

Tuesday 29 August 2017

## Salmat reports growth in underlying EBITDA and full year profit after tax

Salmat Limited (ASX:SLM) today released its results for the year ended 30 June 2017.

Full year revenue of \$435.3 million was down 3.4% on the prior year. Underlying EBITDA of \$22.8 million was up 16.3% on the prior year. Net profit after tax of \$4.3 million marked a turnaround from a loss of \$6.0 million in the prior year.

“The return to full year profit is a significant milestone for Salmat,” said Salmat CEO Rebecca Lowde. “While revenue was down this year, we have been able to do more with that revenue, growing both earnings and net profit. We are also generating more cash from operations.

“These full year results are a testament to the work we’ve done to transform Salmat’s business operations, but we remain mindful of the ongoing challenges of the current economic landscape. We are setting plans in place to address these market challenges, innovate Salmat’s service capabilities and grow new business,” said Ms Lowde.

### Group results

\$ million	FY17	FY16	Change pcp
Revenue	435.3	450.8	-3.4%
Underlying EBITDA	22.8	19.6	+16.3%
Underlying profit before income tax	7.7	4.2	+83.8%
Significant items	(0.6)	(6.8)	-91.2%
Income tax expense	(2.8)	(3.4)	-17.6%
Net profit/(loss) after tax	4.3	(6.0)	+171.7%

**Revenue** of \$435.3 million was down \$15.5 million on FY16, as new business growth did not fully replace expired contracts. The product and services rationalisation undertaken during the business transformation accounted for more than \$13.7 million in discontinued revenue. While discretionary spend and volumes reduced in some markets, increased spend by existing clients boosted contact centre revenue in particular.

**Underlying EBITDA** of \$22.8 million was up \$3.2 million on the previous year and just ahead of the \$20-22 million guidance provided in May, even on reduced revenue. Cost saving initiatives contributed \$9.5 million and increased business from both new wins and existing clients contributed \$4.2 million.

**Underlying profit before income tax** of \$7.7 million was up 83.8% on FY16. Depreciation and amortisation as well as net interest expense remained largely consistent on the prior year.

**Significant items** had a net cost impact of \$0.6 million, compared with a net cost of \$6.8 million in FY16. The key items in FY17 were costs associated with restructuring and the strategic review undertaken in the second half, as well as an impairment cost associated with investment in a joint venture, offset by profit on the sale of shares in an investment and a fair value adjustment gain on financial liabilities.

**Net profit after tax** of \$4.3 million represents an improvement of \$10.3 million on the prior year.

**Net cash** at 30 June 2017 was \$8.9 million, down from \$14.6 million at 30 June 2016. Net operating cash inflow for the year was \$19.1 million, up from \$5.4 million in FY16. The most significant outflow during the year was \$30.9 million in payments for acquisitions, including payments relating to the remaining 50% of MicroSourcing and for Netstarter. A rights issue conducted during 1H17 generated net cash of \$14.0 million to help fund the acquisition payments.

The Board has elected not to pay a **dividend** for the period. Salmat intends to recommence dividends, subject to normal trading conditions, during FY18.

### **Strategic review**

Salmat announced at half year that the business was undertaking a strategic review of options to drive profitable growth and maximise shareholder returns. This review was sparked by external market conditions - including sustained pressure in the retail market and print industry consolidation - that have had an ongoing impact on sales revenue and dampened growth.

At this stage the review is ongoing and we have nothing yet to announce.

-ENDS-

## ABOUT SALMAT

Salmat is a leading Australian marketing services business. We partner with our clients to help them with the constant pressure of acquiring and servicing their customers, week-in, week-out. With media, digital and contact capabilities, we have the right solutions for our clients, enabling them to Reach, Convert and Serve more customers.

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

**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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