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ASX & Media Release

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Service Stream lifts operating cash flow with underlying EBITDA in line with expectations

Full-Year Results Highlights

- Full-year revenue of \$520.8 million
- Underlying EBITDA of \$27.0 million, in line with previous guidance
- Reported EBITDA of \$6.4 million impacted by material one-off items
- Operating cash flow up 104.9% to \$16.8 million
- Net debt down 42.2% to \$59.3 million
- Strong operational performance with new contracts secured and existing contracts extended
- FY11 EBITDA expected to exceed the FY10 underlying result

Leading industrial services provider Service Stream Limited (ASX: SSM) today announced its results for the year ended 30 June 2010.

The Company recorded EBITDA of \$6.4 million and a (\$2.6 million) NPAT loss for the period on total revenue of \$520.8 million. Following the reporting of an EBITDA loss of (\$5.1 million) for the first half of the financial year, earnings have met expectations in the second half with a solid EBITDA outcome of \$11.5 million. Significantly, during the period the Company has taken the opportunity to return the business to its core capabilities by winding down activity in its civil contracting business and through the sale of non core assets.

Financial Results

Full Year to 30 June	30-06-2010 (\$'million)	30-06-2009 (\$'million)	% Change
Revenue	520.8	558.2	(6.7%)
Underlying EBITDA	27.0	30.1	(10.3%)
Reported EBITDA	6.4	30.1	(78.7%)
EBIT	(0.9)	22.7	n/a
NPAT	(2.6)	11.1	n/a
Operating cash flow	16.8	8.2	104.9%
Net debt	59.3	102.6	(42.2%)
EPS (cents)	(0.99)	5.93	n/a
Final dividend (cents per share)	-	-	n/a

Results Commentary

The Company's results for the financial year to 30 June 2010 reflect a period of consolidation and re-focus on core businesses.

Revenue for the year was \$520.8 million, down \$37.4 million or 6.7% from the previous year. This reduction was primarily driven by a rebalancing of revenue towards Service Stream's core operations, with McCourt Dando revenue down \$31.9 million, Construction (Recoverable Works) revenues down \$7.6 million and Labour Hire/Training revenue down \$16.0 million within the Specialist Field Services segment. On a positive note, also within the Specialist Field Services segment, AMRS lifted revenue by \$23.2 million due to improved performance in both metering and environmental services.

The Company's reported EBITDA of \$6.4 million was significantly impacted by a number of one-time material items which total \$20.6 million, including:

Items included in the Company's first half 2009/10 results:

- The reversal of the entire \$14.8 million in accrued income in relation to the McCourt Dando GCDA project, plus a further \$1.0 million in costs associated with this project;
- \$1.9 million of contract KPI penalties for the prior year under a major telecommunications contract, and;
- \$1.1 million in CEO transition costs.

Items included in the second half results:

- \$2.5 million in McCourt Dando restructuring costs and;
- \$2.7 million in legal costs associated with the Ericsson Jersey dispute, offset by;
- \$3.4 million profit on sale relating to the disposal of the Mobile Real Time Monitoring (MRTM) platform.

Excluding the above one-time items, the Company's underlying EBITDA for the period was \$27.0 million.

Operational Summary

Specialist Field Services

The Specialist Field Services segment delivered a solid result with an underlying EBITDA contribution of \$27.3 million on operating revenue of \$446.8 million. As mentioned above, the shortfall in revenue compared with the prior year was principally caused by a re-focusing on Service Stream's core telecommunications and utilities businesses at the expense of civil contracting and labour services.

The Communications division delivered underlying EBITDA of \$11.6 million on revenue of \$272.2 million, down 4.1% from the previous year. The reduction in volume was principally a result of the loss of the marginal Telstra Labour Hire contract and reduced training revenues plus decreased expenditure in the telecommunications sector as a result of uncertainty created by the emergence of the National Broadband Network.

Metering services business AMRS continued to deliver its expanded capabilities in meter reading and associated services in the water, gas and electricity sectors. Performance was also boosted by government initiated environmental programs in the solar energy and solar hot water segments. Financial highlights include a 46.5% increase in revenue to \$73.1 million and EBITDA of \$6.7 million.

The TCI division (including infrastructure services) delivered underlying EBITDA of \$9.0 million on revenue of \$101.5 million, down \$43.8 million or 30.1% from the previous year. The core TCI business finished the year very strongly on the back of increased customer demand for the business' mobile telephony expertise. As a result of the Company's re-focus on its core businesses, the division's headline revenue performance was impacted by the reduced revenue in McCourt Dando (\$31.9 million) and Construction (\$7.6 million).

Customer Care

In a difficult operating environment the Customer Care (formerly Contact Centre Solutions) segment performed in line with expectations with an underlying EBITDA contribution of \$5.6 million on revenue of \$79.8 million that was up marginally on the prior year. Pleasingly, the division has managed to largely offset the loss of the Vodafone call centre contract through stronger performances in its insurance and government related operations.

As previously communicated, the Company identified that the MRTM Platform was non-core to the strategy of Service Stream. This platform was sold to Tel. Pacific Limited and provided a one-time contribution to earnings of \$3.4 million in the 30 June 2010 financial year.

Capital Management

The Directors remain committed to a capital management strategy aimed at maintaining sufficient capital reserves to fund the business now and into the future.

An excellent operating cash flow result of \$16.8 million (up 104.9% on the 12 months to 30 June 2009) was driven by improvements in working capital management and solid underlying "cash" earnings. This, combined with the recent capital raising enabled the Company to reduce net debt by \$43.3 million or 42.2% to \$59.3 million as at 30 June 2010.

Based on the reported full year performance the Directors have not declared a final dividend.

The Company completed negotiations on an extension of its banking arrangements with its financiers during the financial year, with Service Stream's commercial bill facility now extended to July 2012.

Outlook

Service Stream will continue to focus on providing a flexible, low cost service model to its customers. The new management team is committed to a return to core activities through a simplified business model that will be well positioned to take advantage of the numerous growth opportunities emerging in Service Stream's core segments. The Company is seeing market demand strengthening in environmental services, smart meter installations and mobile telephony infrastructure, whilst the anticipated increase in demand for fixed line broadband services should present a further avenue of growth for the Company.

A number of risks remain however, including ongoing volumes in the telecommunications sector as a result of uncertainty created by the yet to be determined scope of broadband roll-out and government commitment to environmental programs. That said, management remain optimistic about the future growth prospects of the Company, with FY11 EBITDA expected to exceed the underlying earnings result reported for FY10.

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About Service Stream Limited:

Service Stream is a public company listed on the Australian Securities Exchange (ASX Code: SSM) with annualised revenues of A\$520 million. The company is an industrial services enterprise with proven outsourced infrastructure deployment, management and service capabilities across 60 locations throughout Australia. Service Stream's technical workforce of over 4,000 supports large asset owners on the deployment, management and servicing of essential network infrastructure in the telecommunication, electricity, water and gas sectors.