Level 3, 33 Erskine Street
Sydney NSW 2000

P O Box Q1588
QVB Post Office NSW 1230

T +61 2 9307 4000
F +61 2 9307 4044
E sydney@konekt.com.au

www.konekt.com.au

11 August 2017

Konekt Limited (ASX: KKT)

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

Konekt FY17 Underlying Revenue up 21% and Underlying EBITDA up 33%

Acquisition of Mission Providence (*jobactive* provider) for $24.0m

Acquisition funding – Rights Issue $7.0m and Placement of $8.7m

Highlights

FY17 Results

- Continued strong growth in FY17 (underlying revenue $53.1m - at upper end of guidance)
- Continued excellence in Return-to-Work (RTW) performance
- Revenue and margin growth delivered increased underlying NPAT (+16%) and EPS (+15%)
- Increased final dividend of 0.75 cents per share (up 50%) - fully franked

Acquisition

- Agreement executed to acquire 100% of Mission Providence for a cash consideration of $24.0m
- A leading provider of Employment Services (c80% of revenues) and the New Enterprise Incentive Scheme (NEIS) under the Federal Government's *jobactive* program
- Expansion into adjacent market, consistent with Konekt's RTW focus and purpose of maximising workforce participation for individuals
- In line with strategy, skill set and provides a significant additional avenue for future growth

Funding

- Placement and rights issue to raise $15.7m in aggregate
- Institutional placement, raising $8.7m (18.2m new shares at $0.48 per new share)
- Fully underwritten non-renounceable 1-for-5 rights issue at $0.48 per new share, raising $7.0m
- New shares will not be entitled to final FY17 dividend announced today and the placement shares will not be entitled to participate in the rights issue
- In addition to the equity raising, credit approved acquisition facility for $18.3m with the Commonwealth Bank of Australia (CBA)

FY17 results

Konekt Limited (ASX: KKT) today reported its full year results for the 12 months ended 30 June 2017 (FY17), showing continued strong growth across all financial and operational metrics over previous financial year.

Konekt Chief Executive Officer and Managing Director, Damian Banks, said: "We continued to grow our revenues and operating margins in FY17. We have successfully integrated the five acquisitions we completed in FY16, strengthened our national footprint and leveraged our expanded capabilities into the injury prevention, organisational health and risk management workplace sectors of the market.

We were pleased to execute a new contract with Medibank Health Solutions for the provision of rehabilitation services until October 2018 effective from 9 May 2017. The major change in the new contract is that Konekt's rehabilitation services will now be directly supplied on-base through Medibank's Garrison Health Services. The types of services offered are similar to the previous contract, with some improvements in relation to clinical governance, proximity and multi-disciplinary team capability."

Financial Results Summary

Year ended 30 June	FY17	FY16	Change %
Revenue ($m)	53.5	43.9	22%
Revenue – underlying ($m) [1]	**53.1**	**43.9**	**21%**
EBITDA ($m)	6.2	4.0	54%
EBITDA margin (%)	11.6%	9.2%	+248 bp
EBITDA – underlying ($m) [1][2]	**5.8**	**4.4**	**33%**
EBITDA Margin – underlying (%)	**11.0%**	**10.0%**	**+100 bp**
Interest ($m) [3]	(0.3)	(0.2)	94%
Depreciation & Amortisation ($m)	(1.1)	(0.7)	57%
Net profit before Tax ($m)	4.8	3.2	52%
Tax ($m)	(1.3)	(0.7)	87%
Net Profit after Tax ($m)	3.6	2.5	43%
Net Profit after Tax – underlying ($m) [1][2]	**3.2**	**2.8**	**16%**
EPS (cents)	4.9	3.5	42%
EPS – underlying (cents) [1][2]	**4.4**	**3.8**	**15%**
DPS (cents - fully franked)	0.75	0.5	50%

1. *Underlying FY17: deducts write back of $367,000 of deferred consideration included in statutory results*
2. *Underlying FY16: adds back one-off acquisition related costs of $570,000, less estimated acquired EBITDA from acquisitions of $180,000*
3. *FY17 interest includes interest expense unwind of $313,000 for deferred consideration in relation to acquisitions in accordance with accounting standards. FY16 interest expense unwind was $186,000 due to timing of acquisitions completed during the period*

