



Konekt

Local Knowledge. National Strength.

INVESTOR PRESENTATION

FULL YEAR RESULTS
ENDING 30 JUNE 2015

19 AUGUST 2015

THE YEAR IN REVIEW

FY15 was a transformational year with strong improvement in financial and operational performance

Financial Highlights

- ▶ Revenue \$35.1 million, up 7%
- ▶ NPAT \$1.5 million, up 45%
- ▶ EPS 2.0 cents, up 48%
- ▶ Strong balance sheet, no net debt

Operational Highlights

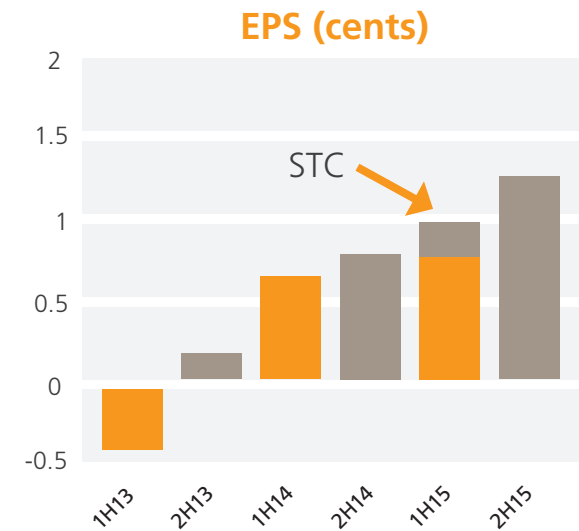
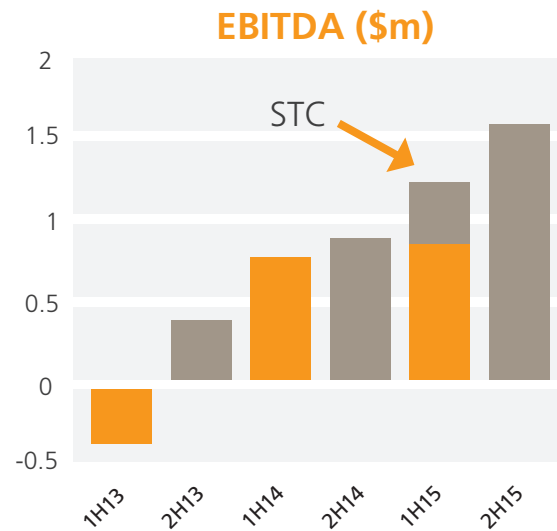
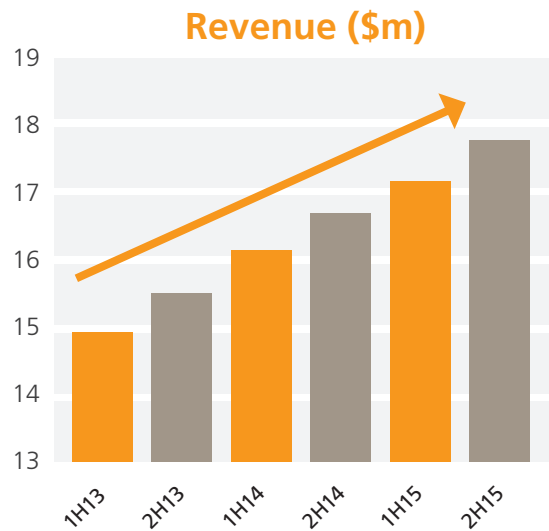
- ▶ Excellent return to work and case management performance across our business
- ▶ Strengthening the Core (STC) program implemented and benefits seen in strong second half performance
- ▶ Completed reconfiguration of offices delivering ongoing savings
- ▶ Continued investment in people and customer engagement
- ▶ Increased customer focus resulting in above market growth and strong prospects for the coming year

FY15 PERFORMANCE HIGHLIGHTS

Revenue	EBITDA	NPAT	EPS
\$35.1m FY14: \$32.8m 7.0% ▲	\$2.38m FY14: \$1.70m 40.0% ▲	\$1.48m FY14: \$1.02m 45.2% ▲	2.00 cents FY14: 1.35 cents 48.2% ▲

- ▶ Financial results in line with guidance – EPS of 1.25 cents in second half
- ▶ Strengthening the Core program successfully yielding results
- ▶ EPS accretive buyback conducted
- ▶ Strong Balance Sheet, cash balance of \$3.0m and no net debt
- ▶ Franking Credits will be generated in FY16

CONTINUED HALF BY HALF GROWTH



- ▶ Revenue consistently growing
- ▶ Insurer, Corporate, Government portfolios evenly balanced

- ▶ EBITDA in 2H15 up 83% on 1H15
- ▶ "Strengthening the Core" Program (STC) \$425,000 expensed in first half results

- ▶ EPS 2H15 up 67% on 1H15
- ▶ Buyback of 2.1m shares (\$228,000) in 1H15 was accretive

KONEKT'S POSITION

- ▶ Australia's largest provider of return to work solutions
- ▶ Helps organisations prevent injury and minimise the impact of workplace injury and related work place costs, resulting in reduced costs of workplace injury
- ▶ Over 200 allied health professionals providing workplace and injury management services to our clients and their employees
- ▶ Market leader (c. 10% market share) in fragmented market
- ▶ 25 years + experience
- ▶ Clients include major employers, in both public and private sectors, and Australia's largest insurance companies
- ▶ 34 offices in all capital cities and across major Australian regional centres
- ▶ 300 total employees
- ▶ Staff commitment rate > 97% (employees vs contractors)
- ▶ Enterprise value of \$11.7m (based on 30 June 2015 share price of 20 cents)

