



KoneKT

Local Knowledge. National Strength.

**INVESTOR
PRESENTATION**
HALF YEAR RESULTS ENDING
31 DECEMBER 2015

17 FEBRUARY 2016

H1FY16 HIGHLIGHTS

Continued momentum with strong improvement in financial and operational performance

	Revenue	EBITDA	NPAT	EPS
H1FY16	\$19.6m	\$1.61m	\$1.10m	1.50 cents
H1FY15	\$17.2m	\$0.84m	\$0.56m	0.75 cents
Change	14% ▲	92% ▲	96% ▲	100% ▲

Financial Highlights vs. PCP

- ▶ Organic revenue growth of \$1.4m (up 8%) plus acquisitions contributed \$1.0m for the period
- ▶ Productivity gains and cost control resulting in underlying EBITDA margin increasing from 7.4% to 10.0%
- ▶ NPAT up 96% to \$1.1m
- ▶ EPS up 100% to 1.5 cents
- ▶ Strong balance sheet, net cash balances of \$2.0m

Operational Highlights

- ▶ Completed acquisition of three workplace health solution providers
- ▶ Announced a fourth acquisition on 9 February 2016
- ▶ Strengthened geographic coverage and workplace solutions product capabilities
- ▶ Continued investment in people and customer engagement
- ▶ Continued customer focus resulting in above market growth rates
- ▶ Improving customer performance metrics

SUMMARY FINANCIAL PERFORMANCE

Strong financial performance in H1FY16 with revenue up 14% and EPS up 100%

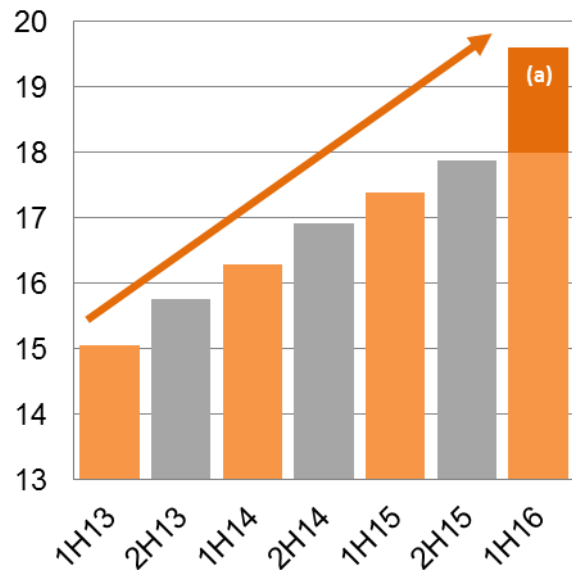
Half Year ending 31 December	2015	2014	Change (%)
Revenue (\$m)	19.60	17.20	14%
EBITDA (\$m)	1.61	0.84	92%
EBITDA margin (%)	8.21%	4.88%	68%
EBITDA – underlying (\$m) ⁽¹⁾	1.95	1.27	54%
EBITDA Margin - underlying (%)	9.95%	7.35%	35%
Interest (\$m)	(0.02)	0.02	n.a.
Depreciation & Amortisation (\$m)	(0.34)	(0.23)	(47)%
Net profit before Tax (\$m)	1.25	0.63	100%
Tax (\$m) ⁽²⁾	(0.15)	(0.06)	(142)%
Net Profit after Tax (\$m)	1.10	0.56	96%
EPS (cents)	1.50	0.75	100%

(1) Underlying performance excluding \$340,000 one-off acquisition related costs in 1HFY16 (2014: Underlying performance excluded Strengthening the Core expenses of \$425,000)

