

SALMAT

FY19 HALF YEAR RESULTS

21 FEBRUARY 2019

1H19 FINANCIAL SUMMARY

Underlying revenue and net profit after tax steady

\$127.4M

Revenue

\$10.8M

Underlying EBITDA

\$6.2M

Net profit after tax

8.5%

Underlying EBITDA
margin

\$4.4M

OPERATING CASH INFLOW

1.0 cps

INTERIM DIVIDEND

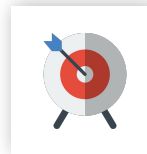
SALMAT'S STATE OF PLAY

Innovating for long-term sustainability



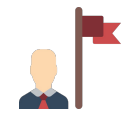
Underlying revenue & profit steady

Paid dividends. Remain debt free.



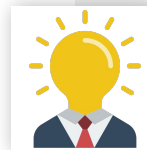
Long-term strategic approach

Innovating solutions, expanding markets, value-add services, differentiation.



Marketing Solutions challenges

Rising costs, price competition and volume erosion in catalogues. Retail industry subdued.



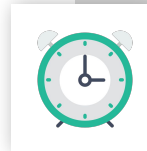
Continuing industry discussion

Wider change required in catalogue distribution to improve future outlook.



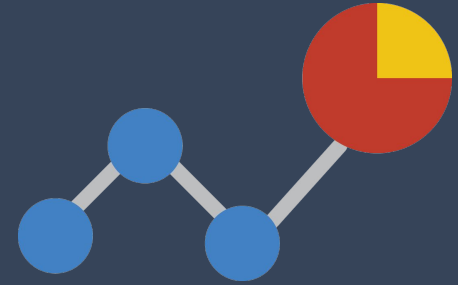
MicroSourcing performing well

Reliable growth. Expanded facilities to increase capacity and capitalise on demand.



Actioning FY19 key priorities

Defend and grow revenue, continue cost management, innovation initiatives.



