

## THE GO2 PEOPLE QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C - DECEMBER QUARTER FY21

### Highlights

- Continued EBITDA positivity for the December Quarter and Half Year.
- Margins increased by 1% over the Quarter to 11.3%.
- Strong demand from key clients in WA with large volume of open job orders.
- QLD demand and placement of candidates continues to grow.
- Hunter Acquisition Announced, subject to shareholder approval and Conditions Precedent continue to be worked through.
- Company receiving benefits of government stimulus initiatives.

28<sup>th</sup> January 2021: The GO2 People Ltd (ASX:GO2) ("The GO2 People" or "the Company") is pleased to release its Quarterly Activities Report and Appendix 4C for the FY21 December Quarter.

### Q2 and First Half Summary – unreviewed results

In the December Quarter FY21 the Company continued the momentum created in Q1 of FY21. The Company achieved another positive EBITDA Quarter – this being the 4<sup>th</sup> consecutive Quarter. In addition, the Company recorded a minor loss of after tax of \$118k for the Half Year ended 31 December 2020, a significant turnaround from a loss of \$1.5m for the same period the previous year.

Revenue for the December Quarter of \$6.1m is in line with the September Quarter, however the continued focus on key clients and efficiencies in the candidate onboarding process has seen the Company's margin increase by 1% for the Quarter to 11.3%, increasing the Group's Half Year margin to 10.87%.



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The Company continues to see solid job order demand from its key clients in both Western Australia and Queensland. WA, in particular, continues to experience labour shortages in the State mining sector on the back of border closures and restrictions on movement into WA. A relaxation of the border position is expected to see an influx of labour return to WA to assist in placement of candidates in open roles.

Queensland average weekly labour hire was consistent with the September Quarter which saw an increase of 25% on the FY20 June Quarter.

Pleasingly, revenue numbers across the recruitment division remained steady through the Quarter despite December traditionally being affected by shutdowns or closures of sites over the holiday period. A number of large infrastructure projects will be a core focus in 2021, with both the WA and QLD State Governments looking to stimulate economic activity and, subsequently, significant job creation and labour demand in both States will be required for the foreseeable future.

The momentum of the Training division has been impacted by the holiday period, with a decrease in online enrolments in December. Despite this, it is expected to once again increase in the March Quarter, particularly on the back of a new marketing campaign and the implementation of a new online payment portal. The Company is also positioning its training offering to take advantage of the re-training of industries impacted by COVID-19.

Overheads remained stable over the Quarter and the Half Year with under \$200k per month incurred of staff and admin costs representing a 50% reduction on the average monthly cost base for the period to 31 December 2020.

#### **Quarterly Cashflow**

For the December Quarter the Company's cash receipts from its Customers were lower than the September Quarter. As revenues for both Quarters were similar, the reason for the lower receipts is largely timing related. As the Company's operating outflows are 90% payroll or payroll related oncosts and statutory payments, significant payments are made on a weekly basis or, have a fixed due date weekly or during the month. Given the nature of these outflows they cannot



not be delayed to match the corresponding receipts and, as such, the Company has reported a negative cashflow from operations for the Quarter.

As GO2's Labour Hire revenues grow organically, there is the potential for short term negative operational cashflow. GO2 is able to offset this net outflow position through the use of its working capital facility, held with Scottish Pacific, which can be drawn weekly and has a facility limit of \$15m, allowing sufficient headroom for Company growth. Repayments on the facility are linked to the collections from customers and movements in the facility are disclosed as a financing activity despite, in essence, the facility being a working capital operational funding source.

Government incentives through Job Keeper were received during the Quarter and included in operational cashflows, whilst other operating outflows were consistent with the prior Quarter and there was no capital expenditure required.

Payments to related parties as disclosed at Item 6 relate to payments to Directors for agreed services/fee and salary arrangements split as follows:

Non-Executive Director	\$ 20,531
Executive Directors	\$139,793

### **Hunter Acquisition**

GO2 announced on 4 January 2021 the acquisition of Hunter Executive Search Consultants. Hunter is a leading Australian recruitment company specialising in permanent and contract placements for the Executive, Engineering, Resources, Environment and Water industries. Like GO2, Hunter has a strong ethos on working ethically, honestly and responsibly to provide its clients and candidates with a service that is second to none.

The GO2 and Hunter businesses are highly synergistic, and the acquisition represents significant cross-sell opportunities into the respective clients and key operating sectors which are expected to drive organic growth within the Group. GO2 will continue to focus on blue collar labour hire whilst Hunter will complement this with the introduction of their white collar permanent and



contract recruitment service which will see the Company offer a full suite of recruitment services.

Whilst the acquisition is subject to Shareholder approval, with the general meeting to be held on, or around, 8 March 2021, GO2 and Hunter are preparing to close out the other conditions precedent to the transaction and are working collaboratively on key clients and job orders in the interim.

Further details on the transaction and agreement can be found in the announcement of 4 January 2021 "GO2 to Acquire Hunter Executive Search Consultants".

The company expects to release its reviewed FY21 Half Year results in February.