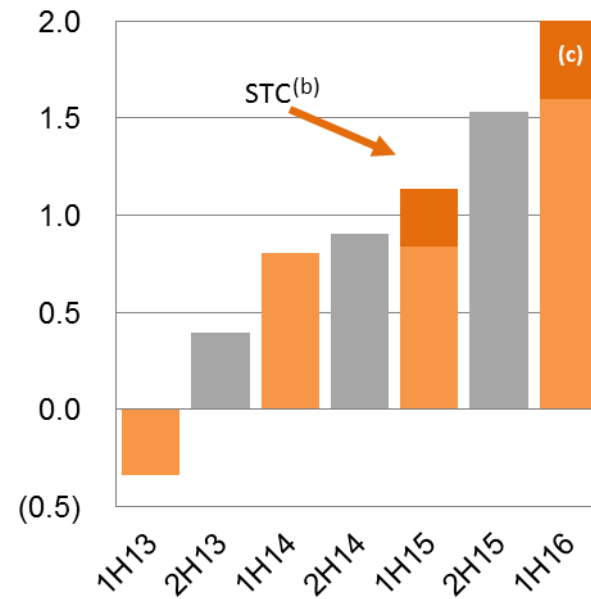
(2) Recognition of prior year off balance sheet tax losses of (\$238,000 after tax) in 1HFY16 offsetting one-off acquisition costs at NPAT line

CONTINUED HALF ON HALF GROWTH

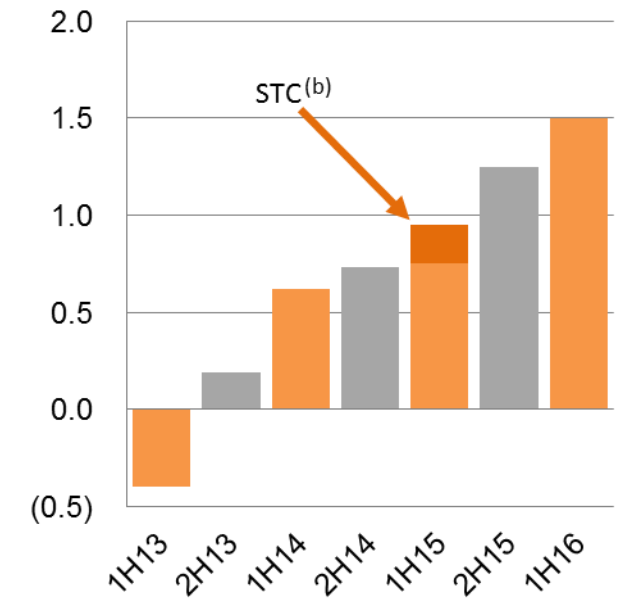
Revenue (\$m)



EBITDA (\$m)



EPS (cents)



