

Investor Presentation

22 December 2010

Acquisition of Digital Businesses

salmat

AGENDA

1. Transaction Highlights 3

2. Overview of Acquired Businesses 5

3. Strategic Rationale and Fit 8

4. Financial Impact 10

5. Summary Value for Shareholders 12

APPENDIX

- Comparable Acquisition Multiples 15

- Salmat Senior Debt Facility – Maturity Profile 16

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Transaction Highlights

Transaction Highlights

- ▶ Salmat has agreed to acquire 100% of four digital services companies (net of cash and debt) held within Photon Group Limited for a cash consideration of \$75.3 million¹
- ▶ Additional \$15.7 million capped earn out payment to be made to Photon, conditional on achievement of outperformance milestones by 30 June 2011²
- ▶ Effective date of acquisition is 22 December 2010 (Sunset completion date 31 March 2011)

Acquired Businesses Overview

- ▶ C4 Communications, Be.Interactive, MessageNet and Returnity are leading digital, e-commerce and interactive services businesses operating as stand alone companies within the Photon Group
- ▶ Businesses are headquartered in Sydney and Melbourne and employ over 150 people
- ▶ Deep and longstanding relationships with blue chip and SME client base
- ▶ Strong business fundamentals – scalable business models with good margins
- ▶ Significant IP and leading edge new technologies

Acquisition Rationale

- ▶ Unique opportunity to accelerate and increase the scale of Salmat's digital, mobile services and interactive business:
 - Establishes e-commerce services capability
 - Significantly strengthens Salmat's current range of multichannel communication services
 - Expansion of TMS services in the high growth digital & interactive markets
 - Provides valuable cross sell opportunities across the collective client bases

¹Subject to post completion adjustments to reflect transfer of economic ownership of the business to Salmat with effect from 22 December 2010

²Photon will receive an additional capped earn out payment for actual FY11E EBITDA achieved in excess of \$8.4 million, calculated as incremental EBITDA capitalised at an 8.8x multiple. Earn out is capped at \$15.7 million.

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Transaction Highlights (cont'd)

Market Leadership

- ▶ Increases presence in the digital, e-commerce and interactive markets
- ▶ Reinforces Salmat Interactive's leadership position - largest mass call IVR and SMS messaging provider in the Australian market
- ▶ Accelerates Salmat ambition to become Australia's leading e-services provider
- ▶ Develops and expands Salmat's range of retailer marketing services, including rapidly expanding e-commerce and on-line services

Financial Impact

- ▶ Earnings per share accretive in FY11 (excluding amortisation and one off transaction costs) and over 5% accretion within FY12
- ▶ Annualised first year gross revenue contribution of approximately \$50 million ^{1,2}
- ▶ Annualised first year EBITDA contribution of approximately \$8.4 million ²
- ▶ Headline purchase price of \$75.3 million represents 9.0x estimated FY11 EBITDA of \$8.4 million. Purchase represents 6.3x on FY12 post synergy EBITDA.
- ▶ Cumulative EBITDA synergies by year 3 in excess of \$5 million





Funding Arrangements

- ▶ The acquisition is fully funded by term debt
- ▶ A new tranche has been added to Salmat's existing facilities, with \$75.3 million to be drawn
- ▶ Total available debt facilities is \$309 million
- ▶ Gearing ratios and interest coverage ratios will remain well below debt covenant requirements with sufficient headroom for further capital management initiatives
 - Net debt / EBITDA < 2x
 - Interest Coverage Ratio > 7x

