Konekt posts Full Year Results

Konekt delivers strong revenue and profit growth in a challenging market

Konekt Limited (ASX: KKT) today announced a profit after tax of $1,020,000 compared to a loss of $184,000 for the prior year.

Key points:

- Solid revenue growth of 7.8% to $33.2 million compared to prior year
- Profit growth through revenue growth and continuing cost control
- EBITDA increased to $1,705,000 million from $51,000
- Earnings per share increased to 1.35 cents
- Cash balance $1,891,000 compared to $696,000 at 30 June 2013; nil net debt
- Medibank/Australian Defence Force contract well embedded into the Company
- Impact of regulatory changes affecting insurer volumes remain uncertain
- Continuing significant investment in technology
- Share buy-back commenced

Wednesday 20 August 2014 – In announcing Konekt's full year results today, Chief Executive Officer, Damian Banks said "Following on from our half year result, Konekt has continued to perform strongly, with growth in total revenue, EBITDA, profit after tax and earnings per share."

"The 2013-14 year saw significant improvement in the performance of Konekt Limited compared to the prior year. Both the halves were profitable, with the second half showing growth over the first half. The Company produced revenue of $33.2 million, approximately 7.8% more than the previous year. The profitability of the Company improved strongly with profit after tax of $1,020,000 against a loss of $184,000 for the prior year."

Konekt continued to make further inroads into lowering its fixed cost base, with overall non staff related expenses down 4.9% year on year. Konekt reported 30 June 2014 cash of $1,891,000 (up from $696,000 a year earlier). This result showed a conversion rate of more than 100% of net profit after tax to cash, despite capital expenditure of $611,000 for the year.

The higher level of revenue was flagged at the half yearly report during the year, and showed steady business growth. The Government portfolio grew strongly during the year as well as a strong contribution from transport and diversified industrials. This year saw the first full year effect of the MHS/ADF contract and this workflow is successfully embedded into the Company, with excellent results again being observed on Konekt's performance.

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Konekt expects state scheme workers compensation return to work spending to reach a low point during the next 12-18 months following a 2 to 3 year decline across Australia. However, the overall market remains challenging.

Mr Banks further added "Konekt continued its reinvestment in technology particularly in selected product software. The largest investment was in our New Employer product, business process and systems. By quarter 4 we have seen significant improvement in our New Employer results, with revenue rising steadily in each month of that quarter. This investment was approximately half of the Company's capital expenditure for the year. In 2014-15 Konekt will continue investing in future growth opportunities within the business, across technology, product, premises and R&D spending. The emphasis will be on improved product and customer systems."

"In the first half of 2014-15 the Board has allocated an additional expense and capital amount of up to $750,000 to a new project "Strengthening the Core". More than half this amount will be expensed in the first half with benefits to flow from the second half. The project is focused on 4 areas: productivity in all aspects of our business, induction and training of new employees, our insurer/agent offer and growth of our customer base."

Konekt announced and commenced an on-market buy-back of shares during the year. Konekt actively considers the capital management of the Company and weighs ongoing operational needs, the possible acquisitions under consideration, possible dividends and taxation when considering optimal capital needs. This year, the Board has not declared a dividend after weighing these issues.

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For further information

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