

16 October 2019

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

Letter to Shareholders

In accordance with ASX Listing Rules attached is a copy of a Letter sent to Shareholders.

Reena Minhas
Company Secretary

About Konekt Group

With 700 staff and 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 maximise workforce participation and productivity, and minimize the impact of workplace injury. We help organisations minimise workplace costs, resulting in increased participation, reduced worker's 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.



ABN 90 602 765 784



ABN 64 083 660 093



ABN 64 083 660 093



ABN 89 145 100 223

16 October 2019

Dear Konekt Shareholder,

Proposed Acquisition of 100% of Konekt from Advanced Personnel Management (APM) for cash consideration of \$0.49 per Konekt Share

On 8 October 2019, Konekt announced that it had entered into a Scheme Implementation Deed with APM under which APM would acquire 100% of the shares in Konekt by way of a Scheme of Arrangement (Scheme) for a cash consideration of \$0.49 per share. The proposed acquisition values Konekt's issued shares at approximately \$52 million.

Konekt's Directors consider the proposal from APM represents an opportunity to realise certain immediate cash value for their Konekt Shares at a significant premium to recent historical trading prices. The Total Cash Consideration represents a:

- ▶ 69% premium to the closing price of \$0.29 per share on 4 October 2019, the last trading day prior to the announcement of the Scheme;
- ▶ 89% premium to the 1 month VWAP of \$0.26 per share;
- ▶ 100% premium to the 3 month VWAP of \$0.25 per share; and
- ▶ 162% premium to the 6 month VWAP of \$0.19 per share.

Fully Franked Special Dividend

The Konekt Board intends to declare, as part of the Scheme, a fully franked Special Dividend of up to \$0.05 per Konekt Share, with the Scheme Consideration of \$0.49 per Konekt Share to be reduced by the Special Dividend amount. The fully franked Special Dividend is expected to be paid shortly prior to implementation of the Scheme. If the Special Dividend is not paid, but the Scheme is implemented, the Scheme Consideration of \$0.49 per Konekt Share will not be reduced. In the event that the Scheme does not become effective, the Special Dividend will not be paid.

Please note that Konekt Shareholders registered as at 19 September 2019 will still receive the \$0.01 per share fully franked FY2019 dividend that is payable on 29 November 2019. This will not reduce the Cash Consideration that is payable under the Scheme.

Konekt Directors' Recommendation

Each of Konekt's Directors (who, collectively represent approximately 23.3% of the Konekt Shares) consider the Scheme to be in the best interests of Konekt's shareholders and unanimously recommend that shareholders vote in favour of the Scheme, subject to no superior proposal emerging and an Independent Expert concluding (and continuing to conclude) that the Scheme is in the best interests of Konekt's shareholders.

The Scheme is subject to certain conditions, including obtaining consent for the change of control resulting from the Scheme in relation to certain government contracts, regulatory approvals, there being no material adverse change, regulated events or prescribed occurrences Konekt Shareholder approval and Court approval.

Next Steps

You do not need to take any action at this time.

A Scheme Booklet containing information relating to the proposed acquisition, reasons for the Directors' recommendation, the Independent Expert's Report and details of the Scheme meeting is expected to be sent to Konekt Shareholders in early November 2019.

We will keep shareholders informed of any developments by release to the ASX and on Konekt's website at www.konekt.com.au.

Shareholders will then have the opportunity to vote on the Scheme at the Scheme meeting to be held on or around early December 2019. Subject to Konekt Shareholder approval being obtained and the other conditions of the Scheme being satisfied, the Scheme is expected to be implemented in mid-December 2019.

If you have any questions about the proposed acquisition, please call the Konekt Shareholder Information Line on 1300 671 080 or +61 2 8022 7954 between 9.00am and 5.00pm (Sydney time), Monday to Friday, excluding public holidays.

Thank you very much for your ongoing support.

Yours sincerely,



Douglas Flynn
Chairman