, and welcome Linda Kow as our new CFO who commenced with business at the beginning of May 2020. I note that Peter Dempsey is seeking re-election today. I, along with the rest of the directors, laud Peter's valuable contribution to the Board and strongly support his re-election today.

Finally, I would also like to thank Leigh, his executive team and all our valued staff and contractors for their hard work and dedication during the year.

Thank you.



**Brett Gallagher**  
Chairman