



Transaction Overview



INDUSTRY PATHWAYS
ACQUISITION

August 2019

The GO2 People Ltd
(ASX:GO2)

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Part A

THE GO2 PEOPLE
COMPANY OVERVIEW

EXECUTIVE SUMMARY

GO2 is raising capital to acquire Industry Pathways (IPW) - a high margin, highly scalable online education and training provider.

IPW complements GO2's recruitment business, with potential to cross-sell IPW training programs to GO2's 175,000 job applicant database.

Stand-alone, in FY19 IPW subject to final review will report \$6m revenue and \$2m normalised EBITDA; GO2 recorded an operating EBITDA neutral result for the month of June 19 and was EBITDA positive July 2019

GO2 is a leading provider of vertically integrated recruitment, training and building services throughout Australia.

- **High organic labour hire revenue growth** of 16.7% to \$44m in 2019 and ~67% revenues from repeat clients.
- **High growth across the following metrics** – revenue, clients and candidates placed
- **Blue-chip client base** including well-known mining and resources companies
- **Cash generation focus** – business has now pivoted from customer acquisition and revenue growth to maximising cash generation. Cost reduction of \$1.5m p.a. in April 2019, GO2 recorded an operating EBITDA neutral result for the month of June 19 and was EBITDA positive July 2019 (stand alone, pre-synergies).



IPW is a Registered Training Organisation (RTO) offering fee for service training and education up to Diploma level in the mining and health sectors.

- **Organic revenue growth** of 7.3% to \$6.0m in 2019
- **High EBITDA margin of 33%**, normalised EBITDA of \$2.0m in FY19

Complementary acquisition with potentially significant cross-sell revenue synergies

- **Customer diversification** – IPW is business-to-consumer (B2C); GO2 is business-to-business (B2B)
- **Industry diversification** – IPW targets mining and health industries; GO2 targets construction and mining.
- **Geographic diversification** – IPW can expand into GO2's key markets of NSW, Vic and WA
- **Synergies** – cost and cross-sell revenue synergies clearly identified

Well-priced acquisition with capital raising

- GO2 has acquired IPW for 3.75x EBITDA or \$5m total consideration.
- Upfront cash payment is \$2m, with \$2m GO2 shares issued to vendors and \$1m of assumed liabilities.
- Capital raising \$1.3m (min) - \$4m (max) at 7.5 cps with free attached 1:1 call option, 12 months expiry, 10 cps exercise price. Debt facility of up to \$2m being finalised



BUSINESS OVERVIEW

The GO2 People is a leading Australian provider of vertically integrated recruitment, training and building services with Group revenues of \$47m for FY19[^].

In Dec 18, GO2 Skills & Training was acquired, adding \$0.8m of annual revenue.

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RECRUITMENT

- **GO2 Recruitment Pty Ltd** – tailored staffing solutions, including labour hire and professional recruitment, to a blue-chip national and multi-national client base across the construction, resources and industrial sectors.
- In FY18, generated \$37.8m or 82% of total GO2 Group revenues.
- In FY19, has generated \$44m[^] or 93% of total GO2 Group revenues.
- **GO2 Skills & Training Pty Ltd** - training and education up to Certificate IV level in the construction and mining sectors.
- This was acquired in Dec 2018, adding \$0.8m of annual revenue.
- **GO2 Building Pty Ltd** – a multi disciplinary construction company offering a full range of building and project management services in remote and regional areas of Western Australia.
- In FY19, generated \$2.2m[^] or 4.7% of total GO2 Group revenues.
- In FY19, GO2 pivoted away from building to reduce capital and execution risk and focus on core business.

2019F SEGMENT REVENUE MIX

Segment revenues (A\$M)	Revenues [^]	% total
Recruitment	44	94.3%
Training	0.8	1%
Building	2.2	4.7%
Total proforma Group revenues (A\$M)	47	100%

GO2 is a high growth business across the following metrics – revenue, clients, labour hire.
~30% revenue growth since 2011 across a range of divisions

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GROWING REVENUE

- \$47m revenue FY19
- **Average 30% year on year revenue growth since 2011**



GROWING CLIENT BASE

- 67% growth in number of billing clients since 2017
- Multiple national service agreements with blue-chip organisations



GROWING LABOUR HIRE

- Placed 1600 Australians into work in FY18
- 55% growth in average workforce since 2017

CORPORATE OVERVIEW

This capital raising is from \$1.3m (minimum) to \$4.0m (maximum), at a 7.5 cps raise price, with a free attached 12-month expiry call option at 10 cps exercise price on a 1:1 option:shares ratio.

