

## Deal Terms

1 AM AU = A\$1.45

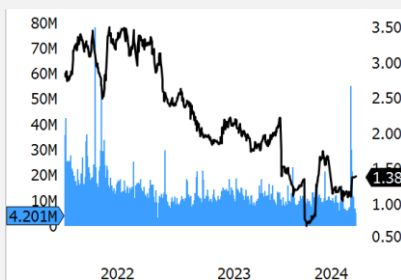
### Target: APM Human Services International Ltd.

Country	Australia
Bloomberg	APM AU
Sector	Professional Services
Share price (AUD)	1.38
Market cap (AUDm)	1261
Free float (%)	~32

### Acquirer: Madison Dearborn Partners

Country	United States
Bloomberg	N/A
Sector	Private Equity

### APM AU Price Chart



### Status

Scheme Document in July 2024

### Author

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## APM Human Services International (APM AU) / Madison Dearborn Partners

### AGREED MERGER

The deal spread appears to be somewhat wide, driven by the downside. However, we see an upside to the deal timeline, and to the deal price in case of a low probability improved bid or counterbid.

### Antitrust and Timing

- FIRB, HSR and Competition Act Canada are required. The SID does not specify an ACCC approval.
- In Australia the employment services are technically providers of the government-run Workforce Australia program.
  - competitors in Australia: uLaunch, atWork, Uniting, WorkPac, WorkFocus Australia, EndeavourFoundation, CVGT Employment
- competitors in the US: Tempus Unlimited, select, Volt, Goodwill Industries, Pride Industries,
- Estia Health/Bain was completed 6 months from announcement in 2023.
- We believe that the deal does not pose any significant antitrust risk.
  - Despite geographical overlaps, there is no overlap in the markets served by MDP's current portfolio companies and AMP UA current activities, meaning there are no instances where they perform the same activities in the same regions.
- We believe that the FIRB approval will be granted as APM does not operate within a strategic sector that would raise concerns. MDP is based in the United States, and US companies are generally considered trustworthy buyers in Australia.
  - The non-strategic nature of APM's operations reduces the likelihood of regulatory objections. Additionally, MDP already holds a 29% ownership stake in APM, which demonstrates their existing commitment and interest in the company, further alleviating any concerns about the nature of the acquisition.
- We believe that the deal will likely close on schedule and that the parties estimate of October is reasonable, the regulatory conditions are unlikely to affect the deal timeline.

### Shareholder vote

- The Scheme requires approval support of 75% of shareholders, 50% of shareholders voting.
- We believe that the deal will receive the approval of shareholders.
  - Madison and APM board members who agreed to roll over their shares hold ~54% (29+25) of shares.
- We note that although the offer price of A\$1.45 is well below the price previously offered by CVC however it still represents a significant premium to the mid-February price of APM AU shares of A\$0.84

### Counter bid

- We note that APM received a revised conditional takeover offer of A\$2 cash per share from CVC Asia Pacific in February (improved the rejected A\$1.6).
- Later, on March 27, 2024, CVC Asia Pacific decided against making a binding offer for employment services provider APM Human Services International.
- MDP offered in April to buy the remaining 71% of the Australian employment services firm it does not own for A\$1.40 apiece, slightly below the agreed offer price.
- The offer was increased to A\$1.45 in the SID.
- We note that based on our LBO model, there is an upside to the deal.
- However, we do not expect a third party to enter due in light of the previous bids (the improved and recalled CVC and the improved MDP) and as Madison's stake is enough to block a scheme.
- Historically, APM AU was traded at a higher price, but in the past few months, the company has found itself in a difficult situation. The operating environment became gloomier for the company as the cyclical low unemployment reduced the demand for the company's services, the increased interest rate environment put an additional burden on the company, and the outlook for the next years was also considered poor.

## Valuation

- We see APM AU trading at ~A\$0.75 in a deal break, implied by a 6.0x FY1 EV/EBITDA multiple.
- The deal represents a premium of
  - 74.7% to APM's closing share price on 16 February 2024, being the trading day prior to the announcement of receipt of a non-binding, indicative proposal from CVC Asia Pacific; and
  - 23.8% to the volume weighted average price of APM shares from 8 April 2024, being the date of announcement of MDP's original non-binding indicative proposal.
- Estia Health was taken out at 1.0x FY1 EV/Sales, 7.9x FY1 EV/EBITDA and 7.9x FY2 EV/EBITDA.
  - APM takeout multiples are 1.0x FY1 EV/Sales, 8.5x FY1 EV/EBITDA and 7.6x FY2 EV/EBITDA, similar to the Estia deal multiples.
- Fundamental analysts' target prices for APM AU ranged between A\$1.40 and A\$2.00 before the merger announcement.

## CBR View:

- We believe that the current spread is explained by the large downside. We see that a long position is attractive as Scheme is unlikely to fail at this point unless a potential counter bidder enters, which can give further upside to the deal. However, we give a low probability to this scenario.