Issued by: The GO2 People Ltd  
Approved by: The Board of The GO2 People Ltd

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**About The GO2 People**

The GO2 People Ltd (ASX:GO2) is a leading provider of recruitment and training services to industry throughout Australia. The day to day operations of the company are underpinned by strong core values and an ethical approach to business principles which drive innovation, collaboration and an ongoing commitment to continuous improvement.

The company's Recruitment Division provides tailored staffing solutions to a range of industries with a client base that includes a number of national and multinational blue chip organisations across the construction, resources and industrial sectors.

GO2 Skills & Training is a nationally Registered Training Organisation (RTO 40927), delivering both accredited and non-accredited workplace training and education courses.

To learn more please visit: [www.thego2people.com.au](http://www.thego2people.com.au)



Appendix 4C

**Quarterly cash flow report for entities  
 subject to Listing Rule 4.7B**

Name of entity

The GO2 People Ltd

ABN

45 616 199 896

Quarter ended ("current Quarter")

December 2020

Consolidated statement of cash flows	Current Quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	6,595	14,135
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(6,133)	(12,379)
(c) advertising and marketing	(17)	(34)
(d) leased assets	(53)	(102)
(e) staff costs	(663)	(1,356)
(f) administration and corporate costs	(166)	(362)
1.3 Dividends received (see note 3)	-	
1.4 Interest received	-	
1.5 Interest and other costs of finance paid	(61)	(124)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(498)</b>	<b>(222)</b>



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Consolidated statement of cash flows	Current Quarter \$A'000	Year to date (6 months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(12)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(12)</b>
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-



Consolidated statement of cash flows		Current Quarter \$A'000	Year to date (6 months) \$A'000
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(3)
3.5	Proceeds from borrowings	570	737
3.6	Repayment of borrowings	(639)	(1,103)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(69)</b>	<b>(369)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,238	1,274
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(498)	(222)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(12)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(69)	(369)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>671</b>	<b>671</b>



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<b>5. Reconciliation of cash and cash equivalents at the end of the Quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts</b>		<b>Current Quarter \$A'000</b>	<b>Previous Quarter \$A'000</b>
5.1	Bank balances	671	1,238
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of Quarter (should equal item 4.6 above)</b>	<b>671</b>	<b>1,238</b>

<b>6. Payments to related parties of the entity and their associates</b>		<b>Current Quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	140
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your Quarterly activity report must include a description of, and an explanation for, such payments

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**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

	<b>Total facility amount at Quarter end \$A'000</b>	<b>Amount drawn at Quarter end \$A'000</b>
	15,259	3,208
	70	70
	-	-
	15,329	3,278

**7.5 Unused financing facilities available at Quarter end**

12,051

- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after Quarter end, include a note providing details of those facilities as well.

The Company's subsidiaries GO2 Recruitment Pty Ltd and GO2 People Australia Pty Ltd, have an agreement with Scottish Pacific (BFS) Pty Ltd for the assignment of all debts owed by its customers for the provision of services (Debtors funding facility). The agreement secures the debts to Scottish Pacific BFS Pty Ltd for the funding provided. Interest charges are variable linked to BBSY rates plus and agreed margin.

The Company has a number of finance leases/hire purchase agreements, secured only over light vehicles or mobile plant and equipment funded. Interest charges are fixed at the time of entry into the arrangement. The facilities are provided by Westpac Equipment Finance and Toyota Financial Services.

Credit standby arrangements related to the Bank Guarantee facility provided by Westpac, the Bank Guarantees issued support the Company's rental bonds required on its leased properties. This facility is secured over Term Deposit Accounts holding an amount equivalent to the bank guarantee issued. The Term Deposits are not included in the total cash and cash equivalents reported at item 5.

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8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(498)
8.2	Cash and cash equivalents at Quarter end (Item 4.6)	671
8.3	Unused finance facilities available at Quarter end (Item 7.5)	Refer Item 7
8.4	Total available funding (Item 8.2 + Item 8.3)	671
8.5	<b>Estimated Quarters of funding available (Item 8.4 divided by Item 8.1)</b>	1.3

8.6 If Item 8.5 is less than 2 Quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

No, significant debtor collections occurred post end of Quarter, with delays due to the public holidays at the end of December, \$690k was collected from debtors between the 3<sup>rd</sup> and 5<sup>th</sup> of January 2021. Which all things being equal would have resulted in positive cashflow from operating activities for the Quarter should these collections have been received on or before 31 December 2020

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

No, the Company has access to a working capital facility based on invoices raised to fund its operational costs until the debtors are paid, draw downs on this facility are not included in the operating activities but are a financing facility. The Company notes post the end of the Quarter notices to exercise options were received (as noted in the Company's release on 21 January 2021) which has resulted in an increase to the Company's cash at bank.

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, as noted above the result for the Quarter is largely timing related with respect to debtor collections. Further the calculation has not allowed for the access/usage of the Company's working capital facilities.



## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: .....28 January 2021.....



Authorised by: .....  
Matthew Thomson – CFO and Joint Company Secretary

## Notes

1. This Quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past Quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this Quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this Quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

