



ServiceStream

22 August 2022

Office of Company Secretary

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Company Announcements
Australian Securities Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000
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Dear Sir/Madam

RE: Service Stream releases FY22 preliminary final report (unaudited)

In accordance with the Listing Rules, I attach a market release/announcement, for release to the market.

Yours faithfully,

Chris Chapman
Company Secretary
Service Stream Limited



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ASX Announcement

22 August 2022

SERVICE STREAM RELEASES FY22 PRELIMINARY FINAL REPORT (UNAUDITED)

Leading essential network service provider Service Stream Limited (ASX: SSM) today released its preliminary final report for the full year ended 30 June 2022. The results are highlighted by a transformational year associated with the acquisition and successful integration of Lendlease Services ("LLS"), and solid performance across the business amidst a challenging operating environment.

Group Highlights

- **Group Total Revenue of \$1,563.8 million, up 94.5% on pcp**
- **Group EBITDA from Operations of \$91.1 million, impacted by a solitary Utility project**
- **Group EBITDA from Operations margin 5.8%**
- **Adjusted NPAT of \$31.4 million**
- **Exceptional cash flow performance, EBITDA to OCFBIT cash conversion of 108%**
- **Transformational LLS acquisition and integration progressing well:**
 - **Profit contribution in-line with diligence expectations**
 - **Successfully exited all TSA modules by 30 June 2022**
 - **Improved synergy realisation run rate of ~\$10m at 30 June 2022**
- **Resumption of final dividend of 1 cent per share (fully franked)**
- **\$38.2 million non-cash impairment of Energy & Water goodwill**

Managing Director, Leigh Mackender said:

"I am pleased with the performance delivered across the business over the past 12 months, amidst a challenging operating environment and whilst simultaneously undertaking a major transformation of the business."

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This year marked a major chapter for Service Stream's evolution with the successful acquisition of Lendlease Services supporting a substantial expansion of Group capabilities and the extension of operating markets across new and growing industry sectors.

I am genuinely excited by the significant and positive progress made across the integration program which positions Service Stream to grow and diversify its operations as a leading multi-network service provider. Whilst there have been challenges throughout FY22 associated with COVID-19, project resourcing and extreme weather events, the Group has demonstrated its underlying resilience in being able to navigate through these over the course of the year."

Telecommunications

Telecommunications revenue of \$640.0 million increased by \$247.6 million or 63.1% on pcip. The increase reflected the addition of LLS' Telecommunications operations from November 2021 and included revenue from nbn's network construction upgrade program (N2P) and an expanded portfolio of wireless operations. The rebased legacy Service Stream operations performed better than expected, driven by stronger volumes and additional program of works being secured.

- Telecommunications' EBITDA was \$61.5 million, an increase of 6.4% on pcip with the additional earnings from LLS offsetting the reduced contribution from the legacy Telecommunications operations.
- Telecommunications' EBITDA margin was 9.6%, a decrease of 5.1% against pcip reflecting the reduced scale of legacy operations, the dilutionary impact of contracts acquired through LLS, partially offset by the delivery of cost synergies post-acquisition.

Utilities

Utilities revenue of \$697.0 million increased by \$283.7 million or 68.6% on pcip. The increase incorporated growth from water infrastructure projects and the addition of LLS's Utilities operations. Utilities' EBITDA was \$19.5 million, a decrease of \$9.5 million against prior year.

The division experienced headwinds and margin impact during the financial year across two aspects of its operations:

- Delays and cost overruns limited to a major QLD utility project, triggered by multiple wet weather and flooding events and resourcing constraints. This has resulted in a \$5 million onerous contract provision recognised for this project which is expected to be completed in FY23.
- The continuing impacts to Energy & Water operations since COVID, and the revision of the Group's WACC have resulted in a \$38.2m non-cash impairment of goodwill. The impairment is associated with historical goodwill across legacy utility and non-core contract center operations. The re-assessment of earnings for this business is immaterial to the overall Group outlook.

Transport

The Group's new Transport segment provides a wide range of specialist operational support and maintenance services to public and private, road and tunnel asset owners across Australia.

