Workplace Health Solutions

28 August 2013 - Konekt posts Full Year Results

Konekt Limited (ASX: KKT) today announced a loss after tax for 2012-13 of $184,000, compared to a profit of $610,000 in the prior year.

The Chief Executive Officer, Mr Damian Banks said "The 2012-13 year saw some significant market challenges and underperformance at Konekt Ltd in the first three quarters of the year, being partially overcome by a solid fourth quarter performance, where the strategies of the Company started to bear fruit. Our strategy to keep the costs under control has seen the overall expense base reduce by 3.8% year on year. Further the Company held cash reserves of $696,000, and remains net debt free."

Konekt's business mix moved 5 percentage points in favour of corporate and government revenue relative to insurer and agent revenue, ending the year at 57% corporate and government versus 43% insurer and agent (compared to the prior year of 53% and 47% respectively). This business mix is now in line with the desired longer term mix, with the 2 year re-weighting of 8 percentage points.

The Company produced revenue of $30.8m, 7% less than the previous year. The lower level of revenue was flagged at the quarterly reports during the year and showed the impact of two key changes. Firstly, the changes in the insurer/agent market resulting from NSW Government changes to Workers Compensation announced in the prior year. Whilst in the final quarter insurers/agents revenue continued to be weak, the rate of decline temporarily slowed. It remains the Company view that some further market impact from the 2012 changes will be further felt in the coming year. The second major factor was the sharp and sustained slowdown in pre-employment volumes initially led by a sharp decline in the coal Industry. The poor pre-employment market has continued to impact other sectors including diversified mining, oil, gas, gold, retail and contracting. Konekt continues to retain its Customers, albeit at lower volumes of new employment.

Despite this backdrop, Konekt has replaced some of the lost Revenue with a new set of Customers, and higher levels of share of each customer's spend. The largest win for the year was the Medibank Health Solutions (MHS) contract for the Australian Defence Force (ADF). Mr Banks said "we are pleased to report that this workflow is now fully embedded into the Company, with excellent results being observed on Konekt's performance. Other sectors of note which performed well were government, financial services, and segments of both manufacturing and logistics. Offsetting these were mining, mining services and some retail sectors."

Mr Banks further added, "Konekt has continued its investment in technology and new services. During the year, the Company replaced and rebased much of its core IT hardware

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and selected software was also upgraded. This was largely performed in-house and without interruption. The Company now has a modern, robust, fully duplicated, real time system making it capable of satisfying the most ardent due diligence by Customers. In the fourth quarter, we launched JobScreen, a Customer driven pre-employment product designed around their feedback. The transition of Customers to this new system is going well, with almost all Customers now transitioning or completed."

Quarterly Reporting

The Company has decided to discontinue voluntary quarterly reporting relying on half year and annual reports as the main vehicle for advising shareholders of developments.

The AGM of the company will be held on 8 November 2013, commencing at 10:00am.

Dividends

The Board has concluded that no dividends be paid in respect of the 2012-13 year. There are a number of current considerations for the Company in relation to dividend policy and capital management including the fact that the Company recorded a loss in 2012-13, still has unused tax losses and has no franking credits. In addition, opportunities to undertake sensible acquisitions are expected to emerge over the course of the next year or two.

Outlook

Getting the Company in a position to grow has taken all of the past 18 months. The Company is now much better positioned to grow albeit in a challenging market.

The Company anticipates a difficult period in our traditional areas in the upcoming half particularly with softness in workers compensation and employment prospects not being assisted by the upcoming election. Despite these headwinds, we are becoming more optimistic that Konekt can grow revenue and profit year on year.

Growth will mainly be organic, however, there are opportunities for growth through consolidation within the fragmented sectors the Company operates in.

For further information:

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