## Key terms of the merger

### Transaction Details

<b>Announcement Date</b>	<b>June 3, 2024</b>
<b>Offer terms</b>	1 APM AU = A\$1.45 full cash Eligible APM shareholders will have the option to receive either 90% or 100% of the consideration in unlisted shares in the acquisition entity. (Scrip Alternatives) Subject to those same qualifications and having regard to the IBC recommendation, Executive Chair, Megan Wynne and Group CEO, Michael Anghie will also recommend the Scheme and, if it is implemented, receive the 100% Scrip Alternative in respect of all their shares in line with the conditions of the Scheme APM shareholders that do not elect to receive either of the Scrip Alternatives will receive the Cash Consideration
<b>% owned by APM AU stockholders</b>	0%
<b>Deal Size (Market Value)</b>	A\$1.3 billion
<b>Offer structure</b>	Scheme of Arrangement
<b>APM AU's Board Recommendation</b>	Yes
<b>Voting Agreement</b>	Executive Chair, Megan Wynne and Group CEO, Michael Anghie will also recommend the Scheme
<b>APM AU Incorporation</b>	Australia
<b>Bidder Incorporation</b>	US
<b>Scheme implementation deed</b>	Click <a href="#">here</a> for the Scheme implementation deed and deal announcement
<b>Synergies</b>	■ N/A

### Indicated Closing Date

- Prior to the end of 2024 (Co. est)

### Dividends

- Since APM went public on 12 November 2021, the company has paid three dividends in September 2022, March 2023 and September 2023. On each occasion, an amount of A\$ 0,05.
- Company shall not pay dividend.

### APM AU capitalization

- APM AU Equity
- APM AU Debt
- APM AU Net Leverage
- APM AU has 917,181,946 shares outstanding
- A\$1050m
- FY1 Net/Debt Ebitda 3.5x

### Valuation Multiples

- 1-day premium
  - LTM EV/Sales
  - FY1 EV/Sales
  - FY2 EV/Sales
  - LTM P/E
  - FY1 P/E
  - FY2 P/E
  - FY1 EV/EBITDA
  - FY2 EV/EBITDA
- Cash consideration represents a 74.7% premium to APM's undisturbed share price on February 16, 2024 of AUD0.83
- 1.1x  
1.0x  
0.9x  
18.0x  
20-7x  
16.1x  
8.5x  
7.6x

### Timetable

■ Confidentiality Agreement	April 14, 2024
■ Date of the Merger Agreement (T)	June 3, 2024
■ Deal Announcement	June 3, 2024
■ Applying for Regulatory Approvals	June 12, 2024
■ Scheme Booklet to be published	July 2024
■ Shareholder meeting	By September 2024
■ Settlement (Parties est.)	October 2024
■ Outside date	January 31, 2025 (8 months)

### Solicitation Clause

- There is a no-shop provision subject to fiduciary exception, notification obligations and matching right. There is a 5 business day matching period.
- MDP has confirmed the following intentions to the IBC:
  - i. in the event that the IBC determines that it will exercise its fiduciary exception in clause 11.5 of the SID with respect to a Competing Proposal that is, or could reasonably be expected to lead to, a Superior Proposal (as those terms are defined in the SID), MDP will consider in good faith the terms of that Competing Proposal as it relates to MDP's existing shareholding in APM; and

- ii. to the extent that a Competing Proposal includes a scrip rollover requirement applicable to some or all of MDP's existing shareholding in APM, MDP would be prepared to enter into good faith discussions with APM to ascertain whether or not the terms and conditions of that scrip rollover requirement are acceptable to MDP, and if not, what amendments may be necessary in order for those terms and conditions to become acceptable to MDP.
- **Superior Proposal** means a bona fide, written Competing Proposal that is received by APM (and not received as a result of a breach by APM of its obligations under clause 11) and that the APM IBC, acting in good faith and in order to satisfy what the APM IBC considers to be the APM IBC Directors' statutory or fiduciary duties (after having obtained advice from its legal advisor and financial advisor), determines:
  - (a) is reasonably capable of being valued and completed within a reasonable timeframe in accordance with its terms, taking into account all terms, conditions and other aspects of the Competing Proposal, including (but not limited to):
    - the identity, reputation and financial condition of the party making the Competing Proposal;
    - the ability of the party making the Competing Proposal to complete the transactions contemplated by the Competing Proposal and the time required to complete such transactions;
    - consideration (including value and type), conditionality, funding, certainty (including any conditions precedent) and timing;
    - the probability of the Competing Proposal being completed compared to the Transaction; and
    - any other relevant legal, financial, regulatory and other matters; and
  - (b) would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction that is more favourable to APM Shareholders as a whole than the Transaction (and, if applicable, than the Transaction as amended or varied following application of the matching right set out in clause 11.7), taking into account all of the terms, conditions and other aspects of:
    - the Competing Proposal (including the items listed in paragraph (a) above);
    - the Transaction (including the matters described in paragraph (a) above in respect of the Transaction); and
    - any other matters affecting the probability of the relevant proposal being completed in accordance with its terms and the time required for such completion.

