

GO2 ACQUIRES LEADING EMPLOYMENT SERVICES PROVIDER, SKILL HIRE AUSTRALIA PTY LTD

Highlights

- GO2 has reached an agreement to acquire leading WA based Employment Services provider, Skill Hire Australia Pty Ltd (“Skill Hire”);
- Skill Hire delivers a full suite of blue-collar employment services via its Registered Training Organisation and its apprenticeship & traineeship recruitment and labour hire divisions;
- The acquisition is earnings and margin accretive, with Skill Hire reporting unaudited revenue of \$23 million and EBITDA of \$1.6 million for the half year to 31 December 2020;
- Skill Hire delivers both Government funded and fee-for-service workplace training and education in the form of pre-employment programs, traineeships and apprenticeships, and fee-for-service recruitment and labour hire services to a large client base in Western Australia and South Australia;
- Skill Hire is a highly synergistic business, further enhancing GO2’s group capability with significant cross-sell potential, scalability and cost rationalisation;
- No capital raise is required or contemplated, with the issue of new shares to the Skill Hire vendors matching GO2’s current issued capital, and the cash consideration component to be paid from Skill Hire’s pre-acquisition cash balance. Shares to be issued as part of the transaction, in addition to GO2’s founders’ shares, will be subject to escrow with periods ranging from 12 to 24 months;
- Key Skill Hire personnel to remain in place to deliver integration of operations, cost rationalisation and access significant growth opportunities.
- Completion subject to GO2 shareholder approval and other standard conditions precedent.
- Transaction aligns with the Company’s strategic plan and its focus on earnings and cashflow to drive shareholder value.



7 April 2021: The GO2 People Ltd (ASX:GO2) ("GO2 " or "the Company") is pleased to advise that it has entered into a Share Purchase Agreement to acquire all of the shares in leading WA-based Employment Services provider Skill Hire Australia Pty Ltd ("Skill Hire"). The parties expect the transaction to be finalised following shareholder approval to the issue of the consideration shares pursuant to ASX Listing Rule 7.1 and satisfaction of the conditions precedent (which are summarised below), on 1 June 2021. The transaction aligns with the Company's previously stated strategic plan to add high quality businesses to its portfolio under the GO2 umbrella, and its continued focus on earnings and cash flow to drive shareholder value.

Skill Hire Australia Pty Ltd

Skill Hire is one of Australia's leading Employment Services providers. It brings together the benefits of a Registered Training Organisation, an apprenticeship & traineeship recruitment business, and an employment agency to empower people towards gainful employment. Leveraging an excellent reputation and a strong presence across Western Australia and South Australia, Skill Hire delivers services to a loyal client base which includes a number of Australia's leading companies. Skill Hire offers a wide range of training courses and qualifications that span a number of different industries, including pre-employment programs, apprenticeships and traineeships. Skill Hire delivers highly regarded Government funded training in addition to fee for service training, with revenue generated via both business-to-business and business-to-consumer models. Skill Hire also offers blue collar labour hire services to their clients.

Acquisition Benefits

The strategic acquisition of a highly synergistic business such as Skill Hire will provide a number of key benefits to the GO2 group that will drive shareholder value whilst providing a platform for future growth. The core business model of both businesses, being training and employment, is heavily geared towards the re-training and re-deployment of a national workforce impacted by the Covid-19 pandemic, and addressing significant skills shortages in the resources and building & construction sectors.

The transaction is significantly earnings and cash flow accretive, with Skill Hire reporting unaudited revenue of \$23 million and EBITDA of \$1.6 million for the half year to 31 December 2020. Given the operational synergies between GO2 and Skill Hire the merged entity will see immediate cost rationalisation opportunities, which are expected to be in excess of \$500k on an annualised basis.



Skill Hire's founders Robert Stockdale and Tony Fitzpatrick will join the Board of GO2, and the company also intends to recruit an additional Non-Executive Director prior to the 2021 Annual General Meeting.

Furthermore, GO2's recently acquired permanent recruitment business Hunter Executive is also expected to benefit from the group's enlarged client base, geographical footprint, and a wider range of service offerings to cross-sell to clients. Importantly, and with an eye to 2022 & beyond, the merged entity will utilise the integration period to develop its strategy for future growth.

