

3 December 2019

Konekt Limited (ASX: KKT)

ASX Limited
Company Announcements Office
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Scheme Meeting – Chairman’s Address

Welcome

Good morning ladies and gentlemen. My name is Douglas Flynn and I am the Chairman of Konekt Limited.

Welcome and thank you for attending today’s Scheme Meeting relating to the Konekt scheme of arrangement.

Quorum

It is now 10:00am and a quorum is present, so I am pleased to declare the meeting open.

Directors and executives

I would like to introduce my fellow directors who are in attendance today:

- Philip Small, Independent Non-Executive Director; and
- Damian Banks, Managing Director and Chief Executive Officer.

I would also like to introduce our Chief Financial Officer and Company Secretary, Reena Minhas.

Tony Crawford, Independent Non-Executive Director is an apology for today’s meeting.

Before we continue with the more formal matters of the Scheme Meeting, I would like to mark this important event with some remarks.

We are very proud of the enormous Shareholder Value created by the company in the past 6 years, the first full year of most of the current Board and Executive team was 2012-13.

About Konekt Group

With 700 staff and over 107 branches across Australia, Konekt is one of the largest integrated employment placements, workplace injury management and workplace health solutions providers in Australia. Konekt’s focus is on helping organisations, individuals and government to maximize workforce participation and productivity, and minimize the impact of workplace injury. We help organisations minimise workplace costs, resulting in increased participation, reduced workers’ compensation premiums and safer workplaces. Konekt Employment is a leading jobactive, NEIS and DES provider, with Konekt Workcare assisting injured workers returning to the workforce.

We inherited a company struggling not only for financial survival, but laden with issues.

Since June 30th, 2013, just over 6 years ago, the Enterprise Value of Konekt was just \$1.5m. This sale represents an Enterprise Value of over \$86m.

The Share Price is up 2,593%, with a 20,000% increase in EBITDA.

This was achieved through a simple mantra – have a relentless focus on customers, hire and retain great talent, and grow revenue whilst holding costs tight.

We thank our Customers, Staff and Shareholders for their support and subject to the results of today's meeting and Court Approval next week, we will bid the ASX farewell on Friday the 20th of December.

I would like to extend a final formal "Thank you" to my fellow Independent Directors, Philip Small and Tony Crawford and to our Chief Executive, Damian Banks and Chief Financial Officer, Reena Minhas – it has been a pleasure working with you.

Outline of the Scheme Meeting

Notice of today's Scheme Meeting is included as Attachment A of the Scheme Booklet. The notice of meeting has been given in accordance with the orders made by the Federal Court of Australia on 30 October 2019.

I will take the notice of meeting as being read.

There are two major components to today's meeting. First, I will make a few remarks about the proposed Scheme and the Scheme Meeting, and then we will move to consider the formal business of the Scheme Meeting and conduct the formal vote.

Purpose of this Scheme Meeting

The purpose of this Scheme Meeting is for Konekt's shareholders to consider and, if thought fit, approve the proposed acquisition of all of the shares in Konekt by Advanced Personnel Management International Pty Ltd by way of a Scheme of Arrangement.

From here I will refer to this proposed arrangement simply as the 'Scheme'. If the Scheme is approved by shareholders today and becomes effective, then Konekt Shareholders will be paid a total cash payment of \$0.70 per Konekt share on the implementation date of the Scheme, comprising:

- a fully franked Special Dividend of \$0.05 per Konekt share held on the Special Dividend Record Date (being Wednesday, 11 December 2019); and
- Scheme Consideration of \$0.65 per Konekt share held on the Scheme Record Date (being Monday, 16 December 2019).

The implementation date for the Scheme is currently expected to be 20 December 2019.

Full details of the proposed Scheme are set out in the Scheme Booklet and the Supplementary Scheme Booklet.

You will have an opportunity to ask questions prior to voting on the proposed resolution to approve the Scheme.

Scheme Resolution and voting thresholds

The Scheme Resolution, as set out in the Notice of Meeting, is as follows”

“That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Konekt Limited and the holders of its ordinary shares (the terms of which are contained in and more particularly described in the Scheme Booklet (of which this Notice of Scheme Meeting forms part)) is agreed to (with or without alterations or conditions as approved by the Court and which are agreed to by Konekt Limited and APM) and, subject to approval of the Scheme by the Court, the Konekt Limited board of directors is authorised to implement the Scheme with any such alterations or conditions.”

In accordance with the Corporations Act, the Scheme Resolution must be approved by:

- a majority in number of the holders of Konekt shares present and voting (either in person, by proxy or attorney or in the case of a corporate holder, by duly appointed corporate representative) at this Scheme Meeting; and
- at least 75% of the votes cast on the Scheme Resolution.

As noted in the proxy form a sample of which was included as Attachment F to the Scheme Booklet, in my capacity as Chairman of this Scheme Meeting, I intend to vote all undirected proxies I hold in favour of the Scheme Resolution.