#### Key conditions to the merger

<ul style="list-style-type: none"> <li>■ Shareholder approvals</li> </ul>	<ul style="list-style-type: none"> <li>■ APM AU: APM shareholders approve the Scheme Resolution by the requisite majorities at the Scheme meeting</li> <li>■ a majority in number (more than 50%) of APM Shareholders who are present and voting at the Scheme Meeting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative, except to the extent the Court orders otherwise under section 411(4)(a)(ii)(A) of the Corporations Act and, in that case, in accordance with that Court order; and</li> <li>■ (b) at least 75% of the votes cast on the resolution by APM Shareholders who are present and voting at the Scheme Meeting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative.</li> </ul>
<ul style="list-style-type: none"> <li>■ NSW Court approval</li> </ul>	<ul style="list-style-type: none"> <li>■ Yes</li> </ul>
<ul style="list-style-type: none"> <li>■ Reps and Warranties</li> </ul>	<ul style="list-style-type: none"> <li>■ Yes</li> </ul>
<ul style="list-style-type: none"> <li>■ No injunctions</li> </ul>	<ul style="list-style-type: none"> <li>■ Yes</li> </ul>
<ul style="list-style-type: none"> <li>■ No legal prohibition</li> </ul>	<ul style="list-style-type: none"> <li>■ Yes</li> </ul>
<ul style="list-style-type: none"> <li>■ Regulatory Approvals</li> </ul>	<ul style="list-style-type: none"> <li>■ FIRB, HSR, Competition Act Canada</li> </ul>
<ul style="list-style-type: none"> <li>■ Court Approval</li> </ul>	<ul style="list-style-type: none"> <li>■ NSW Supreme Court</li> </ul>
<ul style="list-style-type: none"> <li>■ No Company Prescribed occurrence</li> </ul>	<ul style="list-style-type: none"> <li>■ Yes</li> </ul>
<ul style="list-style-type: none"> <li>■ No Company MAC</li> </ul>	<ul style="list-style-type: none"> <li>■ Yes</li> </ul>
<ul style="list-style-type: none"> <li>■ Company Equity Incentives</li> </ul>	<ul style="list-style-type: none"> <li>■ Yes</li> </ul>
<ul style="list-style-type: none"> <li>■ Independent Expert</li> </ul>	<ul style="list-style-type: none"> <li>■ Yes</li> </ul>
<ul style="list-style-type: none"> <li>■ Change of control consent being received</li> </ul>	<ul style="list-style-type: none"> <li>■ Yes</li> </ul>

#### MAC Definitions

- APM Material Adverse Change means any event, change, condition, matter, circumstance or thing which:
  - (a) occurs after the date of this deed (whether it becomes public or not); or
  - (b) occurred before the date of this deed but which only becomes known to MDP BidCo (whether it becomes public or not), or is only announced or publicly disclosed, on or after the date of this deed, (each, a Specified Event) that, whether individually or when aggregated with all other Specified Events that have occurred has had, or would reasonably be expected to have, the effect of a recurring diminution in the annualised consolidated EBITDA over a 12 month period of the APM Group taken as a whole, by at least \$35 million, determined after taking into account any Specified Events that have had a positive impact on annualised consolidated EBITDA over that same period such that the impact is assessed on a net basis, as compared to what the consolidated EBITDA of the APM Group could reasonably have been expected to be during that 12 month period but for such Specified Event(s)

#### MAC Carve-outs

- excluding all events, changes, conditions, matters, circumstances or things: that were Fairly Disclosed in the Disclosure Materials; that were disclosed in:
- all events, changes, conditions, matters, circumstances or things: that were Fairly Disclosed in the Disclosure Materials; that were disclosed in: (i) an announcement made by APM to the ASX prior to the date of this deed; or (ii) the Public Register Information;
  - (c) that are within the actual knowledge of MDP BidCo prior to the date of this deed;

- (d) arising from changes in general economic, business or industry conditions (including changes to interest rates, commodity prices or financial markets (including domestic or international financial markets)) other than where such matters have a materially disproportionate effect on the APM Group as compared to other participants in the industry in which the APM Group operates;
- (e) arising from any actual or proposed change in law, regulation, generally accepted accounting standards or generally accepted accounting principles or the interpretation of any such standards or principles, or policy of a Government Agency, in each case, after the date of this deed; (f) required or expressly permitted to be done by the APM Group under this deed or the Scheme;
- (g) expressly agreed to, or expressly requested by, MDP BidCo in writing prior to the occurrence of such matter;
- (h) relating to third party costs and expenses incurred by APM in connection with the Scheme, including all fees payable to external advisors of APM, in each case only to the extent disclosed to MDP BidCo in the Disclosure Letter;
- (i) relating to any costs and expenses incurred by APM in connection with the implementation of the Conditional Transfer Agreement, including the General Meeting; or
- (j) arising from any act of terrorism, outbreak or escalation of war (whether or not declared) or major hostilities, civil unrest, an act of God, lightning, storm, flood, fire, earthquake or explosion, cyclone, tidal wave, landslide, other natural disaster or adverse weather conditions or the like.

