



ServiceStream

24 February 2022

Office of Company Secretary

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Company Announcements
Australian Securities Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000
AUSTRALIA

Dear Sir/Madam

RE: Service Stream announces 2022 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
ServiceStream Limited



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ASX Announcement

24 February 2022

SERVICE STREAM ANNOUNCES 2022 HALF YEAR RESULTS

Leading essential network service provider Service Stream Limited (ASX: SSM) today released its financial results for the half-year ended 31 December 2021, highlighted by solid operating results and positive progress made with integrating the recent Lendlease Services ("LLS") acquisition.

Group Highlights

- **Group Total Revenue of \$566.2 million, up 38.1% vs. pcip**
- **Group EBITDA from Operations of \$39.3 million, underpinned by a solid operating result across the legacy business and positive contribution from LLS operations post Completion**
- **Rebased Group EBITDA from Operations margin 6.9%, in line with expectations**
- **Adjusted NPAT of \$16.4 million**
- **Exceptional OCFBIT cash conversion of 234.9% and closing net debt of \$47.1 million**
- **Transformational Lendlease Services acquisition successfully completed 1 November:**
 - **All client contracts successfully transitioned**
 - **Integration program commenced and tracking to plan**
 - **Delivery of synergy targets validated and run-rate brought forward of schedule**
- **1H22 interim dividend not declared to assist with funding the LLS acquisition**
- **Work in hand of \$5.6 billion with solid pipeline of growth opportunities across all segments**

Managing Director, Leigh Mackender said:

"I am very pleased with the results the business has achieved for the half-year which reflects a solid contribution from our existing operations, and a strong initial contribution from the Lendlease Services operations. The acquisition has been well supported by our valued clients. Our expanded team is collectively working on the integration program which is tracking to plan, and business synergies are being realised."

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The results for the half year attest to the dedication and commitment of our people who have worked through a challenging 12 months. The period has been characterised by the rebasing of our Telecommunications operations as work volumes and mix have changed, the initial integration of two large businesses, and maintaining operational performance throughout the COVID-19 pandemic without any material financial impact to the Group.”

Telecommunications Division

Telecommunications revenue of \$234.1 million reflected an increase of \$24.2 million or 11.5% on pcp. The increase reflects the addition of LLS's Telecommunications operations from November which included revenue from the mobilisation to support nbn's network construction upgrade program (N2P) and an expanded portfolio of wireless operations. Revenue and margin across the re-based legacy Telecommunications operations performed better than anticipated, supported by increased maintenance and upgrade works.

- Telecommunications contributed EBITDA of \$21.1 million, a decrease of -\$7.6 million or -26.5% on pcp, driven by a change in work mix and volumes
- Telecommunications EBITDA margin of 9.0% reflects a reduction across the re-based historical operations, and the addition of lower margin LLS work

Following the acquisition, Service Stream's Telecommunications division has expanded the depth and breadth of services delivered to major Telecommunications clients under long term agreements. The business now holds an enhanced mix of contracted operations across key clients, covering both fixed-line and wireless infrastructure nationally.

Utilities

Utilities revenue of \$277.4 million reflected an increase of \$77.8 million or 39.0% on pcp. This reflects the continued strong growth across Service Stream's Comdain operations and a positive contribution from LLS's Utilities operations from November.

- Utilities contributed EBITDA of \$16.3 million, an increase of \$1.6 million or 10.9% on pcp
- Utilities EBITDA margin was 5.9%, reflecting a reduction of 1.5% on pcp due to increased construction revenues and inclusion of LLS from November

During the half-year the business successfully mobilised a new 10-year maintenance agreement with SA Water, and re-secured a multi-year extension with Multinet Gas Distribution encompassing operation, maintenance and capital works across its Victorian distribution network.

Transport

The Transport division, acquired from Lendlease Services, provides long term operational support and maintenance services to public and private road asset owners.

Transport revenue of \$55.0m reflects the contribution over the initial two months of operations post the 1 November Completion.

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- Transport contributed EBITDA of \$3.9 million with an EBITDA margin of 7.1%

The Transport business has recently mobilised a new 15-year (9+3+3) road and traffic infrastructure maintenance agreement with Transport for New South Wales, and has continued to support local government stimulus measures through the delivery of increased road maintenance works with Main Roads Western Australia.