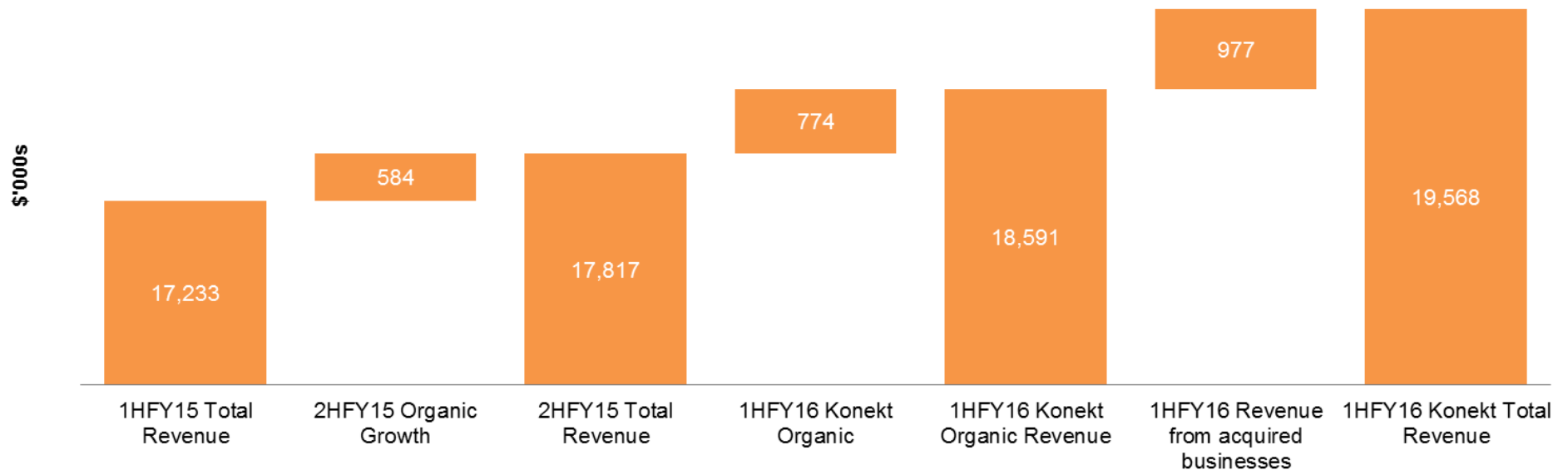
(a) Revenue from acquisitions of \$1.0m

(b) STC - Strengthening the core investment of \$425,000 fully expensed

(c) Underlying EBITDA - One-off acquisition costs of \$340,000 expensed in 1HFY16

Revenue

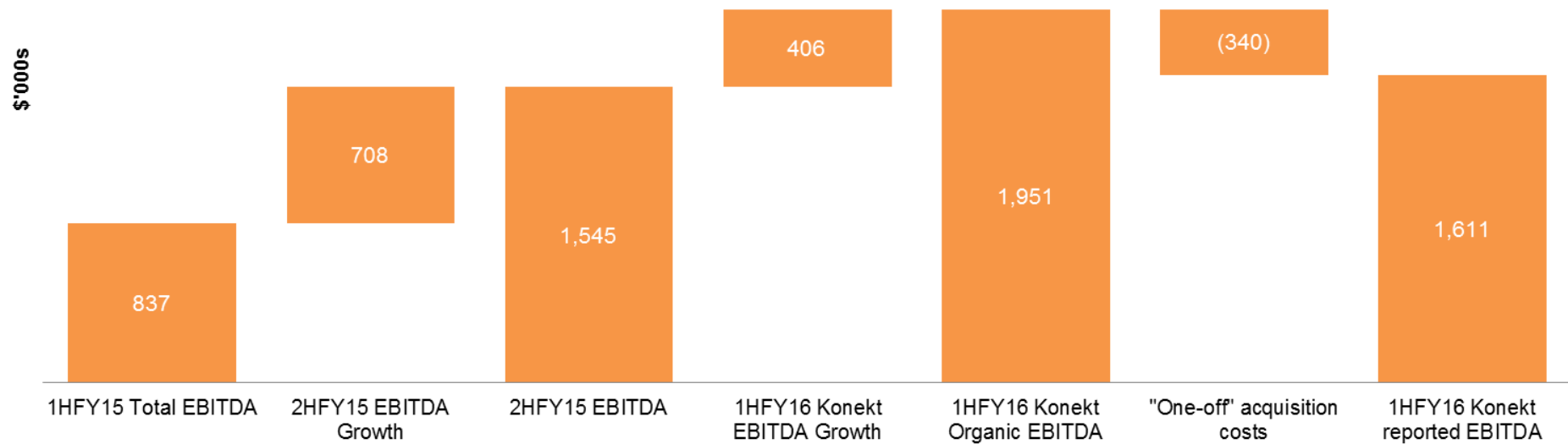
Revenue – Konekt Organic and Acquired



- ▶ Organic revenue growing half on half
- ▶ Acquired revenue of \$1.0m in the first half
- ▶ Insurer, Corporate, Government portfolios evenly balanced

