INVESTOR PRESENTATION

FY18 RESULTS
12 MONTHS ENDING 30 JUNE 2018

16 AUGUST 2018

KONEKT

communicorp konekt workcare konekt employment konekt training

FY18 HIGHLIGHTS

- Expanded into allied employment placement services (Federal Government's *jobactive* service program)
  - Acquisition of *Mission Providence* (rebranded *Konekt Employment*)
  - 9 months contribution to FY18 results (revenue of $41.3m)
  - Integration proceeded smoothly and business performing well
- Worker's Compensation Insurance market dynamics and lower new Medibank Health Solutions (MHS) contract volumes impacted *Konekt Workcare* revenues, not fully offset by growth in remaining portfolio
- Integrated support services across enlarged group
- Moved to new Sydney premises, co-locating *Konekt Workcare, Konekt Employment, Communicorp* and Head Office in single location
- Well advanced on property synergies program - expect to realise annualised savings of $2.75m by end calendar 2018 – FY19 flat on FY18 premises costs

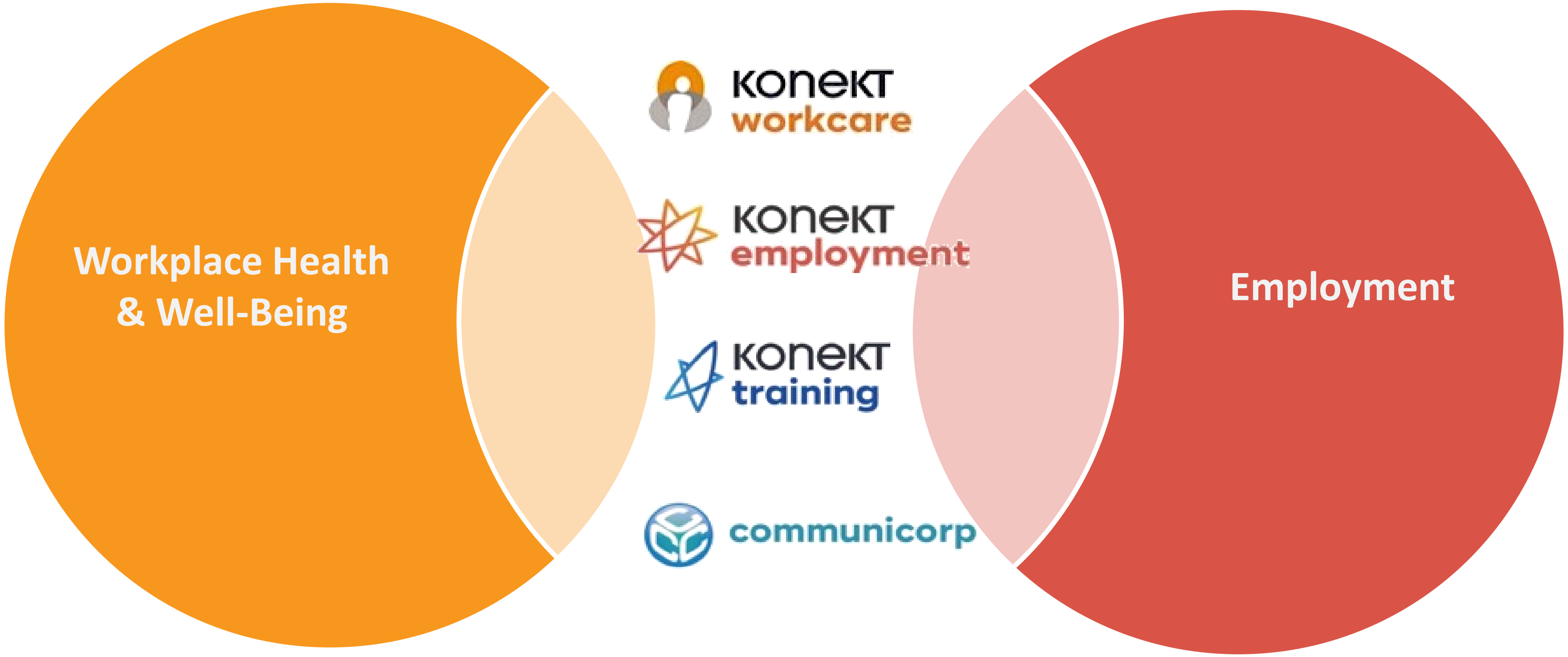