SUMMARY FINANCIAL PERFORMANCE

Strong financial performance in FY15 with revenue up 7% and EPS up 48%

Year ending 30 June	2015	2014	Change
Revenue (\$m)	35.1	32.8	7%
EBITDA (\$m)	2.38	1.70	40%
EBITDA margin (%)	6.74	5.12	31%
EBITDA – underlying (\$m)	2.80	1.70	64%
EBITDA Margin - underlying (%)	7.93	5.12	55%
Interest (\$m)	0.03	0.02	50%
Depreciation & Amortisation (\$m)	0.55	0.33	(67%)
Net profit before Tax (\$m)	1.87	1.40	34%
Tax (\$m)	0.39	0.38	(3%)
Net Profit after Tax (\$m)	1.48	1.02	45%
EPS (cents)	2.00	1.35	48%

PERFORMANCE HIGHLIGHTS

Revenue of \$35.1m up \$2.3m or 7% over pcp

- ▶ principally driven by an increased spend from our major accounts
- ▶ evenly spread between Government, Corporate and Insurance company clients

Medibank Health Solutions (MHS) contract for the Australian Defence Force (ADF) delivered increased revenues, with excellent results on Konekt's performance

Good business wins during the year reflect increased capability and improved customer focus

Reappointed by QBE Insurance Australia in Jan 2015 to provide return to work services under various state and territory workers compensation schemes

Substantial improvement in our customers' Net Promoter Score (NPS) for Konekt for second year running

EBITDA increased by 40% to \$2.4m in FY15 driven by revenue growth and tighter expense management during the year

STRONG BALANCE SHEET

Strong balance sheet, no net debt

	June 2015 \$m	June 2014 \$m
Cash	3.0	1.9
Other current assets	6.2	5.8
Intangible assets	4.1	4.0
Other non-current	2.2	1.7
Total Assets	15.5	13.4
Current liabilities	(4.9)	(4.2)
Non-current liabilities	(0.4)	(0.3)
Borrowings	–	–
Total Liabilities	(5.3)	(4.5)
Net Assets	10.2	8.9

CASH FLOW & CAPITAL EXPENDITURE

Cash Flow

- ▶ Strong operating cash flow of \$2.6m
- ▶ Cash on hand increased by \$1.1m to \$3.0m at 30 June 2015

	June 2015 \$m	June 2014 \$m
Cashflow from operating activities	2.6	1.8
Net cash used in investing activities	(1.2)	(0.6)
Net cash used in financing activities	(0.3)	–
Net increases in cash	1.1	1.2
Cash at the beginning of the year	1.9	0.7
Cash at the end of the financial year	3.0	1.9

FY16 Capex

- ▶ Budgeting up to \$1.0m capex for FY16, consistent with FY15

CAPITAL MANAGEMENT

Capital management

- ▶ On-market buy-back of shares in place during the year
- ▶ 2,074,878 shares bought-back at an average price of 11 cents/share
- ▶ The buy back has been accretive to shareholders
- ▶ In April 2015, we launched a new buy back program for a further 12 months

Dividend

- ▶ No dividend declared in FY15

INITIATIVES IN FY15

“Strengthening the Core” (STC) Program

- ▶ \$425,000 investment in first half (fully expensed) to improve the forward operating and financial performance
- ▶ Benefits seen in second half profitability growth
- ▶ H1 FY16 will see year on year benefits associated with the STC program

Technology and Product

- ▶ Invested c.\$200,000 in selected product development
- ▶ Expect to more than double capex in product development to around \$500,000 in FY16

Premises

- ▶ Invested in a number of new property fit-outs during the year, moving a number of sites, including moving to a smaller and improved Head Office in Sydney
- ▶ Generating ongoing savings and cultural change initiatives focused on “people, activity and place”
- ▶ 3 year investment in the reconfiguration of Konekt’s offices is now largely complete

Staff and Training

- ▶ In November 2014, the Company conducted a comprehensive Cultural Audit, to support the management initiatives of ensuring high staff engagement
- ▶ Continued investment in training and quality

PERFORMANCE VS GOALS

Konekt performed strongly against its key goals in FY15

1. #1 in Care

Increased return to work rates, improved report turnaround times

2. Customer Focus

Double digit lift in customer Net Promoter Scores

3. Product & Services

Upgraded a range of products during year

4. Trusted Advisor

Increased strategic relationship focus and discussions. Production of case intelligence/data for clients

5. Strong Sales Culture

Good sales conversion with balanced pipeline of short, medium and longer term prospects

6. People

Continued investment in people, training and support. Culture survey undertaken. High employment commitment rate of >97% reflecting employee vs consultant model – source of competitive advantage

FY16 FOCUS

- ▶ To continue to strive to be #1 in Care – further upside remains available
- ▶ Drive revenue by developing new sales opportunities, retain existing clients and deepen existing customer relationships. Focus on fewer new and existing customers, with deeper and wider engagement
- ▶ To grow profit and EPS – improving productivity and maintaining costs
- ▶ Target acquisitions that accelerate growth, strengthen our position and add value
- ▶ Continued investment in people and culture – strengthen leadership capability and better retention of employees

SUMMARY

Very pleasing FY15 with strong improvement in financial and operational performance

- ▶ Revenue \$35.1 million, up 7%
- ▶ NPAT \$1.5 million, up 45%
- ▶ EPS 2.0 cents, up 48%
- ▶ Strong operating cashflow of \$2.6 million, up 44%
- ▶ Strong balance sheet, no net debt

OUTLOOK

In 2016 we expect low single digit growth in the overall market. Konekt is well positioned for growth above market trends. We expect the benefits of improved productivity together with contract wins during the last twelve months and a stronger new business pipeline to deliver continued momentum in 2016.

CONTACTS

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