

Thursday 21 February 2019

Salmat interim result to 31 December 2018

Salmat Limited (ASX:SLM) today released its results for the half year ended 31 December 2018.

Boosted by a number of new business wins, underlying revenue and profit before and after tax were both steady compared against the prior corresponding period. Underlying EBITDA of \$10.8 million was down from \$12.7 million in 1H18.

“We have managed to hold both underlying and net profit for the half year and our EBITDA margin of 8.5% remains within our targeted range,” said CEO Rebecca Lowde.

“Whilst we continue to face rising costs and lower volumes in our Marketing Solutions segment, we have secured some key new accounts in this area and achieved good overall growth in Managed Services,” said Ms Lowde.

“We are progressing our own internal innovation programs as well as leading discussions at an industry level in an effort to bring more value back into the letterbox channel and ensure its long-term sustainability.

“We are continuing to invest in Managed Services to support its ongoing expansion,” said Ms Lowde.

Group results - continuing operations

\$ million	1H19	1H18	Change pcp
Revenue	127.4	130.5	-2.4%
Underlying EBITDA	10.8	12.7	-15.0%
Underlying profit before income tax	9.0	9.0	-
Income tax expense	(2.1)	(0.6)	NMF
Significant items	(0.7)	(2.2)	-68.2%
Net profit after tax	6.2	6.2	-

NMF = no meaningful figure

Revenue of \$127.4m included a reduction of \$4.3m relating to AASB 15, which affected the Marketing Solutions segment. Total revenue was slightly up on the pcp excluding this impact. New wins and higher client spend outpaced expired contracts during the half, but were offset by catalogue distribution industry decline.

Underlying EBITDA of \$10.8 million was down 15% on 1H18. This was primarily due to volume decline and higher costs in the distribution business.

Underlying profit before income tax of \$9.0 million was on par with the previous corresponding period. Depreciation and amortisation costs were lower as some platforms reached end-of-life writedown and interest gains replaced interest costs due to a net cash balance.

Significant item costs of \$0.7 million related to restructuring following the contact centre business sale and investment in the collation proof-of-concept trial in the catalogue business.

Net profit after tax from continuing operations of \$6.2 million was also on par with 1H18 as tax and significant items had the same net impact for both periods.

Net cash at 31 December 2018 was \$50.4 million, down from \$78.5 million at 30 June 2018. The largest cash outflows during the half year were \$19.9 million in dividends and \$6.3 million in costs relating to discontinued operations.

Dividends of 1.0 cent per share were declared by the Board. This fully franked interim dividend has a record date of 28 February 2019 and will be payable on 28 March 2019.

Operations and strategy

Having completed the sale of the contact centre business late in FY18, the focus for FY19 is on the Marketing Solutions and Managed Services segments, with a number of innovation and growth programs in place.

During the half year, we successfully concluded the contact centre business separation; commenced a program of operational excellence in Marketing solutions; and opened a new facility for Managed Services in the Philippines and for the Netstarter business in Sri Lanka.

Innovation initiatives in areas including the salmathub catalogue distribution app; Lasoo; data insights; and a trial of automated collation technology were also progressed.

“With challenging external conditions persisting, we are focussed on adding value to our existing capabilities and extending Salmat’s reach and market share,” said Rebecca Lowde.

“We will continue to drive operational excellence and innovation in Marketing Solutions and support further growth and expansion in Managed Services during 2H19 and beyond,” said Ms Lowde.

-ENDS-

ABOUT SALMAT

Salmat is a leading Australian marketing services provider. We help clients connect with their customers, week-in, week-out. Salmat's unique combination of targeted letterbox and online marketing channels enables clients to Reach, Convert and Serve their customers. We also provide a wide range of back office solutions, through our Philippines-based Managed Services business.

Founded in 1979, Salmat has evolved from a small letterbox distribution business to an ASX-listed company. With a talented team across three countries we work with some of Australia's most recognised and trusted brands.

Reach: We offer the broadest reach media (online & offline), with the ability to target individuals and up to 17 million people. *Convert:* We deliver conversion across multiple channels, creating more opportunities for our clients' customers to buy. *Serve:* We make every one of our clients' interactions count online and offline.

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