

SALMAT

FY19 FULL YEAR RESULTS

27 AUGUST 2019

FY19 FINANCIAL SUMMARY

Fair performance in challenging environment

\$251.0M

Revenue

\$19.0M

Underlying EBITDA

\$12.1M

Underlying net profit
after tax

7.6%

Underlying EBITDA
margin

\$17.5M

Operating cash inflow

\$32.5M

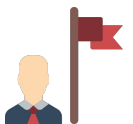
Non-cash goodwill
impairment

\$58.6M

Net cash at
30 June 2019

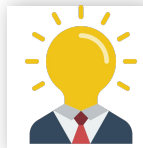
FY19 STRATEGIC SUMMARY

Progressed Salmat's innovation agenda



Marketing Solutions issues remain

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



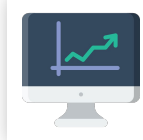
Delivered against innovation goals

salmathub, automated collation, data insights, digital catalogues, operational excellence.



Aiming for long-term sustainability

Selling on value and performance rather than price. Gaining traction with new business.



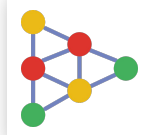
Targeting revenue, earnings gains

Sales excellence and customer experience focus geared to new business growth and cost control.



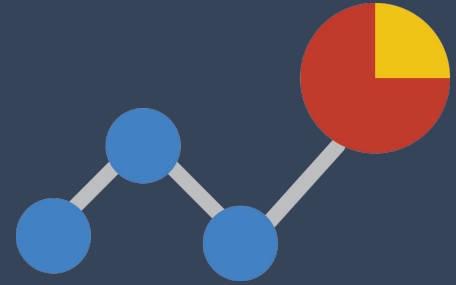
MicroSourcing continued growth

Reliable year on year performance. Invested in FY19 for continued success.



Consistent strategy, agile priorities

We have reviewed and adjusted focus where needed for FY20 given the current state of play.