#### Prescribed Occurrences

- (a) (conversion of securities) APM converting all or any of its securities (including the APM Shares) into a larger or smaller number of securities;
- (b) (reducing or changing share capital) APM resolving to reduce its share capital in any way or reclassifying, combining, splitting, redeeming, or repurchasing, directly or indirectly, any of its securities (including APM Shares);
- (c) (buy-backs) APM entering into a buy-back agreement in respect of APM Shares or resolving to approve the terms of a buy-back agreement in respect of APM Shares under the Corporations Act;
- (d) (new equity securities) any APM Group Member issuing shares, or granting a performance right or an option over its shares, or agreeing to make such an issue or grant such a performance right or an option, other than: an issue on vesting and / or exercise of, or in respect of, an APM Equity Incentive; or to another APM Group Member;
- (e) (convertible securities) any APM Group Member issuing, or agreeing to issue, securities convertible into shares, other than to another APM Group Member;
- (f) (dividends and other distributions) APM announcing, making, determining as payable, or declaring, any dividend or other distribution, or incurring a liability to make or pay a dividend or other distribution;
- (g) (constitution) an APM Group Member making any change to its constitution, other than where an APM Group Member that is not material in the context of the APM Group (taken as a whole) makes a change to its constitution that does not materially affect the Transaction or the APM Group (or its business);
- (h) (disposal of business) any APM Group Member(s) disposing, or agreeing to dispose, of all, or substantially all, of its business or property (whether by way of a single transaction or series of related transactions);
- (i) (Encumbrances) an APM Group Member creating or granting an Encumbrance, or agreeing to create or grant an Encumbrance, in respect of the whole, or substantially all, of the business, assets or property of the APM Group, other than a Permitted Encumbrance;
- (j) (Insolvency Events) an Insolvency Event occurs in relation to APM or material APM Group Members;
- (k) (ceasing business) any material APM Group Member ceasing, or threatening to cease, the whole or a material part of its business;
- (l) (incentives) any APM Group Member creates any new security-based (or phantom security-based) incentive plan or scheme, modifies the plans or rules for any APM Equity Incentives, or issues or makes any offers to participate in any plan for any APM Equity Incentives;
- (m) (quotation) APM Shares cease to be quoted, or are suspended from quotation, on ASX; or
- (n) (agreement) any APM Group Member directly or indirectly authorises, commits or agrees to take any of the actions referred to in the paragraphs above insofar as it applies to the APM Group Member the subject of the relevant actions referred to in paragraphs above.

#### Break fees

- |                     |   |
|---------------------|---|
| ■ Break fee         | ■ APM Break Fee: \$13,470,000.<br>■ APM Partial Break Fee: \$6,730,000. |
| ■ Reverse break fee | ■ \$13,470,000.   |

#### Antitrust related clauses

- |                                  |                |
|----------------------------------|----------------|
| ■ Jurisdictions                  | ■ USA, Canada, |
| ■ Divestiture obligation         | ■ N/A          |
| ■ Litigation obligation          | ■ N/A          |
| ■ Reverse break fee (regulatory) | ■ No           |

#### Governing Law

- Australia

#### Key APM AU shareholders

<b>APM Human Services</b>	<b>%</b>
Wynne Megan	23,5
Madison Dearborn Capital Partners	17,3
BELLINGE HOLDINGS PTY LTD	11,0
Madison Dearborn Capital Partners	9,0
Mitsubishi UFJ Financial Group Inc	4,7
Anghie Michael	2,3
Vanguard Group Inc/The	1,8
FIRST SENTIER INV RQI	1,5
Madison Dearborn Capital Partners	1,4
Madison Dearborn Capital Partners	1,4
<b>Other</b>	<b>26,2</b>

Source: Bloomberg

## Company descriptions & rationale for the merger

### APM AU DESCRIPTION

- APM Human Services International Ltd is an Australia-based global health and human services provider. The company's segments include ANZ (including Australia and New Zealand), North America (including Canada and the United States), and the Rest of World.

#### Services:

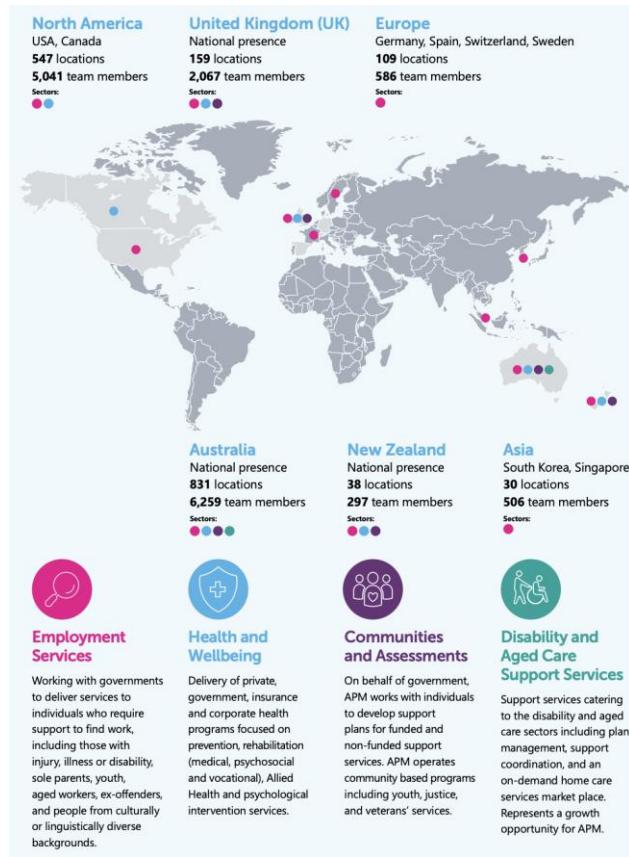
- The Company's services include assessments; allied health and psychological intervention; medical, psycho-social, and vocational rehabilitation; vocational training and employment assistance; and community-based support services.