IPW vendors will receive \$2m GO2 shares. At the 7.5cps raise price, post raising GO2 will have a notional market cap range of \$12.2m - \$14.8m.

CAPITAL STRUCTURE

	Low case	High case
Current shares on issue (m)	118.0	118.0
New capital raising shares issued for cash raised – min (m)	17.3	
New capital raising shares issued for cash raised – max (m)		53.3
New shares issued for IPW vendors (m)	26.7	26.7
Total no. shares on issue – post placement (m)	162	198
Equity value @ 7.5 cps raising price – before raising (A\$m)	8.8	8.8
Equity value @ 7.5 cps raising price – after raising (A\$m)	12.2	14.8
Capital raising cash raised – minimum value (A\$m)	1.3	
Capital raising cash raised – maximum value (A\$m)		4.0
Value of shares issued to IPW vendors (A\$m)	2.0	2.0

OPTIONS ⁽¹⁾

Grant Date	Expiry Date	Exercise Price	No. of Options (m)	
21 June 2017	21 June 2021	\$0.225	2.50	
21 June 2017	21 June 2021	\$0.300	5.00	
21 June 2017	21 June 2021	\$0.400	7.50	
29 Nov 2018	17 Dec 2021	\$0.300	1.75	
			Low	High
20 August 2019 ⁴	20 August 2020	\$0.075	1.0	2.0
20 August 2019 ⁴	20 August 2020	\$0.10	17.3	53.3
31 August 2019 ⁵	31 August 2022	\$0.10	8.0	-

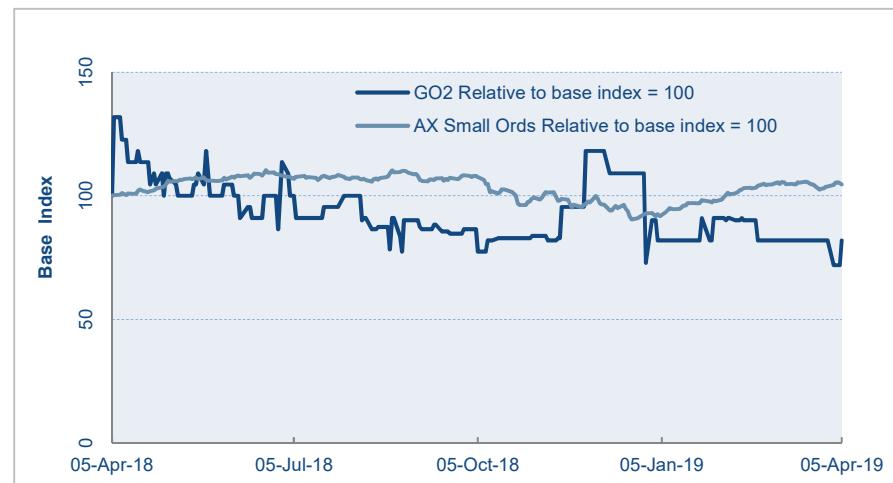
Notes:

1. Option holders do not have rights to participate in any issues of shares or other interests.
2. Trading halt since 08 April 2019 as the company requires time to satisfy the conditions precedent in relation to the acquisition of IPW.
3. Capital raising remains subject to shareholder approval.
4. Indicative options grant date of 20 August 2019 and expiry date 20 August 2020.
5. New Options offered pursuant to the Debt Facility

SHARE PRICE PERFORMANCE – LAST 12 MONTHS



GO2 RELATIVE TO ASX SMALL ORDINARIES INDEX



CORPORATE OVERVIEW – DEBT FACILITY

The Company has signed an Indicative Non-Binding Heads of Agreement (“HOA”) for a \$2m Debt Facility (“Debt Facility”) with Institute of Global Capital Pty Ltd (ACN 618 424 016) or its nominee (Lender)

