

17 August 2016

Konekt Limited (ASX: KKT)

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

Konekt announces 70% increase in net profit after tax and fully franked final dividend of 0.5 cents per share

Konekt Limited (ASX: KKT), Australia's largest provider of return to work solutions, today reported its full year results for the 12 months ended 30 June 2016, showing strong growth across all financial and operational metrics.

Konekt further expanded its operating margins in FY16 based on strong revenue growth (both organic and acquisition related) and continued productivity improvements. NPAT increased by 70% over pcp to \$2.5m and reported EPS was up by 73% to 3.45 cps.

Financial Results Summary

12 months ended 30 June	2016	2015	Change
Revenue (\$m)	43.9	35.3	+24%
EBITDA (\$m)	4.0	2.4	+69%
<i>EBITDA margin</i>	9.2%	6.8%	+241 bp
NPAT (\$m)	2.5	1.5	+70%
EPS – cents	3.45	2.00	+73%
DPS – cents (fully franked)	0.5	nil	n.a.

Financial Highlights

- ▶ Revenues grew 24% (\$8.6m) vs pcp, to \$43.9m - from both organic growth (\$3.1m or 9.0% over pcp) and acquisitions completed in FY16 (\$5.5m)
- ▶ Five acquisitions completed for combined cash consideration of \$5.7m, with expected contingent deferred consideration of \$3.8m in cash (discounted to \$3.1m for accounting purposes as at 30 June 2016)
- ▶ Acquisition related costs of \$570,000 fully expensed in FY16

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- ▶ Continued productivity gains and cost management controls improved EBITDA margins by 241 basis points to 9.2%
- ▶ Operating cash flow of \$2.3m (\$2.6m in pcp), or \$3.6m excluding one of acquisition related payments of \$1.3m
- ▶ Strong balance sheet, with net debt of \$0.1m as at 30 June 2016

Operational Highlights

- ▶ Expanded customer base - organic growth with 30+ new major employer customers plus new customers from acquisitions
- ▶ Geographic coverage expanded with increased presence in NSW and SA through acquisitions - Now have 43 physical locations with permanent staff
- ▶ Product expansion with acquisition of two small Registered Training Organisations and mental health consulting and training business
- ▶ Very solid Return to Work rates achieved – 4th year of improvement
- ▶ Konektiva, our core operating system, managed record volumes in Q4 FY16
- ▶ Continued productivity improvements
- ▶ Staff numbers increased from 300 to 400 through the year
- ▶ Increased employee engagement levels (at highest level since tracking commenced in 2008)

Commentary

Konekt continued to drive momentum in its business, with above market growth rates from existing businesses and the acquisitions completed during the year. Second half revenues of \$24.3m, including the acquisition of CommuniCorp in May 2016, were at the high of the guidance provided at its interim results of \$22.0m - \$24.0m (ex CommuniCorp). The company again saw a higher contribution from its Medibank/ADF contracts during the period with continued positive feedback on performance. The continued focus on productivity and cost control is delivering improved operating margins and profit growth at a faster rate than revenue growth.

The business acquisitions have strengthened Konekt's geographical coverage and workplace solutions product capabilities. Integration is proceeding smoothly. Konekt will continue to explore acquisition opportunities to grow its market position and strengthen its offer to clients in a targeted and disciplined manner.

Balance Sheet

The Company has a strong balance sheet, with net debt of \$0.1m as at 30 June 2016 (\$3.0m net cash at 30 June 2015). The reduction in cash balances during the year was due to acquisition related outflows – cash consideration paid of \$5.7m and \$570,000 of acquisition costs, which were fully expensed in FY16 - offset by the contribution of operating cash flows.

Dividend

The Board has resolved to declare a fully franked final dividend for the year of 0.5 cents per share. This is the maiden dividend declared by the company under current leadership and is as a result of the strengthened performance and position of Konekt. The company's approach to dividends is to balance shareholder dividends with franking credit availability and the company's need to fund continued growth. The record date for the dividend is 13 October 2016 and payable on 8 November 2016.

Outlook

Konekt Managing Director said, “We believe that the Injury Management Market will continue growing at low to mid-single digits in FY17. The pre-employment market segment is exhibiting signs of recovery, with demand from the construction and services sectors increasing.

We are well positioned going into FY17 with good momentum in our business. Given our expectation of organic growth higher than market growth, with a full year contribution from the acquisitions completed in FY16, we anticipate FY17 revenues in the range of \$50m to \$53m. We will remain focused on cost control and extracting further productivity gains.”

Teleconference Details

Konekt will hold a teleconference to discuss the results, hosted by its Managing Director, Mr Damian Banks and Chief Financial Officer, Ms Reena Minhas.

Details of the teleconference are as follows:

Time: 930 am, AEST

Date: Thursday, 18 August 2016

Dial in details: 1800 558 698 or +61 2 9007 3187

Passcode: 935317

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About Konekt:

Konekt is Australia's largest provider of organisational health, risk management and return to work solutions. Konekt's focus is on helping organisations minimise the impact of workplace injury and related workplace costs. With 400 permanent staff and 43 offices around Australia, Konekt has both the reach and expertise to service local, multi-state and national business across all sectors.