¹ Annualised gross revenue under Salmat

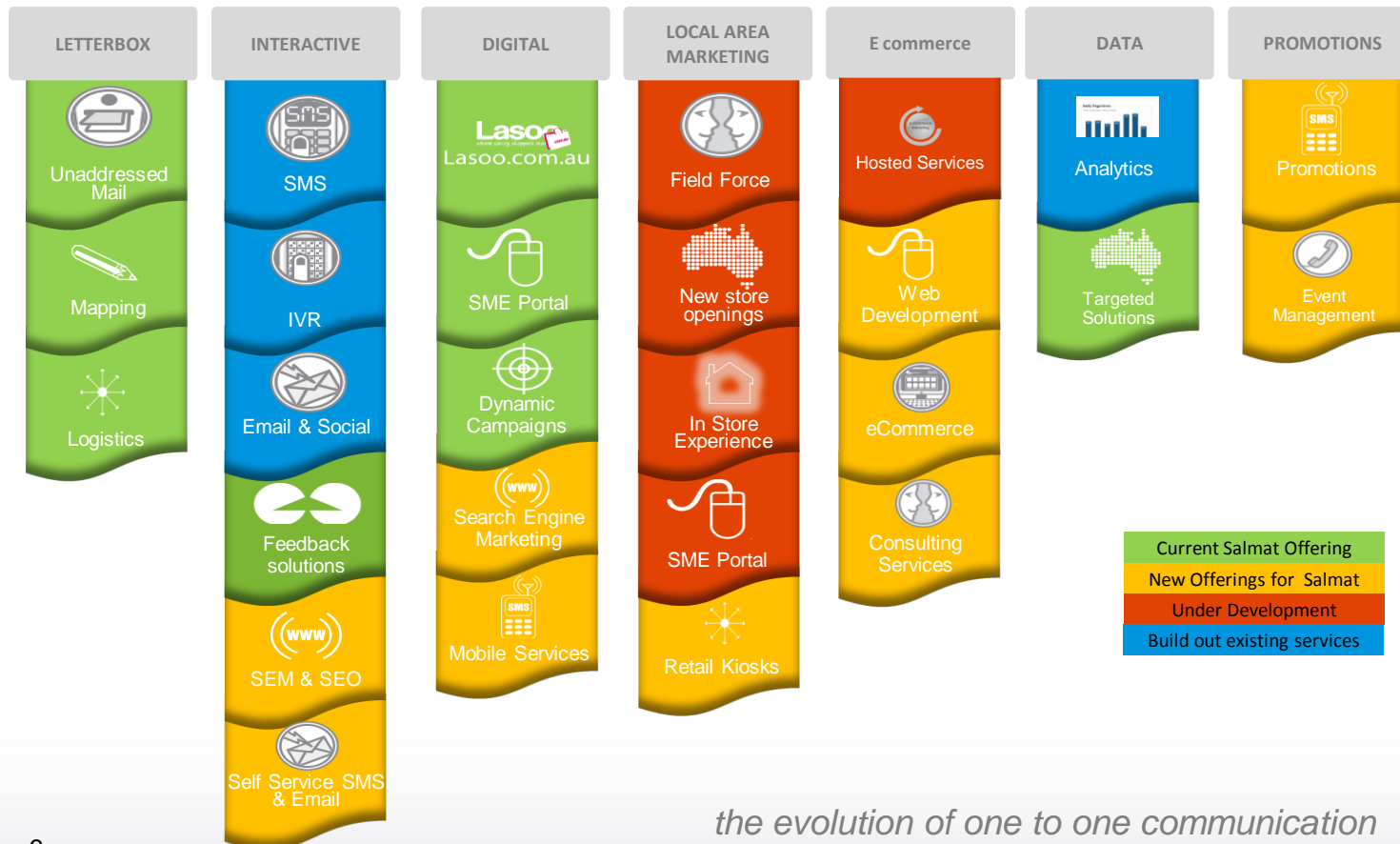
² There will only be a six month contribution from these businesses in Salmat's FY11 results

Overview of Acquired Businesses

Company	Description
C4 Communications 	<ul style="list-style-type: none"> ▶ Leading digital and experiential media services company, providing innovative e-business strategy, eCommerce, web services, retail kiosks and digital and mobile marketing ▶ Specialises in building multimedia websites and dynamic content, video and events to support brand experiences for major organisations ▶ Located in Sydney
Be.interactive 	<ul style="list-style-type: none"> ▶ Interactive and mobile marketing services company ▶ Creating promotion based advertising campaigns across mobile, online, social media and IVR, channels ▶ Market leader in mass call IVR and SMS campaigns ▶ Located in Sydney
MessageNet 	<ul style="list-style-type: none"> ▶ Leader in SMS messaging solutions, with high integration into corporate businesses for applications like bill reminders, system alerts, rostering and escalation, field services, staff and customer communications and system alerts ▶ Extensive SME client base - over 2,000 SME clients ▶ Embedded self service SMS campaign management platform with strong annuity business model ▶ Located in Melbourne
Returnity 	<ul style="list-style-type: none"> ▶ Leader in email marketing and supporting digital and database services ▶ Solutions include high volume traceable email campaigns, supported by strategic planning, copy and design, address list building, hosting HTML images, forms and online campaign reports. ▶ Strategic consulting and SEO/SEM capabilities through the Found Agency ▶ Located in Sydney and Melbourne