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Facility Terms	
Term	Particulars
Borrower	The GO2 People Ltd
Lender	The Institute of Global Capital Pty Ltd (or its nominee)
Loan	For a minimum amount of \$1,000,000 and a maximum of \$2,000,000
Security	The loan will be secured by a general security agreement in favour of Lender and the Lender's interest will be registered on the Personal Property Security Register
Term	Two (2) years
Interest rate	Interest is payable monthly for the first twelve months of the loan is 16% per annum, and thereafter 20% per annum for the remainder of the term
Repayment	The loan is to be repaid in full at the end of the term or repaid early in increments not less than \$100,000, the loan can only be repaid after the first six months

Conditions Precedent
Particulars
(a) (Due Diligence): completion of due diligence by the Lender on the Company;
(b) (Material adverse change): no material adverse change in relation to the financial condition, assets, liabilities, results of operations, profitability or prospects of the Company or IPW having occurred;
(c) (Call Options Issuance): the Company issuing the Lender up to 8,000,000 unlisted options exercisable at \$0.10 on or before 5.00pm on 31 August 2022 (AEST);
(d) (Board appointment): the Company appointing a Lender's nominee as a non-executive director of the Company;
(e) (Board Approval): the Directors approving entry into the Loan;
(f) (Execution of Loan Documents): execution of the loan agreement, general security agreement, inter creditor deed and call option deed in a form acceptable to the Lender.
(g) (minimum Equity Raise): The Company must as soon as practicable, but in any case, by no later than 30 August 2019, raise additional capital of no less than \$1,300,000 by way of equity raise

The Recruitment Division provides tailored staffing solutions focusing on labour hire and professional recruitment to a range of industries with a client base that includes national and multinational blue-chip organisations across the construction, resources and industrial sectors

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SERVICES

- Labour hire** - contract staffing solutions for blue collar workforce
- Professional recruitment** - hiring experienced professional staff

INDUSTRIES

Industries GO2 provides services to include:

- Major Infrastructure
- Construction
- Mining/Resources
- Electrical/Energy
- Warehousing/Logistics
- Waste Management

REVENUE

- Revenue model** - Fee for service including hourly rate
- Revenue contribution** – 67% of revenues from repeat clients

GO2 Skills & Training Pty Ltd provides training and education up to Certificate IV level in construction and mining sector, with no reliance on government funding

SERVICES

Training and education services
Not reliant on government VET funding

INDUSTRIES

Focus is on mining and construction sectors

REVENUE MODEL

Revenue model - Fee for service

The Building Division operates as a multidisciplinary construction company offering a full range of building, civil, construction and project management services in remote and regional areas of Western Australia.

In mid FY18, GO2 made the decision to de-risk its business by reducing its exposure to the building sector. It will now only deliver small, low risk projects for selected clients on a cost-plus margin revenue model.

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SERVICES

Provide specialist delivery of:

- Non-Process Infrastructure (NPI)
- Accommodation Facilities
- Cyclical Maintenance
- Remote / Regional Commercial
- Remote / Regional Residential

**REVENUE
MODEL**

Revenue model – Cost plus margin revenue model

The Training and Education sector is a large, mature industry which is highly fragmented, presenting attractively priced acquisition opportunities



Large and Mature Education & Training Sector - \$11.6bn revenue, \$884m profit, 1.3% expected annual growth from 2019-2024 (Source: IBIS World Report - P8101 - Technical and Vocational Education and Training in Australia)



Skills shortages in the Mining and Health sectors are expected to create strong demand for training and education to help meet the shortfall of skilled workers.



High Demand - There is a high demand for quality fee for service Vocational Education & Training providers who are not reliant on government funding



International Growth - Strong platform for growth within Australia and also into the international market providing Australian qualifications to international students



Acquisitions - Highly fragmented sector presents attractively priced acquisition opportunities

Highly experienced Board



Darren Cooper | INDEPENDENT NON-EXECUTIVE CHAIRMAN

Darren Cooper spent some 20+ years with various companies in Management and C-Suite Senior Executive roles. Darren is also the Board Chair of Spectur Ltd (ASX: SP3) and, among other roles, is the National President of the Urban Development Institute of Australia (UDIA).



