ServiceStream

22 February 2023

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 FY23 Half Year Results

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

Yours faithfully,

CJ Chapman

Chris Chapman
Company Secretary
Service Stream Limited

ServiceStream

ASX Announcement

22 February 2023

SERVICE STREAM FY23 HALF YEAR RESULTS

Leading essential network service provider Service Stream Limited (ASX: SSM) today released its financial results for the half-year ended 31 December 2022. The results are highlighted by strong underlying financial performance and the successful transformation of the business following completion of the Lendlease Services (LLS) integration.

Group Highlights

- **Total Revenue of $993.6m, up 75.5% on pcp and tracking towards $2bn for the full-year**
- **Underlying EBITDA from Operations of $55.0m, up 40.1% on pcp, excluding additional provision recognised for the QLD project[1]**
- **Adjusted NPAT of $17.1m**
- **Solid balance sheet position with closing net debt of $91.2m**
- **Queensland project progressed to construction phase providing increased cost and time certainty; additional $20m provision recognised[2]**
- **Strategically repositioned the business to deliver consistent and reliable growth:**
    - Integration of Lendlease Services (LLS) completed with key acquisition objectives achieved
    - $17m of targeted synergies realised ahead of schedule
    - De-risked Group's exposure to major design and construction projects
    - Group positioned as a Tier 1 national multi-network service provider operating across growing infrastructure sectors
- **Interim dividend of 0.5 cent per share (fully franked) declared**

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[1] EBITDA from Operations excludes acquisition transaction and integration costs, and JV adjustments. Underlying EBITDA excludes further costs associated with the onerous QLD project. Refer to the Appendix in the Investor Presentation for a reconciliation of Underlying EBITDA from Operations to NPAT.
[2] Refer to the 9th February ASX announcement for details

Managing Director, Leigh Mackender said:

"*I am pleased with the Group's performance over the past 6 months and the significant milestones achieved in repositioning the business for future growth. While I acknowledge the challenges our Utilities division has faced over this period, I am confident in the Group's ability to close these out in a cost effective and timely manner.*

Notwithstanding this, there is a lot that's been achieved for the first half of FY23. We have completed the integration ahead of schedule, realised $17m+ of synergies, de-risked the Group's exposure to major D&C construction projects, and our Telecommunications division has delivered another strong result."

Utilities

Utilities revenue was $408.8 million for the half, an increase of $131.4 million or 47.3% on pcp. The increase in revenue reflects a full 6 months inclusion from LLS and contributions from recently mobilised water operations.

Utilities' underlying EBITDA was $12.5 million, a decrease of $3.8 million against prior year. The division's performance was impacted by extreme wet weather events across the east coast and residual labour and inflationary pressures not recovered through contractual mechanisms. EBITDA margin of 3.0% is expected to improve as the short-term factors currently impacting performance dissipate.

As announced on 9 February 2023, the FY23 half-year accounts includes a further $20 million provision to support completion of the Queensland D&C project by the end of CY23. The increased costs relate to design delays, scope re-development, increased labor and material costs and additional overheads to cover schedule slippage.

The division's growth strategy is now focused on pursuing opportunities across lower risk operations and maintenance works, and supporting the rapidly growing power, new energy and industrial maintenance sectors.

Telecommunications

Telecommunications revenue for the half was $458.2 million, an increase of $224.1 million or 95.7% on pcp. The significant growth in revenue was underpinned by a full 6 months inclusion of LLS, and strong volumes across both fixed line and wireless network operations.

Telecommunications' EBITDA was $41.4 million, an increase of 96% on pcp. The EBITDA margin was pleasingly maintained at 9.0%, following a period of rebasing and integration of lower margin LLS contracts.

The Group has a strong market position and a significant base of contracted works, including contracts with all major telecommunication operators and asset owners in Australia. Approximately 85% of the division's revenue for the 12 months ahead is already secured.

The business will continue to benefit from significant investments as the economy shifts towards digital, increasing dependency on telecommunication networks as an essential service and the strong demand for improved speed and bandwidth across all network infrastructures.

Transport

Transport's revenue was $126.3 million, an increase of $71.3 million or 129.6% on pcp. The increase reflects a full 6 month contribution of LLS operations and improved weather conditions across WA and NSW in Q2 which supported a resumption of delayed maintenance works.

Transport's EBITDA was $8.1 million, an increase of $4.2 million or 107% on pcp. The EBITDA margin remained steady at 6.4%, in line with management expectations.

Further progress has been achieved with the Inland Rail opportunity, with an Early Works Deed executed during the period. Additionally, the division successfully secured the Burnley Tunnel intelligent transport system (ITS) upgrade project with Transurban.

The business sees significant growth opportunities with the maintenance of existing transport networks, upgrade of road infrastructure and deployments of new and improved ITS technology.

Balance sheet and cash flow

The Group ended the period in a solid balance sheet position with net debt of $91.2 million.

Underlying Operating EBITDA to cash flow conversion (OCFBIT) was 70%, which was in line with expectations with a strong and continuing focus on cash conversion offsetting the build-up in working capital to support the growth in Telecommunication's revenue over Q2. OCFBIT for the half was also negatively impacted by partial reversal of the timing benefit at June-22 which resulted in an exceptional June-22 OCFBIT result of 108%.

During the period the Group refinanced its Syndicated Financing Facility, extending tenure to November 2025. There were no material changes to the terms of the facility.

The Group also finalised its accounting position for the acquisition of Lendlease Services during the period. The final Completion payment of $12.9 million was paid in January 2023.

Industry Leading Safety Performance

The business continues to deliver industry leading safety performance, reflecting its strong safety culture and commitment to continuous improvement. Significant reductions were achieved across all major performance indicators, headlined by a 26% reduction in the Group's Lost Time Injury Frequency Rate (LTIFR) to 0.61.

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Dividend

The Board has declared an interim dividend for the half-year of 0.5 cents per share (fully-franked).

Key dates for the final dividend are:	Ex-dividend date	22nd March 2023
	Record date	23rd March 2023
	Payment date	6th April 2023

Service Stream's Chairman, Brett Gallagher, said:

"Given the strong underlying performance of the Group, the Board is pleased to declare an interim dividend of 0.5 cps for the half-year.

The Board is confident that Service Stream's capabilities, coupled with strong fundamentals across each of our core markets, presents significant opportunities to support consistent growth and improved shareholder returns into the future."

Group Outlook

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

The Group expects incremental revenue and profit growth during H2 FY23, supporting a small second half bias, and is well positioned for continuing growth."

Results webcast

Service Stream Managing Director, Leigh Mackender and Chief Financial Officer, Linda Kow, will host an on-line Results Briefing at 10am (AEDT) on 22 February 2023.

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/zaax3f7b

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, Utility and Transport sectors. Service Stream operates across all States and Territories, has a workforce in excess of 5,000 employees and access to a pool of over 5,000 specialist contractors. For more information visit www.servicestream.com.au