

Service Stream FY15 full-year results

Leading essential network services company Service Stream Limited (ASX: SSM) continued its return to profitability and further strengthened its balance sheet during the year ended 30 June 2015, reporting significant improvement across all key financial measures:

- EBITDA of \$25.4 million (6.2% margin) on revenue of \$411.3 million
- EPS of 3.03 cents on NPAT of \$11.7 million
- Strong operating cashflow of \$32.3 million accelerating the retirement of debt, with cash-on-hand of \$14.8 million at year-end
- Final dividend (fully-franked) of 1.00 cent per share payable on 8 October 2015

Key financial measures

\$ million	FY15	FY14	Change		
Revenue	411.3	389.6	21.7	6%	▲
EBITDA	25.4	16.6	8.8	53%	▲
EBITDA %	6.2%	4.3%	1.9%		▲
Net profit after tax	11.7	2.3	9.4	408%	▲
Earnings per share (cents)	3.03	0.76	2.28	301%	▲
Operating cashflow	32.3	24.9	7.5	30%	▲
Net cash / (Net debt)	14.8	(10.4)	25.2	(242%)	▲
Total dividends declared (cents)	1.50	0.00	n/a	n/a	▲

Service Stream's Chairman, Brett Gallagher said: *"The Board is pleased to report a substantially improved financial performance for FY15 and to declare a final dividend (fully-franked) of 1.00 cent per share. Significant year-on-year improvement was made across all key financial measures, with a particularly strong operating cashflow performance in the second-half of the year accelerating retirement of the Group's debt. The Board is pleased that the Group is executing well against its strategy under the leadership of Managing Director Leigh Mackender, and is confident that the Group is positioned well to take advantage of growth opportunities as they present."*

Managing Director, Leigh Mackender said: *“The Group has worked very hard during the year to execute against its strategy of unlocking value from the core business, reconfiguring the operating model to support scalability and extending the reach of the business to achieve step growth.”*

“We have maintained a strong focus on providing our employees and subcontractors with a safe environment in which to work and on delivering reliability and value to our customers. We are particularly pleased with the performance of our Fixed Communications division for the year, and with Mobile Communications and Energy & Water re-securing all their major expiring contracts as well as securing new contracts to broaden their customer base.”

Revenue

The Group’s revenue of \$411.3 million for the year was favourable to the prior year by \$21.7 million.

- Fixed Communications revenue of \$180.6 million was \$82.2 million favourable to the prior year primarily due to a significantly higher number of customer connections under the Field Service Delivery contract with nbn.
- Mobile Communications revenue of \$154.0 million was (\$12.9 million) unfavourable to the prior year due to a decrease in the volume of wireless site acquisition & design services and construction activity.
- Energy and Water revenue of \$77.3 million was (\$47.0 million) unfavourable to the prior year primarily due to cessation of the electricity smart meter program in Victoria. The balance of the reduction was due to lower revenue from in-home-services activities, predominantly solar PV.

Earnings before interest, tax, depreciation and amortization

The Group’s EBITDA of \$25.4 million for the year was favourable to the prior year by \$8.8 million.

- Fixed Communications recorded an EBITDA of \$13.3 million, an improvement of \$10.9 million over the prior year. The higher EBITDA resulted from the increase in revenue detailed above coupled with a 4.9 percentage point increase in margin on the back of scale efficiencies and improved productivity.
- Mobile Communications also recorded EBITDA of \$13.3 million, an improvement of \$5.6 million over the prior year. The higher EBITDA resulted from a 4.0 percentage point increase in margin on the back of improved productivity and workflow continuity and despite a reduction in revenue.
- Energy & Water reported an EBITDA of \$3.5 million for FY15, a decrease compared to the prior year of (\$7.7 million), due primarily to lower revenue and scale inefficiencies.

Net profit after tax and earnings per share

The Group’s NPAT of \$11.7 million for the year was favourable to the prior year by \$9.4 million, resulting in an EPS of 3.03 cents compared to 0.76 cents in the prior year:

- Depreciation and amortisation charges totaling \$6.3 million were \$2.7 million favourable to the prior year, reflecting the significant portion of assets (including those related to the electricity smart meter program in Victoria) that were fully depreciated at the end of FY14.
- Net interest expense and finance costs of \$1.9 million were \$3.0 million favourable to the prior year reflecting lower levels of borrowings and bank guarantee utilisation during the year along with improved pricing arising from refinancing of the Group’s banking facilities in August 2014.
- Income tax expense of \$5.4 million was \$5.1 million higher than the prior year as a result of increased earnings. The effective tax rate of 31.5% was in line with expectation.

Cashflow & debt

The Group generated \$34.0 million of operating cashflow before interest and tax for the year. After net financing outflows of (\$1.6 million), operating cashflow was \$32.3 million, favourable to the prior year by \$7.5 million.

The Group ended the financial year with cash-on-hand of \$14.8 million and no borrowings, compared to cash on hand of \$6.6 million and borrowings of (\$17.0 million) at the end of the previous year.

Dividends

The Board has declared a fully franked final dividend for the year of 1.00 cent per share, taking total dividends for the year to 1.50 cents per share.

Key dates for the final dividend are:

- Ex-dividend date 4 September 2015
- Record date 8 September 2015
- Payment date 8 October 2015

Outlook

The Group is targeting further earnings growth in FY16, subject to successfully expanding existing operations and securing new contract works across key clients.

For further details contact:

Service Stream Limited

Leigh Mackender, Managing Director
Tel: +61 3 9937 6350

Service Stream Limited

Bob Grant, Chief Financial Officer
Tel: +61 3 9937 6350

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.