Billy Ferreira | MANAGING DIRECTOR AND CO-FOUNDER

Billy is a proven senior manager and entrepreneur with a strategic, disciplined approach and practical appreciation. During his time in the Australian Army, Billy completed his studies in Psychology and a Carpentry Trade.



Andries Dique | INDEPENDENT NON-EXECUTIVE DIRECTOR

Andries has over 25 years' experience in senior executive and management roles in construction businesses and is a respected leader in the Western Australia construction industry.

EXECUTIVE MANAGEMENT TEAM

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Both co-founders remain active in the business, leading a well qualified team with a wide range of skills and experience



Paul Goldfinch | HEAD OF INVESTOR RELATIONS & GROWTH AND CO-FOUNDER

Paul is a proven senior manager and entrepreneur with a practical background in the labour hire and construction industries. A trade qualified carpenter, Paul progressed his career in the construction and labour hire sectors in the UK before taking up a senior management role in a national recruitment business in Australia. He then set up The GO2 People with Billy Ferreira



Matthew Thomson | CHIEF FINANCIAL OFFICER & JOINT COMPANY SECRETARY

Matt has a Bachelor of Commerce, Accounting and Finance from the University of NSW and is a Chartered Accountant. Having begun his career at Coopers & Lybrand (now PWC) he has over 15 years' experience in senior Financial & Management Accounting Roles.



Peter Torre | JOINT COMPANY SECRETARY

Peter Torre is the principal of the corporate advisory firm Torre Corporate. Prior to establishing Torre Corporate, he was a partner and Chairman of the National Corporate Services Committee of an internationally affiliated firm of Chartered Accountants working within its corporate services division for over nine years. Mr. Torre is the company secretary of several ASX-listed companies, and previously companies listed on the London and Toronto Stock Exchange.

Part B

TRANSACTION OVERVIEW

GO2 is seeking funding to complete the acquisition of IPW

IPW

- GO2 has executed a Share Purchase Agreement in relation to the acquisition of Industry Pathways Pty Ltd (IPW)
- Subject to completion of the debt draw down and capital raise

CONSIDERATION

- Total Consideration - \$5.0 million + Earn Out
- Assumes Future Maintainable EBITDA of \$1.33m p.a., at a multiple of 3.75 times

PAYMENT STRUCTURE

- \$2.0 million – upfront cash payment
- \$2.0 million - issue of 26,666,667 shares to Vendor @ 7.5 cents/share
- \$1.0 million – aggregate balance of all loans and other financial accommodation provided, or otherwise made available, to IPW by the Vendor

EARN OUT

- 3.75x EBITDA on rolling average of FY19, FY20 and FY21 payable in cash on 1 Jan 2020, 2021 and 2022

Industry Pathways (IPW) is a Registered Training Organisation (RTO) offering fee for service training and education up to Diploma level in the mining and health sectors



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OVERVIEW

Established in 2011, based in Gold Coast (Qld), IPW is one of Australia's fastest growing RTOs, delivering high quality fee for service training without government funding and compliant with ASQA standards

MINING & HEALTH SECTORS

IPW specialises in providing training and education in the mining and health sectors, ranging from Certificate III's through to Diploma level qualifications

SCALABLE

IPW can significantly scale, with 25 existing staff able to support consistent revenue growth in FY20 and beyond

