



25 June 2014

Company Announcement Platform

Australian Securities Exchange Limited

STREAM GROUP LIMITED (ASX:SGO): DELIVERS MARKET UPDATE

FY14 GUIDANCE

SGO today updated the market in relation to its outlook for the 2013/14 financial year.

Stream Group Limited is expecting an underlying profit before tax (PBT) in the order of \$0.5 to \$0.6 million (FY13 \$4.6 million) and EBITDA in the order of \$2.1-\$2.3 million (FY13 \$5.4 million). The reduction in FY14 profit is primarily due to:

- Expansion costs in relation to establishing the UK business (\$1.66 million)
- Expansion costs in relation to new initiatives including: Software Services & E-Commerce (\$0.5 million)
- Very benign claims environment across the insurance industry in Australian for all of FY14.

Taking into account the UK expansion costs and expansion costs in relation to other new initiatives (Software Services & E-Commerce), the normalised PBT for FY14 will be in the order of \$2.7 to \$2.9 million (FY13 \$5.7 million) and normalised EBITDA in the order of \$4.3 to \$4.5 million.

This guidance is in relation to the underlying performance of the original Stream business as detailed in the Replacement Prospectus (dated 7 March 2014). This guidance does not take into account the financial performance of Cerno Limited. An update on Cerno is provided below.

The statutory financial statements of Stream Group Limited (Previously LongReach Group Limited) will be prepared based on a reverse acquisition which will include the operations of Stream Group Holdings Pty Limited for the full 12 months to 30 June 2014 and approximately 3 Months of Stream Group Limited from the date of the reverse acquisition.

Stream expects that FY15 financial performance will be a significant improvement on FY14 as explained further below due to new product launches, new client agreements and continued geographic expansion.

Cerno Limited (Cerno) update

Cerno's financial performance has continued to be below expectations which has been exacerbated by the benign claims environment. As highlighted in the Replacement Prospectus, Cerno needed

additional funding to continue the restructure to right size the business and integrate the operations with Stream. Since the initial investment in Cerno in March 2013, Cerno has received additional support totalling \$4 million detailed as follows:

Detail	\$m
Equity Investment by Stream for 39%	3.00
Loan from Stream	2.00
Third party loan (SGO related entities)	2.00
Total	7.00

While the turnaround of Cerno has cost more and taken longer than expected the Board believes that the long term strategy to build a diversified, national claims services business that provides a full range of products to the market remains a sound strategy.

Stream intends to make an offer to acquire the remaining 61% of Cerno Ltd through an earn-out structure, meaning that the total amount of the consideration received will depend upon the financial performance of the Cerno over a 2 year period measured against revenue. The consideration payable to Cerno Shareholders will be in the form of new shares issued by Stream Group Limited and the Cerno valuation will take into account total funds provided to Cerno. Stream intends to make an offer and complete the acquisition of Cerno during the first half of FY15.

