Investor Pack for 2014-15 Half Year Results

20 February 2015

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About Konekt

Health and Safety Experts	• Konekt is a publicly listed Australian company (ASX: KKT) and the largest provider of organisational health, return-to-work and risk management solutions.
Safer, More Productive Workplaces	• Konekt's focus is on helping organisations minimise the impact of workplace injury and related costs, resulting in reduced workers' compensation premiums. • Physical Injury rates and severity are declining, offset by decreased resilience and an increase in the costs of Psychological Injury.
Better Processes, lower costs and Risks	• 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.
National Footprint, Local Knowledge	• 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.
Best Clients in the Market	• Konekt has over 20 years experience in delivering workplace health and OH&S services to industry and the community. • Clients include major employers from government, building and construction, manufacturing, health, mining, transport and logistics, hospitality, retail and labour hire industries.

About Konekt

Summary	
Ord.shares on Issue	73.3m
Share Price @19/02/15	$0.11
12 month range	6c – 15c
Market Cap	$8.07m
Net cash @31/12/14	$2.44m

Continued Strong Revenue and Profit Growth

	2014-15 ($000)	2013-14 ($000)	Var ($000)	Var %
Total revenue	**17,416**	16,302	+1,114	+6.8%
EBITDA	**836**	803	+34	+4.1%
Profit after tax	**561**	467	+94	+19.6%
Cash on hand	**2,439**	2,655	(216)	(8.1)%
Earnings per share	**0.75 cents**	0.62 cents	0.13 cents	21%

Half Year Highlights

Increase in core revenue by 6.8% over prior year period, to $17.4m	• Company has continued mid to late single digit revenue growth over last five half year periods. Konekt continues to take market share. • Increased EBITDA delivered after absorbing Strengthening the Core program expenses.
“Strenthening the Core” (STC) program expensed during the half	• Strengthening the Core expensed $425,000 in the half. Key items were 1) Improving induction & retention 2) Improving customer satisfaction 3) Increasing share (of insurer market) 4) Productivity • Clear financial benefits will flow through in 2H 2015 and beyond
Reappointed by QBE	• Konekt was re-appointed by QBE Insurance Australia to provide return to work services under various state and territory workers compensation schemes.
Strong performance in MHS/ADF account continuing – Agents/Insurers improving	• Good feedback on Konekt performance on MHS/ADF account, Revenue grew half on half. • Return-to-Work Rates up significantly year over year • Appointed to major Corporate (via Insurer) panel of 5, from near nil prior base
Capital Management and Earnings per share	• Buy back purchase of 2.1m shares during half reduced capital base by 2.75% • Profitable growth and capital program delivered EPS increase of 21%

Strong Balance Sheet

	Dec 2014 $m	June 2014 $m
Cash	2.4	1.9
Other current assets	5.2	5.8
Intangible assets	4.1	4.0
Other non-current	1.7	1.7
Total Assets	**13.4**	**13.4**
Current liabilities	(3.8)	(4.2)
Non-current liabilities	(0.3)	(0.3)
Borrowings (current and non-current)	-	-
Total Liabilities	**(4.1)**	**(4.5)**
Net Assets	**9.3**	**8.9**

Investment in "Strengthening the Core" (STC) program completed – benefits starting to flow through

Program Overview	• Konekt has concluded its core business review and investment program – "Strengthening the Core" – with 4 streams of work. Project costs were expensed in 1H 2014-15, with some capital investment (software/product) on 3 year amortisation cycle.
EMPLOYEE ENGAGEMENT	• **Review and enhance Recruitment, Induction, Training and Customer Orientation across the company.**
CUSTOMER	• **Improve satisfaction by better training our staff and streamlining our technology.**
SCHEME, AGENT & INSURER	• **Monitor the scheme/insurer cycle and be ready to increase share when market begins to grow.**
PRODUCTIVITY	• **Review all aspects of Company productivity, from non-billable work, travel and work processes – to Overhead, Sales and Head Office Cost optimisation.**
Program Results	• Strong Company Performance absorbed STC project expenses and growth • Financial results to be delivered from 2H 2015 and beyond.

Impact of STC and Tax on results

	Normalised 1ST Half 2014-15 ($000) Ex STC	Statutory 1st Half 2014-15 ($000) Incl STC	Statutory 1st Half 2013-14 ($000)	Var ($000)	Var %
Total Revenue	**17,416**	**17,416**	16,302	+1,114	+6.8%
EBITDA reported	**836**	**836**	803	+34	+4.1%
STC expense	**425**		-	+425	Large
EBITDA	**1,261**	**836**	803	+459	+57.0%
Net Profit after tax	**745**	**560**	468	+277	+59.2%
Earnings per share	**1.00 cents**	**0.75 cents**	0.62 cents	0.38 cents	61.3%

Improving Industry Outlook

Workers Compensation Schemes	• Industry 2014-15 spend now appears flat evident (neutral to Konekt), with low-point in spend now likely observed this year.
Corporate and Government	• Spend slowly increasing with further outsourcing (favourable to Konekt), reduction in suppliers continues (favourable to Konekt) and Focus on Early Intervention, Psychological injury and Home based work (Konekt Specialities).
Quality of Care	• Deeper focus on Care and Quality – positive for Konekt.
Consolidation of Providers	• Some exit from Industry evident due to fall in spend since 2012 and low margins and/or poor results (favourable to Konekt) is continuing.
Mining Pre-employment	• Expected to remain subdued (unfavourable to Konekt). No signs of change.
ComCare Moratorium	• Corporate ability to join ComCare regulation seen as positive, but few effects in 2014-15 (neutral for Konekt).

Outlook

Factor	
Budgeting for Increased Revenue in 2nd half 2014-15 versus prior comparable half	• Konekt is forecasting increased Revenue in 2nd half 2014-15. However, State Workers Compensation is flat and Mining Pre-Employment remain soft. • Company forecasting profitable second half, and expects to pay some small income tax on 2H 2014-15 profit and expects to commence generating franking credits.
STC Program Costs	• STC Program Costs in first half were one off, expensed and will not repeat in 2H 2014-15. Some Capital from STC will be spent in 2H 2014-15 as projects are fulfilled.
Good Pipeline of Sales Opportunities, but closings remains unpredictable	• Sales pipeline is strong, QBE reappointment ensures solid continuing base. Investment in Sales and Relationship Management force remains in place to capture opportunities within organic growth.

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