

The White Knights from Chicago?

Company/ASX Code	APM Human Services International (APM)
Date and time	11am AEST 18 September 2024
Location	https://meetnow.global/MTXJXGL
Registry	Computershare
Type of meeting	Virtual
Monitor	John Ferguson
Pre-AGM Meeting	No

Monitor Shareholding: The individual involved in the preparation of this voting intention has no shareholding in this company.

This meeting has been called to vote on a proposed scheme of arrangement. Shareholders who wish to appoint the Australian Shareholders' Association as their proxy are urged to read the documentation and **give a directed vote that takes into account their individual circumstances.**

The Scheme

Chicago based private equity firm Madison Dearborn Partners (MDP) is proposing a Scheme for the buy all the shares in APM that it doesn't already own. The Scheme booklet runs to 492 pages and is complicated.

In essence, the price offered is \$1.45 and can be taken in cash, or in scrip in Ancora Bid Co, or a combination of the two. The opportunity to select scrip or part-scrip closed on 10 September.

APM's independent board committee (IBC) has unanimously recommended the offer. The IBC is chaired by Neville Power, who was appointed lead independent director in October 2021. The remaining members are Benjamin Wyatt, Robert Melia and Simone Blank. Independent expert Knoll Australia judges the offer as "fair and reasonable", based on a price range of \$1.40 - \$1.74 (cash option only).

Since its listing in November 2021 at \$3.55 per share, the ASA has monitored the company. There have been concerns about:

- The interests of small retail investors not being best served by a majority non-independent board with a non-independent chair.
- The constrictive nature of the relationship deed between MDP and the company. MDP holds three board seats (with the potential for more) and chairs two board committees, namely Remuneration & Nomination and Finance & Investment.
- Remuneration practices encouraged rapid growth through acquisitions.
- Acquisitions led to goodwill of \$1.8B, with an impairment of \$261m recording in FY2024.

A general meeting is scheduled for 18 September 2024 where shareholders will vote on the Item 7 Transaction, being the transfer of the APM Shares held by MDP and the founders to the bidding company. It will be followed by the scheme meeting.

An investor conference call was held on 30 August to present the FY24 financial result. Revenue jumped by 21%, while underlying NPATA (net profit after tax adding back amortisation) was down 46.7% to \$95.1m. A \$270m impairment was taken, \$262.7m from intangible assets and \$6.4m from right-of-use assets, reflecting the earnings decline attributable to reduced contribution from higher margin performance-based Employment Services contracts due to lower client flow as a result of sustained, historic low levels of unemployment, combined with more support being required to assist clients into employment.

One recent ray of sunshine for the company is the passage of the National Disability Insurance Scheme (NDIS) Amendment Bill on 22 August in the Australian Parliament. The Bill paves the way for some substantial changes which play into APM's strengths. Two examples illustrate this.

- APM's MyIntegra offers case management services to NDIS participants and helps them secure quality cost-effective services and products. This element of quality assurance is a prized outcome under the Amendment. The number of NDIS participants using a planning service increased to 63.3% and is likely to increase.
- A major change relates to the provision of foundational services for young children under the NDIS. Funding will be based on need (via functional assessment of capability) as opposed to the current system where clinical judgements are made about diagnostic criteria. APM's business, Functional Assessments UK, has just won a major government contract in the UK. The professional capabilities embedded in this business being delivered at scale are unique in the Australian context and will be of great value to APM when bidding for any NDIS assessment contracts in Australia.

The APM board announced an efficiency initiative on 8 April. During the investor conference on 30 August, APM management stated they were on track to achieve the target of a \$25m boost to FY25 EBITDA. This will be no small feat and indicates competence at the operational level.

For the Scheme to be successful more than 75% of the votes cast and more than 50% of shareholders have to be in favour.

Voting of any open proxies will be determined on the day. We will ask if the scheme is not approved, what board changes are contemplated?" (

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- *makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- *shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.