Cashflow and Capital Management

The Group delivered an exceptional cash flow result for the half, with OCFBIT conversion rate of 235%. This includes a one-off benefit from the release of some of the working capital built up in LLS prior to Completion from recent project mobilisations. In addition, the Group benefitted from early receipts from a number of government clients due to year-end Christmas shutdowns and COVID.

The strong cash flow outcome resulted in net debt as at 31 December 21 of \$47.1m which was significantly lower than Management's expectations. The December cash flow timing benefits are expected to reverse by June 22 with a normalised OCFBIT in line with historical performance of ~80%+.

The LLS acquisition Completion payment was \$316.6m, comprising of the \$310m purchase price, less assumed debt and debt like items of \$16.4m, plus an adjustment for net assets (working capital) of \$23.0m, less cash acquired. The review of the final Completion Balance Sheet is currently in progress with final adjustments to the vendor pending.

Acquisition of Lendlease Services

The acquisition of Lendlease Services was successfully completed on 1 November 2021.

The integration program, including the realisation of synergies, is being delivered over an 18-24 month period and is progressing well:

- Strong support from clients for the acquisition with all contractual agreements successfully transitioned
- Targeted synergies of \$17m have been validated, with 50% run-rate target brought forward to June 2022 (from November 2022)
- Future group organisational structure has been defined with the restructure of Telecommunications operations and corporate support functions largely complete
- The exit of the Transitional Services Agreement with Lendlease Group remains on target for 30 June 2022

Dividends

The Directors determined that an interim FY22 dividend would not be declared, in-line with comments at the Company's Annual General Meeting, to assist with funding the Acquisition. Resumption of dividends is expected for the full-year, subject to business performance.

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Service Stream's Chairman, Brett Gallagher, said:

"The acquisition of Lendlease Services marks a significant milestone in the Group's history, supporting the expansion of the Group's operations across the growing infrastructure services market.

The Board is pleased with the focus and discipline Management has shown in executing and delivering on the Group's strategy, particularly under the challenges posed by the COVID pandemic.

Whilst the Board fully recognises the importance of dividends to our shareholders, we have not declared an interim dividend to assist with funding the acquisition which we expect to deliver strong EPS accretion into the future.

Subject to operational performance, the Board is confident dividends will be resumed at the full year."

COVID-19

Service Stream's exposure to essential infrastructure has continued to position the business well to navigate through the COVID-19 pandemic. The Group has maintained operational delivery throughout the recent Delta and Omicron outbreaks without material financial impact.

The Business has not however, been totally immune from the impacts with both escalation in Government's response and delays to programs of work negatively impacting certain aspects of the Group's operations. In addition, the Group experienced sporadic workforce absences in early 2022 due to illness or quarantine requirements related to the Omicron outbreak. These pressures have been short-term in nature with the workforce returning post the isolation period. The business did not experience any major labour shortages during this period although Western Australia still presents short-term resourcing challenges due to border restrictions.

Outlook

Service Stream maintains its guidance for FY22 and expects post acquisition pro forma FY22 EBITDA from Operations (inclusive of a full run rate of synergies of \$17m) of \$120-125m.

The Group has had a positive start to the second half of the year, with Omicron impacts successfully mitigated across the Group's diversified portfolio. The LLS integration program is proceeding in accordance with detailed plans and the realisation of synergies is tracking ahead of schedule.

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

"Our focus throughout the second-half of FY22 will be on the successful integration of the business, delivering the synergies validated through our detailed planning, and commencing our strategic planning review to determine the initiatives which will capitalise on the significant investment taking place across our markets and deliver sustainable long-term growth.

It's an exciting time to be part of Australia's growing infrastructure services market as public and private sector investment continues to increase across our key markets, including



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telecommunications, transport, water, electricity and other utility assets, supporting the transition to a digital and green economy.”

Results webcast

Service Stream Managing Director, Leigh Mackender and Chief Financial Officer, Linda Kow, will host an on-line FY22 Half-Year Results Briefing at 10am (AEDT) on 24th February 2022.

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/izhorcm5> (Conference ID: 2481566)

For further information on this announcement, please contact:

Service Stream Limited

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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 and utility sectors. Service Stream operates across all estates and territories, has a workforce in excess of 4,500 employees and access to a pool of over 5,000 specialist contractors. For more information visit www.servicestream.com.au