



# Investor Pack for 2014 Full Year Results

20 August 2014

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# About Konekt

|  |   |
|--|---|
| <b>Health and Safety Experts</b>               | <ul style="list-style-type: none"><li>• Konekt is a publicly listed Australian company (ASX: KKT) and the largest ongoing provider of organisational health, return-to-work and risk management solutions.</li></ul>  |
| <b>Safer, More Productive Workplaces</b>       | <ul style="list-style-type: none"><li>• Konekt's focus is on helping organisations minimise the impact of workplace injury and related workplace costs, resulting in reduced workers' compensation premiums.</li><li>• Physical Injury rates and severity are declining, offset by decreased resilience and an increase in the costs of Psychological Injury.</li></ul> |
| <b>Better Processes, lower costs and Risks</b> | <ul style="list-style-type: none"><li>• By examining key areas of an employee's lifecycle and a company's procedures and culture, Konekt helps improve processes and identify escalating costs or non-compliance in occupational health and safety, risk management and injury management.</li></ul>  |
| <b>National Footprint, Local Knowledge</b>     | <ul style="list-style-type: none"><li>• With 34 offices in all capital cities and major regional centres throughout Australia, Konekt has both the expertise and reach to service any business – whether a large national organisation with multi-sites, or a small local business in regional Australia.</li></ul>   |
| <b>Best Clients in the Market</b>              | <ul style="list-style-type: none"><li>• Konekt has over 20 years experience in delivering workplace health and OH&amp;S services to industry and the community.</li><li>• Clients include major employers from government, building and construction, manufacturing, health, mining, transport and logistics, hospitality, retail and labour hire industries.</li></ul> |

## Key Financials – Revenue and Profit Growth

|                         | 2013-14<br>(\$000) | 2012-13<br>(\$000) | Var<br>(\$000) | Var<br>%     |
|-------------------------|--------------------|--------------------|----------------|--------------|
| <b>Revenue</b>          | <b>33,240</b>      | <b>30,844</b>      | <b>+2,396</b>  | <b>+7.8%</b> |
| <b>EBITDA</b>           | <b>1,705</b>       | <b>51</b>          | <b>+1,654</b>  | <b>Large</b> |
| <b>EBIT</b>             | <b>1,378</b>       | <b>(249)</b>       | <b>+1,627</b>  | <b>Large</b> |
| <b>Profit after tax</b> | <b>1,020</b>       | <b>(184)</b>       | <b>+1,204</b>  | <b>Large</b> |
| <b>Cash on hand</b>     | <b>1,891</b>       | <b>696</b>         | <b>+1,195</b>  | <b>+172%</b> |

## Strong Balance Sheet

|                                      | June 2014    | June 2013    |
|--------------------------------------|--------------|--------------|
|                                      | \$m          | \$m          |
| Cash                                 | 1.9          | 0.7          |
| Other current assets                 | 5.8          | 5.0          |
| Intangible assets                    | 4.0          | 3.8          |
| Other non-current                    | 1.7          | 2.1          |
| <b>Total Assets</b>                  | <b>13.4</b>  | <b>11.6</b>  |
| Current liabilities                  | (4.2)        | (3.0)        |
| Non-current liabilities              | (0.3)        | (0.7)        |
| Borrowings (current and non-current) | -            | -            |
| <b>Total Liabilities</b>             | <b>(4.5)</b> | <b>(3.7)</b> |
| <b>Net Assets</b>                    | <b>8.9</b>   | <b>7.9</b>   |

# Full Year Highlights

|  |  |
|--|--|
| <p><b>Increase in revenue by 7.8 % to \$33.2m over 2012-13 year</b></p>                    | <ul style="list-style-type: none"> <li>• Revenue increase was sustained across the year, with Government sector performing well, Insurers down and mixed performance for customers across Resources, Telecommunications, Construction and Mining. Those in the Financial Services, Transport and Services grew well in second half.</li> </ul>   |
| <p><b>Increase in revenue translating into profit before tax</b></p>                       | <ul style="list-style-type: none"> <li>• Revenue increased 7.8%, whilst salaries and related costs rose 5.2%. External consultants fell in line with business mix change. Other overhead costs excluding depreciation fell 5.7% versus the prior year.</li> <li>• Earnings before Interest and Tax change of \$1,627,000 represented 68% of change in Revenue.</li> <li>• Conversion of Profit to cash evident.</li> </ul> |
| <p><b>Customer mix stabilised opportunity to grow both portfolios</b></p>                  | <ul style="list-style-type: none"> <li>• Corporate and Government now (64%) versus Scheme and Agent (36%) has good risk adjusted balance. Given low point for Workers Compensation spend emerging in 2014-15, Opportunity to re-grow Insurers at low Regulatory Risk.</li> </ul>   |
| <p><b>Strong performance in MHS/ADF account continuing – Agents/Insurers improving</b></p> | <ul style="list-style-type: none"> <li>• Good feedback on Konekt performance on MHS/ADF account, Revenue grew year on year.</li> <li>• Partnership with ‘Soldier On’ commenced.</li> <li>• Growing expertise across Defence and Veteran’s portfolios.</li> <li>• Return-to-Work Rates up significantly year over year.</li> </ul>  |
| <p><b>Employee Engagement</b></p>  | <ul style="list-style-type: none"> <li>• Employee Engagement improved year over year, and sits at high point (measured for 7 years).</li> <li>• More work to do on induction, training, retention and employee value proposition, provides upside from current position.</li> </ul>  |

