



SALMAT

HALF YEAR RESULTS TO 31 DECEMBER 2017

27 February 2018

Rebecca Lowde, CEO and Alex Panich, Acting CFO

AGENDA

01 Half year summary

02 Group financial performance

03 Operations and strategy update

STRATEGIC HIGHLIGHTS

Strategic review process continuing and now well advanced

> Digital businesses sold for \$15.3m

MessageNet divested in December. Also sold Interactive Services and discontinued Fuse during 1H18.

> Rewarding shareholders

Paying down debt and paying fully franked interim dividend of 1cps.

> Contact centre platform upgrade

Completed migration of clients to new cloud-based multi-channel platform: superior flexibility and scalability.

> Investing in Marketing Solutions

New technology to support improved efficiency and long-term sustainability.

> Increased focus on core services

All activities aligned with strategic priorities: strengthening and innovating key market offerings.

> Strategic review well advanced

Many opportunities explored. Moving towards completion.

1H18 FINANCIAL HIGHLIGHTS

Based on continuing operations

\$196.3m

Revenue

\$11.9m

Underlying EBITDA

\$5.3m

Underlying profit
before income tax

\$2.1m

Net profit after tax

STRONG BALANCE SHEET AND CASH

Net cash increased from \$8.8 million at 30 June 2017
to **\$21.9 million** at 31 December 2017

Generated **\$15.3 million** from sale of businesses

Generated **\$7.9 million** net operating cash inflow



GROUP FINANCIAL PERFORMANCE

Alex Panich, Acting CFO



HALF YEAR FINANCIAL SUMMARY

Improved earnings and bottom line once again

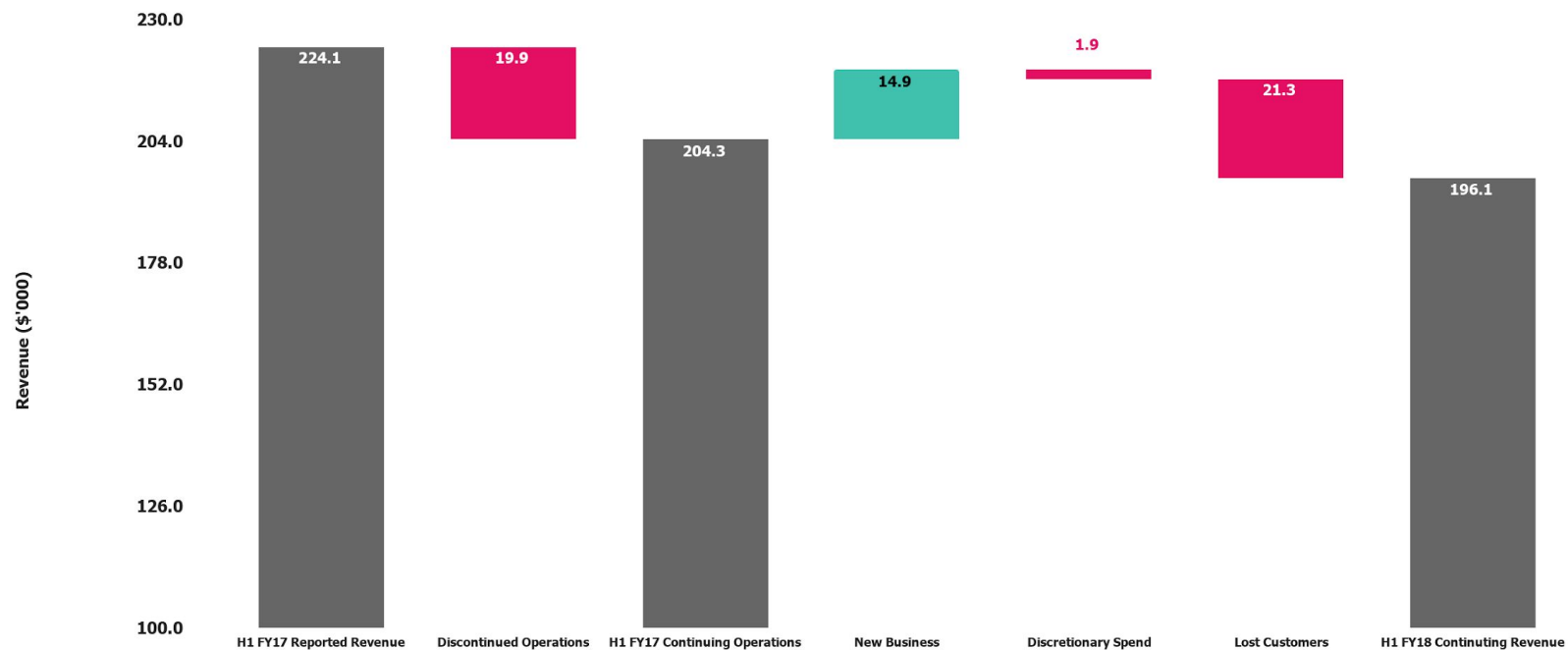
\$ million	1H18	1H17	% change
Revenue	196.3	204.6	-4.1%
Underlying EBITDA	11.9	10.5	13.3%
Depreciation & Amortisation	(6.2)	(7.1)	-12.7%
Net interest	(0.4)	(0.9)	-55.6%
Underlying profit before income tax	5.3	2.5	112.0%
Income tax expense	(1.0)	(1.3)	-23.1%
Underlying profit after income tax	4.3	1.2	258.3%
Significant items	(2.2)	-	NMF
Net profit after tax	2.1	1.2	75.0%

