

ASX & Media Release

15 February 2017

Service Stream reports FY17 first-half results

Leading essential network services company Service Stream Limited (ASX: SSM) today announced its results for the half-year ended 31 December 2016, reporting significant improvement across almost all key financial measures.

Overview

- All key profitability measures significantly up on the prior corresponding period (FY16: 1st half)
- EBITDA of \$21.1 million (8.8% margin) on revenue of \$240.8 million
- EPS of 3.58 cents arising from NPAT of \$13.0 million
- Solid operating cashflow of \$17.4 million with net cash increasing to \$44.1 million as at 31 December 2016
- Interim dividend increased from 1.00 cent per share to 1.50 cents per share (fully-franked)

Key financial measures compared to prior corresponding period						
\$ million	FY17 1st half	FY16 1st half	Change			FY16 2nd half
Revenue	240.8	217.1	23.7	11%	▲	221.9
EBITDA	21.1	15.7	5.4	35%	▲	20.1
EBITDA %	8.8%	7.2%	1.5%		▲	9.1%
Net profit after tax	13.0	8.8	4.2	48%	▲	11.2
Earnings per share (cents)	3.58	2.28	1.30	57%	▲	2.91
Operating Cashflow	17.4	30.8	(13.4)	(43%)	▼	31.5
Net Cash	44.1	37.6	6.5	17%	▲	41.1
Dividends declared per share (cents)	1.5	1.0	0.5	50%	▲	1.5

All financial measures and period-on-period changes thereto are rounded to the displayed number of decimal places

Commenting on the results for the half, Chairman Brett Gallagher said: *“This is another very strong performance from Service Stream with the Group producing a record half-year NPAT and the seventh consecutive half-year increase in EBITDA.”*

“Continued solid cashflow performance has permitted the Board to increase the interim dividend to 1.50 cents per share (fully-franked).”

Segment Summary

Fixed Communications contributed EBITDA of \$13.8 million (12.5% margin) on revenue of \$110.7 million, with revenue higher than the prior corresponding period (pcp) by \$15.7 million and with margins higher than the pcp by +2.3 percentage points due to a combination of favourable work mix, scale efficiencies, operational improvements and one-time benefits. Revenue mix for the half was approximately 67% from ticket-of-work activities (ie. activations and assurance) and 33% from design and construction (ie. New Developments and MIMA), largely in line with the pcp.

Mobile Communications contributed EBITDA of \$6.2 million (7.5% margin) on revenue of \$83.5 million, with a work mix and overall result that was broadly in line with the pcp.

Energy & Water contributed EBITDA of \$3.2 million (6.7% margin) on revenue of \$48.6 million. Revenue was \$10.4 million higher than the pcg with increased revenues from meter replacement programs more than offsetting a softening in the solar pv market. EBITDA was up by \$0.9 million on pcg, with margins improving by +0.6 percentage points.

Capital Management

On the back of continued operational focus on working capital management, operating cashflow before interest and tax for the half-year once again exceeded EBITDA (by 115%) and despite the resumption of tax payments during the half, the company's net cash increased to \$44.1m at 31 December 2016.

The Board has declared an interim dividend of 1.50 cents per share (fully-franked) for the half-year with key dates as below:

Ex-dividend date	15 March 2017
Record date	16 March 2017
Payment date	13 April 2017

Outlook

Commenting on the outlook for the balance-of-year, Managing Director Mr Leigh Mackender said: *"We expect that the second-half of FY17 will generate EBITDA broadly in-line with the first-half."*

"Our priorities for the second-half include Fixed Communications' effective mobilisation of the new DCMA¹ contract with nbn, Mobile Communications' ramp-up in construction works, and Energy & Water's mobilisation of recently secured metering contracts."

"Given our strong balance sheet, we are actively assessing "bolt-on" business expansion opportunities, particularly in the Utilities sector."

¹ DCMA - Design & Construction Master Agreement (for fibre-to-the-curb works)

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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 1,500 employees and up to 3,000 contractors. For more information please visit www.servicestream.com.au.