Underlying basis

Revenue	+67%
EBITDA	+56%
NPATA	+63%
EPSA	+20%
DPS (FF)	+33%

MARKET POSITIONING

EMERGING INTERSECTION OF WORKPLACE HEALTH & EMPLOYMENT

BUILDING THE LEADING INTEGRATED PROVIDER OF OUTSOURCED SOLUTIONS



GROWING SCALE, MARKET POSITION AND INTEGRATED SERVICES

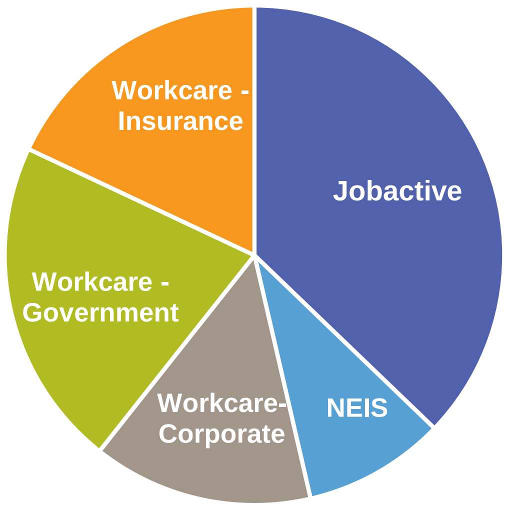
- Konekt supports:
  - **customers** build healthy workplaces and reduce the costs of employee injuries and illness
  - **individuals,** on behalf of its customers, overcome barriers to employment and work
- Over 800 staff, including 300 allied health professionals
- National footprint – 120 offices located across Australia
- Strengthening competitive position via growth in scale, integrated services and brand to meet the needs of large customers and individuals

50,000+

individuals helped

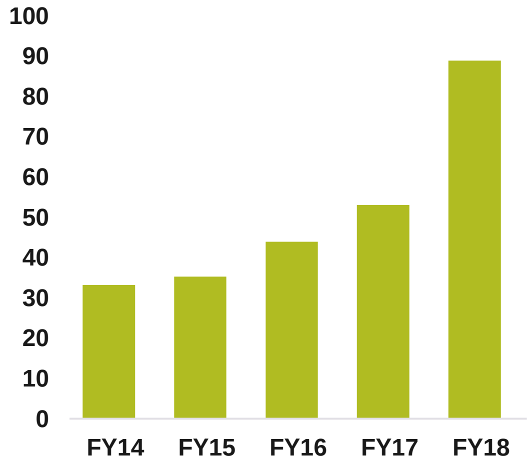
FY18 on behalf of Konekt customers

FY18 REVENUE BY TYPE

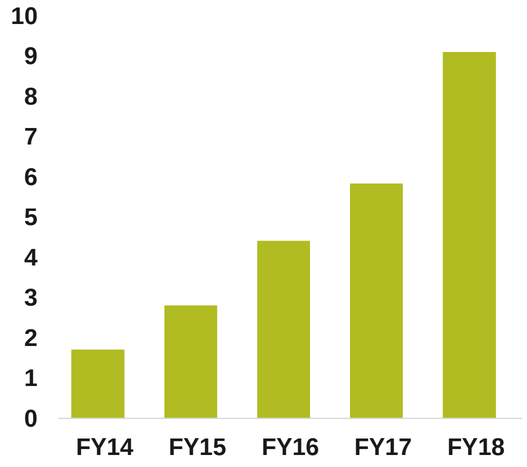


5 YEAR PERFORMANCE

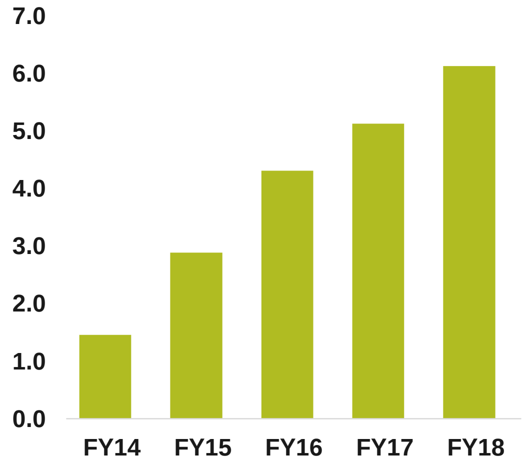
Underlying Revenue ($m)