GROUP FINANCIAL PERFORMANCE

Alex Panich, CFO

HALF YEAR FINANCIAL SUMMARY

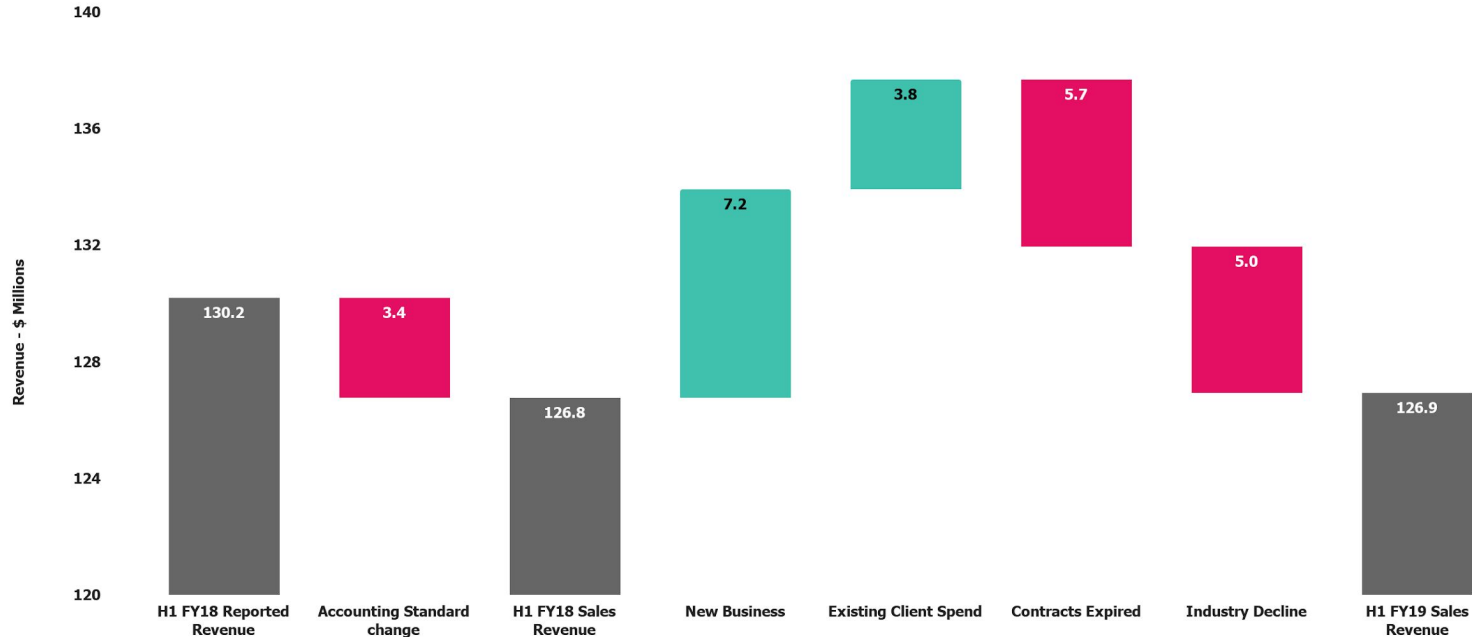
Underlying EBITDA of \$10.8m

\$ million	Dec-18	Dec-17	% change
Revenue*	127.4	130.5	-2.4%
Underlying EBITDA	10.8	12.7	-15.0%
Depreciation & Amortisation	-2.2	-3.3	-33.3%
Net interest	0.4	-0.4	NMF
Underlying profit before income tax	9.0	9.0	0.0%
Income tax expense	-2.1	-0.6	NMF
Underlying profit after income tax	6.9	8.4	-17.9%
Significant items	-0.7	-2.2	-68.2%
Net profit after tax	6.2	6.2	0.0%

* 1H19 revenue reduced by \$4.3m due to accounting standard change. NMF = no meaningful figure

SALES REVENUE BRIDGE

Half year to 31 December 2018



EBITDA BRIDGE

Half year to 31 December 2018



BALANCE SHEET

\$ million	Dec-18	Jun-18	% change
Cash and cash equivalents	52.4	79.1	-33.8%
Trade and other receivables	32.5	29.5	10.2%
Fixed assets	6.8	5.1	33.3%
Goodwill & intangibles	55.4	55.8	-0.7%
Other	19.2	19.9	-3.5%
Total assets	166.3	189.4	-12.2%
Current liabilities	27.4	53.3	-48.6%
Borrowings	2.0	0.6	233.3%
Other non-current liabilities	6.1	6.1	0.0%
Total liabilities	35.5	60.0	-40.8%
Equity	130.8	129.4	1.1%

- Cash has decreased through dividend payments (\$19.9m) and costs related to the Contact separation (\$6.3m) paid in FY19.
- Trade receivables increased due to better Nov/Dec trading results than the prior year.
- Fixed assets have increased as Managed Services invested in new facilities (\$2.4m) and Marketing Solutions invested in collation POC machinery (\$0.8m).
- Current liabilities decreased as dividends provided for were paid (\$16.0m); trade payables and provisions decreased as costs relating to the Contact sale (\$6.3m) were settled.

CASH FLOW SUMMARY

\$ million	
Net cash at 30 June 2018	78.5
Operating cash inflow	4.4
Tax payments	-0.4
Capex & intangibles	-3.8
Net financing costs (incl interest)	0.4
Payment to loan from associate	-0.5
Proceeds from Sale of Business	0.5
Cost relating to discontinued operations	-6.3
Movement in borrowings	-2.9
Dividends and Share Capital movements	-19.9
Foreign exchange movements	0.4
Net cash 31 December 2018	50.4

- The Group is in a positive net cash position of \$50.4m after paying out \$19.9m in dividends in 1H19.
- Operating cash inflows of \$4.4m are lower than prior year and inclusive of restructurings costs \$0.5m, collation POC \$0.2m and onerous contracts \$0.6m.
- Investment in Managed Services facilities has seen an increase in CAPEX for 1H19 as the business is set up for future growth.
- Separation costs on sale of the Contact business were \$6.3m in 1H19 and are expected to be significantly lower in 2H19. Payments made were to advisors, restructuring and retention costs plus contractual separation costs.