FY17 Operational Highlights

- Strengthened customer relations - executed new Medibank Health Solutions contract in May 2017 and significant panel appointment in Commonwealth government sector
- Appointed to the *icare* NSW workers compensation panel for 2017/18
- Expanded customer base with an additional 30+ new employer customers in FY17
- Expanded product and service offering – leveraging extensive proprietary database with new capabilities to deliver injury prevention services
- Continued investment - capex of $1.3m invested in product development and technology platforms, continuing our data driven thematic
- Diversified customer portfolio - insurance companies (35%), corporates (20%) and government institutions (45%)
- FY16 acquisitions successfully integrated and performing in line with expectations
- Continued strong RTW rates (Same Employer) achieved – 94% level maintained

Dividend

The Board has declared a fully franked final dividend for the year of 0.75 cents per share. The company's approach to dividends is to balance shareholder dividends with franking credit availability and the company's need to fund continued growth. The record date for the dividend is 17 August 2017 and payable on 8 November 2017.

Acquisition of Mission Providence

Konekt has today executed contracts to acquire 100% of Mission Providence Pty Ltd ("Mission Providence"), a leading provider of Employment Services and the New Enterprise Incentive Scheme (NEIS) under the Federal Government's *jobactive* program (the "Acquisition").

Mission Providence is a joint venture between Mission Australia and The Providence Service Corporation (US). It is one of 43 providers holding a *jobactive* contract with the Federal Government's Department of Employment. The *jobactive* contract runs for five years to 30 June 2020 when it is expected to be put up for review prior to expiry, which may include tender, roll-over or restructuring of the program.

The business operates from 85 locations and has more than 400 staff. In FY17, it generated revenues of over $51m. The acquisition will double Konekt's scale.

Employment Services revenue (representing 78% of Mission Providence's FY17 revenues) comprises:

- administration fees (representing 40% of the program), payable every six months, driven by the number of jobseekers (case load); and
- outcome fees (stage payments representing 60% of the program), payable in respect of outcomes achieved by jobseekers (and, in particular, the time jobseekers spend in their roles following placement).

NEIS revenue represented 15% of FY17 revenues with the balance from ancillary sources.

Mission Providence has a strong and sector-experienced management team led by CEO, Anthony Steel, who will continue to lead the business.

Konekt Managing Director, Damian Banks, said: "The acquisition of Mission Providence makes strategic sense for our business and delivers value for all our stakeholders. It enables us to expand into adjacent employment markets with scale, consistent with our focus and purpose of maximising outcomes for the individuals with whom we work. We are confident the Acquisition will deliver improved customer outcomes, enhanced returns for shareholders and new opportunities for employees.

We have been actively reviewing a range of opportunities in this field for the past 18 months and Mission Providence is a standout business."

Importantly, Anthony Steel, CEO of Mission Providence, will continue in his role under Konekt's ownership. We are pleased to welcome the Mission Providence staff to the Konekt group and look forward to working together to deliver great employment outcomes for individuals and build on our market presence.

Mr Steel said, "We have a proud heritage of helping individuals in Australia, and have a business which engages our staff to focus on individuals and achieving positive employment outcomes for them. Konekt offers an additional strength via its deep understanding of safe and healthy workplaces. Combining these businesses makes great sense and will allow our staff to flourish for the benefit of our clients."

Strategic and Financial Rationale

- Attractive acquisition consistent with Konekt's Return-to-Work focus and purpose of maximising workforce participation for individuals
- Expansion into adjacent return to work and employment placement services markets to diversify and expand revenue streams
- Large established infrastructure, experienced management team and complementary national footprint
- Enables Konekt to expand further into employment and related return to work programs, leveraging Konekt's experience in workplace rehabilitation services with Mission Providence's expertise
- Financially compelling, with projected pro forma FY18 EPS (before amortisation) accretion of circa. 20% to KKT shareholders

Funding and Equity Raising

The purchase price is $24.0m cash, subject to certain purchase price adjustments (including working capital). Completion is expected to occur towards the end of Q1 FY18, subject to Department of Employment consent. The consideration will be funded by debt ($17.0m) and new equity ($15.7m), providing funds for transaction and integration costs as well as working capital.

