

17 September 2014

ASX RELEASE

**Stream Group Ltd. continues to grow through acquisition of NIRS**

Stream Group Limited (ASX:SGO) ("Stream") today agreed to acquire National Insurance Replacement Services (NIRS), subject to Stream Shareholder approval. Stream previously held 40% of NIRS and has now agreed to acquire the remaining 60% by issuing new shares in Stream to the remaining shareholders of NIRS. NIRS is a national provider of innovative contents validation and fulfilment services to insurers and claims handlers. The acquisition aligns with Stream's strategy by broadening capability, increasing the number of insurance customers and adding revenue of \$6-7 million on an annualised basis. The acquisition is forecast to be earnings accretive in FY15. Stream is pleased to advise that two of the founders of the business, Steve Newman and Geoff Daniel will stay on as employees of the group post acquisition.

Stream will acquire 60% of NIRS for \$799,999 with consideration solely in the form of a total of 3,547,668 new Stream shares issued to the vendors at a deemed value of \$0.2255 per share (Shares). The Shares will be subject to voluntary escrow for 12 months from the date of issue. The vendors will also receive an additional cumulative total of 452,332 new shares at \$0.2255 per share subject to FY15 EBIT (Earnings Before Interest and Tax) of the NIRS business being at least \$200,000 (Earn-Out Shares). The Earn-Out Shares will be issued on or about 30 September 2015 if the EBIT target is met. The capital structure of Stream post acquisition will be as follows:

Quoted shares on issue	149,695,613
Unquoted shares issued under the Company's Employee Share Loan Plan	3,333,333
<b>Shares on issue prior to NIRS acquisition</b>	<b>153,028,946</b>
Shares issued to NIRS vendors	3,547,668
<b>Shares on issue post acquisition</b>	<b>156,576,614</b>
Earn-out Shares to be issued if FY15 EBIT is met	452,332

Stream will seek shareholder approval at the 2014 AGM for the issue of the Shares and Earn Out Shares under ASX Listing Rule 7.1. The Directors of Stream have each agreed to vote the Stream shares they control in favour of the transaction at the AGM. If approved, the Shares will be issued on the day of the 2014 AGM.

**Update on Cerno Acquisition and Performance**

Stream is in the process of finalising an offer in relation to the acquisition of the remaining 61% of Shares in Cerno Limited (Cerno) not currently owned by Stream. As previously advised Stream intends to make an offer and complete the acquisition of Cerno during the first half of FY15. The issue of securities as consideration for the acquisition of Cerno will be put to Stream shareholders

for approval at the upcoming AGM. The Director's of Stream intend to hold the AGM before the end of October 2014.

Cerno is delivering operational improvements and improved customer satisfaction as the transformation continues. Management forecast that Cerno is on track for a breakeven EBITDA in November 2014, make a small loss over the December January period and then return to profitability on a monthly basis, assuming the current benign claims environment. Cerno will also realise monthly cost savings of \$134,000 as contracted commitments such as office rent, lease commitments and other committed costs run off. 75% of these savings will be realised in 2015.

#### **Update on UK Business**

Stream is continuing to increase revenues in the UK operations primarily from the Ageas panel appointment previously announced. Stream maintains its forecast for A\$4 million of revenue for FY15, which equates to A\$7 million of revenue annualised for the existing customer base.

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For further information please contact

**Don McKenzie**

**Managing Director**

T: +61 412 667 471

E: [don.mckenzie@streamgroup.com.au](mailto:don.mckenzie@streamgroup.com.au)

**Christian Bernecker**

**Chairman**

T: +61 408 293 222

E: [christian.bernecker@streamgroup.com.au](mailto:christian.bernecker@streamgroup.com.au)