Results restated to reflect continuing operations following divestment of MessageNet and Interactive.

NMF = no meaningful figure.

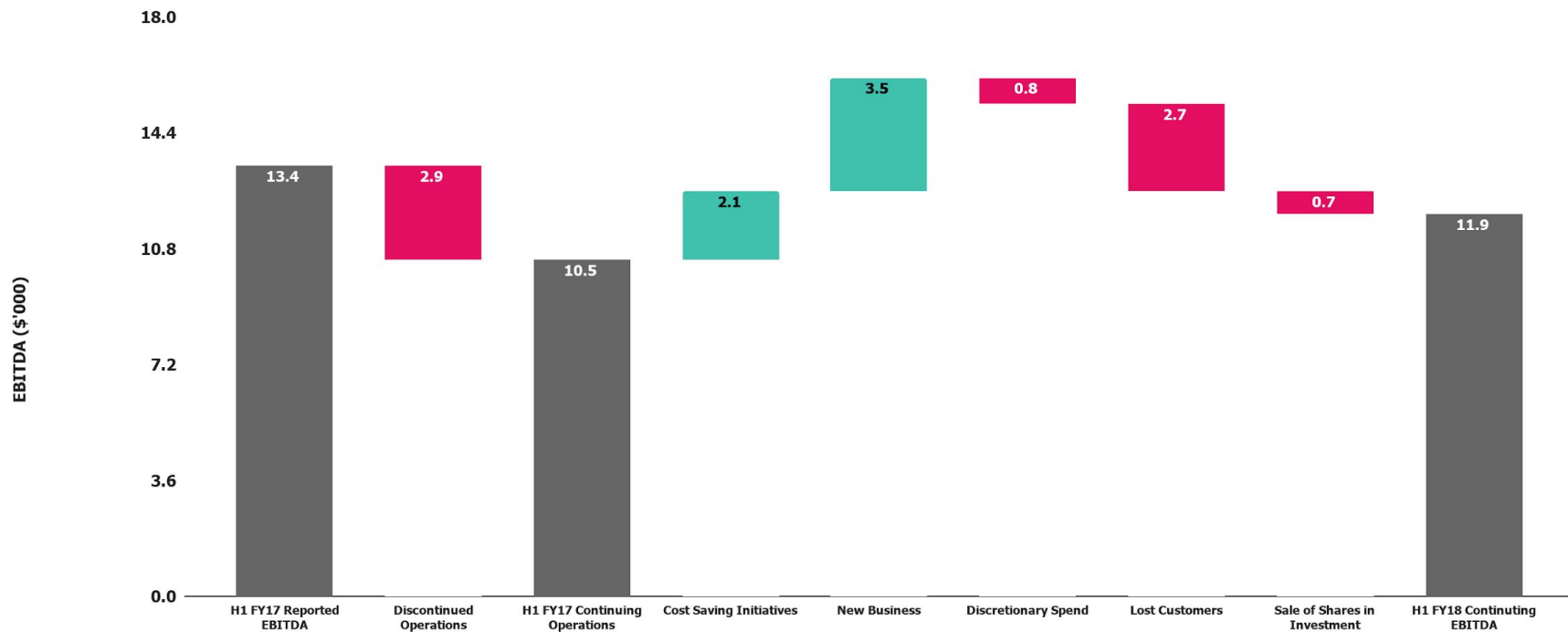
SALES REVENUE BRIDGE

Half year to 31 December 2017



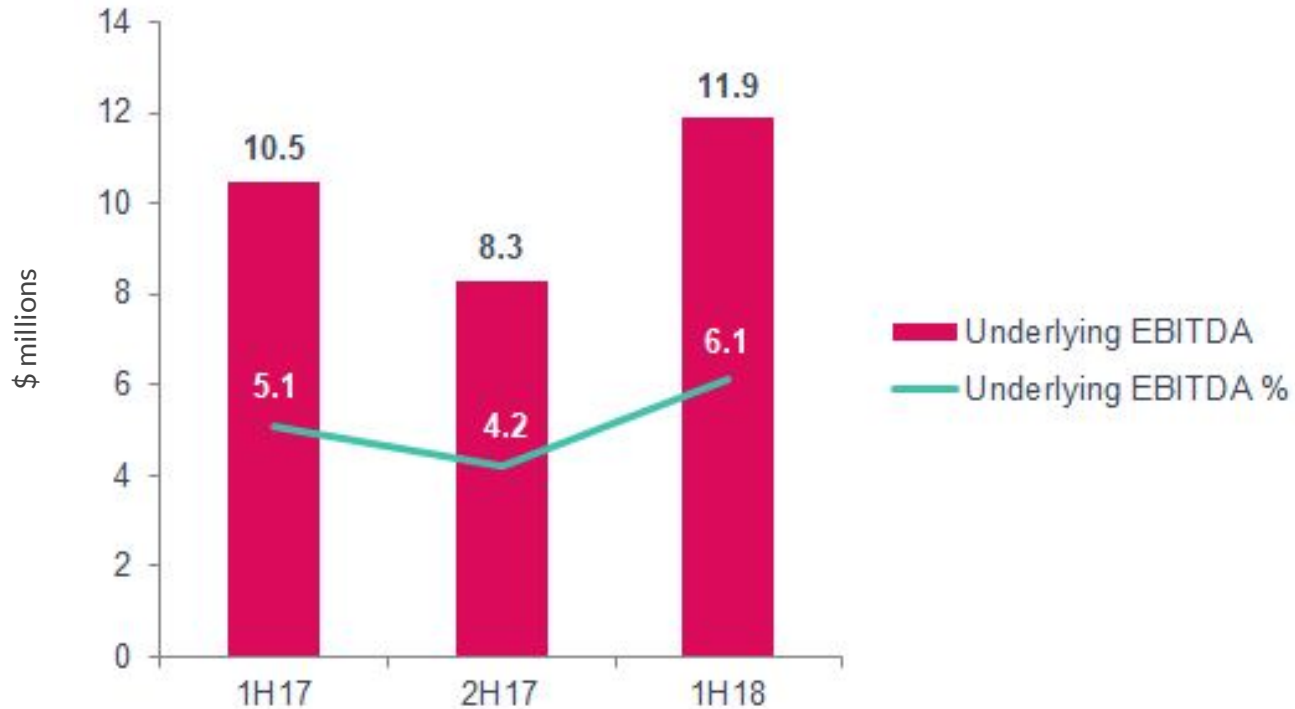
UNDERLYING EBITDA BRIDGE

Half year to 31 December 2017



UNDERLYING EBITDA TRAJECTORY

Return to growth in both total figure and margin



BALANCE SHEET

- Cash increased due to proceeds from sale of non core digital businesses. Proceeds used to repay external debts.
- Business continues to generate strong operating cash inflow.
- Decrease in fixed assets was in line with the decrease in capex spend, amortisation write downs and disposals.
- Borrowings partly repaid in January 2018.

\$ million	31 Dec 17	30 Jun 17	% change
Cash and cash equivalents	48.2	34.8	38.5%
Trade and other receivables	55.8	57.5	-2.9%
Fixed assets	8.4	10.9	-23.1%
Goodwill & intangibles	79.4	88.1	-9.9%
Other	19.6	19.3	1.7%
Total assets	211.4	210.5	0.4%
Current liabilities	51.2	61.0	-16.1%
Borrowings	26.4	26.0	1.5%
Other non-current liabilities	6.4	6.7	-4.5%
Total liabilities	84.0	93.8	-10.4%
Equity	127.4	116.8	9.1%

CASH FLOW SUMMARY

- Continue to generate net operating cash inflow - three consecutive periods of positive operating cash flows.
- Lower capex this period in line with cloud first strategy.
- Proceeds from sale of non core digital businesses.
- Payment for acquisition was the final payment for MicroSourcing.

	\$ million
Net cash at 30 June 2017	8.8
Operating cash inflow	7.9
Tax payments	(1.5)
Capex	(1.5)
Proceeds from sale of business	15.1
Payment for acquisition	(4.5)
Payment on borrowings	(1.2)
Net financing costs (incl interest)	(0.5)
Foreign currency translation difference	(0.7)
Net cash at 31 December 2017	21.9

SEGMENT INFORMATION

Half year to 31 December 2017

\$ million	1H18	1H17	% change
Sales revenue:			
Marketing Solutions	94.4	105.1	-10.2%
Contact Solutions	101.7	99.2	+2.6%
EBITDA:			
Marketing Solutions	9.4	12.8	-26.7%
Contact Solutions	5.5	1.4	+298.8%

Restated to reflect continuing operations.