The equity component consists of:

- A placement of 18.2m new shares (25% of issued share capital) at an issue price of $0.48 per new share raising $8.7m; and
- 1-for-5 non-renounceable rights issue at $0.48 per new share to raise $7.0m.

The rights issue price represents:

- a 11.2% discount to the Theoretical Ex-Rights Price ("TERP") based on the closing price of $0.56 on Tuesday, 8 August 2017 (and after adjusting for the dividend), the last date on which Konekt shares were traded prior to the date of this announcement.

Approximately 32.7 million new KKT shares are expected to be issued under the Rights Issue and the Placement. The new ordinary shares will rank equally with existing ordinary shares but will not be eligible for the FY17 final dividend. Shares issued under the Placement do not have an entitlement to participate in the Rights Issue.

The Placement and Rights Issue are fully underwritten by Taylor Collison Limited.

Konekt Directors have committed that they, and their associated entities, will together subscribe for up to $4m of new shares in the rights issue via a combination of taking up some or all their entitlements and additional sub-underwriting commitments.

The equity raising is not conditional on completion of the acquisition. In the event that the acquisition does not complete for any reason, Konekt will consider options in relation to the use of funds raised.

Konekt has secured a committed $18.3m acquisition facility with the CBA, which replaces the previous facility. The new debt facility has a term of three years, with principal repayments of $1.0m per quarter commencing 3 months after the funding date.

Outlook

- On a pro forma[1] basis the merged business is expected to approximately double revenue and EBITDA and deliver EPS before amortisation (EPSA) accretion of c20% in FY18
- In FY19 the combined business is expected to show a strongly accretive EPSA
- Amortisation of intangible assets arising from the acquisition is expected to have a material impact on statutory results over the period to 30 June 2020

(1) Pro forma estimates assume the Acquisition is completed on 30 June 2017, reflect a full 12-month contribution from Mission Providence and exclude one off acquisition related transaction and integration costs

Indicative Timetable

9 August 2017	Trading halt
11 August 2017	Announcement of FY17 Results, Dividend, Acquisition of Mission Providence, Institutional Placement and Entitlement Offer
17 August 2017	Record date for FY17 Dividend (7.00pm AEST) (shares go ex-dividend 16 august 2017)
17 August 2017	Record date for the Entitlement Offer (7.00pm AEST) (shares go ex-entitlement 16 August 2017)
21 August 2017	Entitlement Offer opens
21 August 2017	Settlement of Institutional Placement
22 August 2017	Allotment and normal trading of new shares issued under the Institutional Placement
24 August 2017	Trading of new shares issued under the Institutional Placement
8 September 2017	Entitlement Offer closes (5.00pm AEST)
14 September 2017	Allotment of shares issued under the Entitlement Offer
15 September 2017	Normal trading of shares issues under the Entitlement Issue
22 September 2017	Dispatch of Holding Statements for Shares issued under the Entitlement Offer
End of 1Q	Expected Completion

Additional Information / Further Enquiries

Further details of the Acquisition and the Rights Issue are set out in the investor presentation also provided to ASX today. The investor presentation contains important information including the terms and effects of the Acquisition, conditions and key risks. Any person considering an investment in Konekt should read the investor presentation, offer documentation and seek his or her own independent advice before making any decision in this regard.

Konekt has retained Nexia Australia as financial, accounting and tax adviser and Gilbert + Tobin as legal adviser. Taylor Collison Limited is underwriting the Placement and the Rights Issue.

Teleconference Details

Konekt will hold a teleconference to discuss FY17 results, the Acquisition and fund raising, hosted by its Managing Director, Mr Damian Banks and Chief Financial Officer, Ms Reena Minhas.

Details of the teleconference are as follows:

Time:	09:30 am, AEST
Date:	Friday, 11 August 2017
Dial in details:	+61 1800 558 698 or +61 2 9007 3187
Passcode:	927 363

Investor Contacts

Damian Banks
Managing Director

Reena Minhas
Chief Financial Officer

T: +61 2 9307 4007
E: tmugridge@konekt.com.au

Media Contacts

David Lindsay
K3 Advisors

T: +61 408 700 501
E: david.lindsay@k3advisors.com.au

About Konekt
Konekt is Australia's largest outsourced 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.