EBITDA

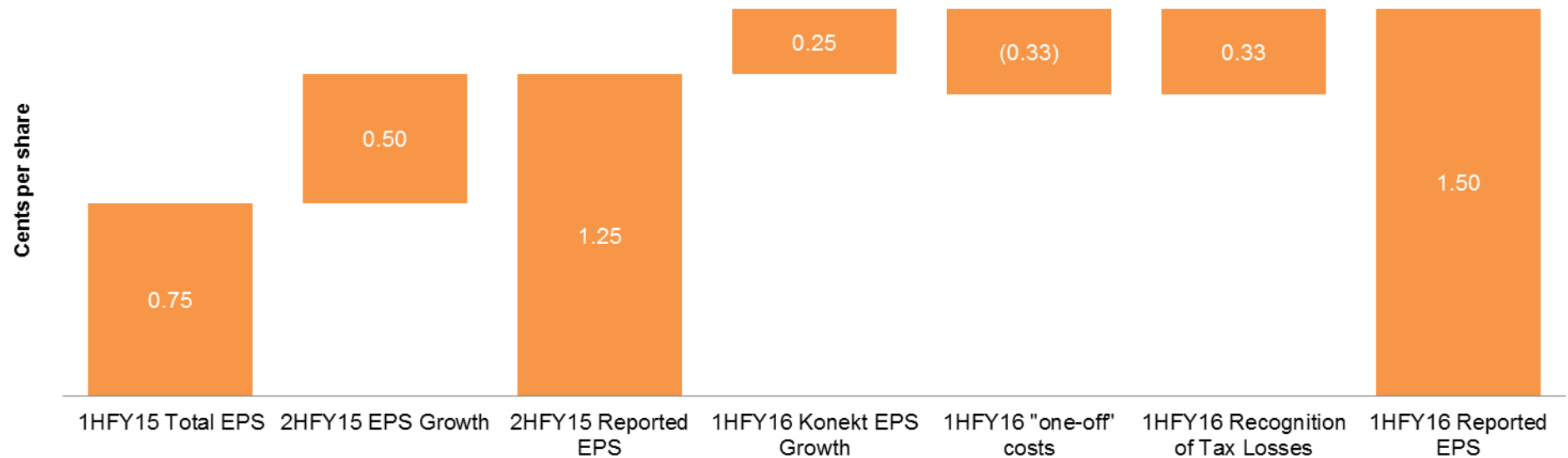
EBITDA – Konekt Organic and Acquired



- ▶ EBITDA in 1HFY16 up 92.4% on 1HFY15

EPS

EPS – Konekt Organic and Acquired



- ▶ EPS 1HFY16 up 100% on 1HFY15
- ▶ Buyback of 619,663 shares (\$130,000 at 21c) in 1HFY16 was accretive
- ▶ Recognition of off balance sheet tax losses offsetting one-off acquisition costs

STRONG BALANCE SHEET

Strong balance sheet, no net debt

	31-Dec-15 \$m	30-Jun-15 \$m	31-Dec-14 \$m
Cash	2.0	3.0	1.9
Other current assets	6.5	6.2	5.8
Intangible assets	7.4	4.1	4.0
Other non-current	2.6	2.2	1.7
Total Assets	18.5	15.5	13.4
Current liabilities	(5.1)	(4.9)	(4.2)
Non-current liabilities	(2.2)	(0.4)	(0.3)
Total Liabilities	(7.3)	(5.3)	(4.5)
Net Assets	11.2	10.2	8.9

CASH FLOW & CAPITAL EXPENDITURE

Cash Flow

- ▶ Cash on hand of \$2.0m at 31 December 2015
- ▶ Share buy-back of \$130,000 conducted in September 2015
- ▶ Cashflow from operating activities flat on the back of EBITDA growth due to timing of working capital payments (additional payroll in 1HFY16)
- ▶ Initial payments for acquisition of three businesses totalling \$0.9m cash

	31-Dec-15 \$m	31-Dec-14 \$m
Cashflow from operating activities	1.1	1.1
Net cash used in investing activities	(2.0)	(0.3)
Net cash used in financing activities	(0.1)	(0.2)
Net increase (decrease) in cash	(1.1)	0.5
Cash at the beginning of the half year	3.0	1.9
Cash at the end of the half year	2.0	2.4

FY16 Organic Capex

- ▶ Forecasting up to \$1.0m – \$1.2m capex for FY16 (\$427,000 spent in 1HFY16)

CAPITAL MANAGEMENT

Capital management

- ▶ On-market buy-back of shares remains in place
- ▶ 619,663 shares bought-back at an average price of 21 cents per share (total cost of \$130,000)
- ▶ The buy-back has been accretive to shareholders
- ▶ Shareholder approval granted at the AGM on 18 November 2015 to buy-back up to 14.5 million shares (being 20% of lowest number of shares on issues in the 12 months prior to AGM) for 12 month period

