

## ASX & MEDIA RELEASE

24 March 2017

### Proposed acquisition of the TechSafe electrical inspection business

Leading essential network services company Service Stream Limited (ASX: SSM) today announced that it has called an Extraordinary General Meeting of shareholders to be held on 26 April 2017 to consider its proposed acquisition of the TechSafe electrical inspection business (**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.

A copy of the Notice of Meeting and Explanatory Memorandum, including the Independent Expert's Report, accompanies this announcement and will be despatched to Service Stream shareholders today along with the associated proxy form.

Service Stream shareholders are encouraged to read the Notice of Meeting, Explanatory Memorandum and Independent Expert's Report in their entirety as they contain important information about the Proposed Transaction.

#### Highlights

- The Proposed Transaction is the acquisition of 100% of the shares of TechSafe Australia Pty Ltd and TechSafe Management Pty Ltd
- Initial aggregate consideration is \$19.0 million with an additional payment of up to \$1.0m, subject to meeting certain financial targets in FY18
- Total consideration implies a forward EBITDA multiple of 5.7x based on expected FY18 earnings
- EPS accretion from the Proposed Transaction is expected to be 7.4% on an adjusted basis (adjusting for the non-cash amortisation of customer contracts) in FY18
- EPS accretion for Service Stream shareholders has been maximised by an "all cash" consideration
- Service Stream will remain in a positive Net Cash position after paying the consideration
- The Proposed Transaction is a Related Party transaction for the purposes of the ASX Listing Rules and the Corporations Act
- The Proposed Transaction has been assessed as fair and reasonable by an independent expert, KPMG Corporate Finance
- Service Stream Independent Directors unanimously recommend to vote in favour of the Proposed Transaction
- Extraordinary General Meeting to be held on 26 April 2017
- Completion of the Proposed Transaction is targeted for 28 April 2017

## **Related Party matters**

The Chairman of Service Stream (Mr Brett Gallagher) has an interest in entities which hold 1/3<sup>rd</sup> of the shares of each of the TechSafe companies and other individuals related to Mr Gallagher have an interest in entities which hold a further 1/3<sup>rd</sup> of the shares of each company. As such, each of these individuals and the entities which they control or hold interests are Related Parties for the purposes of the ASX Listing Rules and the Corporations Act. The Proposed Transaction must therefore be approved by Service Stream Shareholders.

## **Independent Board Committee**

In light of the Related Party matters, the Service Stream Board established a range of specific governance protocols to consider the Proposed Transaction. These protocols included the establishment of an Independent Board Committee (IBC) to oversee all aspects of evaluating the Proposed Transaction. The Independent Board Committee comprised all directors of Service Stream Limited excluding Mr Gallagher and was chaired by Lead Independent Non-executive Director, Mr Peter Dempsey.

## **Independent Expert Report**

The IBC appointed KPMG Corporate Finance for the purposes of preparing an independent expert's report in accordance with the ASX Listing Rules.

The Independent Expert, KPMG Corporate Finance, has formed the opinion that the Proposed Transaction is fair and reasonable.

## **Extraordinary General Meeting**

The Extraordinary General Meeting will be held at Service Stream's head office, Level 4, 357 Collins St, Melbourne at 10:30 am on Wednesday, 26 April 2017.

All Service Stream shareholders are encouraged to vote on the Proposed Transaction either by attending the Extraordinary General Meeting in person, or by lodging a proxy form by 10:30 am on Monday, 24 April 2017.

## **Independent Directors' Recommendation**

The Service Stream Independent Directors unanimously recommend that Service Stream shareholders vote in favour of the Proposed Transaction.

## **For further details 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, 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](http://www.servicestream.com.au).