# Products and Services

## Workplace Rehabilitation Services

- Early intervention
- Injury prevention
- Functional capacity assessment
- RTW case management - same employer
- Injury management
- Manual handling, ergonomic assessment
- Job dictionaries
- Health & wellness programs
- RTW training

93% of revenue

## Occupational Health & Safety Services

Customised training & WHS consulting solutions

7% of revenue

# Industry Outlook – on balance – improving

|                                     |  |
|-------------------------------------|--|
| <b>Workers Compensation Schemes</b> | <ul style="list-style-type: none"><li>• Further reduction in 2014-15 spend evident (unfavourable to Konekt), with low-point expected to emerge in next 2 years.</li></ul>  |
| <b>Corporate and Government</b>     | <ul style="list-style-type: none"><li>• Spend increasing with further outsourcing (favourable to Konekt), reduction in suppliers (favourable to Konekt) and Focus on Early Intervention, Psychological injury and Home based work (Konekt Specialities).</li></ul> |
| <b>Quality of Care</b>              | <ul style="list-style-type: none"><li>• Deeper focus on Care and Quality Outcomes – will stretch providers such as Konekt to respond to increasingly higher customer demands and expectations (neutral for Konekt).</li></ul>                                      |
| <b>Consolidation of Providers</b>   | <ul style="list-style-type: none"><li>• Some exit from Industry evident due to fall in spend and low margins and/or poor results (favourable to Konekt).</li></ul>   |
| <b>Mining Pre-employment</b>        | <ul style="list-style-type: none"><li>• Expected to remain subdued (unfavourable to Konekt).</li></ul>   |
| <b>Comcare Moratorium</b>           | <ul style="list-style-type: none"><li>• Corporate ability to join Comcare regulation seen as positive, but few effects in 2014-15 (neutral for Konekt).</li></ul>  |



## Program “Strengthening the Core” (STC) has commenced

|                                    |  |
|------------------------------------|--|
| <b>Program Overview</b>            | <p>Konekt has commenced a core business review and investment program. “Strengthening the Core” has 4 streams of work. Project costs will be expensed in 1H 2014-15, with some capital investment (software/product) on 3 year amortisation cycle.</p> |
| <b>EMPLOYEE ENGAGEMENT</b>         | <ul style="list-style-type: none"> <li>• Review and enhance Recruitment, Induction, Training and Customer Orientation across the company.</li> </ul>   |
| <b>CUSTOMER</b>                    | <ul style="list-style-type: none"> <li>• Improve satisfaction by better training our staff and streamlining our technology.</li> </ul>   |
| <b>SCHEME, AGENT &amp; INSURER</b> | <ul style="list-style-type: none"> <li>• Monitor the scheme/insurer cycle and be ready to increase share when market begins to grow.</li> </ul>  |
| <b>PRODUCTIVITY</b>                | <ul style="list-style-type: none"> <li>• Review all aspects of Company productivity, from non-billable work, travel and work processes – to Overhead, Sales and Head Office Cost optimisation.</li> </ul>  |
| <b>Program Results</b>             | <p>Result realisation expected from 2H 2014-15 and full year 2015-16. Strong balance sheet can absorb STC project and growth.</p>  |

# Outlook

| Factor  |  |
|---|--|
| <b>Budgeting for Increased Revenue in 2014-15</b>                               | <ul style="list-style-type: none"><li>• Company is forecasting increased Revenue in 2014-15. However, State Workers Compensation and Mining Pre-Employment remain soft.</li></ul>                            |
| <b>STC Project Costs</b>  | <ul style="list-style-type: none"><li>• Project Costs will be expensed in 1H 2014-15, against realisation plans over forward 3 years. Significant Investment by company to enhance growth.</li></ul>         |
| <b>Merger and Acquisitions</b>  | <ul style="list-style-type: none"><li>• M&amp;A exploration is ongoing, with no certainty of deal execution.</li></ul>   |
| <b>Good Pipeline of Sales Opportunities, but closings remains unpredictable</b> | <ul style="list-style-type: none"><li>• Sales pipeline is strong, but deferred decision making by Customers is continuing. Investment in Sales and Relationship Management force remains in place.</li></ul> |

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