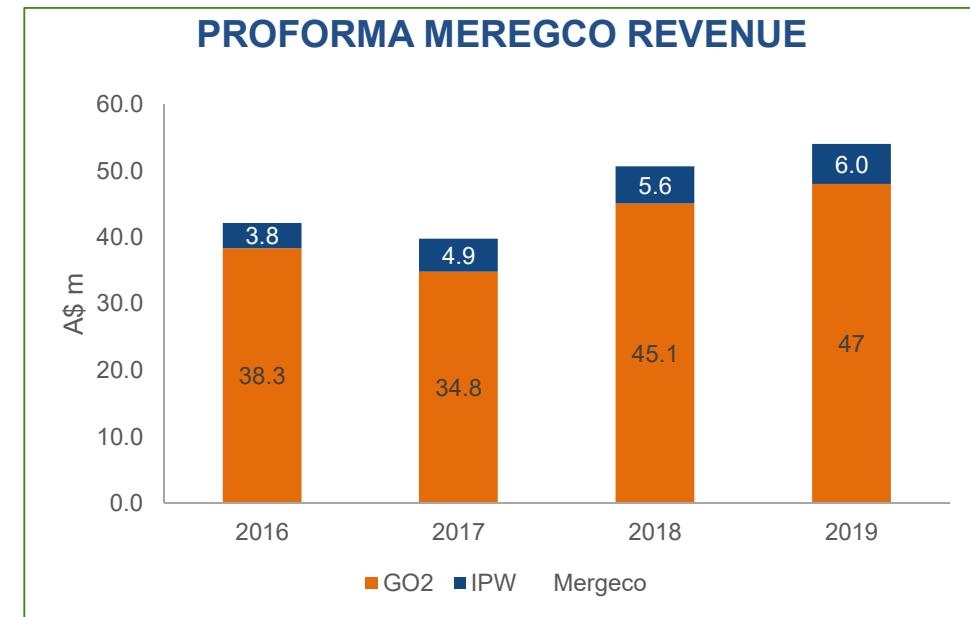
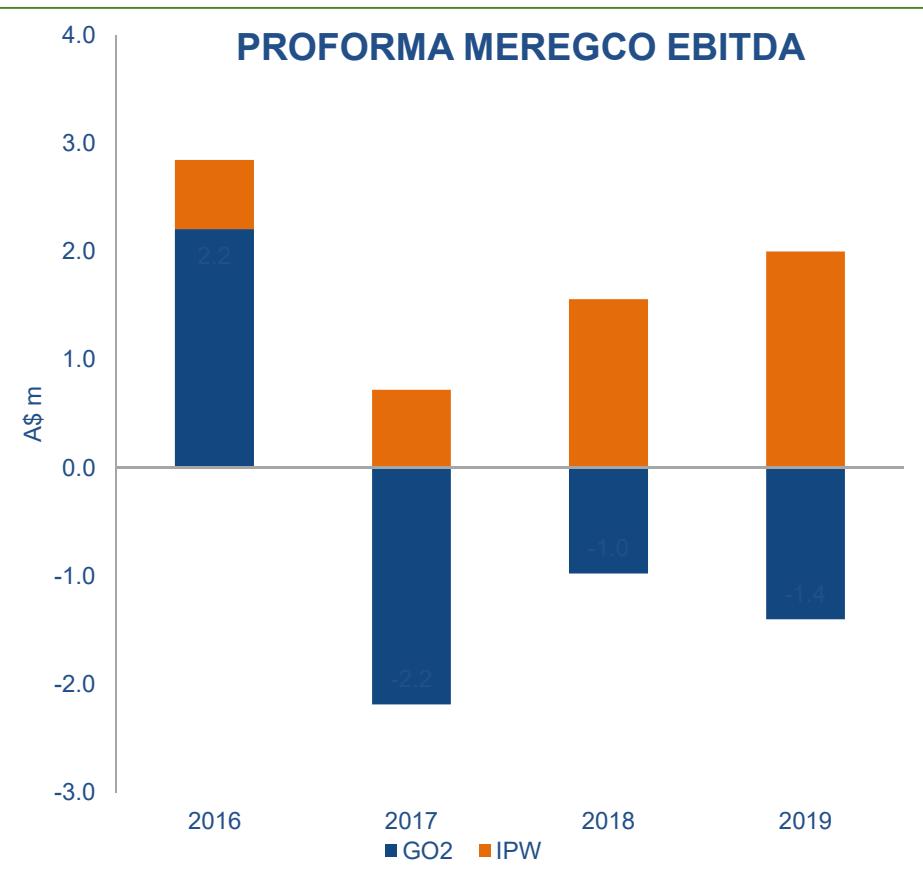
ONLINE MODEL

IPW delivers innovative and effective training with 80% of course content being delivered via online platforms and the remaining 20% being classroom based training