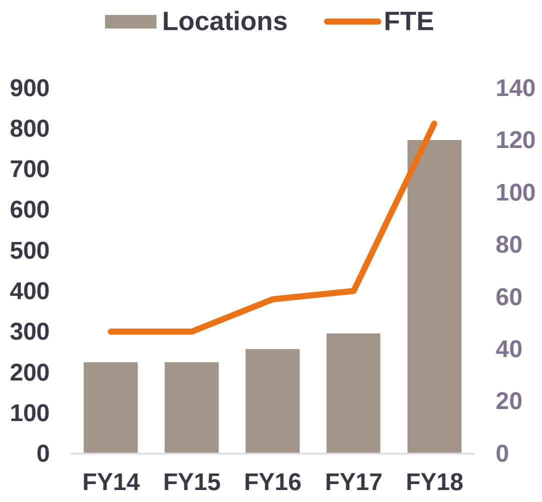
Underlying EBITDA ($m)



Underlying EPSA (cents)



Branches and FTE



OPERATIONS REVIEW

OPERATIONS

Konekt employment

Employment placement services under Federal Government's *jobactive* program
Employment Services and New Enterprise Incentive Scheme (NEIS)
Awarded contract for Disability Employment Services (DES)

Konekt workcare

RTW injury management, rehabilitation and consultancy services
Pre-employment and injury prevention services
Workplace Health and Safety – audits, inspections and consulting

Konekt training

Training courses (face-to-face and online) through accredited and practicing health care professionals
Two registered training organisations

communicorp

Workplace mental health – early intervention and prevention solutions provider konekt employment

ACQUIRED DURING FY18

- Employment placement services provider under the Federal Government's c.$1.4bn p.a. *jobactive* program
- Leading provider - one of 42 providers with 8 employment regions and 20 NEIS regions
- Awarded 16 Regions, across 71 locations in *Disability Employment Services (DES*) c.$800m p.a. program effective 1 July 2018 - not expected to be significant until FY21
- Current *jobactive* contract runs for 5 years to 30 June 2020, when it is expected to be put up for review, including potential for roll-over or restructuring of the program
- The *jobactive* contract covers Employment Services, New Enterprise Incentive Scheme (NEIS) and other ancillary services
- Employment Services Revenue generated by:
  - Administration fees (40% of the fee payable every 6 months) driven by the number of jobseekers (case load); and
  - Outcome fees (stage payments representing 60% of the fee) dependent on the time jobseekers spend in their roles
- NEIS Services Revenue generated by:
  - Commencement fee (80% of the total fee) payable upon participant starting their business
  - Post-programme achievement fee (20% of the total fee) upon participant successfully exiting the program after 12 months