SEGMENT INFORMATION

Half year ended 31 December 2018

\$ million	1H19	1H18	% change
Sales revenue:			
Marketing Solutions	83.8	94.4	-11.2%
Managed Services	43.2	35.9	20.3%
EBITDA:			
Marketing Solutions	6.0	9.4	-36.2%
Managed Services	7.2	6.3	14.3%
Corporate Costs	-2.4	-3.0	-20.0%
Operational statistics			
Catalogue volume	2.04b	2.21b	-7.5%
MicroSourcing seats	3,997	3,674	+ 8.8%



OPERATIONS AND STRATEGY

Rebecca Lowde, CEO

TH19 AT A GLANCE



STRATEGY

- Progressed innovation and market expansion initiatives as part of FY19 strategic priorities.
- Adding new value to traditional strengths.
- Lasoo List go live, salmathub upgrade released, collation trial and data program progressing, new ecommerce platform added.



OPERATIONS

- Tied loose ends relating to separation of Contact business.
- Commenced operational excellence program: efficiency and standardisation focus to streamline operations.
- New facility opened for Managed Services and Netstarter

STRATEGY: FY19 PRIORITIES

Innovation to build on Salmat's core strengths

Our vision is to be the leading Australian marketing partner, enabling our clients to understand and successfully reach all Australian consumers with targeted, data-driven communications.



PEOPLE



MARKETING SOLUTIONS EVOLUTION

- salmathub
- Lasoo
- Data capabilities



SALES EXCELLENCE

- Marketing
- Client engagement
- Revenue targets



OPERATIONAL SUSTAINABILITY

- Service levels
- Distribution network
- Collation trial

MARKETING SOLUTIONS

Advanced the innovation journey



- **Catalogue** - industry volume decline
- **salmathub** - functioning well for contractors, clients and Salmat
- **Automated collation** trial ready to commence next phase
- **Data and insights** program underway with dedicated resources
- **Lasoo** list launched and **Netstarter** new facility and platform

MANAGED SERVICES

Supporting continued growth and high-quality services



- **Revenue and earnings** both grew at pleasing rates
- **Investment** - added 600+ production seats in new facility in Manila: new business focus
- **Client growth** - added 39 new clients in 1H19
- **Expansion focus** - further 200 seats in second facility and new website to be launched in 2H19

SUMMARY

Looking forward to a sustainable future

- Salmat celebrates 40 years in 2019: proven to be adaptable through years of change.
- Local market conditions remain challenging. Pressure unlikely to abate in the near-term.
- Our strategic priorities are based on innovating and extending Salmat's core strengths.
- Making good progress against innovation goals.
- Implementing comprehensive operational excellence program in Marketing Solutions.
- Supporting profitable growth in Managed Services.
- Working towards long-term shareholder value and growth.

DISCLAIMER

Company announcements and presentations can contain forward-looking statements. Words such as “believe”, “anticipate”, “plan”, “expect”, “intend”, “target”, “estimate”, “project”, “predict”, “forecast”, “guideline”, “should”, “aim” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include but are not limited to: competition and product pricing in the markets in which we operate; general economic and market conditions; compliance with, and possible changes in, environmental and health and safety laws; dependence on cyclical markets; the supply and cost of materials; exposure to environmental or other legal proceedings; and risks of conducting business internationally. We caution you that the foregoing list of factors is not exclusive and that other risks and uncertainties may cause actual results to differ materially from those contained in forward-looking statements. Forward-looking statements speak only as of the date they are made.

THANK YOU