

15 February 2017

Konekt Limited (ASX: KKT)
 ASX Limited
 Company Announcements Office
 Exchange Centre
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Interim FY17 Results - NPAT increases by 43%

Konekt Limited (ASX: KKT), Australia's leading provider of return to work solutions, today reported its interim financial results for the 6 months ended 31 December 2016, showing continued growth across key financial and operational metrics.

Konekt further expanded its operating margins in the first 6 months of FY17 based on strong revenue growth (both organic and acquisition related) and continued productivity improvements. NPAT increased by 43% over pcp to \$1.57m and operational EPS was up by 43% to 2.15 cps.

Financial Results Summary

Half Year ending 31 December	1HFY17 ⁽¹⁾	1HFY16	Change
Revenue (\$m)	26.30	19.60	+34%
EBITDA (\$m) – <i>underlying</i> ⁽²⁾	2.98	1.95	+53%
EBITDA margin – <i>underlying</i> ⁽²⁾	11.33%	9.95%	+138 bp
NPAT (\$m)	1.57	1.10	+43%
EPS – cents	2.15	1.50	+43%
DPS – cents (fully franked)	nil	nil	n.a.

1) 1HFY17 represents operational results, which excludes the deferred consideration write-back of \$0.22m (accounting adjustment); and

2) 1HFY16 underlying EBITDA excludes \$0.34m of one off acquisition related costs.

Konekt Managing Director, Damian Banks said “These results reflect our continued focus on our customers. We achieved both organic and acquired revenue growth and margin grew in line with our investment programs yielding productivity improvement. The acquisitions we completed in FY16 have been successfully embedded and are contributing well”.

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Financial Highlights

- ▶ Revenue up 34% (\$6.7m) vs pcp, to \$26.3m - from both organic growth and full period contribution from acquisitions completed in FY16
- ▶ Continued productivity gains and cost management controls improved underlying EBITDA margin from 10.0% to 11.3%
- ▶ Net profit after tax up by 43% on pcp to \$1.6m. Effective corporate tax rate of 33 % in current period compared to 12% in pcp
- ▶ Operating cash flow of \$4.7m (\$1.1m in pcp) reflecting positive timing on receipts of some large customer accounts
- ▶ Strong balance sheet, with net cash of \$3.2m as at 31 December 2016 (\$0.2m net debt as at 30 June 2016)

Operational Highlights

- ▶ Acquisitions successfully embedded and performing in line with expectations
- ▶ Strengthened customer relationships:
 - Significant panel appointment in Commonwealth government sector
 - Re-appointed by two major financial institutions and one major industrial client
 - Major insurance customer re-appointment to panels
- ▶ Investment in enhancing products and services with capex of \$0.5m invested in product development and technology platforms - continuing our data driven thematic
- ▶ Continued investment in people and staff engagement – to strengthen staff attraction and further improve retention
- ▶ Return-to-Work rates for Same Employer and New Employer at highest sustained levels in the last five years
- ▶ Rebalanced customer portfolio increasing Insurance from a low of 36% in FY14 to 39% in 1HFY17

Medibank Health Solutions (MHS) Contract

Konekt is currently in discussion with MHS on a new contract. As at the date of this release, the company continues to provide services to MHS under the current contract at similar volumes to 2HFY16 and 1HFY17.

Balance Sheet

The Company has a strong balance sheet, with net cash of \$3.2m as at 31 December 2016 (\$0.2m net debt at 30 June 2016). The increase in cash balances during the period reflected higher than usual operating cash flow due to the positive timing on receipts of some large customer accounts and was after paying the final FY16 dividend of \$0.4m and investing activities of \$1.1m (capital expenditure and investment in product and technology).

Dividend

The Board has not declared an interim dividend for the half year period in line with pcp. The Board will assess a final dividend at the full year. (FY16 final dividend of 0.5c per share fully franked).

Outlook

Konekt Managing Director said, “We believe that the Injury Management market will continue growing in FY17. The industry landscape is also continuing to change with the entry of new financially robust owners and increasing acquisition activity, supporting our confidence in industry growth and demand from customers for services.”

We are well positioned going into 2HFY17 with good momentum in our business and subject to final terms of an MHS contract, expect:

- ▶ FY17 full year revenue to be in line with guidance provided of \$51.0m – \$53.5m;
- ▶ FY17 full year EBITDA to be in line with guidance provided of 10.5% - 11.5% of Revenue; and
- ▶ FY17 capital expenditure to be at or above upper level of previous guidance of \$1.5m.

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: 08.30 am (Sydney time)
Date: 16 February 2017
Dial in details: 1800 558 698 or +61 2 9007 3187
Passcode: 877512

Contacts

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About Konekt:

Konekt is Australia's leading 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 over 400 permanent staff and 44 offices around Australia, Konekt has both the reach and expertise to service local, multi-state and national business across all sectors.