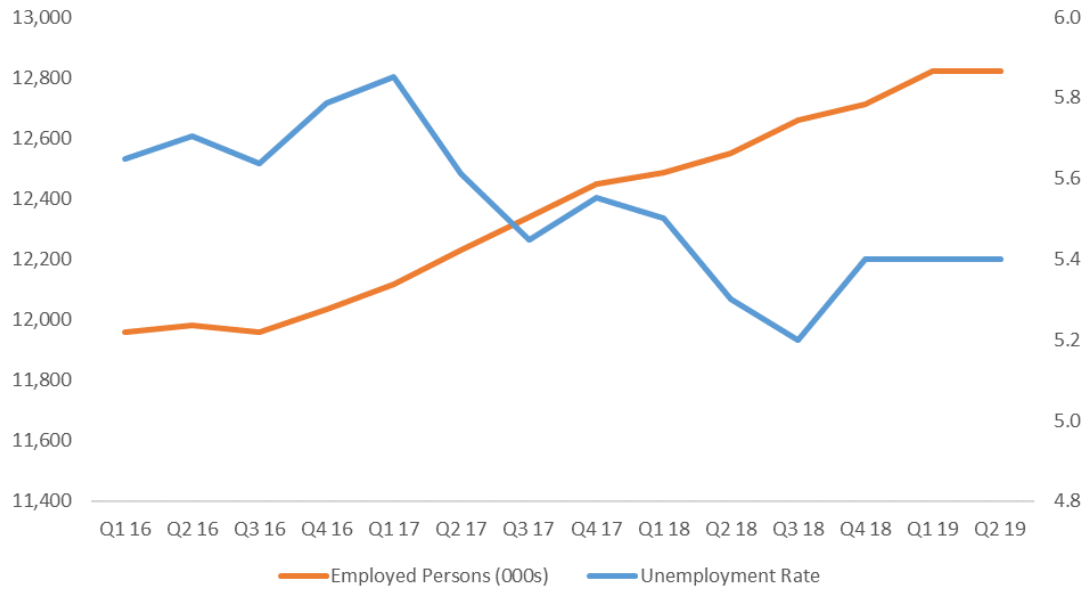
KEY STATISTICS

9 months ended 30 June	2018
Revenue	$41.3m
- Employment Services	78%
- NEIS	20%
- Other	2%
KE case load (30 Jun-18)	c4.8%
National case load (30 Jun-18)	662,284
Regions / Locations	
- Employment services	8 / 66
- NEIS	20 / 47
Staff – FTE (30 Jun-18)	398
National unemployment rate (May-18)	5.40%

OPERATIONAL PERFORMANCE

- Transition in ownership has proceeded smoothly, with business performing well and in line with expectations
- Stronger employment markets, reflected in lower unemployment rates, has seen increased outcome fees as % of revenue mix
- Star Ratings are a government measure of performance of *jobactive* provider, competitor, economic and other factors of performance
- *Konekt Employment* focus on improving both Star Ratings and performance against competitors in each region is well underway, Star Ratings saw some slippage during transition
- Important to have good ratings and competitive positioning leading into the *jobactive* contract review process ahead of June 2020
- Second (and final) *jobactive* contract volume re-allocation (if any) to be advised in 1H FY19 with any changes in allocated volumes effective from January 2019
- Successful product expansion with DES contract award – high overlap with existing sites

EMPLOYED PERSONS VS UNEMPLOYMENT RATE



Source: ABS

KONEKT WORKCARE
KONEKT TRAINING
COMMUNICORP

konekt workcare

konekt training

communicorp

MARKET LEADING PROVIDER WITH ESTIMATED 11-12% MARKET SHARE

- **Konekt Workcare**
  - Injury prevention services, Return-to-Work (RTW) injury management, rehabilitation and consultancy services, pre-employment services, Workplace Health and Safety – audits, inspections and consulting
  - Primary RTW case focus in range of 4 weeks to 2 years off work
- **Konekt Training**
  - Training courses (face-to-face and online) through accredited health care professionals. Two registered training organisations
- **Communicorp**
  - Workplace psychology specialists operating Australia wide. Helping employers and employees develop positive workplace mental health, well being and resilience capabilities
- Clients include government agencies, insurers and corporates
- Over 300 staff, predominately allied health professionals

KEY STATISTICS

Year ended 30 June	2018
Revenue	$47.6m
- Injury Management	73%
- Injury Prevention	25%
- Other	3%
Number of clients	c 1,100
Number of cases handled	c 25,500
Permanent Locations	42
Staff - FTE	317
Top 10 clients (% revenue)	57%

OPERATIONAL PERFORMANCE

konekt workcare   konekt training   communicorp

- FY18 revenue $47.6m, down 10.3% vs pcp, reflecting
  - 17.5% decline in MHS and insurance revenues
  - 7.2% growth in all other customer revenue
- Smaller national RTW market in FY18 reflecting lower customer referrals into the market
  - estimated market decline in FY18 of c.7-13% vs expectations of low single digit growth
- Customer demand for consulting, pre-employment and mental health services exhibited good growth
  - demonstrating value of a diversified business
- MHS contract renewed and extended to 30 June 2019 exhibiting strong relationship with MHS and delivering quality services to the Defence Forces