IPW is a proud member of Australian Council for Private Education and Training

GO2 grew revenues in FY2018 by 29%, whilst IPW grew revenues by 13%.
 FY19 proforma Mergeco has \$53m revenue and \$0.5m EBITDA (pre-synergies)



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KEY INVESTMENT CONSIDERATIONS

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IPW Overview



Barriers to Entry - The Vocational Education and Training sector is heavily regulated, focused on the quality of RTOs



Accredited by ASQA as a high-quality training organisation that meets the highest levels of compliance



Focus on high growth health and mining sectors



Scalable platform developed over years



Strategic partnerships in place with Universities and Healthcare providers



Innovative training methodology through digital and video capability



Fee for service business model, not reliant on Government funding



Margin Expansion IPW is a high margin business which should increase GO2 group margins

Acquisition Overview



Attractive valuation

3.75x EBIDTA multiple is below comparable listed company multiples.



EBITDA Accretive

The IPW acquisition is expected to add between \$1.5-\$2.0 million in EBITDA



Vertical Integration and Cross Selling

IPW increases GO2's vertical integration, expanding cross selling opportunities to GO2's existing clients and job-seeker database.



Complementary Service Offering

Complements the current 'GO2 Skills' business whilst further increasing its capability, scale and diversification benefits.



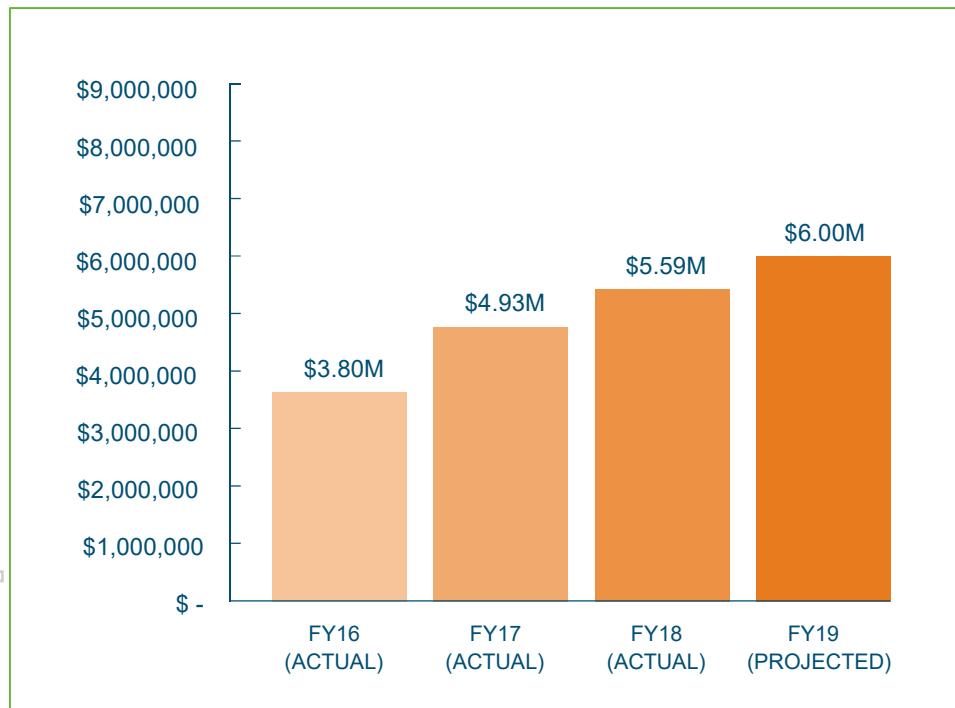
Cultural Alignment Similar cultures of ethical approach to business with a focus on delivering outcomes to all stakeholders.

