FY19 RESULTS INVESTOR PRESENTATION

22 AUGUST 2019

FY19 HIGHLIGHTS

FY19 GROWTH IN REVENUE AND EBITDA

Financial

- Underlying Revenue $97.0m (FY18 $88.9m)
- Underlying EBITDA $9.8m (before $0.2m MHS exit transition costs and write back of make-good provision of $0.6m)

Operational

- jobactive contract tenure extended from 30 June 2020 to 30 June 2022
- Awarded 5 year Disability Employment Services contract to 30 June 2023
- Significant progress on developing Employer relationships within Employment business
- Completed premises reorganisation plan resulting in significant savings

FY20 Outlook

- Konekt expects FY20 revenue in the range of $88.0 - $91.0m and EBITDA in the range of $8.1- 9.0m, reflecting business improvement offset by the expiry of the MHS/ADF contract at end of FY19

Revenue	↑ 9%
EBITDA	↑ 8%
NPATA	↑ 16%
EPSA	unchanged
DPS (FF)	unchanged

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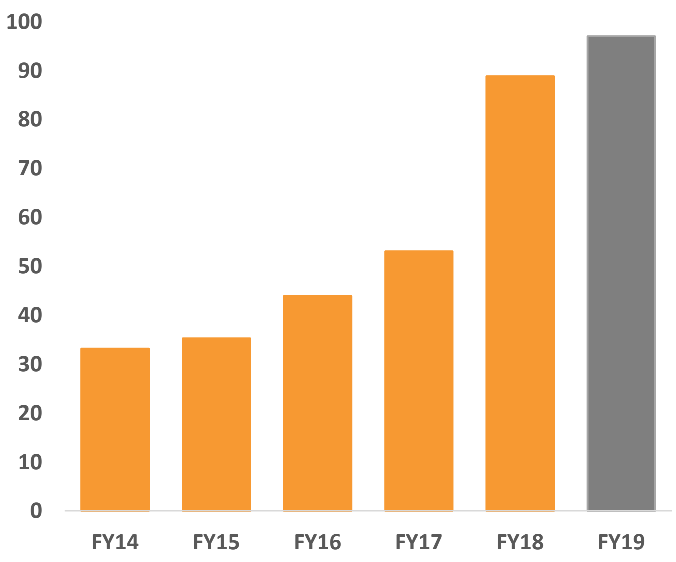
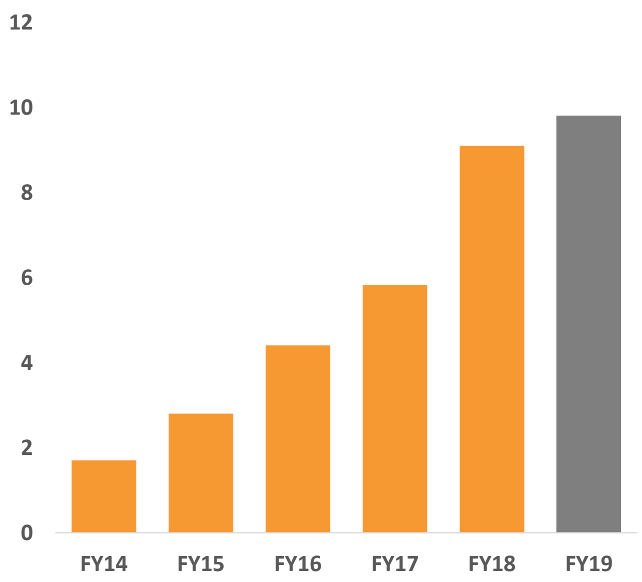
PERFORMANCE