RTW Rates

94%
Same Employer maintained

49%
New Employer increased second consecutive year

KONEKT CORPORATE

- Completed acquisition of *Mission Providence*
- Rebranded organisation with go forward brands – retired legacy brands from prior acquisitions
- Completed placement, rights issue and debt facility
- Implemented new organisational structure with integration of Group Finance, HR, IT and Shared Services personnel across the enlarged group
- Co-located *Konekt Workcare, Konekt Employment, Communicorp* and Head Office in Sydney (April 2018)
- Property synergies program underway and running to plan
- Systems integration programs progressing well - finance completed, email completed, HR scheduled for FY19
- Staff training and programs reviewed across enlarged organisation with initiatives to align best practice from both

FY18 FINANCIALS

KONEKT

PROFIT & LOSS

Year ended 30 June (A$m)	2018	2017	Change %	2018	2017	Change %
	Underlying			Statutory		
Revenue	**88.9**	**53.1**	***67%***	**89.1**	**53.5**	***67%***
- Employment	41.3	-	*n/a*	41.3	-	*n/a*
- Workcare	47.6	53.1	*(10%)*	47.8	53.5	*(11%)*
EBITDA	**9.1**	**5.8**	***56%***	**6.2**	**6.2**	***(1%)***
EBITDA Margin	*10.2%*	*11.0%*	*(80bp)*	*6.9%*	*11.6%*	*(470bp)*
Interest	(1.0)	(0.3)	*(large)*	(1.0)	(0.3)	*(large)*
Depreciation	(2.3)	(0.5)	*(large)*	(2.3)	(0.5)	*(large)*
Amortisation	(3.7)	(0.5)	*(large)*	(3.7)	(0.5)	*(large)*
Net profit before Tax	**2.1**	**4.5**	***(53%)***	**(0.9)**	**4.8**	***n/a***
Tax	0.3	(1.3)	*n/a*	0.7	(1.3)	*n/a*
Net Profit after Tax	**2.4**	**3.2**	***(26%)***	**(0.2)**	**3.6**	***n/a***
Net Profit after Tax before Amortisation	**6.1**	**3.8**	***63%***	**3.6**	**4.1**	*(13%)*
EPS before amortisation (cents)	6.13	5.13	*20%*	3.58	5.63	*(36%)*
DPS - fully franked (cents)	1.00	0.75	*33%*	1.00	0.75	*33%*

1) **Underlying FY18 adjustments:**
- adds back one-off acquisition and integration costs of $3.1m relating to acquisition of Mission Providence
- deducts write back of $0.2m of deferred consideration income included in the statutory results

2) **Underlying FY17 adjustments**
- deducts write back of $0.4m of deferred consideration income included in the statutory results

BALANCE SHEET

Year ended 30 June (A$m)	2018	2017
Cash	5.7	2.8
Other current assets	10.6	9.7
Intangible assets	44.1	12.7
Other non-current assets	13.7	3.1
Total Assets	**74.1**	**28.3**
Trade & other payables	13.1	5.6
Other current liabilities	18.0	5.0
Non-current liabilities	13.2	2.1
Total Liabilities	**44.3**	**12.6**
Net Assets	**29.8**	**15.7**

- FY18 balance sheet reflects the Mission Providence acquisition
- Total debt $15.6m as at 30 June 2018
  - $4.0m current, $11.6m non current
- Net debt of $9.9m with cash on hand of $5.7m at 30 June 2018
- Acquisition debt facility has a 3 year term
  - Principal repayments of $3.0m since debt draw-down in Sept 2017
- Intangible assets of $44.1m, including recognition of fair value of identifiable intangible assets (*jobactive* contract) of $10.0m amortising over the period to 30 June 2020
- FY18 total amortisation charge of $3.7m
  - $2.7m for *jobactive* contract, $1.0m for other intangible assets
- Net Debt/FY18 underlying EBITDA = 1.1 times at 30 June 2018
- Total Debt/FY18 underlying EBITDA = 1.7 times at 30 June 2018

