24 February 2021

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The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Service Stream FY21 Half-Year Results

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

Yours faithfully

CJ Chapman

Chris Chapman
Company Secretary

ASX & MEDIA RELEASE 24 February 2021

SERVICE STREAM ANNOUNCES FY21 HALF YEAR RESULTS

Leading essential network services company Service Stream Limited (ASX: SSM) today released its financial results for the year ended 31 December 2020, highlighted by the following:

- **Group EBITDA from Operations of $40.2 million, in line with expectations.**
- **Adjusted NPAT of $20.1 million.**
- **Strong cashflow generation and conversion rate of 108%.**
- **Group retained Net Cash position of $10.5 million.**
- **Interim dividend of 2.5 cps (fully-franked), maintaining Group payout ratio of ~60%.**
- **Secured and/or renewed more than $1.5bn in contracted works.**

Managing Director, Leigh Mackender said:

"The results for the half-year reflect a lower contribution from the Group's telecommunications segment, driven by the conclusion of nbn construction operations last year and a step down in activation volumes, as expected.

Over the past 6 months, the Group has successfully secured several significant long-term contracts, including two multi-year agreements with NBN and one with Telstra. These agreements support the continued provision of operations and maintenance services across the country, reaffirming Service Stream's position as the leading infrastructure service provider, and positioning the business well to secure additional programs of work into the future.

The Group's results, whilst down on prior periods, continue to demonstrate solid fundamentals in terms of profitability, balance sheet strength, quality of earnings and a robust contract pipeline across a blue-chip industrial client base. These provide a strong foundation from which the business is working to replace revenues from historical nbn peak earnings across a more diversified revenue base to support sustainable long-term growth."

Utilities Segment

Focus over the first half has been on building momentum to support revenue growth, mobilisation of new contracts, and implementation of Group ERP (IFS) into Comdain.

Revenue for 1H FY21 was $199.6 million, $0.5m above the prior year:

- Comdain Infrastructure revenue was up 5.1% on last year. Mobilisation of select projects has been impacted by COVID restrictions, particularly in relation to staff movements across borders.

- Metering Services and New Energy revenue was $7.1m lower than prior year, primarily due to continuing COVID related restrictions; including a moratorium on energy disconnection and reconnection services and reduced asset replacement volumes over the immediate term.

There continues to be a robust pipeline of new gas and utility project opportunities, supported by growing urban development and the upgrade or replacement of ageing infrastructure. During the period Comdain secured a significant $55 million SEQ Water Southwest Pipeline contract and further works in NSW operations of approximately $40 million. The business is well positioned with these new projects to achieve revenue growth of 15% in FY21.

Telecommunications Segment

The business successfully renewed all 3 of its major telecommunications contracts during the period, providing future earnings sustainability and a significant long-term foundation from which the business will pursue and secure additional opportunities:

- nbn Unify Networks and Unify Services, each for a maximum term of 8 years (including options)

- Telstra Field Services, covering fixed line and wireless services, for a maximum term of 5 years (including options)

Revenue for 1H FY21 was $209.9 million, $88.0m lower than prior year due to the conclusion of the nbn construction program last year, and lower activation volumes. Wireless revenue of $33.3 million has continued to track below expectations due to the slow ramp up of 5G expenditure.

Cashflow and Capital Management

The Group has reported a strong cash flow result for the half year, with an EBITDA to OCFBIT conversion ratio of 108%. Closing net cash was $10.5 million, comprising cash-on-hand of $50.5 million net of borrowings of $40.0 million.

The Group is pleased to announce that it has entered into a new syndicated financing facility to replace the existing debt facility which was due to expire in September 2021. The new facility has been increased to $275 million for a 3-year term to support future growth opportunities. The refinance was well supported with an expanded banking group and the offer was oversubscribed. The new facility provides improved commercial terms and operational flexibility with the ability to further increase debt over time to fund future growth.

Safety

The Group continued to deliver industry-leading safety performance, reporting improvements across key lag indicators. The Group's Total Recordable Injury Frequency Rate was 1.57, and Lost Time Injury Frequency Rate remained low at 0.45.

Dividends

The Service Stream Board has declared an interim dividend for the half year of 2.5 cents per share (fully-franked), maintaining the Group's historical payout ratio of ~60%.

