



**Konekt**

15 November 2016

Konekt Limited (ASX: KKT)

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

## **Annual General Meeting 2016 – Chairman and CEO’s Address**

Dear Shareholders,

### **Chairman’s Address**

Our Annual Report for 2016 laid out the Company’s performance for the year. Konekt delivered strong growth in the financial year ended 30 June 2016 (FY16), with solid improvements in financial and operational performance.

The range of initiatives undertaken to improve our performance and strengthen our position over recent years has provided the platform for Konekt’s continued organic growth and to complete five bolt-on acquisitions in FY16; expanding our geographic coverage, customer base and services. We have been disciplined in our assessments of the opportunities, and our results indicate these businesses have integrated well.

We continued to drive momentum in our business year on year, with above market growth rates from our existing businesses and the initial contributions from the acquisitions. At the same time, our focus on productivity and cost control is delivering improved operating margins and profit growth at a faster rate than revenue growth.

Our performance in FY16 reflects the dedication of our staff and the support of our customers. We are committed to delivering the best in industry services to our customers and continue to invest in enhancing our services, capabilities and people.

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The Board actively considers capital management initiatives and weighs the ongoing needs of the Company, including potential acquisitions, capital expenditure, dividends and availability of franking credits when considering the optimal capital needs.

To that end we deployed some capital for acquisitions which has been on our agenda for some time, with all five acquisitions being funded from existing cash reserves. Further balancing these considerations, the Board declared a fully franked final dividend of 0.5 cents per share for FY16.

The markets Konekt operates in have been relatively fragmented. The past 2 years have seen a changed landscape of a number of new financially robust owners entering the industry. These transactions indicate an optimistic viewpoint about future industry growth and likely demand from customers for our services. Konekt is well positioned to continue growing our businesses both organically and by targeted acquisitions as opportunities arise.

We are committed to growing both our scale within the return to work solutions industry and expanding our services beyond this product line 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.

Your Directors remain focused on the opportunities ahead, and guiding the company to realise its full potential.

### **CEO's Address**

We again delivered a much improved financial performance in FY16. Revenue increased by 24% to \$43.9m with organic revenue growth of 9%. EBITDA increased by 69% to \$4.0m and NPAT increased by 70% to \$2.5 million.

Konekt had a strong balance sheet with net debt of \$0.1m at year end after five acquisitions completed from existing cash reserves. Profitable business performance in the first quarter has seen this debt entirely eliminated, and a healthy cash position restored within 12 months of the first of the acquisitions.

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Importantly, the momentum we have seen half by half over the past four years continued, with the second half of the year again showing half on half growth for the third year running.

Our vision remains “To assist to make Australian workplaces injury free by 2025” – a lofty goal. Our mission “#1 in Care – by any measure”.

The Organic growth of 9% seen during the year was above market growth rates. Pleasingly customer wins outnumbered losses, and the acquisitions and integrations were completed well. We now have 44 sites occupied with permanent employees across Australia – our Staff Commitment rate remains above 93% (Permanent Employees to Contractors) – a focus of customers when considering their choices.

Our people are engaged at the highest level since we commenced measuring in 2008 and our Operational Performance in Pre-employments and Return to Work both saw improvements again year over year.

We have negotiated and signed a new Banking Facility agreement with an initial \$5m acquisition facility (accordion to \$10m) which is currently undrawn. This facility replaces to prior \$3m debt facility which has been in place since 2012.

Our focus in FY17 is to deliver for our Customers. We have a mission to be “#1 in Care” – and are making strong reputational and operational progress towards that goal. More upside remains available to us and we have a strong company leadership group building our business.

Konekt has commenced the first four months of this year with acquisition inclusive Revenue more than 35% ahead of the prior corresponding period which only had marginal acquired revenue included. We previously advised that we expected revenue to increase to \$50m – \$53m in FY17 with both organic growth and full year impact of acquisitions completed in the year. We now expect a range of \$51m - \$53.5m.

We have invested heavily in a range of business improvement initiatives in the first half of FY17 – both Expense and Capital Investment related. We expect to hold our EBITDA margin at or above 10% in the first half, with improvements in the second half on the back of the first half investments. Consequently, we now expect full year

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EBITDA to be in the range of 10.5% - 11.5% of Revenue. Capital Expenditure will be in the guidance range of \$1.2m-\$1.5m.

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

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**Damian Banks**  
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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 44 offices around Australia, Konekt has both the reach and expertise to service local, multi-state and national business across all sectors.*

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