Business Model

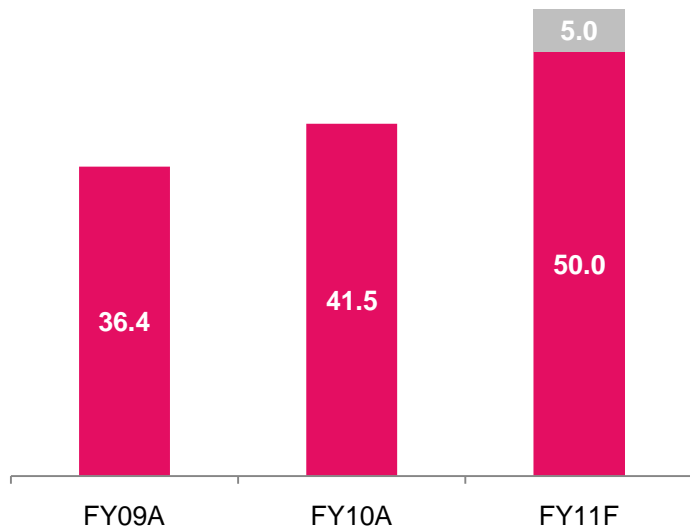
- ▶ The acquired entities will be merged into Targeted Media Solutions division of Salmat
- ▶ The acquisitions will enhance Salmat's "go to market" strategy in the B2C sector and other verticals where Salmat already has a strong footprint with demonstrated capabilities
- ▶ Supports market desire for greater multi-channel solutions, especially digital and interactive
- ▶ Reinforces Salmat's existing investments in e-commerce and SME market



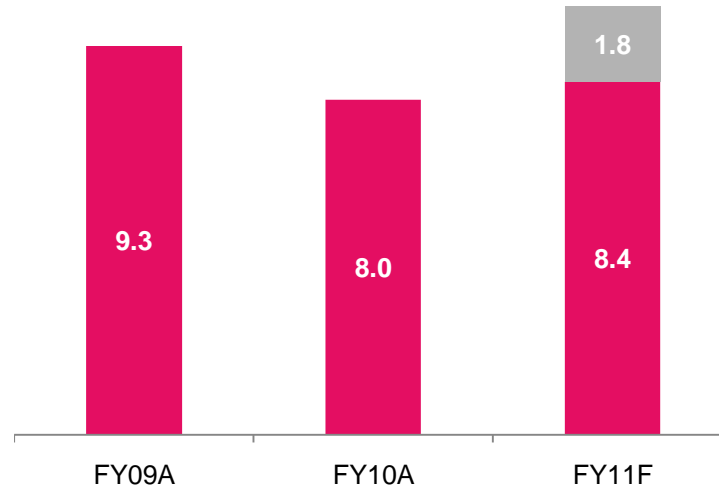
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Annualised Financials

Revenue (\$m)



EBITDA (\$m)



■ Acquisition price basis
■ Additional earn out element

Strategic Rationale for Acquisition



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The Growth Opportunity

Strengthen Current Offering

- Increased market share and strengthening of current range of capabilities

New Capabilities

- Returnity - SEO/SEM capability and professional services revenue stream
- C4 Communications - Tier 1 web development capability and access to rapidly expanding on-line retail services
- Be.interactive – range of retailer marketing services which are highly complementary to Salmat's range of services to this sector
- MessageNet – Additional SMS capabilities include: bill reminders, system alerts, rostering and escalation, supports TMS and BPO businesses

Access to SME

- MessageNet has a strong focus on the SME market, with over 2,000 SME clients and growing
- Excellent fit with Salmat's recently launched SME strategy – providing direct marketing services to SME clients around Australia

Strong Customer Base

- Access to quality blue-chip customers with deep long standing relationships

Entry into Emerging Markets

- High growth digital, mobile services and interactive markets
- Scalable IT centric business activities

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Financial Impact

- ▶ Earnings per share accretive in FY11 (excluding amortisation and one off transaction costs) and over 5% accretion within FY12
- ▶ Headline purchase price of \$75.3 million represents 9.0x estimated FY11 EBITDA of \$8.4 million. Purchase represents 6.3x on FY12 post synergy EBITDA.
- ▶ Annualised first year gross revenue contribution of approximately \$50 million¹
- ▶ Annualised first year EBITDA contribution of approximately \$8.4 million²
- ▶ Positive impact on gross margins and EBITDA
 - Salmat EBITDA to sales margin - 13%
 - Acquired entities EBITDA to sales margin - 17%
- ▶ Like Salmat, the acquired entities are strong cash conversion businesses
- ▶ Cumulative EBITDA synergies by year three in excess of \$5 million

¹ Annualised gross revenue under Salmat

² There will only be a six month contribution from these businesses in FY11 in Salmat's results