Key dates for the interim dividend are:	Ex-dividend date	25 March 2021
	Record date	26 March 2021
	Payment date	14 April 2021

Chairman, Brett Gallagher said: *"Whilst earnings related to the Group's telecommunication operations have reduced, in line with expectations, the fundamentals of Service Stream's business model remain strong and the Board is pleased to retain dividends in line with our historical payout ratio.*

The Board has been delighted in Management's success in securing in excess of $1.5bn of works which will underpin our ongoing strategy of diversification.

On behalf of the Board, I would like to acknowledge the efforts of our people in being able to safely deliver our essential services given the recent operating environments across the country. The Board is proud of the way the company has met and adapted to the challenges that have come with the COVID-19 global pandemic and the way our people have successfully navigated the business through this period."

COVID-19

Whilst Service Stream's exposure to essential infrastructure services has positioned it well to navigate through the COVID-19 pandemic, the evolution of the pandemic and escalation in the governments' response has negatively impacted the Group's operations and near-term financial performance. Increased restriction of movement, both within and across State borders, coupled with snap lock downs have inhibited the Group's ability to effectively plan and move resource to support program delivery.

The impacts to earnings have largely been associated with:

- continued moratoriums on electricity and gas disconnections (and subsequent reconnections);
- client initiated delays to procurement programs and the subsequent delayed mobilisation of secured works;
- deferral of some proactive maintenance activities by asset owners to ensure networks remain available to consumers working from home;
- delays in projects due to availability of client-supplied free-issue materials; and
- state imposed restrictions on movement across borders.

The Group's balance sheet, cash flow and liquidity remain very strong and whilst the business impact was not of sufficient quantum to access broad government support, the business did receive $0.8m in association with our inspection and quality assurance operation under TechSafe, which was specifically impacted under the Stage 4 restrictions across Victoria.

Outlook & Group Strategy

The Group had expected a higher contribution during the second half of FY21, driven by increased proactive maintenance programs previously delayed by clients and the delivery of new work programs recently secured. Current trading conditions and continued COVID impacts, largely associated with client-initiated delays to work programs and shortages across client supplied materials, coupled with restrictions on movement and interstate travel bans, are now expected to continue for the reminder for the year. Additionally the business remains cautious to the transition of the existing nbn OMMA contract to the new nbn Unify Services model which is expected to occur in Q4 and how this may impact positively or negatively on work volumes.

The Group therefore expects the second-half result to be approximately in-line with the first-half,

Whilst these results are subdued, the business continues to demonstrate strong fundamentals and has benefitted from our strategy to progressively diversify across critical utility infrastructure markets and to expand our service offerings. These markets are well understood by Service Stream, and hold positive long-term outlooks associated with increased urbanisation and consistent expenditure associated with maintaining and upgrading critical infrastructure.

The business has a strong pipeline of organic growth opportunities linked to our core markets, and will continue to adopt a measured approach to assessing potential external growth opportunities, ensuring they will enhance the Group's long-term performance.

Managing Director, Leigh Mackender said: *"FY21 represents a transitional year for the business with several major agreements up for renewal and the nature of these agreements changing into the future. We manage Service Stream for the long term, focussing on driving and supporting strong business fundamentals whilst positioning the Group to achieve future growth.*

The business is working to secure both organic and external growth opportunities across our current markets that will assist to replace the decline in telecommunication related earnings into the future, across a diversified revenue base.

The Group's diversification strategy into utilities is progressing well with Comdain Infrastructure securing several programs of work over the past 6 months and is on track to achieve 15% growth in FY21.

Service Stream's core fundamentals in terms of its profitability, balance sheet, quality of earnings and blue-chip client base remain strong. The business holds a solid order book of future contracted revenues and continues to work on securing additional growth opportunities, both organically and through acquisition, which will support the business to grow into the future."

Results webcast

Service Stream Managing Director, Leigh Mackender and Chief Financial Officer, Linda Kow, will host an on-line FY21 Half-Year Results Briefing at 9:00 am Thursday, 25 February 2021.

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 and utility sectors. Service Stream operates across all states and territories, has a workforce in excess of 2,200 employees and access to a pool of over 3,000 specialist contractors. For more information please visit www.servicestream.com.au