H1 FY21 Unaudited Pro-Forma Financials

The following Pro Forma Financial Information represents a combination of the reviewed results of GO2 and the unaudited results of Skill Hire for the 6-month period ended 31 December 2020. This illustrates the hypothetical financial results of the merged entity had the acquisition completed on 30 June 2020. The acquisition of Skill Hire remains subject to shareholder approval, and the results of Skill Hire will only form part of the GO2 group from the date of acquisition, and will not include the results disclosed below.

H1 FY21	GO2 Pre-Transaction	Skill Hire	GO2 Pro Forma
			31-Dec
Revenue	13,911,780	23,048,538	36,960,318
EBITDA	543,806	1,599,747	2,143,553
Cash at Bank	822,120	5,500,000 ⁽¹⁾	6,322,120
Market Cap (2)	6,764,000	6,764,000	13,528,000

(1) Cash at Bank of Skill Hire as at 31 December adjusted to be net of payments to be made as part of the acquisition

(2) Market Cap calculated using assumed share price of \$0.038 per share to calculate the value of both GO2 and Skill Hire.

The GO2 People Managing Director, Billy Ferreira: "We are delighted to have reached an agreement to acquire Skill Hire. This is a merging of two very similar businesses - operationally, geographically and culturally. Skill Hire not only brings an extremely attractive business model which will enhance the GO2 group's capability, but also brings significant earnings which will immediately drive shareholder value. Collectively, we're excited about the future as a merged entity and the synergies that can be achieved within the next 12 months, including significant cross-sell potential, scalability and cost rationalization - all of which will drive improved earnings, cash flow and further shareholder value."



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Material Acquisition Terms

Acquisition: The Company will acquire 100% of the issued share capital of Skill Hire from each of the shareholders of Skill Hire;

Conditions Precedent to Acquisition of Skill Hire:

- There being no material adverse change to either business prior to Completion;
- GO2 receiving all required shareholder approvals to complete the transaction; and
- A minimum level of cash to be held by Skill Hire at completion and following the Completion Payment (see below).

Consideration: a combination of:

- The issue to Skill Hire's current shareholders of that number of shares which will represent 50% of the issued capital of the Company following issue, ignoring unexercised options with an exercise price above 20 cents;
- \$6,250,000 in cash ("Completion Payment"), to be paid to the current Skill Hire shareholders from Skill Hire's cash balance on completion; and
- The Company paying a deferred cash payment of \$3,250,000 to the current Skill Hire shareholders, payable no later than 24 months following completion and with interest accruing at the rate of 8.0% per annum on the amount outstanding from time to time, with early repayment in whole or part at GO2's election.

Employment of key personnel: With Skill Hire to become a subsidiary of the Company and part of the GO2 group of companies, current GO2 Managing Director Billy Ferreira will remain in place. The current GO2 Board will also remain with Darren Cooper as Independent Non-Executive Chair and GO2 founders Billy Ferreira and Paul Goldfinch as Directors, with two additional representatives nominated by Skill Hire to join the Board. GO2 will appoint an additional Independent Non-Executive Director ("NED") to the Board prior to the Company's Annual General Meeting in November 2021, and the newly-appointed NED will be proposed for re-election at that same meeting

GO2 CFO, Matthew Thomson, has tendered his resignation and will vacate the position in early May 2021, with Skill Hire's Chief Financial Officer to become the



GO2 Group Chief Financial Officer. All other key personnel of Skill Hire will continue to be employed in their current roles.

Escrow: As set out in the table below, both the current Skill Hire shareholders and the two major GO2 shareholders will be required to place their GO2 shareholdings in escrow for a period of 12 months (50%) and 24 months (50%), with only a small number (2,500,000 shares) to be released from escrow following the 2021 AGM as summarised below:

Entity	# of GO2 Shares	# To be Released from Escrow Following the 2021 GO2 AGM	# To be Released From Escrow on 1 June 2022	# To be Released from Escrow on 1 June 2023
Everglades Investments Pty Ltd as trustee for the Everglades Discretionary Trust	27,500,000	-	13,750,000	13,750,000
Goldfinch Discretionary Pty Ltd as trustee for the Goldfinch Discretionary Trust	27,500,000	2,500,000	12,500,000	12,500,000
Asstock Pty Ltd as trustee for the Stock Trust	43,809,971 + a proportionate amount following the issue of the Hunter Deferred Consideration Shares	-	21,904,986 + half of the amount issued to coincide with the Hunter Deferred Consideration Shares	21,904,985 + the remaining half of the amount issued to coincide with the Hunter Deferred Consideration Shares
Shoreside Holdings Pty Ltd as trustee for the Fitzpatrick Family Trust	43,809,971 + a proportionate amount following the issue of the Hunter Deferred Consideration Shares	-	21,904,986 + half of the amount issued to coincide with the Hunter Deferred Consideration Shares	21,904,985 + the remaining half of the amount issued to coincide with the Hunter Deferred Consideration Shares
BC Fund II Pty Ltd as trustee for the Banksia Capital Fund II	63,606,503 + a proportionate amount following the issue of the Hunter Deferred	-	31,803,252 + half of the amount issued to coincide with the Hunter Deferred	31,803,251 + the remaining half of the amount issued to coincide with the Hunter Deferred