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Transport delivered revenue of \$220.1 million with an EBITDA of \$9.9 million, equating to a 4.5% EBITDA margin for the 8 months. Operations during the second-half of FY22 were impacted by prolonged wet weather which delayed road maintenance and improvement activities across WA and NSW.

Cashflow and Capital Management

The Group generated \$98.7 million of operating cashflow before interest and tax (OCFBIT) for the year compared to \$79.4m in the prior period. The exceptional operating cashflows resulted in an EBITDA to OCFBIT conversion rate of 108%.

The strong cash flow outcome resulted in net debt as at 30 June 2022 of \$81.3 million and closing net leverage of 1.52x (post AASB-16). The Company's balance sheet remains in a strong position, with significant headroom to support future growth.

The final acquisition completion adjustment payment remains pending and is expected to be finalised during the first half of FY2023.

Lendlease Services integration update

The acquisition of LLS was successfully completed on 1 November 2021.

The subsequent integration program, including the realisation of \$17m in targeted synergies, continues to be delivered over the 18-24 month period with the business making solid progress during the year.

Profit contribution across the acquired business was in line with diligence expectations and notable milestones during the year included:

- Successfully exiting all TSA modules by 30 June 2022
- Restructure across Telecommunications and Corporate Support divisions complete
- Utilities restructure underway with key appointments made
- Improved synergy realisation run rate of ~\$10m at 30 June 2022
- Continuing to fast-track delivery of synergies ahead of initial program

Safety

The business continues to deliver strong safety performance, with an industry leading Lost Time Injury Frequency Rate of 0.77 and Total Recordable Injury Frequency Rate of 2.94.

Given the differing nature of field services delivered across the LLS business and expanded operations across new market segments, the incorporation of HSE performance figures has negatively impacted the broader Group's performance during FY2023, as expected and identified during due diligence.



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The acquisition has however provided the Group with strong HSE capabilities, including specialist industry experience and leading HSE management systems, which will contribute to an expected performance improvement during FY2023.

Dividends

Following the year's performance, including strong post acquisition cashflows, and reflecting the Board's confidence in the expanded organisation, the Board has determined a final fully franked dividend of 1 cent per share.

Key dates for the final dividend are:	Ex-dividend date	19th September 2022
	Record date	20th September 2022
	Payment date	5th October 2022

Service Stream's Chairman, Brett Gallagher, said:

"The Board have been delighted by the way in which Management has navigated the business through the headwinds of the FY22 financial year and managed the acquisition of Lendlease Services.

It is pleasing that the fundamentals of our business remain robust and performance over this transformational year enables the resumption of dividends.

The Board remains confident that our specialist capabilities and service offerings uniquely position the business across a stable and dependable client base of utility, telecommunications and road asset owners and operators.

On behalf of the Board, I would like to acknowledge the extraordinary efforts of our talented and dedicated teams operating across the country who have worked tirelessly throughout the year to safely deliver services in support of our valued clients."

Group Outlook

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

"The Group is confident of delivering further revenue and profit growth during FY23 on the back of a full-year's contribution from Lendlease Services, subject to successfully navigating any extreme adverse weather events and effectively managing continuing labour / resource challenges, supply chain impacts or other major market disruptions.

In support of our strategy for continued growth and diversification, the priorities for the coming year include finalising the Lendlease Services integration, realising remaining business synergies and securing organic growth opportunities across each of the Group's core markets."



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Update on FY22 full year audit

Due to unforeseen and significant COVID-19 related disruptions to a significant number of personnel, certain audit processes and procedures are still to be finalised before the Company releases its audited FY22 full-year accounts to the ASX.

As a result, Service Stream has today released its preliminary final report for the FY22 full-year accounts, noting that the audit is substantially progressed.

Service Stream expects audited accounts to be released on Friday 26 August 2022, within the time prescribed under listing rule 4.3B.

Results webcast

Service Stream Managing Director, Leigh Mackender and Chief Financial Officer, Linda Kow, will host an on-line FY22 Full Year Results Briefing at 10am (AEDT) on 23rd August 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/8ng9ysd3>

For further information on this announcement, please contact:

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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 states 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