

ASX & Media Release
13 August 2014
Service Stream full-year results

Leading essential network services company Service Stream Limited (ASX: SSM) today announced its results for the year ended 30 June 2014.

Service Stream's Chairman, Peter Dempsey said: *"The Board is pleased to report a substantially improved financial performance for FY14. The Group has significantly improved its balance sheet during the year with a successful capital raise and very strong cashflow generation, and has ended the year with a record low level of debt. The Board is confident that under the leadership of recently appointed Managing Director Leigh Mackender, the Group is well on its way to returning to sustained profitability and is in a strong position to take advantage of growth opportunities as they present."*

Managing Director, Leigh Mackender said: *"The Group has worked very hard during the year to restore the profitability and operational effectiveness of the Fixed Communications segment, and has been successful in renewing many of its most significant contracts across all three segments. The significantly improved balance sheet has permitted the Group to fully extinguish the liability to the Syntheo Joint Venture ahead of schedule and to progress the refinancing of its banking facilities to near completion on substantially improved terms for a further two years."*

12 months to 30 June	2014 (\$ million)	2013 (\$ million)	Change (\$ million)
Revenue	\$389.6	\$526.6	(\$137.0) ▼
EBITDA	\$16.6	(\$13.4)	\$30.0 ▲
EBITDA %	4.3%	(2.5%)	n/a ▲
Net profit after tax (before goodwill impairment)	\$2.3	(\$17.3)	\$19.6 ▲
Net profit after tax	\$2.3	(\$107.1)	\$109.4 ▲
Earnings per share (cents)	0.76	(37.77)	n/a ▲
Operating cashflow	\$24.9	\$3.2	\$21.7 ▲
Net Debt	\$10.4	\$52.0	(\$41.6) ▼
Leverage Ratio at year-end ¹	1.73	(7.00)	n/a ▲

¹ (Gross Debt + Bank Guarantees) / EBITDA

As reported at half-year, to assist Fixed Communications with its operational recovery, Management took a decision to transfer all non-NBN related activities to the Mobile Communications segment with effect from July 2013. The relevant prior period comparatives have been adjusted to reflect these transfers. Revenue for the year pertaining to the transferred activities was \$49.6 million (2013: \$91.1 million).

Revenue

Revenue of \$389.6 million decreased by (\$137.0 million) compared to prior comparative period driven by:

- Fixed Communications revenue was down by (\$37.6 million) primarily due to there being no contribution from the Syntheo Joint Venture (FY13: \$26.7 million). The balance of the reduction was due to the cessation of the Fujitsu New Estates contract and various miscellaneous works (including payphones, pre-provision, subcontracting to the Syntheo Joint Venture and DSL activities), partially offset by additional volume under the New Developments, Field Service Delivery and Network Augmentation & Restoration Activities contracts with NBN Co and under the Telstra pipe and pipe remediation program.
- Mobile Communications revenue was down by (\$48.9 million) primarily due to (\$41.5 million) lower revenue from the non-NBN related activities that were transferred from Fixed Communications. The balance of the reduction was due to lower volume of wireless site acquisition and design services, partially offset by an increase in wireless construction activity.
- Energy and Water revenue was down by (\$50.0 million) primarily due to fewer residential solar PV system installations being completed, along with lower revenue from the AMI smart meter program in Victoria which ceased during the year. 2,626 residential solar PV installations (8.7 gigawatts) were completed in FY14 compared to 9,552 installations (26.1 gigawatts) in the prior year.

Earnings before interest, tax, depreciation and amortization

The Group's EBITDA of \$16.6 million for the year was favourable to the prior year by \$30.0 million.

- Fixed Communications achieved an EBITDA of \$2.4 million for FY14 which, excluding the impact of Syntheo discussed below, represents an improvement of \$5.5 million compared to the prior year. Improved performance on all contracts and reduced overheads contributed to this improvement.
- Within the Fixed Communications segment, the Syntheo Joint Venture in which the Group has a 50% interest, recognised a loss of (\$19.9 million) in the prior financial year. No subsequent losses were or will be recognised in relation to Syntheo.
- Mobile Communications recorded EBITDA of \$7.7 million for FY14. This is an improvement of \$6.8 million compared to the prior year which had been impacted by operational difficulties and demobilisation costs in the activities that were then managed under Fixed Communications.
- Energy & Water reported an EBITDA of \$11.2 million for FY14, a decrease compared to the prior year of (\$3.1 million) in line with reduced revenue as detailed above.

Cashflow

Service Stream operations (before Syntheo) generated \$50.7 million of operating cashflow before interest and tax compared to \$5.6 million in the prior period, on the back of substantial reductions in working capital. In addition, net investing cash outflows decreased to \$2.1 million (2013: \$15.7 million) due to tight restrictions on capital expenditure.

As a consequence, \$20.4 million was paid as contributions to Syntheo during the year to extinguish all liabilities associated with that joint venture.

Capital Management

A general meeting of shareholders held on 19 March 2014 approved a fully-underwritten capital raise comprising a share placement of \$9.35 million and a 2-for-11 rights issue of \$10.7 million to reduce debt, assist the Group to refinance its banking facilities on improved terms and to provide funding for growth opportunities. The placement and rights issue were approved by shareholders and subsequently settled to provide net proceeds of \$18.9 million.

On the back of the capital raise and the business' generation of cashflow from operations, net debt decreased by \$41.6 million over the year. The Group concluded FY14 with net debt of \$10.4 million compared to \$52.0 million at June 2013. In addition, bank guarantee utilisation under the Group's banking facilities reduced substantially over the period to end the year with a balance on issue of \$11.6 million (2013: \$28.3 million).

Since balance date, the Group has received credit-approved term sheets from a number of leading Australian and International financial institutions, that each provide the commercial terms of offers for participation in a banking facility to 30 September 2016 commencing upon the expiry of the Group's existing banking facilities on 31 August 2014. Each such term-sheet is for a 50% participation in a multi-option facility under the Group's existing Syndicated Facilities Agreement and Security Arrangements and comprises cash advance, overdraft and bank guarantee facilities with an initial total limit of \$60.0 million. The offers contain improved terms and conditions relative to the Group's existing banking facilities. The Board and Management are in the final stages of assessing the offers and finalising documentation.

Dividends

No final dividend was declared with respect to the financial year ending 30 June 2014.

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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 3,000 employees and contractors. For more information please visit www.servicestream.com.au.