UNDERLYING REVENUE AND EARNINGS GROWTH OVER PAST 6 YEARS

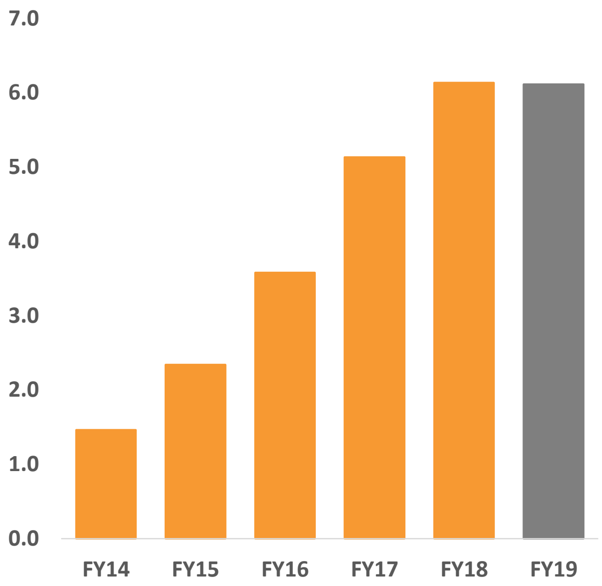
Underlying Revenue ($m)



Underlying EBITDA ($m)



Underlying EPSA (cents)



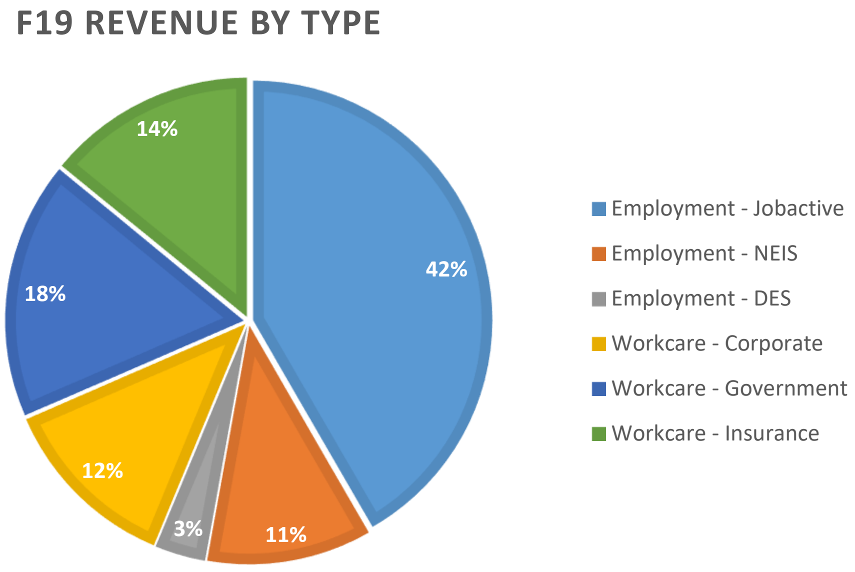
OPERATIONS REVIEW

SCALE, INTEGRATED SERVICES & BRAND

DIVERSE CUSTOMERS, CLIENTS AND EMPLOYERS – CONTINUED FOCUS ON LOCAL DELIVERY

- **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
- **c.700 staff**, including c.200 allied health professionals
- **National footprint** – 107 full-time offices located across Australia with 30 outreach sites
- **Strengthening** competitive position via growth in scale, integrated services and brand to meet the needs of large customers and individuals

50,000 people helped in FY19



KONEKT GROUP OPERATIONS

TWO CORE BUSINESS UNITS, COMMON PURPOSE - ENHANCING DISTRIBUTION REACH

	konekt employment	konekt workcare
SERVICES	**Service provider** • jobactive Employment Placement Services • jobactive New Enterprise Incentive Scheme (NEIS) • Disability Employment Services (DES)	**Injury Prevention** • Workplace mental health (Communicorp) • Workplace Health and Safety consulting • Training **Injury Management** • RTW same employer • RTW new employer
CLIENTS	Federal Government	Insurers, Corporates, Government
FY19 REVENUE	$54.5m	$42.5m
LOCATIONS	113 (incl 7 co-located with Workcare)	31 (incl 7 co-located with employment)
STAFF (excl Head Office)	400	250