APM delivers these services through the following key service lines:

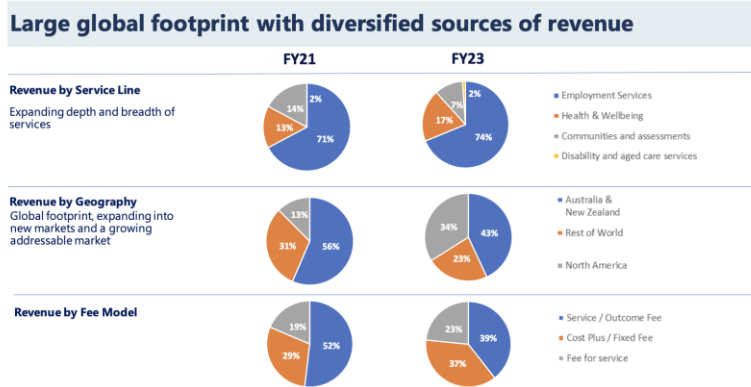
- **Employment Services (ES):** Working with governments to deliver services to individuals who require support to find work, including those with injury, illness or disability, sole parents, youth, aged workers, ex-offenders, first nations people and people from culturally or linguistically diverse backgrounds. Operating in Australia, New Zealand, UK, Canada, USA, South Korea, Singapore, Germany, Switzerland, Sweden and Spain.
  1. **Brands:**
  2. Australia and New Zealand: APM Employment Services, APM Work Assist, Employable Me
  3. UK, Europe and Asia: Clustera, Ingeus
  4. North America: Agilec, Dynamic, Equus Workforce Solutions, Grant Associates, Ross Innovative Employment Solutions, WCG Services
- **Health and Wellbeing (H&W):** Delivery of private, government, insurance and corporate health programs focused on prevention, rehabilitation (medical, psycho-social and vocational), Allied Health and psychological intervention services. Operating in Australia, New Zealand, the UK, and Canada, with additional psychology services delivered by supply chain partners globally.
  1. **Brands:**
  2. Australia: APM WorkCare, Acumen Health, Assure Programs, Biosymm, Communicorp, Early Start Australia, Everyday Independence, FBG Group, Generation Health, Interact Injury Management, Konekt, Lifecare, MCI Achieve, MCI Institute, MCI Solutions, Springday
  3. New Zealand: APM Workcare Ltd, APM Physiotherapy
  4. UK: CiC
- **Communities and Assessment (C&A):** On behalf of Government, APM works with individuals to develop support plans for funded and non-funded support services. APM operates community-based programs in the youth, justice and veterans' sectors. APM's Communities and Assessment business operates in Australia, the UK, and New Zealand.
  1. **Brands:**
  2. Australia: APM Communities, APM Assessment Services
  3. UK: Ingeus
- **Disability and Aged Care Support Services (D&ACSS):** Support services catering to the disability and aged care sectors including plan management, support coordination and an on-demand home care services marketplace. These services are delivered across Australia.
  1. **Brands:**
  2. Australia: MyIntegra, Mobility

#### Customers:

- In the last financial year, APM supported more than 2.1 million people from 1,700 sites spanning 11 countries: Australia, United Kingdom, Canada, United States of America, New Zealand, Germany, Switzerland, Sweden, Spain, Singapore, and South Korea.



Source: Annual Report 2023



Source: Annual Report 2023

## Revenue by country

A\$m	H1'21	H2'21	FY21	H1'22	H2'22	FY22	H1'23	H2'23	FY23
Australia	260.9	267.9	528.7	300.2	343.6	643.9	369.4	408.0	777.4
New Zealand	22.8	20.7	43.5	18.0	17.4	35.5	19.1	18.3	37.4
<b>Australia and New Zealand</b>	<b>283.7</b>	<b>288.6</b>	<b>572.3</b>	<b>318.3</b>	<b>361.1</b>	<b>679.3</b>	<b>388.5</b>	<b>426.3</b>	<b>814.8</b>
United Kingdom	109.0	127.5	236.4	164.6	196.7	361.4	201.9	155.1	357.0
Korea	16.0	16.5	32.5	14.5	17.2	31.7	15.9	19.5	35.4
Singapore	3.7	5.4	9.1	6.2	4.8	11.0	3.4	5.5	8.9
Germany	8.1	7.5	15.6	8.7	8.7	17.4	9.2	9.8	19.0
Switzerland	3.2	3.0	6.2	2.7	2.8	5.6	2.4	3.6	6.0
Sweden	-	-	-	-	4.7	4.7	5.6	5.0	10.6
<b>Rest of World</b>	<b>140.0</b>	<b>159.9</b>	<b>299.9</b>	<b>196.8</b>	<b>234.9</b>	<b>431.7</b>	<b>238.4</b>	<b>198.5</b>	<b>436.9</b>
Canada	20.9	37.4	58.2	41.2	41.8	83.0	60.7	49.5	110.2
United States	29.4	39.3	68.7	57.1	77.0	134.1	163.5	368.4	531.9
<b>North America</b>	<b>50.2</b>	<b>76.7</b>	<b>126.9</b>	<b>98.3</b>	<b>118.8</b>	<b>217.1</b>	<b>224.2</b>	<b>417.9</b>	<b>642.1</b>
Other revenue	-	16.9	16.9	0.3	2.3	2.6	2.6	-	2.6
<b>Group Revenue</b>	<b>473.9</b>	<b>542.1</b>	<b>1,016.0</b>	<b>613.6</b>	<b>717.1</b>	<b>1,330.7</b>	<b>853.7</b>	<b>1,042.7</b>	<b>1,896.4</b>

Source: Annual Report 2023

## MADISON DEARBORN PARTNERS DESCRIPTION

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- Madison Dearborn Partners (MDP) is a United States-based private equity firm that focuses on management buyout transactions and other private equity investments across a broad spectrum of industries.
- Since the founders established Madison Dearborn as an independent firm in 1992, the MDP has raised aggregate capital of over \$31 billion, and has completed investments in more than 160 companies. Today, Madison Dearborn is investing its eighth fund, Madison Dearborn Capital Partners VIII, which has \$5.0 billion in aggregate capital commitments.