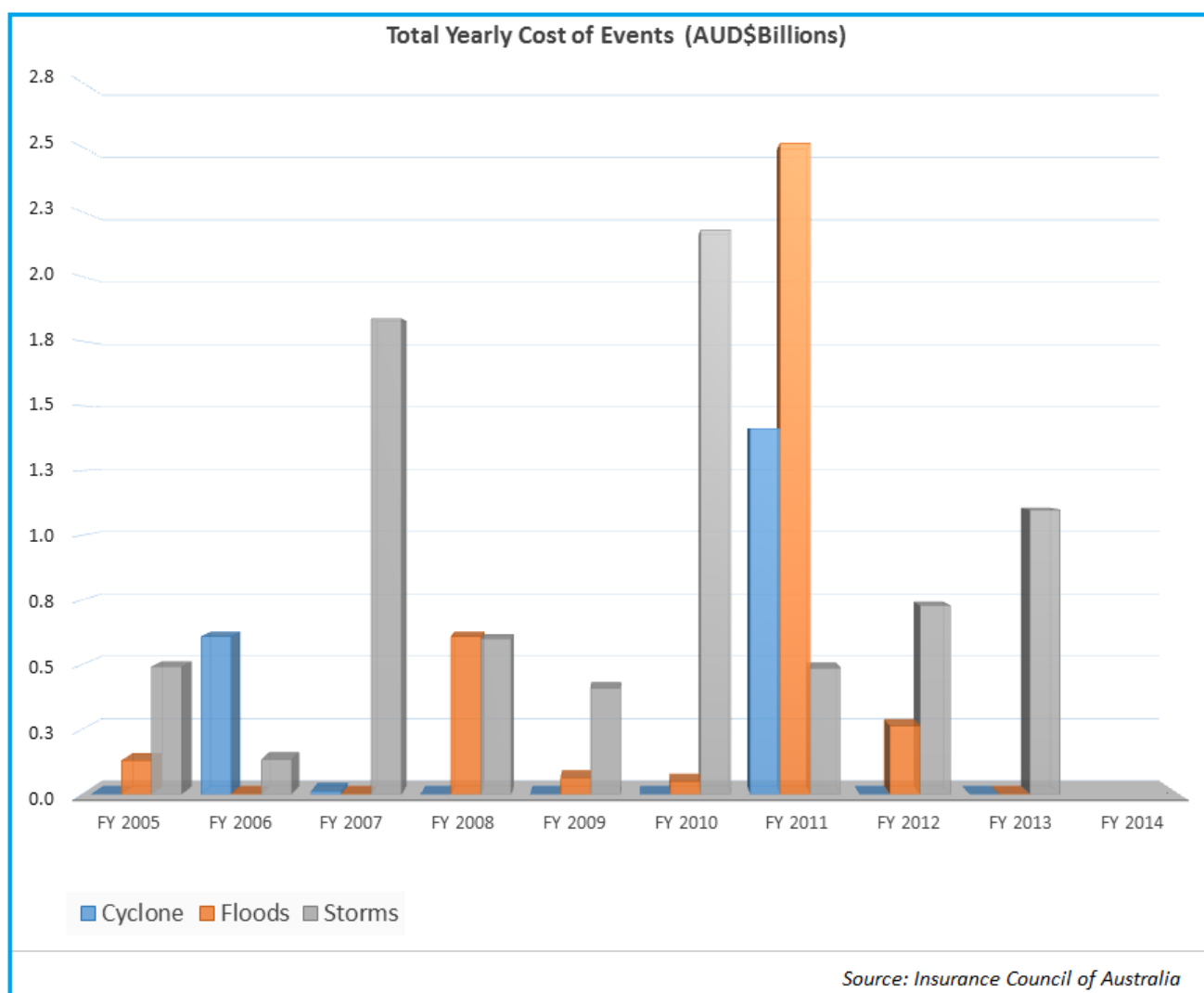
For FY14 Stream will equity account Cerno which will increase Stream's losses in the order of \$2.9 million. The Directors are still considering the impairment of the Cerno investment and Cerno loans which will potentially have a negative impact of \$2.5 – \$3.0 million.

Impact of benign claims environment on Australian operations

The Australian claims environment has been below historical trends in terms of frequency and claim size. This is demonstrated by many insurers reporting historically low loss ratios leading to fewer claims being allocated to outsourced providers such as Stream.

In addition to a generally benign environment, there have been no significant weather events in Australia during FY14. Weather events that generate significant claim numbers are generally a yearly occurrence (Data: ICA) however no events have eventuated in FY14.

The company is unable to forecast future whether events and as a result is taking a conservative approach to resourcing.



Stream UK awarded contract with Ageas Insurance Limited

Following the investment to establish a presence in the UK, Stream Group Ltd is pleased to announce continuing expansion of its client relationships with the award of a new contract in the UK.

Stream UK has been notified it has been successful in its tender for the Loss Adjusting Services panel from Ageas Insurance Limited. Ageas is the 4th largest Personal lines intermediary and 6th largest household insurer in the UK with approximately 9,000,000 policy holders. Contract finalisation is underway with revenue from this agreement likely to be booked in August 2014 with an initial term of 3 years expected.

During the financial year, Stream UK's specialist liability division generated revenue from a number of new customers including Abellio, First Group, Total Law and Mitsui demonstrating strong opportunity for growth.

The UK is expected to achieve revenue of over \$4.5 Million in FY15 which is forecast to result in annualised revenue of over \$7 Million based on existing client relationships.

Stream Connect

The Stream Connect E-Commerce portal has completed its soft launch and will be ready for full launch in August 2014 after final development is completed. Products will be available for purchase by insurance and non-insurance customers, as well as the ability to procure trade and other services.

Trades and services will be verified using Stream's unique insurance driven verification process which the company believes will provide a cost and quality advantage over other online services platforms.

The major part of the Stream Connect strategy is the capture and storage of product information including price history, availability, and specifications. This database is utilised by Stream's claims services businesses and continues to grow strongly with over 6,000,000 individual products.

Development of this database is a key strategy of leveraging Stream's existing businesses to create long term opportunities in data ownership and analytics. Over time these databases will be provided direct to companies and third party applications to create new revenue opportunities for Stream.

QuSol Trade Workflow System

As outlined in the Replacement Prospectus, Insurtech was in the process of creating a "software as a service" version of its AcClaim platform called "QuSol" which is available to trade and other service businesses; specialising in the insurance industry.

This product has progressed well through customer beta testing and is now ready for launch. Contracts are being finalised with revenue forecast to start in July.

A significant marketing campaign will begin in August to coincide with a number of industry events and the company is confident of strong take up.

*For further information please contact Christian Bernecker on 0408 293 222,
Christian.bernecker@longreach.com .*