

8 April 2024

RECEIPT OF NON-BINDING ACQUISITION PROPOSAL AND BUSINESS UPDATE

APM Human Services International Limited (ASX: **APM**) (the “**Company**”) wishes to provide the following update on acquisition proposals received to date.

As advised in APM’s trading halt request on 28 March 2024, the Company received a letter from CVC Asia Pacific Limited (**CVC**) advising that it was unable to proceed to finalise a transaction on terms consistent with their non-binding offer as disclosed. This coincided with the end of CVC’s exclusivity period.

As outlined in its request to extend the voluntary suspension on 5 April 2024, APM confirmed that Madison Dearborn Partners (**MDP**), which currently holds an interest of approximately 29% in APM and has three directors on the APM Board, had indicated its intention to put forward an indicative non-binding proposal to acquire the Company.

Proposal from Madison Dearborn Partners

APM subsequently received a non-binding indicative proposal from funds controlled by MDP to acquire all of the shares in APM which it does not already hold for \$1.40 cash per share by way of a scheme of arrangement under Part 5.1 of the *Corporations Act 2001* (Cth) (the **MDP Proposal**).

The MDP Proposal includes a rollover election for APM shareholders to receive all or part of the consideration in unlisted shares in the acquisition entity (**Scrip Alternative**). In addition, the MDP Proposal requires certain shareholders, including Executive Chair, Megan Wynne and founding related parties (**Founders**), Michael Anghie and key management (**Management**) to elect to receive all of their consideration in scrip.

The MDP Proposal is on a non-exclusive basis subject to the following conditions, including (but not limited to):

- a period of confirmatory due diligence undertaken on a non-exclusive basis for the purposes of finalising debt financing;
- uptake of the Scrip Alternative by the Founders and Management;
- the non-MDP directors of APM unanimously recommending that APM shareholders vote in favour of the MDP Proposal;
- execution of a scheme implementation deed reflecting the terms of the MDP Proposal and other customary terms (**SID**); and
- regulatory approvals (including Foreign Investment Review Board approval).

The MDP Proposal contemplates that the SID will itself be subject to customary conditions precedent for a transaction of this nature, including APM shareholder approval.

As previously noted, APM previously formed an Independent Board Committee (**IBC**). The IBC is comprised of the four independent directors on the Board of APM, being Simone Blank, Robert Melia, Ben Wyatt and Neville Power (who is lead Independent Director and chair of the IBC). The IBC will be responsible for engaging with MDP in relation to the MDP Proposal and other potentially interested parties.

Commenting on the MDP Proposal, Mr Nev Power, Lead Independent Director of APM and Chair, IBC of APM, said; "The IBC is focused on achieving an outcome that is fair and reasonable and in the best interests of all shareholders. The IBC notes that the offered price per share under the MDP Proposal is disappointing.

The MDP Proposal does not require exclusivity and allows the Company to engage with other potential acquirers.

The IBC together with its Advisors intend to engage with MDP and any other interested parties to determine whether an appropriate proposal can be put to shareholders having regard to other alternatives including remaining listed and pursuing the growth opportunities available to the Company."

The IBC reiterates that no action is required to be taken by APM shareholders at this time in relation to the MDP Proposal. The IBC will continue to keep the market informed in accordance with APM's continuous disclosure obligations.

Further, APM provides the following update on operations.

YTD Q3 Update and Outlook

Our Employment Services business is operating in an environment of extended low levels of unemployment, reducing client flows and requiring increased support to achieve sustainable employment for our clients. In our Australian Health business we have invested in a new client management system to provide a strong client management platform to support our therapists in delivering services and enable further growth. The implementation of the system in March 2024 has temporarily impacted productivity. The benefits of the new system are expected to be realised in FY25.

Based on early management accounts for Q3 and assuming that historical seasonal trends that have previously driven strong Q4 performance do not occur in FY24, we anticipate FY24 underlying EBITDA and underlying NPATA to be in the range of \$280 million to \$290 million and \$95 million and \$105 million respectively. This is based on no change in the operating environment for the balance of the year.

Looking forward, APM notes that it expects significant incremental earnings growth in FY25 through announced contract awards and corporate initiatives. Specifically, these include:

- New contracts together with those commenced in FY24 that will have a full-year contribution in FY25 together with benefits of new systems in the Australian Health business are expected to contribute an additional ~\$300 million revenue and approximately \$40m in Underlying EBITDA in FY25 versus FY24. This includes contributions from:
 - Canada: the Ottawa contract under the Ontario Employment Services Transformation commencing in FY24, with FY25 being a full year of earnings contribution and the Toronto contract commencing in late FY25;

- United Kingdom: the Functional Assessments contract with earnings contribution from October 2024;
- United States: Job Corps and Workforce contracts awarded during 2024 with FY25 being a full year of earnings contributions; and
- Australia: implementation of a client management system which will be completed in Q4FY24 for APM's Allied Health therapy business and which will facilitate further growth in this business.

Efficiency Initiatives

APM is committed to supporting our people to provide best in class services to our clients and stakeholders. Ensuring APM has the most efficient and effective operating and support structures are critical elements to achieve this.

APM has commenced a detailed review of all areas of its business and has identified a number of initiatives to improve productivity and efficiency to support the delivery of services. This review will also focus on identifying opportunities to optimise its portfolio and ensure each business is meeting performance expectations.

The first phase of these initiatives will be implemented during Q4FY24 and is expected to provide productivity and operating cost benefits equivalent to 1% of revenue, contributing approximately \$25m to EBITDA for the FY25 year.

Debt Refinance

APM has engaged Commonwealth Bank of Australia and HSBC Australia, its two largest lenders, as Joint Arrangers to lead on an extension and amendment of its debt facilities with a focus on the tranches maturing in July 2025 and January 2026. The process is expected to be completed prior to FY24 financial year end. APM remains compliant with all its banking covenants.

Commenting on the outlook, Ms Megan Wynne, Executive Chair of APM, said, "we remain focused on supporting our people to continue to deliver best in class services to our clients and stakeholders and to making a positive impact through our services. In the current challenging operating environment APM continues to deliver outstanding client outcomes and contract performance. We remain positive on our outlook for FY25, which is underpinned by recent contract awards. There are further significant opportunities for future growth supporting underserved populations within the employment services, health, disability and aged care sectors."

- Ends -

Authorised for release by the Board of the Company in respect to YTD Q3 Outlook, Efficiency Initiatives and Balance Sheet, and the IBC in respect to the proposal from MDP.

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About APM

Founded in 1994 in Perth, Western Australia, APM is an international human services provider with the purpose of “Enabling Better Lives”.

Each financial year, APM supports more than 2 million people of all ages and stages of life through its service offerings that include assessments; allied health and psychological intervention; medical, psycho-social and vocational rehabilitation; vocational training and employment assistance; and community-based support services.

With over 1,600 sites spanning 11 countries (Australia, United Kingdom, Canada, United States of America, New Zealand, Germany, Switzerland, Sweden, Spain, Singapore, and South Korea), APM’s more than 15,000 team members work to enhance community health and wellbeing, delivering services to clients across the early childhood, youth, employment, insurance, justice, veterans, disability, and aged care sectors.

For further information please visit: <https://apm.net.au>

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