### Investment focus:

- Madison Dearborn operates using an industry-focused investment approach and focuses on the following sectors:
  1. Basic Industries
  2. Financial & Transaction Services
  3. Health Care
  4. Technology & Government

### Current investments in the healthcare industry:

- APM Human Services International (already owns a minority stake around 29%)
- CareRing Health: Provider of personal care and home health services primarily for Medicaid recipients in Pennsylvania and Delaware.
- Kaufman, Hall & Associates: A leading healthcare management consulting company, primarily serving the not-for-profit hospital market in the U.S.
- Performance Health: Performance Health is a leading multichannel branded supplier to the global rehabilitation, recovery and sports medicine markets. Operates in the US, UK, Canada, France and Australia.
- Sevita Health: Provider of Home & Community Based Services with core competency helping adults and youth with intellectual and developmental disabilities, adults and youth with brain and spinal cord injuries, youth and families in need of behavioral health support and foster care, and day programs for seniors. The company operates in the US.
- Solis Mammography: Solis is a leading specialized health care provider of mammography and related imaging services, including breast screening and diagnostic mammography (2D and 3D), breast ultrasound, and biopsies. The company currently operates more than 50 centers and provides approximately 1 million procedures each year to patients across the United States.

## STRATEGIC RATIONALE FOR THE MERGER

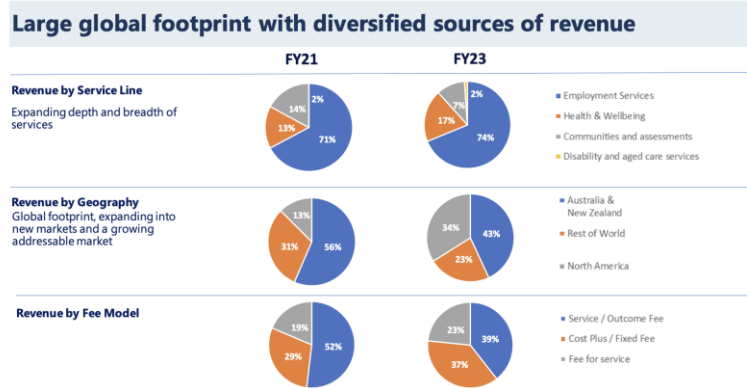
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- Acquiring APM Human Services International enables MDP to broaden its portfolio in the employment and healthcare services industry, diversifying its market exposure by entering regions such as Canada, Australia, New Zealand, and Korea.
- We believe that a cyclical unfavorable operating environment or regulatory outlook could enable MDP to acquire APM AU at a favorable price. Additionally, MDP's business relationships might facilitate APM's entry into the US healthcare market. With a stronger capital base, the new owner would have greater flexibility to develop and adapt to changes in the business environment.

## Key risks

### REGULATORY RISKS AND TIMING

- FIRB, HSR and Competition Act Canada are required. The SID does not specify an ACCC approval.



Source: Annual Report 2023

### APM Geographies

- APM AU has significant location and exposed towards the following state financed programs
  - 1. Australia: represent 41% of their sales (ES, H&W, C&A, D&ACSS)**
    - Providers of the Australian Government’s Workforce Australia and Disability Employment Services programs.
    - Registered member of Australia’s National Panel of Assessors. Approved provider of the Australian Government’s My Aged Care program.
  - 2. US: 28.1% of their sales (ES)**
  - 3. Canada: 5.8% of their sales (ES, H&W)**
    - WCG proudly delivers Canadian Veterans Vocational Rehabilitation Services (CVVRS) on behalf of Veterans Affairs Canada. CVVRS a national program delivering vocation rehabilitation and assistance to Veterans and their families.
    - Equus provides services utilising Federal funding streams such as Workforce Innovation and Opportunity Act (WIOA), Temporary Assistance for Needy Families (TANF) which between them support many workforce development programs as well as Job Corps.
    - Agilec provide career transition services for Veterans Affairs Canada.
  - 4. UK: 18.8% of their sales (ES, H&W, C&A)**
    - Ingeus UK: Provides employment services on behalf of government agencies.

### Madison Dearborn Portfolio

- MDP’s healthcare investment operates in the following locations:
  - 1. Australia:**
    - Performance Health: Design and manufacture rehab products, sport medicine supplies and physical therapy equipment.
  - 2. US:**
    - CareRing Health: Personal care and home health services.
    - Kaufman, Hall & Associates: Healthcare focused consultancy service provider.
    - Performance Health: Design and manufacture rehab products, sport medicine supplies and physical therapy equipment.
    - Sevita Health: Provider of home and community-based speciality healthcare.
    - Solis Mammography: Provider of mammography and related imaging services.
  - 3. Canada:**
    - Performance Health: Design and manufacture rehab products, sport medicine supplies and physical therapy equipment.
  - 4. UK:**
    - Performance Health: Design and manufacture rehab products, sport medicine supplies and physical therapy equipment.