Proxy Votes

| For | Against | Abstain | Discretionary |
|------------|---------|---------|---------------|
| 78,609,592 | 32,248 | - | 1,612,857 |

Reasons for the directors’ recommendation

The Konekt directors have considered the advantages and disadvantages of the Scheme and unanimously recommend that Konekt Shareholders vote in favour of the Scheme in the absence of a Superior Proposal, and have voted the shares they hold or controlled by them or on their behalf in favour of the Scheme.

In relation to the recommendation of Mr Damian Banks, shareholders are reminded that they should have regard to the fact that, if the Scheme is implemented, Mr Banks will become entitled to the cash amounts referred to in section 3 of the Supplementary Scheme Booklet.

The Revised Total Cash Consideration of \$0.70 cash for each Konekt Share represents a significant premium to recent historical Konekt Share prices, prior to the announcement of the Scheme:

- 141% to the closing price of \$0.29 per Konekt Share on 4 October 2019, the last trading day prior to the announcement of the Scheme;
- 170% to the 1 month VWAP of \$0.26 per Konekt Share;
- 186% to the 3 month VWAP of \$0.25 per Konekt Share; and
- 274% to the 6 month VWAP of \$0.20 per Konekt Share.

No Superior Proposal has emerged since the announcement of the Scheme, and no further competing proposal has emerged since the announcement of the third MAXIMUS, Inc. proposal on 22 November 2019.

The Scheme Booklet and the Supplementary Scheme Booklet together outline the detailed reasons for the directors' recommendation. In summary, the directors of Konekt made their recommendation on the basis that:

- the total cash consideration of \$0.70 per share represents a significant premium to the Konekt Share price relative to the historical trading prices, prior to the announcement of the Scheme;
- the Independent Expert appointed by the Board, Lonergan Edwards & Associates, concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Konekt Shareholders in the absence of a superior proposal;
- The Scheme provides the opportunity to realise certain cash value for your investment in Konekt;
- Konekt declared a fully franked Special Dividend of \$0.05 per Konekt Share. Konekt shareholders may be able to realise the benefit of franking credits as part of the fully franked Special Dividend;
- No Superior Proposal has emerged since the announcement of the Scheme, and no further competing proposal has emerged since the announcement of the third MAXIMUS, Inc. proposal on 22 November 2019;
- If the Scheme does not proceed, and no Superior Proposal emerges, Konekt's Shares may fall, including to a price that is well below the value of the total cash consideration of \$0.70 per Konekt share; and
- If the Scheme does not proceed, you will continue to be subject to the risks associated with Konekt's business and general market risks, rather than realising certain value for Konekt shares through the Scheme.

Of course, there are some reasons why Konekt Shareholders might consider voting against the Scheme, and these are set out in the Scheme Booklet. For example:

- You may disagree with the directors' unanimous recommendation and the Independent Expert's conclusion;
- You may consider the total cash consideration does not reflect Konekt's long term potential;
- You may prefer to participate in the future financial performance of the Konekt business;
- You may consider that there is a possibility that a Superior Proposal could emerge in the foreseeable future;
- You may believe it is in your best interests to maintain your current investment and risk profile; and
- The tax consequences of the Scheme may not be suitable having regard to your individual circumstances.

Independent expert

Konekt appointed Lonergan Edwards & Associates as the Independent Expert to assess the merits of the Scheme. The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Konekt Shareholders in the absence of a superior proposal.

The Independent Expert assessed the full underlying value of Konekt at between \$0.39 and \$0.43 per Konekt Share. The Total Cash Consideration of \$0.70 per Konekt Share is above the top end of this valuation range.

Scheme conditions

Implementation of the Scheme is subject to a number of conditions. The relevant conditions which remain outstanding at this time are:

- the approval of the Scheme by Konekt Shareholders, which is why we are holding the Scheme Meeting today; and
- the approval of the Scheme by the Federal Court of Australia, which will be sought following this meeting in the event shareholders approve the Scheme.

I note that all relevant third party consents and approvals have now been obtained. Your Directors are not aware of any circumstance to date which would prevent any of the outstanding conditions from being satisfied.

Timetable for implementation

If the Scheme is approved by Konekt Shareholders at today's Scheme Meeting, the expected next key dates in the Scheme timetable are:

- on 9 December 2019, Konekt will seek the approval of the Federal Court of Australia to implement the Scheme. If the Court approves the Scheme and issues the orders sought, then on 10 December 2019 Konekt will lodge with the Australian Securities and Investments Commission a copy of the Court's orders and the Scheme will become effective. Trading in Konekt shares will be suspended at the close of trading on the ASX on that day;
- the Special Dividend Record Date will be 7:00pm (Sydney time) on 11 December 2019. All Konekt Shareholders who hold Konekt shares on the Special Dividend Record Date will be entitled to receive the Special Dividend; and
- the formal Scheme Record Date for the Scheme will be 7:00pm (Sydney time) on 16 December 2019. All Konekt Shareholders who hold Konekt shares on the Scheme Record Date will be entitled to receive the Scheme Consideration.

With this background, we will now move to the formal business of the Scheme Meeting.

Reena Minhas
Company Secretary
Konekt Limited

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