Funding

- ▶ The acquisition is fully term debt funded
- ▶ A new tranche has been added to Salmat's existing bilateral finance facilities to fund the acquisition
- ▶ Initially, \$75.3 million will be drawn to fund the acquisition
- ▶ Facility will be for a four year term and funded by existing club
- ▶ Total available debt facilities will be \$309 million
- ▶ Salmat gearing ratios and interest coverage ratios will remain well below debt covenant requirements under the finance facilities and industry accepted leverage. Sufficient headroom for further capital management initiatives.
 - Net debt / EBITDA < 2x
 - Interest Coverage Ratio > 7x
- ▶ Salmat has termed out \$105 million of its current senior debt facility for a further three year tranche maturing in December 2013 (see Appendix)

Summary Value for Shareholders

► Strong strategic fit:

- Complementary business strategy
- Extension of digital services to expand market presence
- Positioning business into high growth digital markets, including e-commerce, web, interactive and mobile marketing services

► Robust transaction fundamentals:

- Double digit revenue growth
- Robust margins
- Solid synergies
- EPS accretive in FY11 (excluding amortisation and one off transaction costs)

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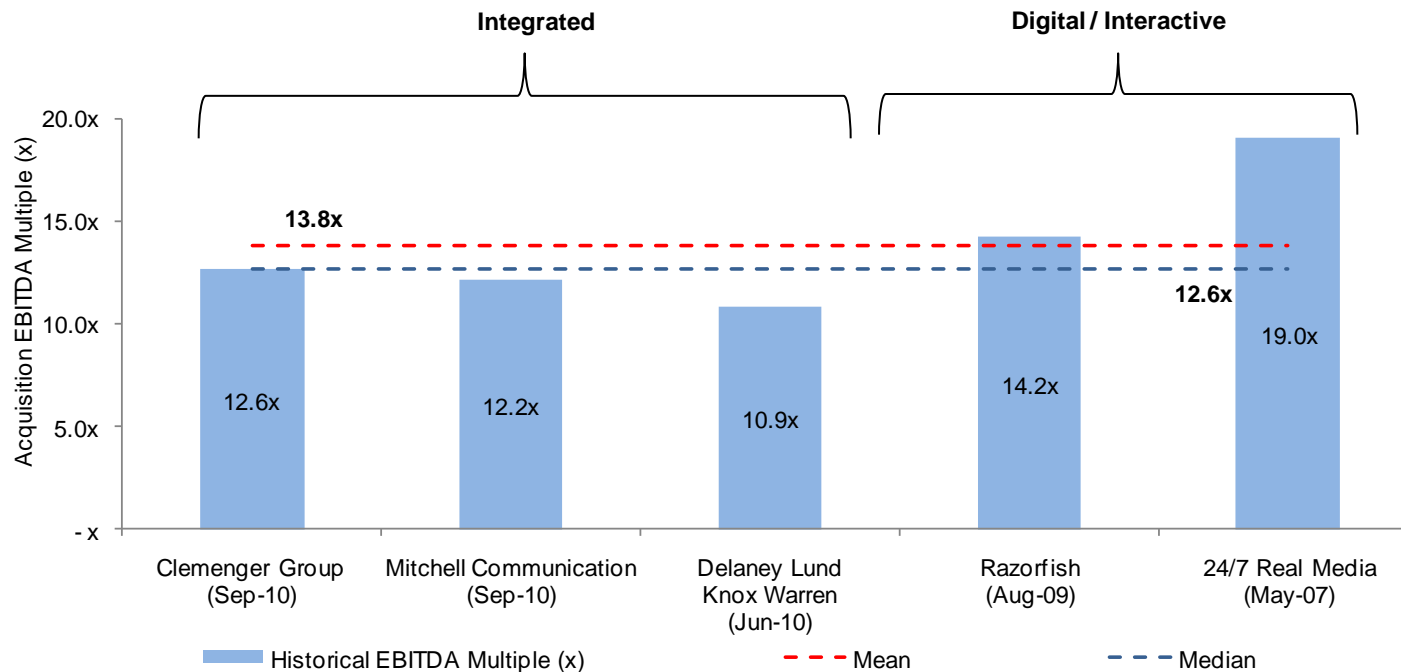
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Thank you

APPENDIX

Comparable Acquisition Multiples

- Acquisitions of integrated marketing services providers and their specialised digital/interactive media peers have taken place at multiples well over 10.0x EBITDA



APPENDIX

Salmat Senior Debt Facility Maturity Profile