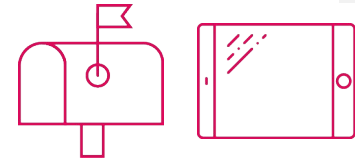
Production volumes	1H18	1H17	% change
Catalogues	2.21b	2.33b	-5.2%
Contact centre seat utilisation (average)	73.9%	68.5%	
Email/SMS	222.2m	215.4m	+3.2%

OPERATIONS AND STRATEGIC REVIEW

Rebecca Lowde, CEO

MARKETING SOLUTIONS

Market-leading media and e-commerce capabilities



MEDIA

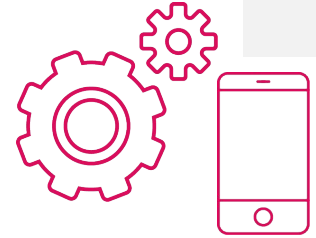
- Catalogue volume trend continues: major clients maintaining volumes; mid tier and SME fluctuates as clients experiment with frequency and media.
- Salmat Hub take-up beyond expectation: majority of deliveries being logged. Clients very positive.
- Looking at next stage of Hub functionality to benefit walkers, clients and Salmat alike.
- Only provider with independent delivery auditing.
- Looking to invest for long-term sustainability of the channel.
- Innovation to improve operational efficiency.

DIGITAL

- Newly streamlined Digital offering with sale of MessageNet and Interactive, Fuse closure.
- Digital offerings (email, search, ecommerce) now all complementing core letterbox/Lasoo: combined solution is Salmat's value-add.
- Extending development of voice applications for home devices.
- Ecommerce underwent key changes and challenges in 1H18: results impacted.
- Management and sales resources boosted.

CONTACT SOLUTIONS

Onshore and offshore contact centres and managed services



CONTACT CENTRES

- All clients now successfully migrated to new cloud based platform. Decommissioning of old platform in 2H18.
- Continued rollout of operational excellence program, with great success.
- Solid growth in existing client base. Helped fill gap from expired contracts.
- On-demand work performing above expectation.
- New sales team in place and pipeline being built. Sales acceleration focus for 2H18.
- Deployed dual carrier model for additional security.

MICROSOURCING

- Continued strong performance under proven model with continuity of management.
- Philippines BPO industry growth slowed in 2017 but continued growth expected in 2018.
- Maintaining watch on Philippines regulatory and economic environment.
- Steady revenue and EBITDA growth, mainly from SEO/SEM activity.
- Growth both from new business and existing client base.

MARKET CONTEXT

Salmat and the wider market have gone through significant change

MAJOR STRUCTURAL CHANGES

over past 10 years, including the acquisitions of HPA, Photon's digital businesses, MicroSourcing and Netstarter; and the divestment of BPO and various digital businesses.

LEADERSHIP CHANGES

at both the senior executive and Board level over the past five years.

INDUSTRY CONSOLIDATION

in the Australian print market.

BUSINESS TRANSFORMATION

saw numerous products and services discontinued, new business systems installed, more than \$50 million in costs removed and a shift to cloud-based operations.

MARKET PRESSURE

on retail clients, particularly impacting the mid-tier base.

STRATEGIC SUMMARY

Review now well progressed. Some decisions to be finalised. Further clarity will be provided in due course.

STRATEGIC SUMMARY

Business	Profile	Actions to date
Media	Core business facing network sustainability challenges.	Invest and innovate to improve ROI and lifespan.
Digital	Multiple services, with various levels of 'fit' and performance.	Retain services that best complement catalogues. Divest or discontinue others.
Contact centres	Historical profit challenges. Solid growth potential with new platform implementation.	Finalise implementation of new platform. Continue to grow with a focus on campaign diversity and Government sector.
MicroSourcing	Consistently solid performance and growth under proven model.	Continue to grow.

Continuing to focus on:

- Marketing Solutions Evolution
- Network Sustainability
- Contact Solutions Evolution
- Sales Evolution

SUMMARY

- Improved underlying EBITDA and profit. Continuing to generate net operating cash. Strong balance sheet.
- Resumed dividends. Further dividends to be considered once strategic review completed.
- Strategic review is well advanced and giving Salmat new focus.
- Non-core digital services have now been trimmed; remaining digital services aligned with catalogues to create unique value proposition.
- Continuing to innovate to revitalise Salmat's offering.
- Key drivers are long-term sustainability and shareholder value.

DISCLAIMER

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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
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QUESTIONS