### Competition

- In Australia the employment services are technically providers of the government-run Workforce Australia program.
- competitors in Australia: uLaunch, atWork, Uniting, WorkPac, WorkFocus Australia, EndeavourFoundation, CVGT Employment
- competitors in the US: Tempus Unlimited, select, Volt, Goodwill Industries, Pride Industries,

**Timing**

- Estia Health/Bain was completed 6 months from announcement in 2023.

**CBR View:**

- We believe that the deal does not pose any significant antitrust risk.
  - Despite geographical overlaps, there is no overlap in the markets served by MDP’s current portfolio companies and AMP UA current activities, meaning there are no instances where they perform the same activities in the same regions.
- We believe that the FIRB approval will be granted as APM does not operate within a strategic sector that would raise concerns. MDP is based in the United States, and US companies are generally considered trustworthy buyers in Australia.
  - The non-strategic nature of APM’s operations reduces the likelihood of regulatory objections. Additionally, MDP already holds a 29% ownership stake in APM, which demonstrates their existing commitment and interest in the company, further alleviating any concerns about the nature of the acquisition.
- We believe that the deal will likely close on schedule and that the parties’ estimate of October is reasonable, the regulatory conditions are unlikely to affect the deal timeline.

**SHAREHOLDER VOTE**

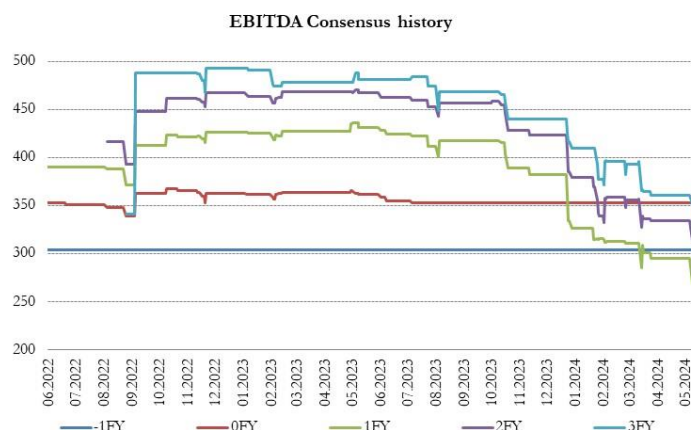
- The deal requires
  1. a majority in number (more than 50%) of APM Shareholders who are present and voting at the Scheme Meeting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative, except to the extent the Court orders otherwise under section 411(4)(a)(ii)(A) of the Corporations Act and, in that case, in accordance with that Court order; and
  2. (b) at least 75% of the votes cast on the resolution by APM Shareholders who are present and voting at the Scheme Meeting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative.
- Subject to those same qualifications and having regard to the IBC recommendation, Executive Chair, **Megan Wynne and Group CEO, Michael Anghie** will also recommend the Scheme and, if it is implemented, receive the 100% Scrip Alternative in respect of all their shares in line with the conditions of the Scheme.
  - Together, they hold ~25% of APM Shares.

**CBR View:**

- We believe that the deal will receive the approval of shareholders.
  - Madison and APM board members who agreed to roll over their shares hold ~54% (29+25) of shares.
- We note that although the offer price of A\$1.45 is well below the price previously offered by CVC however, it still represents a significant premium to the mid-February price of APM AU shares of A\$0.84

**COUNTERBID**

- We note that APM received a revised conditional, indicative, non-binding takeover offer of A\$2 cash per share from CVC Asia Pacific in February (improved the rejected A\$1.6).
- Later, on March 27, 2024, CVC Asia Pacific decided against making a binding offer for employment services provider APM Human Services International.
- MDP offered in April to buy the remaining 71% of the Australian employment services firm it does not own for A\$1.40 apiece, slightly below the agreed offer price.
- The offer was increased to A\$1.45 in the SID.
- We note that based on our LBO model, there is an upside to the deal.
- However, we do not expect a third party to enter due in light of the previous bids (the improved and recalled CVC and the improved MDP) and as Madison’s stake is enough to block a scheme.