konekt employment

HIGHLIGHTED BY IMPROVED PERFORMANCE AND CONTRACT EXTENSION

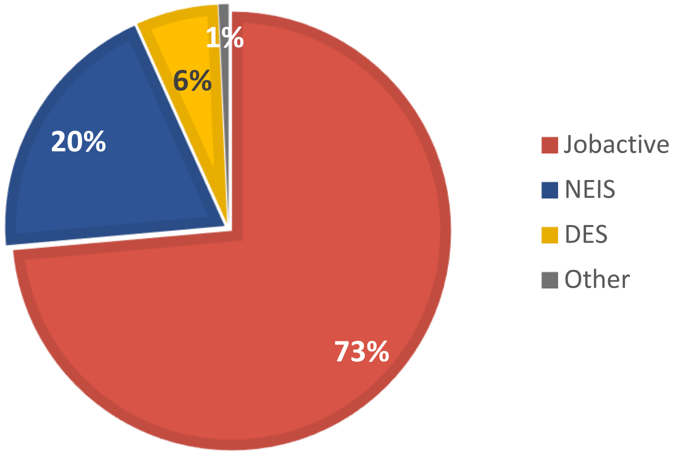
- **Performing well** $54.5m FY19 revenues ($41.3m FY18 - 9 month contribution)

- **Contract extensions and new DES contract**
  - jobactive and NEIS contracts extended to 30 June 2022 - providing stability for staff and support for further investment
  - Awarded DES contract – 5 year term commencing 1 July 2018, covering 16 regions (total 71 locations). 26 new staff to service DES. DES is c$800m pa Federal Government program

- **Improved quality and productivity**
  - Average Star Ratings increased
  - Increased revenue share of outcome based fees (65% FY19)

- **Reduced Cost**
  - Completed reorganisation of property leases with FY19 impact of $2.5m p.a. including sub-rental of excess space
  - Upgraded premises and co-located 7 locations with Konekt Workcare. Leased property reduced by 30% to 21,000 sqm. Annualised savings of $3.0m pa achieved

F19 REVENUE BY TYPE



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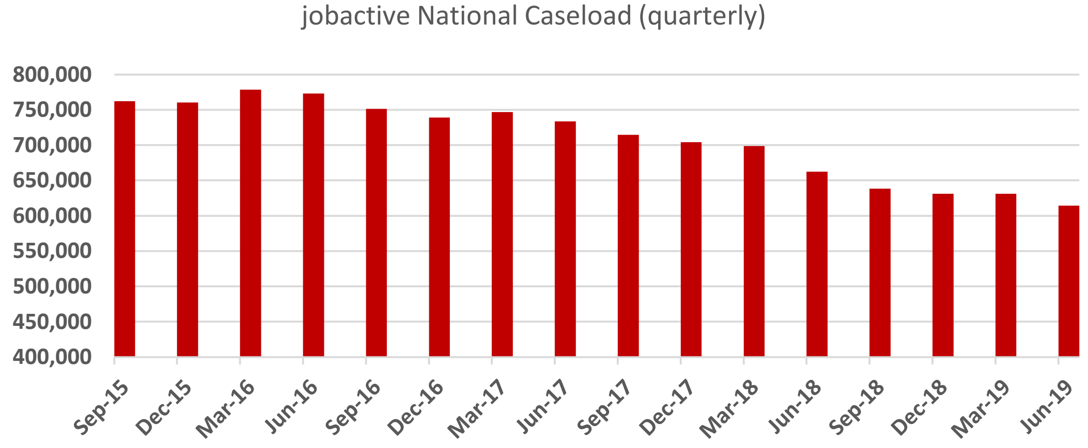
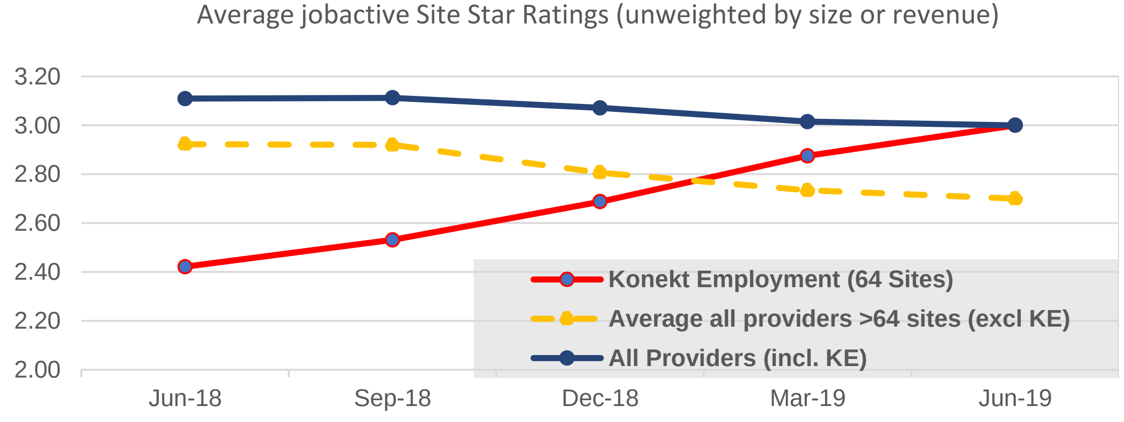
CONTRACT FEATURES – DIFFERING TERMS, DRIVERS AND ECONOMICS