CASH FLOW

Year ended 30 June (A$m)	2018	2017
Net cash from operating activities	3.9	4.9
Net cash (used in) investing activities	(29.6)	(1.7)
Net cash provided (used in) financing activities	28.6	(0.6)
Net increase in cash	**2.9**	**2.6**
Cash at the beginning of the year	2.8	0.2
Cash at the end of the financial year	**5.7**	**2.8**

- Cash on hand of $5.7m at 30 June 2018
- Net operating cash flow of $3.9m is after including $2.1m of acquisition and integration cash costs incurred in the period and the re-build of working capital in the acquired business
- Net cash used in investing activities of $29.6m primarily relates to payments for the acquisition of $24.9m (net of cash acquired), investment in intangibles and PP&E of $3.5m and payments of deferred consideration $1.3m
- Financing cashflows represent new funding structure for acquisition with $15.7m new equity and $18.3m borrowings in the year. This is partially offset by $3.0m of repayments since draw-down

CAPITAL MANAGEMENT

- **Dividends**
  - Final dividend declared of 1.00 cents per share (up 33%) – fully franked
- **Capital Expenditure**
  - Capex (excluding acquisition) of $3.7m invested in PP&E, product and software development
  - Projected occupancy synergies will likely require associated up-front capital investment of a maximum of $2.4m (previously estimated as a maximum of $3.0m)
- **Debt amortization**
  - Principal reductions of $3.0m made in FY18 ($1.0m per quarter since draw-down in September 2017)
- **Share buyback**
  - Share buy back of 750,000 shares at an average price of 31.6 cps conducted in 2H FY18
- **Share Franking Account Balance**
  - 30 June 2018 Franking Account Balance of $3.75 m
- **Tax Losses**
  - Tax Losses of $25.3m acquired with Mission Providence, available to be used at 51% fraction.

FY19 FOCUS

FY19 FOCUS

- Expecting the 12 month *Konekt Employment* revenue contribution, property synergies and disciplined margin management across all business lines to be only partially offset by pcp headwinds, labour cost increases, investment in DES establishment and property inflation

- *Konekt Employment*
  - Optimising key *jobactive* performance metrics, Star Ratings and competitive performance to maximise position ahead of contract review and renewal in June 2020
  - Enhance multi-program capability across our distribution network and to further diversify the business e.g. DES
  - Invest in market leading NEIS business to further improve our position and contract renewal and expansion

- *Konekt Workcare*
  - Targeted organic growth through expansion of services with current clients across the group
  - Take advantage of weak market conditions (similar to approach taken in 2014 – 2016)
  - Continued investment in product and data

- Grow brand recognition to meet emerging trend of individual directed choice of service provider (compared to current corporate, government and institutional directed service provider)

RISK MANAGEMENT

- Konekt’s business is characterised by management of:
  - large contracts with large clients
  - changes in Government policy and operations (workers compensation and employment)

  Through being a significant scale provider of outsourced solutions with national footprint creating competitive advantage in securing and managing these contracts

- Building strong brand awareness as the markets move towards individual directed choice of service provider (compared to corporate, government and institutional directed service provider)

- Focus on ensuring delivery of quality services and extending contracts

- Key contract tenders and renewals
  - Final business reallocations (if any) under current *jobactive* contract effective from January 2019
  - MHS – June 2019
  - Department of Jobs and Small Business - *jobactive* June 2020

SUMMARY

- FY18
  - Revenue up 67%
  - Underlying EBITDA up 56%
  - Underlying EPSA up 20%

- Continue to implement our strategy of building the leading Australian integrated provider of outsourced solutions for workplace health, well-being and employment services.

- Key factors:
  - 12 month *Konekt Employment* revenue contribution
  - organic growth
  - property synergies
  - disciplined margin management to offset pcp headwinds, labour cost increases, investment in DES establishment and property inflation

  Leave Konekt well positioned to deliver increased Revenue, EBITDA and EPSA in FY19

konekt employment

konekt workcare

konekt training

communicorp

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