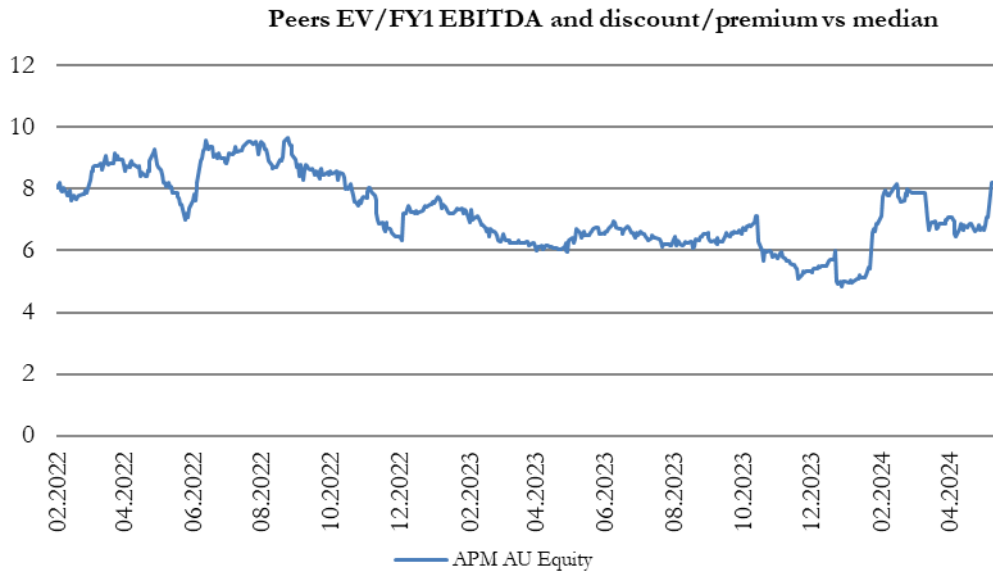
Source: Bloomberg, CBR

- Historically, APM AU was traded at a higher price, but in the past few months, the company has found itself in a difficult situation. The operating environment became gloomier for the company as the cyclical low unemployment reduced the demand for the company's services, the increased interest rate environment put an additional burden on the company, and the outlook for the next years was also considered poor.

## Valuation

### STANDALONE VALUE

- We see APM AU trading at ~A\$0.75 in a deal break, implied by a 6.0x FY1 EV/EBITDA multiple.



### PREMIUM

The deal represents a premium of

- 74.7% to APM's closing share price on 16 February 2024, being the trading day prior to the announcement of receipt of a non-binding, indicative proposal from CVC Asia Pacific; and
- 23.8% to the volume weighted average price of APM shares from 8 April 2024, being the date of announcement of MDP's original non-binding indicative proposal.

### PRECEDENTS

- Estia Health was taken out at 1.0x FY1 EV/Sales, 7.9x FY1 EV/EBITDA and 7.9x FY2 EV/EBITDA.
- APM takeout multiples are 1.0x FY1 EV/Sales, 8.5x FY1 EV/EBITDA and 7.6x FY2 EV/EBITDA, similar to the Estia deal multiples.

### LBO

- We see room for PE bidders to offer a higher takeout price.
- Our assumptions include
  1. Offer at A\$1.45/APM AU share
  2. 3% LT growth rate
  3. A\$928 Net debt as of December 31, 2023
  4. LT EBITDA margin 13%
  5. Equity participation 30%
  6. Leverage 5.7x in FY1
  7. Interest coverage 2.3x in FY1
  8. Credit spread 3.5%
  9. 25% tax rate
  10. 5-year IRR of 26%
  11. No synergies
  12. Our model does not consider rollover shares
  13. and no rollover of any stakes.
    - We note that the existing MDP stake and rollover of the executive chair and group CEO stakes substantially increase the IRR.

Sensitivity tables

		Bid Price				
		\$1.45	\$1.55	\$1.65	\$1.75	\$1.85
EBITDA Marg	11,0%	23,4%	22,9%	22,5%	22,1%	21,7%
	12,0%	24,8%	24,3%	23,9%	23,5%	23,1%
	13,0%	<b>26,0%</b>	25,6%	25,2%	24,8%	24,4%
	14,0%	27,3%	26,8%	26,4%	26,1%	25,7%
	15,0%	28,4%	28,0%	27,6%	27,3%	26,9%

		Bid Price				
		\$1.45	\$1.55	\$1.65	\$1.75	\$1.85
LT Growth	0,0%	25,3%	24,8%	24,4%	24,0%	23,6%
	2,0%	25,8%	25,3%	24,9%	24,5%	24,2%
	3,0%	<b>26,0%</b>	25,6%	25,2%	24,8%	24,4%
	4,0%	26,3%	25,8%	25,4%	25,0%	24,7%
	5,0%	26,5%	26,1%	25,7%	25,3%	24,9%

		Bid Price				
		\$1.45	\$1.55	\$1.65	\$1.75	\$1.85
EV/EBITDA	8,0x	24,7%	23,1%	21,6%	20,0%	18,5%
	8,2x	25,4%	23,8%	22,3%	20,7%	19,2%
	8,4x	<b>26,0%</b>	24,5%	22,9%	21,4%	20,0%
	8,6x	26,6%	25,1%	23,6%	22,1%	20,7%
	8,8x	27,3%	25,8%	24,3%	22,8%	21,3%

		Bid Price				
		\$1.45	\$1.55	\$1.65	\$1.75	\$1.85
Equity Part.	25,0%	28,8%	28,3%	27,9%	27,4%	27,0%
	30,0%	<b>26,0%</b>	25,6%	25,2%	24,8%	24,4%
	35,0%	23,9%	23,5%	23,1%	22,8%	22,4%
	40,0%	22,2%	21,8%	21,5%	21,1%	20,8%
	45,0%	20,8%	20,4%	20,1%	19,8%	19,5%

		Bid Price				
		\$1.45	\$1.55	\$1.65	\$1.75	\$1.85
Interest Margin	3,0%	26,3%	25,9%	25,5%	25,1%	24,7%
	3,3%	26,1%	25,7%	25,3%	24,9%	24,5%
	3,5%	<b>26,0%</b>	25,6%	25,2%	24,8%	24,4%
	3,7%	25,9%	25,5%	25,1%	24,7%	24,3%
	4,0%	25,8%	25,3%	24,9%	24,5%	24,1%

Source: Bloomberg, CBR

ANALYST TARGET PRICES

- Fundamental analysts' target prices for APM AU ranged between A\$1.40 and A\$2.00 before the merger announcement.

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**Disclosures:**

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