	jobactive	jobactive self employment (NEIS) an Australian Government Initiative	Disability Employment Services AN AUSTRALIAN GOVERNMENT INITIATIVE
Remaining Contract tenure	3 years (30 June 2022)	3 years (30 June 2022)	4 years (30 June 2023)
Contracted regions/total	8/64	20/47	16/71
Locations in contracted regions	64	34	71
National caseload - 30 Jun-19	614,232	8,600	232,000
Konekt caseload - 30 Jun-19	26,476	1,890	1,298
FY19 revenue / FY18 Revenue	$39.9m / $32.8m	$10.7m / $7.9m	$3.3m / $nil
FY19 Admin/performance fee split	35% / 65%	87%/13%	82%/18%

PERFORMANCE DRIVERS OF BUSINESS ARE SIMPLE – VOLUME AND OUTCOMES





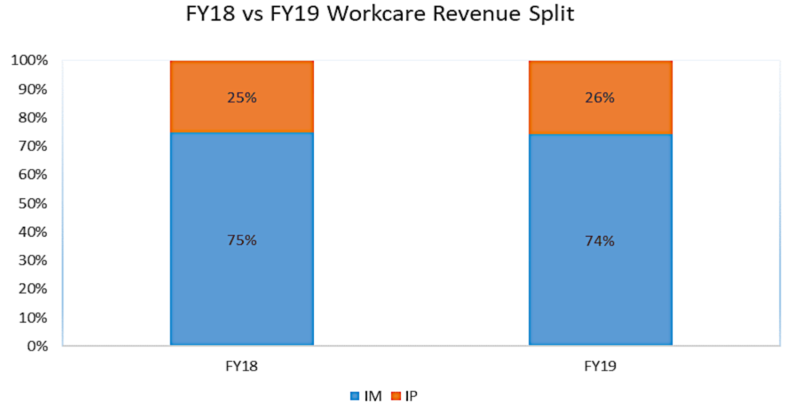
- Lower unemployment has resulted in 7% reduction in jobactive national caseload - 614,232 (30 June 2019) vs 662,284 (pcp)
- Total jobactive caseload for Konekt's contracted 8 regions – 159,213 (30 June 2019)
- Konekt allocated jobactive caseload (30 June 2019) – 26,476 (17% market share in contracted regions)

- Star Ratings are an external measure of outcomes achieved by service provider offices - improved average site jobactive Star Ratings over FY19 with ratings since Q3 FY19 above the average of providers with a footprint of more than 64 sites
- Outcomes are based on period of employment from placement – calculated on 12 and 26 week basis – and other quality measures
- Result of management focus on improved training and systems

OPERATIONS – 2 PRODUCT LINES – PREVENTION and MANAGEMENT

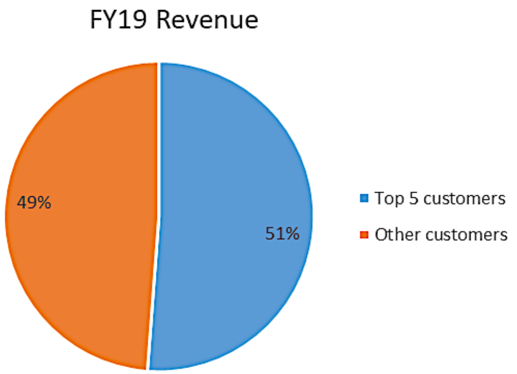
INJURY PREVENTION (IP)

