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Service Stream announces record half-year profit and on-market share buy-back

Leading essential network services company Service Stream Limited (ASX: SSM) today released its financial results for the half-year ended 31 December 2017, reporting strong profit and cashflow performance, an increase in interim dividend and an on-market share buy-back.

Group Summary

- EBITDA of $32.1 million (10.9% margin) on revenue of $294.1 million
- EPS of 5.45 cents on a NPAT of $19.9 million
- Operating cashflow of $42.6 million with Net Cash of $63.6 million at half-year-end
- Interim dividend (fully-franked) of 3.0 cents per share payable on 29 March 2018
- On-market share buy-back of up to 27.4 million shares

All key financial measures for the half-year are up on both the prior corresponding period "**pcp**" (FY17 1st half) and the immediately preceding period (FY17 2nd half).

Key financial measures

compared to prior corresponding period

$ million	FY18 1st half	FY17 1st half	Change			FY17 2nd half	
Profitability:							
Revenue	294.1	240.8	53.4	22%	▲	261.0	▲
EBITDA	32.1	21.1	11.0	52%	▲	27.3	▲
EBITDA %	10.9%	8.8%	2.1%		▲	10.4%	▲
EBITA	30.8	20.0	10.8	54%	▲	25.3	▲
EBIT	28.4	18.6	9.7	52%	▲	22.2	▲
EBIT %	9.6%	7.7%	1.9%		▲	8.5%	▲
Net profit after tax	19.9	13.0	6.9	53%	▲	15.3	▲
Cashflow & Capital Management:							
Operating Cashflow	42.6	17.4	25.2	145%	▲	33.3	▲
Net Cash	63.6	44.1 [2]	19.5	44%	▲	49.9 [3]	▲
Earnings per share (cents)	5.45	3.58	1.87	52%	▲	4.20	▲
Dividends declared per share (cents)	3.0	1.5	1.5	100%	▲	3.0	--
Adjusted Profitability:							
NPATA[1]	20.6	13.0	7.5	58%	▲	16.0	▲
Adjusted EPS (cents)	5.63	3.58	2.05	57%	▲	4.39	▲

[1] NPATA adjusted for TechSafe acquisition costs & amortisation of customer contracts (tax-effected)

Net Cash at [2] 31-Dec-16 and [3] 30-Jun-17 respectively

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-year, Chairman Brett Gallagher said: *"This is another very strong performance from Service Stream with the Group producing a record half-year profit and the ninth consecutive half-year increase in each of EBITDA and NPAT."*

"Continued solid cashflow performance has enabled the Board to increase the interim dividend to 3.0 cents per share (fully-franked) and to approve an on-market share buy-back of up to 7.5% of the Company's issued capital."

Segment summary

Each of the Group's operating segments reported improved performance for the half-year:

- Fixed Communications contributed EBITDA of $18.9 million (12.9% margin) on revenue of $145.7 million. Revenue was higher than pcp by $44.7 million due to a significant increase in the volume of activation and assurance work undertaken for nbn under the OMMA contract. EBITDA margin improved by +2.0 percentage points over pcp and was steady against the immediately preceding period.

- Network Construction contributed EBITDA of $11.2 million (11.3% margin) on revenue of $99.2 million. Revenue was higher than pcp by $5.6 million due to an increase in the volume of design & construction activity under the nbn MIMA & DCMA contracts offsetting the loss of revenue from the ceased nbn New Developments contract and lower revenues from Wireless. EBITDA margin improved by +1.6 percentage points over pcp and was steady against the immediately preceding period.

- Energy & Water contributed EBITDA of $5.0 million (9.3% margin) on revenue of $53.5 million. Revenue was higher than pcp by $5.0 million due to the TechSafe acquisition. EBITDA margin improved by +2.6 percentage points over pcp and was steady against the immediately preceding period.

Capital Management

On the back of further improvements in working capital efficiency, operating cashflow before interest and tax for the half-year once again exceeded EBITDA (by 178%). After increased tax payments and the purchase of shares for share-based incentive plans, the Group's net cash increased to $63.6 million as at 31 December 2017.

- **Dividends**

  The Board has declared an interim dividend for the half-year of 3.0 cents per share (fully-franked), a 100% increase over the interim dividend for the prior year. Key dates for the interim dividend are:

Ex-dividend date	14 March 2018
Record date	15 March 2018
Payment date	29 March 2018

- **On-market Share Buy-back**

  The Board has approved an on-market share buy-back of up to 27.4 million shares, the equivalent of 7.5% of the Company's issued capital.

  Chairman, Brett Gallagher commented: *"The Board is of the view that the Company's share price trading range since November 2017 materially under-values Service Stream. In this regard, an on-market share buy-back is considered to be the most appropriate means of investing the Group's surplus cash to create value for shareholders."*

  "The on-market share buy-back has been modelled to be EPS accretive in the range of 6.0% to 6.5%."

Outlook

Commenting on the outlook for the balance-of-year, Managing Director Leigh Mackender said: *"We expect that the second-half of FY18 will generate profit broadly in-line with the first-half, and we are targeting full-year Group EBITDA of approximately $64 million."*

"*We expect Fixed Communications to experience an increase in assurance, remediation and minor project works in the second-half, to offset the impact of nbn's decision to temporarily pause HFC activations".*

Results Webcast

Service Stream Managing Director, Leigh Mackender and Chief Financial Officer, Bob Grant, will host an on-line FY18 Half-year Results Briefing at 9:00 am Thursday, 15 February 2018.

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 the *AGM & Results Presentations* page on the Service Stream website at http://www.servicestream.com.au/investors/annual-general-meetings

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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 1,800 employees and up to 3,500 active contractors. For more information please visit www.servicestream.com.au.