STRONG ORGANIC GROWTH

IPW is enjoying strong growth momentum with revenues growing at a CAGR of 16% from 2016 to 2019 and EBITDA growing at a CAGR of 46% during the same period

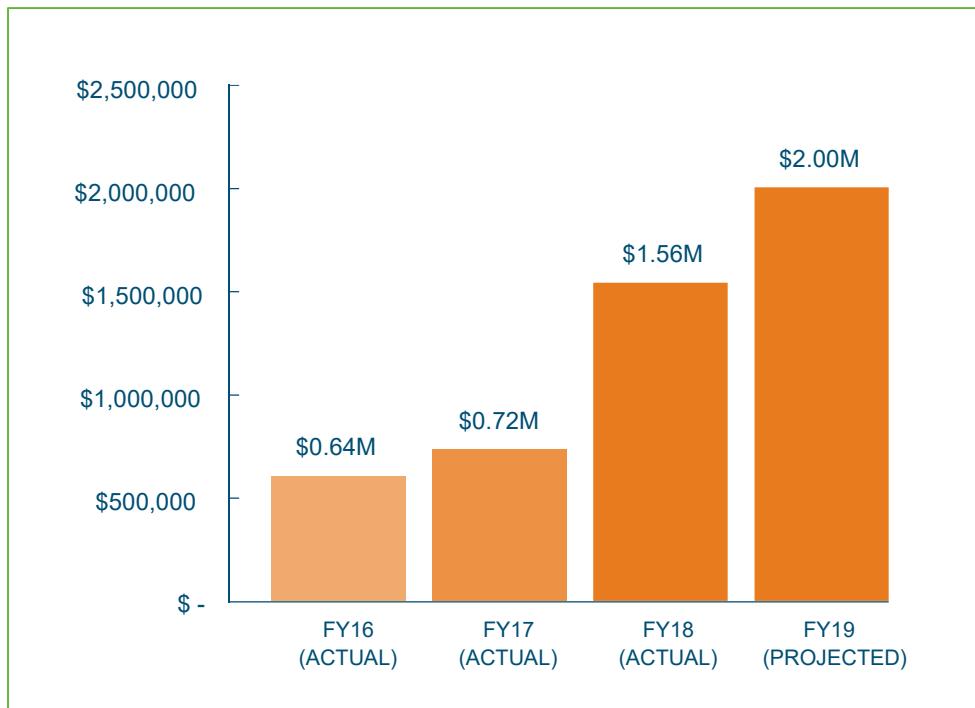
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REVENUE



Industry Pathways has demonstrated consistent revenue growth over the past 3 years.

EBITDA



Industry Pathways has experienced strong EBITDA growth over the past 3 years. Strong margins in the business are expected to positively impact GO2's overall group margin.

ACQUISITION SYNERGIES

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IPW offers a range of potential acquisition synergies

Cost synergies

GO2 has identified cost synergies to maximise efficiencies and reduce overheads.

Customer sector expansion

IPW is a B2C training provider which targets mining and health industries. GO2 Skills targets the mining and construction industries and is a B2B boutique training provider.

Geographic expansion

There are opportunities to expand IPW geographically using the GO2 People's presence in WA, NSW and Vic where IPW currently has little penetration

Cross-sell via database sharing and product expansion

- GO2's database of 175,000 job seekers can be targeted with IPW training offers
- IPW has an opportunity to use data collected from GO2 job applications to re-target unsuccessful or unqualified applicants to develop and upskill themselves with industry specific training which will give them an opportunity for a better employment outcome



Both GO2 and IPW have the highest levels of industry accreditation

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ACCREDITATIONS



Australian Skills Quality Authority (ASQA)



Australian Qualifications Framework



Nationally Recognised Training



Training.gov.au



Australian Council for Private Education and Training (ACPET)



Strategic partners provide ongoing access to labour pool and customer demand.
IPW has gained accreditation and recognition from top Government bodies

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UNIVERSITIES



Charles Sturt University



Central Queensland
University

MEDICAL SEGMENT



Healthscope



Medical Edge Australia



International SOS

Formal Agreements with Universities provide ongoing access to a qualified labour supply

IPW has placement partnerships across the medical sector, assisting with placement of qualified labour



Operating cash positive

Mergeco is proforma operating cash positive (before synergies)



Vision

\$100m labor hire businesses typically generate EBITDA margins of ~5%; IPW is high margin of 33% (source: IBIS World, Temporary Staff Services, N7212)



Margin expansion

IPW EBITDA margins of 33% are expected to increase the blended margin in the GO2 Group in FY20 and beyond.

KEY CONTACTS



Darren Cooper
COMPANY CHAIR

Billy Ferreira
MANAGING DIRECTOR

Paul Goldfinch
GROWTH & INVESTOR
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