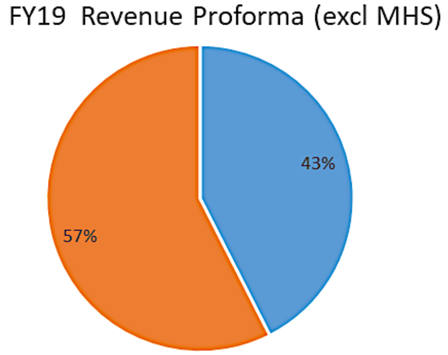
- Workplace Health & Safety Consulting
- Workplace mental healthcare
- Pre-employment assessments
- Onsite worker health checks
- Training



INJURY MANAGEMENT (IM)

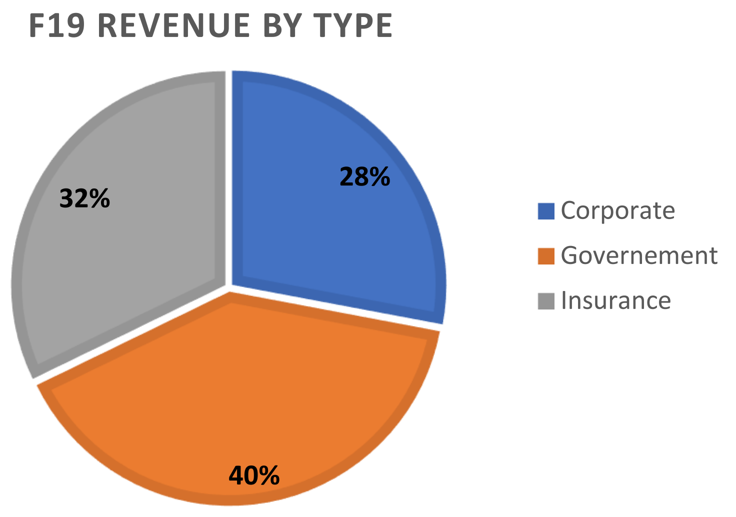
- Return-to-Work (RTW) - same employer
- Return-to-Work (RTW) - new employer
- Income protection RTW solutions
- Tail claims management





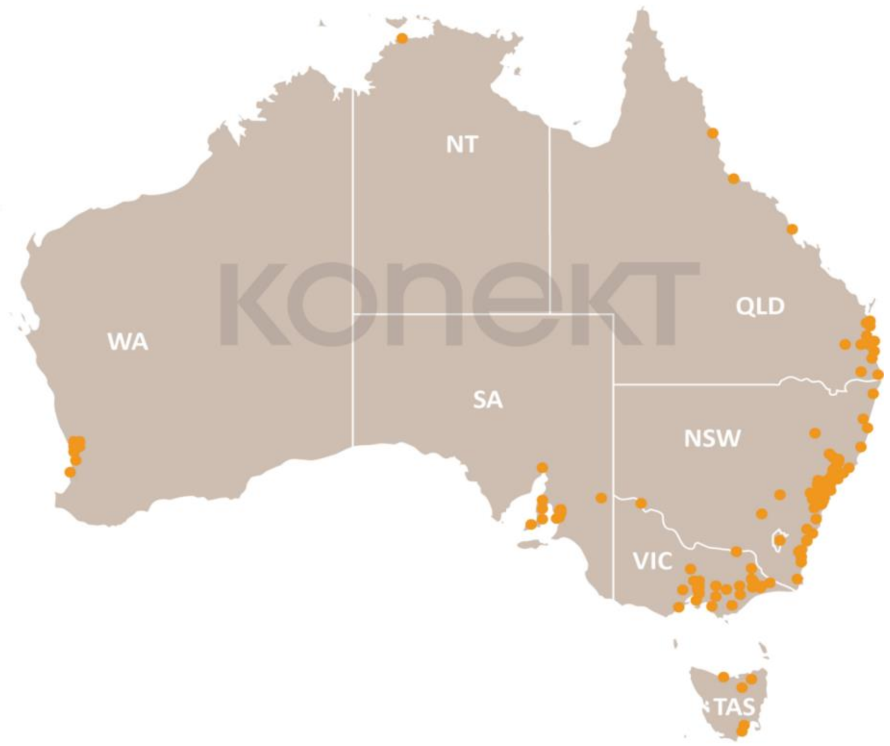
HIGHLIGHTED BY IMPROVED SECOND HALF AND DIVERSITY OF CLIENT BASE

