

ASX & MEDIA RELEASE**6 March 2017****Service Stream proposes to acquire the TechSafe electrical inspection business**

Leading essential network services company Service Stream Limited (ASX: SSM) is pleased to announce that it proposes to acquire TechSafe, the largest independent electrical inspection company in Australia, subject to a fair and reasonable opinion from an Independent Expert and Service Stream shareholder approval. **(Proposed Transaction)**.

TechSafe is based in Melbourne and provides inspection, auditing and compliance services nationally to electricity network owners, electricity industry regulators, government entities and electrical contractors.

Highlights

- Acquisition of Techsafe for \$19.0 million
- Additional payment of up to \$1.0m, subject to meeting certain financial targets in FY18
- Proposed Transaction is subject to a fair and reasonable opinion from an Independent Expert and Service Stream shareholder approval
- EPS accretive for Service Stream shareholders
- Provides revenue diversification and additional annuity-style revenue
- Expands Service Stream's capabilities and service offerings, whilst remaining aligned with our core operating model
- Provides strong growth opportunities associated with expansion across the wider utility markets (electricity, gas, water and telecommunications) and the increased deployment of electrical assets associated with disruptive technologies

Proposed Transaction

Service Stream proposes to acquire all of the shares of both TechSafe Australia Pty Ltd and TechSafe Management Pty Ltd for an aggregate initial cash consideration of \$19.0 million (subject to adjustments for accrued tax liabilities, cash-at-bank and movements in working capital) plus an aggregate additional cash consideration of up to \$1.0 million subject to achieving certain financial targets in respect of FY18.

Overview of TechSafe

TechSafe was established in 1998 after the privatisation of the electricity industry in Victoria. The current shareholder group acquired the business in 2011, following which it has grown and evolved with the electrical industry, while enhancing its technical capabilities. It currently engages 45 employee and 50 sub-contractor qualified inspectors, completing in excess of 100,000 inspection and compliance audits per year.

On the back of an expanded contract with Energy Safe Victoria and a new contract with the WA Housing Authority, which both commenced during the current financial year, TechSafe's revenues are forecast to increase from \$9.5 million in FY16 to approximately \$14.0 million in FY17, with EBITDA growing from \$1.9 million to approximately \$3.0 million over the same period. Service Stream expects Techsafe to generate additional growth in FY18, assuming the continuation of other existing major contracts.

Strategic rationale

Commenting on the strategic rationale of the Proposed Transaction, Service Stream Managing Director Leigh Mackender said *"The acquisition of TechSafe will assist Service Stream to further diversify the Company's revenue stream and increase our exposure to annuity-style revenues across known markets, where we expect to see continued future growth. The TechSafe business has strong alignment with Service Stream's 'ticket-of-work' business model and is operationally aligned to our own core competencies and capabilities."*

"In conjunction with our Energy & Water division, Service Stream presents the opportunity to expand TechSafe's service offerings across additional states, as well as the broader utilities market including electricity, gas, water and telecommunications. In addition to these markets, the business is well positioned to capitalise on the inspection and auditing of assets associated with the growing deployment of disruptive technologies, including solar pv, battery storage and electric vehicle infrastructure, as well as other asset classes nationally."

TechSafe's Managing Director, Ashley Haynes, will join the Service Stream management team following completion of the Proposed Transaction. Mr Haynes has over 15 years' experience in the outsourcing and management of contracts in the utilities sector. Prior to joining TechSafe, Mr Haynes was Executive General Manager at Service Stream, overseeing the Energy & Water division.

Following the implementation of the Proposed Transaction, TechSafe's operations will maintain an appropriate degree of independence from the remainder of Service Stream's operations in support of their inspection and auditing responsibilities.

The Proposed Transaction is expected to be EPS accretive to Service Stream's pre-acquisition earnings forecast on both a reported and adjusted basis (ie. adjusting for the non-cash amortisation of customer contracts) from the first full year after completion of the acquisition, and Service Stream will remain in a strong net cash position after paying the relevant consideration.

Related Party matters

Service Stream's Chairman (Mr Brett Gallagher) and his wife have an interest in entities which hold 1/3rd of the shares of each of the TechSafe companies and Mr Gallagher's father-in-law and mother-in-law have an interest in entities which hold a further 1/3rd of the shares of each company. Mr Gallagher and his father-in-law are directors of both companies.

Each of these individuals and the entities which they control or hold interests are related parties of Service Stream for the purposes of the ASX Listing Rules and the Corporations Act. The Proposed Transaction must therefore be approved by Service Stream's shareholders in accordance with ASX Listing Rule 10.1 and is also being referred to Service Stream shareholders for approval in accordance with Chapter 2E of the Corporations Act.

Independent Directors' consideration of the Proposed Transaction

Commenting on the Proposed Transaction, Service Stream's lead independent non-executive director Peter Dempsey stated *"Over the past three years, Service Stream has returned to solid and sustainable earnings under a well-performing management team and with a strong balance sheet and no debt is well positioned to undertake an acquisition to supplement the business' strong pipeline of organic growth."*

Commenting further, Mr Dempsey said *"Given its related party nature, the Service Stream Board established a range of specific governance protocols to consider the potential acquisition of TechSafe. These protocols included the establishment of an Independent Board Committee comprising all directors of Service Stream Limited, excluding Mr Gallagher, which was chaired by myself. This Independent Committee oversaw all aspects of evaluating and managing the proposed transaction."*

“The Independent Board Committee considers the strategic rationale for Service Stream’s acquisition of the TechSafe business to be compelling, and the independent directors will be unanimously recommending that shareholders vote in favour of approving the proposed transaction at a forthcoming Extraordinary General Meeting.”

Extraordinary General Meeting

Subject to regulatory approval of a Notice of Meeting and Explanatory Statement, details of an Extraordinary General Meeting of Service Stream Limited to consider the Proposed Transaction are expected to be forwarded to shareholders in coming weeks, with the EGM targeted to take place in late April.

Completion of the Proposed Transaction is to occur at an accounting month-end, and subject to the timing of the EGM and the satisfaction of conditions precedent, is targeted to occur on Friday 28 April 2017.

Independent Expert Report

The Independent Board Committee has appointed KPMG Corporate Finance for the purposes of preparing an independent expert’s report in accordance with the ASX Listing Rules. The independent expert’s report will include an opinion as to whether the Proposed Transaction is fair and reasonable to Service Stream shareholders, and will be provided to shareholders as part of the Explanatory Statement that will accompany the Notice of Meeting for the EGM.

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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 active contractors. For more information please visit www.servicestream.com.au.