Dividend

- ▶ No dividend declared for the half year
- ▶ Franking credits will be generated in 2016

ACQUISITIONS

Konekt has acquired three businesses with a fourth announced

- ▶ Insite Injury Management
 - Headquartered in South Australia, with operations in New South Wales. Completed 28 October 2015
- ▶ Applied Innovative Services / Innovative Training and Recruitment
 - Headquartered in South Australia, with operations in South Australia and Australian Capital Territory. Completed 29 October 2015
- ▶ Insight Services Group
 - Regional based service provider, strong footprint in regional New South Wales. Completed 16 November 2015
- ▶ SRC Solutions
 - Headquartered in Australian Capital Territory. Expected Completion: by end of February 2016
- ▶ Combined acquisition price for four acquisitions of \$1.75 million in cash and contingent deferred consideration of \$2.5m in cash (discounted to \$1.8m for accounting purposes)
- ▶ Contributed \$1.0 million revenue to 1HFY16
- ▶ Integration progressing well and settling into Konekt

H2FY16 FOCUS

- ▶ To continue to drive to be #1 in Care – further upside remains available
- ▶ Integrate acquisitions fully, retaining the best attributes of the acquired businesses into the legacy business
- ▶ Continue to develop new sales opportunities, retain existing clients and deepen existing customer relationships. Focus on fewer new and existing customers, with deeper and wider engagement – enhanced with deeper geographic and product footprint
- ▶ Convert strong sales pipeline and organic growth from existing customers
- ▶ Improving productivity and maintaining cost discipline
- ▶ Continue to target acquisitions that accelerate growth, strengthen our position and add value
- ▶ Strengthen leadership capability and continue improvements in retention of employees

OUTLOOK

Market

- ▶ Injury Management Market likely still growing at early to mid-single digit growth
- ▶ Pre-employment market shows signs of flattening at the bottom, mining remains very subdued, construction and services up
- ▶ Increasing pressure on smaller providers and their market position
- ▶ Onshore storage of data looming as industry issue – Konekt fully complies, many competitors do not. The market will see buyers rearranging providers on basis of data sovereignty

Konekt

- ▶ Organic Revenue growth expected to be higher than market growth rates
- ▶ Investment in people to continue, but cost containment focus to remain
- ▶ Konekt expects 2HFY16 revenue in the range of \$22.0m – \$24.0m versus \$17.8m in pcp
- ▶ Acquisitions will contribute to earnings in 2HFY16
- ▶ Amortisation and Interest unwind expense from acquisitions will deduct up to 0.20 cents per share from EPS on non-cash basis in 2HFY16 – EBITDA unaffected

SUMMARY

Very pleasing 1HFY16 with strong improvement in financial and operational performance

- ▶ Organic revenue \$18.6m, up 8%, total revenue of \$19.6m up 14.2% including \$1.0m contribution from new acquisitions
- ▶ Expecting revenue contribution from acquisitions (including SRC Solutions) to result in total revenue of \$22.0m – \$24.0m in 2HFY16
- ▶ NPAT \$1.1 million, up 96%
- ▶ EPS 1.5 cents, up 100%
- ▶ Strong balance sheet, no net debt

CONTACTS

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Chief Financial Officer

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ABOUT KONEKT

- ▶ Australia's largest provider of return to work solutions
- ▶ Helps organisations prevent injury and minimise the impact of workplace injury and related work place costs, resulting in reduced costs of workplace injury
- ▶ Over 250 allied health professionals providing workplace and injury management services to our clients and their employees
- ▶ Market leader (c. 11-12% market share) in fragmented market
- ▶ 25 years + experience
- ▶ Clients include major employers, in both public and private sectors, and Australia's largest insurance companies
- ▶ 41 offices in all capital cities and across major Australian regional centres
- ▶ Over 350 total employees
- ▶ Staff commitment rate > 97% (permanent employees vs. ad hoc contractors)

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