- FY19 Workcare revenues of $42.5m were $5.1m lower than FY18
- **Injury Management** revenues fell by 11% ($3.8m) to $31.7m due to lower RTW referrals from insurance companies (includes MHS contract)
- This reflects continued falls in serious workplace injuries as businesses increase injury prevention measures, consolidation and changes in State based workers compensation management and lengthening in time before injuries are referred to external RTW managers
- About one quarter of Workcare revenues are from assessments (injury, pre-employment) with potential growth through extension into NDIS assessments (equipment, people, homes)
- Seeking to leverage links with employer relationships in Konekt Employment to grow RTW new employer services
- **Injury Prevention** revenues declined by 9% ($1.0m) to $10.7m partly as result of disruption to financial services from Hayne Royal Commission in 1H FY19. Revenues improved in second half post Royal Commission.



PROPERTIES

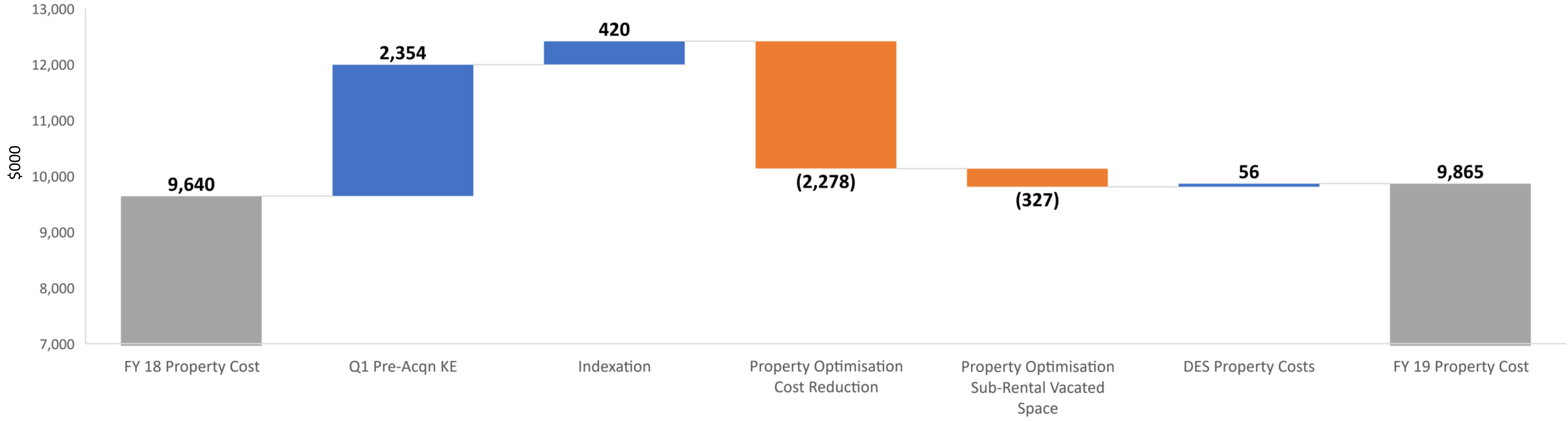
PROPERTY OPTIMISATION PROGRAM ACHIEVED HIGHER ENGAGEMENT WITH COST SAVINGS AND IMPROVED LOCATIONS



- Local Market sites are core to ongoing business model
- 107 full-time offices across Australia with 30 outreach sites
- Annualised savings to date of $3.0m p.a. from Property Optimisation Program as at 30 June 2019., $2.6m realized in FY19, with a further $0.4m flowing to FY20
- The FY20 premises program will realise a further $0.5m p.a. keeping the premises to revenue ratio similar to the pcp
- Floor space reduced by 30% over FY19 to 21,000 sqm
- Many sites now delivering multiple services and programs

PROPERTIES

FY19 UNDERLYING PROPERTY BRIDGE[(a)] DEMONSTRATES VALUE OF FY18-FY19 PREMISES PROJECT



(a) FY19 Underlying premises costs excludes make-good write-back of $0.6m included in premises costs for statutory purposes and adds back sub-rental income of $0.3m included in Other Income for statutory purposes