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Entity	# of GO2 Shares	# To be Released from Escrow Following the 2021 GO2 AGM	# To be Released From Escrow on 1 June 2022	# To be Released from Escrow on 1 June 2023
	Consideration Shares		Consideration Shares	Consideration Shares
Skill Hire Employee Share Ownership Participants	25,213,230 + a proportionate amount following the issue of the Hunter Deferred Consideration Shares	-	12,606,615 + half of the amount issued to coincide with the Hunter Deferred Consideration Shares	12,606,615 + the remaining half of the amount issued to coincide with the Hunter Deferred Consideration Shares

Other Material Information

Financing

There is no capital raising or external financing required or proposed in conjunction with the acquisition of Skill Hire, as the cash component of the consideration payable will be paid from Skill Hire's existing cash balance, and the combined group's short-term working capital requirements will be met from a combination of GO2's and Skill Hire's cash balances following completion, together with GO2's existing debtor finance facility with Scottish Pacific (if required).

Capital Structure

The anticipated effect of the Proposed Acquisition on the capital structure of the Company will be as follows:

	Shares	Options
Issued capital	176,439,675	16,250,000 ²
Skill Hire Consideration Shares	176,439,675 ¹	Nil
Total	352,879,350	16,250,000

Notes:

- Under its share purchase agreement with Hunter Executive Search Consultants Pty Ltd (**Hunter**) (refer announcement dated 4 January 2021) and as approved by Shareholders on 10 March 2021, the Company will be required to issue Shares as deferred consideration for



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the acquisition of Hunter following the finalisation & announcement of its FY21 results. The deferred scrip consideration is based on a 14-day VWAP up to the date of issue, with a minimum of 3 cents and a maximum of 8 cents. The shareholders of Skill Hire will be issued with a corresponding number of shares at the same time.

2. Comprising:
 - (a) 2,500,000 unlisted options exercisable at \$0.225 each on or before 20 June 2021;
 - (b) 5,000,000 unlisted options exercisable at \$0.30 each on or before 20 June 2021;
 - (c) 7,500,000 unlisted options exercisable at \$0.40 each on or before 20 June 2021; and
 - (d) 1,250,000 unlisted options exercisable at \$0.225 each on or before 19 December 2021.

The effect of the Proposed Acquisition on the company's issued capital will be an increase of 176,439,675 Ordinary Shares on completion, together with a further issue of shares equivalent to the Hunter Executive deferred consideration shares.

Incoming Substantial Shareholders

At completion, each of Skill Hire's three (3) major shareholders will become substantial shareholders in the Company.

Proposed Timetable

The current proposed timetable is as follows:

Event	Date
Shareholder meeting to approve issue of Skill Hire consideration	27 May 2021
Satisfaction (or waiver) of the Skill Hire Conditions	28 May 2021
Completion of Acquisition of Skill Hire	1 June 2021

The above timetable is indicative only and subject to change.



The Company is excited by the transformational nature of the transaction and looks forward to providing further updates to its shareholders and the wider investor market as the process unfolds.

Issued by: The GO2 People Ltd
Approved by: The Board of The GO2 People Ltd

For more information, please contact:

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About The GO2 People

The GO2 People Ltd (ASX:GO2) is a leading provider of recruitment and training services to industry throughout Australia. The day-to-day operations of the company are underpinned by strong core values and an ethical approach to business principles which drive innovation, collaboration and an ongoing commitment to continuous improvement.

The company's Recruitment Division provides tailored staffing solutions to a range of industries with a client base that includes a number of national and multinational blue chip organisations across the construction, resources and industrial sectors. GO2 Skills & Training is a nationally Registered Training Organisation (RTO 40927), delivering both accredited and non-accredited workplace training and education courses.

To learn more please visit: www.thego2people.com.au

