

Monday 19 May 2014

## Salmat trading update - revised earnings guidance for FY14; growth strategy on track

Salmat Limited (ASX:SLM) is today providing a trading update and revised earnings guidance for the year ending 30 June 2014, while confirming that its major growth strategy remains on track with key success milestones being realised and a strong sales uplift expected for FY15.

Previous guidance released with the half year results in February 2014 estimated full year EBITA in the range of \$14-16 million, excluding significant items.

After considering its current trading figures, Salmat now expects FY14 EBITA of around \$8 million, excluding significant items.

A subdued FY14 result is in line with the strategy outlined in July 2013, at which time Salmat indicated success would be marked by securing new platform sales by year end and accelerating the investment in the technology transformation. The first goal – new platform sales - has been achieved before the financial year end and the second goal – the technology transformation - will be 90% complete by December 2014. The technology transformation has three components: relocation of all Salmat processing and servers to tier 3 data centre facilities; a complete network redesign and implementation; and the migration of all CES customers to the Reach platform and the relocation of this platform into the new data centre.

In the CES division, there has been strong demand for the new contact centre solution, with several new contracts secured and a solid sales pipeline. In order to maintain service standards, Salmat has elected to hold back new contact centre implementations until all existing clients have been migrated to the new Reach platform, with new work coming on board during the first half of FY15. This decision and the flow-on investment costs relating to the new platform technology, leases and sales team have impacted the short-term earnings outlook, however the longer-term outlook remains strong.

Revenue in CMS is tracking lower than anticipated this quarter mainly due to delayed spending by mid-tier retailers, though an uplift has been noted in the past 60 days. Revenue and margins have also been impacted by reduced margins in digital services such as email marketing. The new job management system within this business is enabling Salmat to better track this sort of impact and adjust the business focus accordingly.

The major IT migration and transformation project also continues to demand a significant investment of time and resources as Salmat works to bring the data centre migration phase to a close.

As discussed at the previous Investor Strategy Briefing, Salmat is now 12 months into a business transformation process. Salmat has previously stated that FY14 is a year of investment for the business, as it builds out platforms, IT infrastructure and sales teams to drive the business over the next few years.

Salmat's growth strategy is well on track, with new platform sales achieved earlier than anticipated and a very strong pipeline leading into FY15. Next year will show top line growth in sales of around 15%. There are still transformation costs being incurred so the full uplift to earnings will occur in FY15/16 as planned.

In regard to our new CEO, since joining the business in mid-April, Mr Craig Dower has been working closely with both the Board and management to deepen his understanding of the business and Salmat's major growth drivers.

Mr Dower looks forward to meeting with the investment community in late June/early July, to introduce himself and share his vision for Salmat's growth opportunities.

The outlook for next year is positive, with Salmat's strategy proving out and management confidence in our future growth. As such, the Board is pleased to re-confirm the final dividend of 7.5 cents per share.

ENDS

## **ABOUT SALMAT**

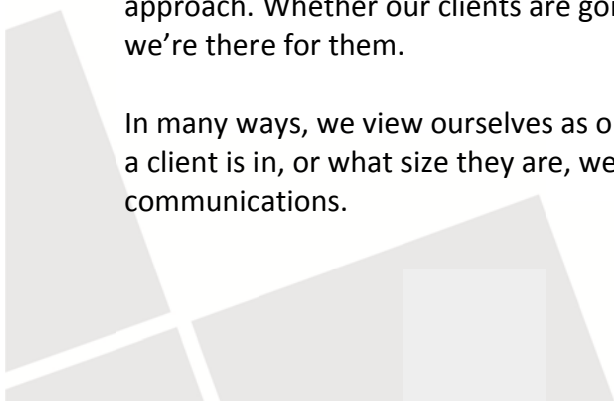
### **We've been getting clients closer to customers since 1979**

Thirty-five years ago, good friends, Phil Salter and Peter Mattick formed a partnership that has become one of the most successful customer communications organisations in Australia, Salmat.

Today, we are industry pioneers, ASX listed and have over five billion customer touch-points. But above all, we specialise in doing something impressively simple: we help our clients get closer to their customers.

We do this with clear-sighted, intelligent campaigns that get results, and a down-to-earth, nurturing approach. Whether our clients are going through a growth phase or a challenging business climate, we're there for them.

In many ways, we view ourselves as our clients' professional partner. No matter what line of business a client is in, or what size they are, we have a solution to deliver a better return on their communications.



We have three thousand staff members dedicated to making this happen across Australia, New Zealand and the Philippines. One half of our team work in Customer Marketing, more specifically, Salmat Digital, Targeted Media Solutions and Lasoo businesses. With their unique blend of strategy & consulting, creative & design and insights & analytics they create rewarding and long-lasting customer connections.

Our other half is made up of Customer Engagement gurus. They provide sophisticated speech technology and automation solutions including natural language speech recognition, voice biometrics and Reach - contact centre technology solutions hosted in the cloud. Plus, tailored voice recognition applications and accredited eLearning training.

With such a vast range of resources we truly do cover all bases. Our contact centres engage in more than 130 million conversations a year for our clients. However, we're not just a voice at the end of the line. We also provide face-to-face sales teams for clients in Australia, New Zealand and Asia.

Over the years, our powerful credentials along with our supportive approach have seen us become a trusted partner to some of the nation's most prominent brands including the Australian Government, the Commonwealth Bank and Woolworths. We operate today with the same genuine attitude that our founders started out with in 1979, continuing to help clients get closer to their customers. For more information on Salmat go to [www.salmat.com](http://www.salmat.com)

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