FY19 FINANCIALS

PROFIT & LOSS

Year ended 30 June $m	2019 Underlying	2018 Underlying	*Change* *%*
Revenue	**97.0**	**88.9**	*9%*
- Employment	54.5	41.3	*32%*
- Workcare Group	42.5	47.6	*(11%)*
EBITDA	**9.8**	**9.1**	***8%***
EBITDA Margin	*10.1%*	*10.2%*	*10 bps*
Interest	(1.1)	(1.0)	*(10%)*
Depreciation	(1.9)	(2.3)	*17%*
Amortisation	(5.4)	(3.7)	*(46%)*
Tax (expense)/benefit	(0.3)	0.3	*(200%)*
Net Profit after Tax	**1.0**	**2.4**	***(58%)***
NPAT before Amortisation (NPATA)	**6.4**	**6.1**	***5%***
EPS before amortisation (cents)	**6.1**	**6.1**	**-**
DPS (100% franked)	**1.0**	**1.0**	**-**

(1) Underlying FY19 adds back the MHS contract exit costs of $0.2m and deducts adjustment to make-good of $0.6m included in statutory results
(2) Underlying FY18 adds back one-off acquisition and integration related costs of $3.1m and deducts $0.2m of deferred consideration income included in statutory results
(3) Statutory results included in Appendix A

FY19 performance

- Full year contribution from Konekt Employment (9 months FY18)
- Underlying EBITDA up 8%
- Underlying EBITDA margin maintained

FY19 total amortisation of $5.4m

- $3.1m for jobactive contract
- $2.3m for other intangible assets
- Increased year on year largely due to increased spend on software & software development (amortisation over 3 years)

SUMMARY BALANCE SHEET

As at $m	30-Jun-19	30-Jun-18 Restated
Cash	-	5.7
Other current assets	11.0	10.6
Intangible assets	41.6	44.7
Other non-current assets	11.0	12.4
Total Assets	**63.6**	**73.4**
Trade & other payables	8.5	11.2
Borrowings	13.3	17.0
Other current liabilities	10.2	13.3
Other non-current liabilities	1.1	1.2
Total Liabilities	**33.1**	**42.7**
Net Assets	**30.5**	**30.7**

Net debt $13.3m as at 30 June 2019 ($11.3m pcp)

- Net Debt/FY19 underlying EBITDA was 1.36 times

Acquisition debt facility of $12.7m, refinanced in August 2019

- Improved tenure, terms and conditions

Cash reduced by $5.7m including

- Operating cashflow of $3.8m offset by; $4.0m debt repayments
- $2.2m for the purchase of intangible assets and $1.2m for PP&E

Intangible assets

- acquisition goodwill $34.2m, jobactive contract $4.2m (now amortising over the period to 30 June 2022), software and other $3.5m

On and off-balance sheet tax Losses of $28.0m

- $27.9m acquired with Mission Providence
- available to be used at 50.4% available fraction

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CASHFLOW

Year ended 30 June $m	2019	2018
Net cash from operating activities	3.8	3.9
Net cash from (used in) investing activities	(4.8)	(29.6)
Net cash from (used in) financing activities	(4.8)	28.6
Net increase (decrease) in cash	**(5.9)**	**2.8**
Cash at the beginning of the half year	5.6	2.9
Cash at the end of the half year	**(0.2)**	**5.6**

Net operating cash flow of $3.8m includes

- Reduction of trade and other payables $2.9m (including payment of one-off acquisition related costs of $0.9m)
- Payment of accrued employee entitlements for exiting staff $0.7m

Net cash used in investing activities of $4.8m included

- $1.3m payment of deferred consideration
- $2.3m for the purchase of intangible assets
- $1.2m for PP&E

Financing cashflows of $4.8m include

- $4.0m of principal debt repayments partially offset by additional $1.1 borrowings
- $1.1m for final FY18 dividend
- $1.0m finance lease payments

CAPITAL MANAGEMENT

Dividends

- Final dividend declared of 1.0 cents per share (in line with prior year) – payable in cash and fully franked

Capital Expenditure

- FY19 Capex of $3.4m invested in PP&E, product and software development - representing 3.5% of revenue

Debt amortization

- Principal reductions of $4.0m made in FY19 ($1.0m per quarter since draw-down in September 2017) – new terms from 29 September 2019 reduces principal repayments to $0.5m/qtr

