



**konekt**

18 November 2015  
Konekt Limited (ASX: KKT)

## **Annual General Meeting 2015 – Chairman and CEO’s Address**

Dear Shareholders,

### **Chairman’s Address**

Our Annual Report for 2015 laid out the Company’s performance for the year. The FY15 year was very pleasing on a number of fronts. The benefit of a range of initiatives undertaken over the past two years to improve our performance and strengthen our position, are clearly evident in our FY15 financial results.

Our performance reflects the dedication of our staff and the support of our clients. We are committed to delivering the best in industry services to our clients and continue to invest in enhancing our services, capabilities and people.

Over the past 18 months the Directors have focused on the capital management of the company. The Company completed a share buy-back with over 2 million shares bought-back prior to 30 June 2015 at an average price of 11 cents per share and 619,663 shares since June 30 at average price of 21 cents. The buyback has been accretive to shareholders.

The Board actively considers capital management initiatives and weighs the ongoing needs of the Company, including potential acquisitions, capex, dividends and taxation when considering the optimal capital needs.

To that end we have deployed some capital for acquisitions which has been on our agenda for some time. It is pleasing that we have been able to complete the acquisition of three new businesses in the first half of FY16. These acquisitions have all been funded from existing cash reserves.

Balancing these considerations and in the absence of franking credits, the Board decided not to declare a dividend for FY15 and to retain the cash in the business to provide flexibility to pursue growth opportunities. Our first franking credits should be generated in the FY16 year. The Board will continue to evaluate the capital position

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and balance ongoing investment, acquisition and other capital activities prior to determining future capital needs including dividends.

The markets Konekt operates in are relatively fragmented, and Konekt, as the market leader with a share of around 10%, is well positioned to continue growing its scale both organically and by targeted acquisitions.

We are committed to growing both our scale within the return to work solutions industry and expanding our services for our clients where this adds value. We will continue our organic growth strategy and consider acquisitions where they meet our criteria to accelerate growth, grow scale and build Konekt's shareholder value. We have a disciplined approach to acquisitions and reviewed a number of opportunities during the past 18 months.

Your Directors remain focused on the next 3-5 year horizon, and guiding the company to realise its full potential.

### **CEO's Address**

We delivered much improved financial performance in FY15. Revenue increased by \$2.3m to \$35.1m, EBITDA increased by 40% to \$2.4m and NPAT increased by 45% to \$1.5 million. Importantly, the momentum we have seen half by half over the past three years continued, with the second half of the year again showing half on half growth.

Konekt has a strong balance sheet. As at 30 June 2015, Konekt had no net debt and cash of \$3.0m.

We strengthened our business platform with the successful implementation of our "Strengthening the Core" (STC) program in the first half of the year. The STC program focused on employee engagement, customer satisfaction and productivity. This has strengthened our base to both drive and manage future growth. The benefit of this investment was evident in our stronger second half performance in FY15.

In the year ahead, we intend to increase our focus on outward-based activities in support of our customers through better return to work solutions, a focus on products and business intelligence to continue driving our growth.

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Full year EPS was 2.0 cents per share, with the second half being 1.25 cents per share.

## Update on goals

Of most importance to our customers, staff and shareholders is achieving the Company's goals. Konekt's vision is to lead the way in making the Australian workplaces injury free by 2025. I will now update you on our progress towards these initiatives:

### 1) #1 in Care

The Company mission of being #1 in Care (by any measure) is to ensure that it has achieved outstanding injury prevention and injury management outcomes for its customers. This year we successfully raised our Return to Work rates across both Original (Same) Employer and New Employer. We increased our urgency right across the business, resulting in lower case durations. Report turnaround times have also improved significantly.

### 2) Customer Focus

The Company received a significant double-digit lift in its Net Promoter Score during the year over the prior year reflecting deeper customer engagement and our commitment to customer service and outcomes.

### 3) Product & Services

We upgraded our Same Employer, New Employer and Pre-employment products this year investing around \$200,000. We revamped our offering for the Life Insurance Sector and have seen a 100% lift in business across the year from those customers. The demand for our data services and intelligence continues to increase, allowing us to differentiate our products with factual analysis rather than just opinion.

### 4) Trusted Advisor

This year we increased the level of strategic relationship discussions with our major customers and prospects. The significant increase in analysis on our customer data is adding value to our customers' decision making. In quarter 3 we launched the Konekt Market Report – Volume 2 including results of 6 years of Konekt case data covering some 116,000 qualifying cases. Konekt has a unique asset in compensable and non-compensable case data. The comprehensive analysis was well received by stakeholders.



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## 5) Strong Sales Culture

“Sales is the lifeblood of Konekt’s success” remains our sales mantra. We have a solid pipeline, and the second half of the year saw a significant conversion of pipeline opportunities to sales.

## 6) People & Culture

We are committed to attracting, retaining and developing the best consultants for our customers. Retention rates again increased year over year. We conducted a comprehensive cultural survey during the year and are working to implement aspects of high performing organisations within Konekt. We will continue to invest in our culture and people to strengthen our capabilities, position and performance.

## Outlook

FY15 was a transformative year for Konekt. In FY16 we expect low single digit growth in the overall market and believe Konekt is well positioned for growth above market rates.

Konekt has commenced the first four months of this year with Revenue more than 5% ahead of prior year. As previously advised, we expect the recently announced acquisitions to contribute approximately \$4.5m in additional revenues to Konekt in FY16 and be EPS accretive in FY17.

The benefits of improved productivity from the “Strengthening the Core” Project undertaken in the first half of FY15 are contributing to improved monthly EBITDA. The contribution of the new acquisitions and a strong new business pipeline are expected to deliver new momentum in FY16.

On behalf of the Board, we would like to express our sincere thanks to all the Konekt team, our customers and our shareholders for their continued support.

**Douglas Flynn**  
Chairman

**Damian Banks**  
Chief Executive Officer

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