Share buyback

- Nil during current period

Share Franking Account Balance

- Franking Account Balance of $3.6m at 30 June 2019

Benefit from Tax Losses

- On and off balance sheet Tax Losses of $28.0m ($27.9m acquired with Mission Providence), available to be used at 50.4% available fraction

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OUTLOOK

Key drivers include

- The resilient Australian economy maintaining strong headline employment numbers, with Konekt ensuring emphasis on both placing new job-seekers and maintaining existing job placements in their current employment;
- The emerging prominence of Consumer-directed choice in more of our product areas, resulting in our investment in a well understood and consumer friendly brand proposition;
- New opportunities are presenting in the disability employment services market, with Konekt well-placed to leverage its existing investment in this area;
- The NDIS potentially opening up to receive services from Workcare companies;
- Mentally healthy and safe workplaces are becoming more important to Australia's well-being than ever before, driving an increase in demand for Konekt service offerings in this area

Focus

- Organic growth in both Konekt Employment (primarily NEIS and DES) and Konekt Workcare (mental health services, NDIS and Government clients)
- Targeted bolt-on acquisitions
- Reducing group operating cost base by 7 – 10% through property, telecommunications, other operational and Head Office efficiencies to optimise margin

SUMMARY

FY19 Performance

- EBITDA above upper end of February guidance
- Solid achievements in Konekt Employment - jobactive contracts extended by two years to 30 June 2022, extension into new services with award of 5 year Disability Employment Services contract together with improved quality as seen in Star Ratings
- Konekt Workcare revenues lower due to continued decline in RTW same employer revenues from insurance clients – workers compensation consolidation and declining RTW serious injuries – and lower MHS contract referrals
- This is being offset by growing Assessments revenue (currently c25% of revenues) and increasing focus by clients on injury prevention
- Property synergies program achieved annualised savings of $3.0m p.a., $2.6m realized, with a further $0.4m flowing to FY20. The FY20 premises program will realise a further $0.5m keeping the premises to revenue ratio similar to the pcp
- Well managed MHS contract exit transition with costs contained to $0.2m

FY20

- Reflecting expiry of MHS contract revenues ($9.7m in FY19), FY20 outlook is in the range of
    - FY20 Revenue $88.0 – $91.0m
    - FY20 EBITDA $8.1 – $9.0m

APPENDIX A – Underlying and Statutory Results

	Underlying			Statutory		
	2019	**2018**	***Change***	**2019**	**2018 Restated**	***Change***
Revenue	**97.0**	**88.9**	*9%*	**97.0**	**89.1**	*9%*
- Employment	54.5	41.3	*32%*	54.5	41.3	*32%*
- Workcare	42.5	47.6	*(11)%*	42.5	47.8	*(11)%*
EBITDA	**9.8**	**9.1**	***8%***	**10.3**	**7.4**	***39%***
EBITDA Margin	10.1%	*10.2%*	*10bps*	10.6%	*8.3%*	*230bps*
Interest	(1.1)	(1.0)	*(10%)*	(1.1)	(1.0)	*(10%)*
Depreciation	(1.9)	(2.3)	*17%*	(1.9)	(2.3)	*17%*
Amortisation	(5.4)	(3.7)	*(46%)*	(5.4)	(3.7)	*(46%)*
Net profit before Tax	**1.3**	**2.1**	***(38%)***	**1.8**	**0.3**	***large***
Tax	(0.3)	0.3	*(large)*	(0.2)	0.3	*(large)*
Net Profit after Tax	**1.0**	**2.4**	***(58%)***	**1.6**	**0.7**	***large***
Net Profit after Tax before Amortisation	**6.4**	**6.1**	***5%***	**7.0**	**4.3**	***63%***
EPS before amortisation (cents)	6.1	6.1	-	6.6	4.4	*50%*
DPS - fully franked (cents)	1.0	1.0	-	1.0	1.0	-

(1) Underlying FY19 adds back the MHS contract exit costs of $0.2m and deducts adjustment to make-good of $0.6m included in statutory results
(2) Underlying FY18 adds back one-off acquisition and integration related costs of $3.1m and deducts $0.2m of deferred consideration income included in statutory results

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