GROUP FINANCIAL PERFORMANCE

Alex Panich, CFO

FULL YEAR FINANCIAL SUMMARY

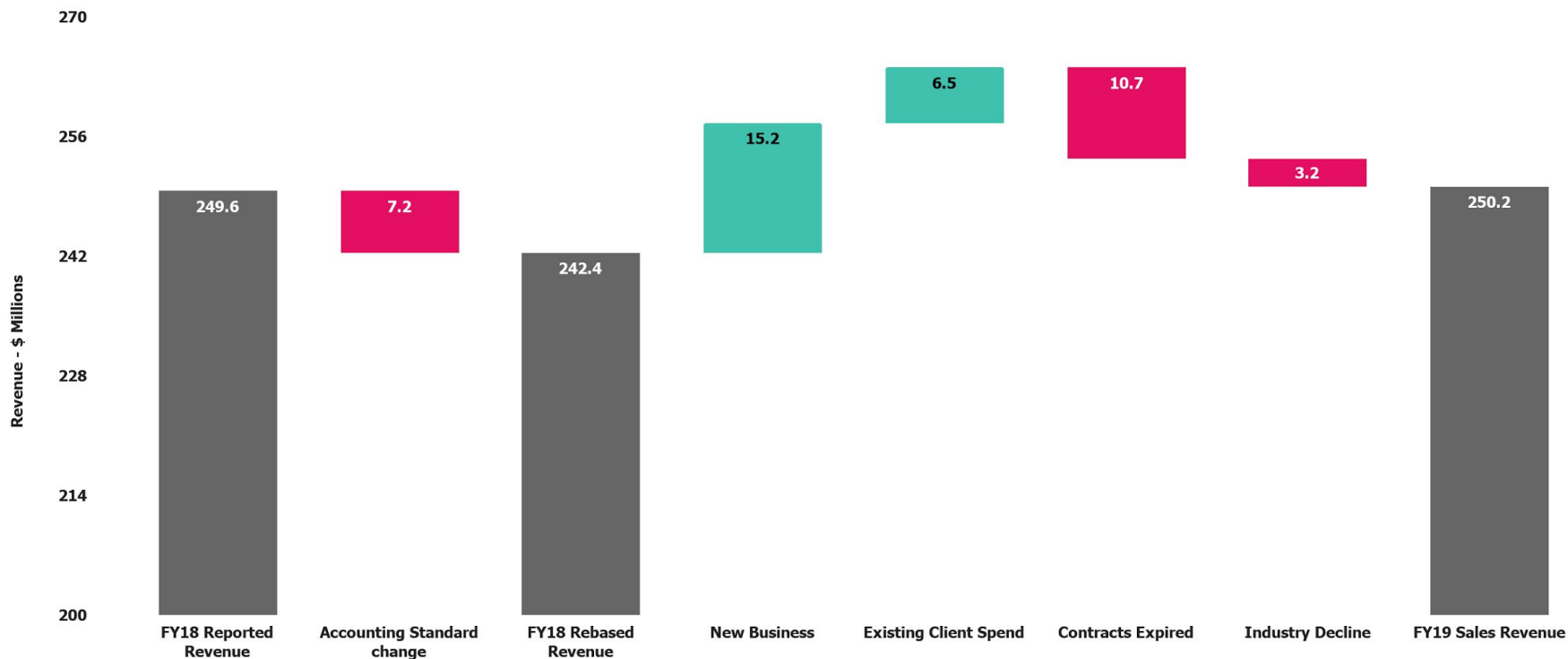
Underlying EBITDA of \$19.0m

\$ million	FY19	FY18	% change
Revenue*	251.0	250.2	0.3%
Underlying EBITDA from continuing operations	19.0	20.3	-6.4%
Depreciation & Amortisation	-4.8	-6.1	-21.3%
Net interest	0.7	-0.4	NMF
Underlying profit before income tax	14.9	13.7	8.8%
Income tax expense	-2.8	-2.3	21.7%
Underlying profit after income tax	12.1	11.4	6.1%
Significant items	-38.1	-16.6	NMF
Net loss after tax from continuing operations	-26.0	-5.2	NMF

* FY19 revenue reduced by \$7.9m due to accounting standard change. NMF = no meaningful figure

SALES REVENUE BRIDGE

Full year to 30 June 2019



EBITDA BRIDGE

Full year to 30 June 2019



BALANCE SHEET

\$ million	FY19	FY18	% change
Cash and cash equivalents	59.2	79.1	-25.2%
Trade and other receivables	27.0	29.5	-8.5%
Fixed assets	7.1	5.1	39.2%
Goodwill & intangibles	22.7	55.8	-59.3%
Other	14.5	19.9	-27.1%
Total assets	130.5	189.4	-31.1%
Current liabilities	25.9	53.3	-51.4%
Borrowings	0.6	0.6	0.0%
Other non-current liabilities	6.5	6.1	6.6%
Total liabilities	33.0	60.0	-45.0%
Equity	97.5	129.4	-24.7%

- Cash was retained in the Group while the Directors assessed strategic options available.
- Net current assets improvement in FY19 with a focus on receivables being reduced and managing short-term payables and provisions.
- Investment in fixed assets with new facilities in MicroSourcing and site improvements across the rest of the Group.
- Goodwill write down of \$32.5 million in the Marketing Solutions business.

CASH FLOW SUMMARY

\$ million	
Net cash at 30 June 2018	78.5
Operating cash inflow	17.5
Tax payments	-0.7
Capex	-6.3
Net financing costs (incl interest)	0.7
Payment to loan from associate	-0.8
Proceeds from Sale of Business	0.7
Cost relating to discontinued operations	-7.2
Movement in borrowings	-3.0
Dividends	-21.9
Foreign exchange movements	1.1
Net cash 30 June 2019	58.6

- The Group ended the year with a net cash balance of \$58.6 million.
- Operating cash flows of \$17.5 million were higher than last year due to the sale of the Contact Centre business.
- The cost of separating the Contact Centre business was \$7.2 million. That included payments to advisors, legal fees, employee restructuring costs and separation payments for onerous contracts.
- \$21.9 million cash was paid to shareholders in fully franked dividends.

SEGMENT INFORMATION

Full year ended 30 June 2019

\$ million	FY19	FY18	% change
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Sales revenue:

Marketing Solutions	162.4	176.9	-8.2%
Managed Services	87.8	72.8	20.6%

EBITDA:

Marketing Solutions	10.2	16.6	-38.6%
Managed Services	13.4	10.5	27.6%
<i>Corporate Costs</i>	-4.5	-6.8	-33.8%

Operational statistics	FY19	FY18	% change
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Catalogue volume	4.0bn	4.2bn	-2.6%
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MicroSourcing seats	4,057	3,853	5.3%
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OPERATIONS AND STRATEGY

Rebecca Lowde, CEO

GROWTH STRATEGY

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

FY19 IN REVIEW



PEOPLE

- > Investment in leadership development and sales training.
- > Improved employee engagement.
- > Improved onboarding and induction process.
- > Improved communication within the business.



MARKETING SOLUTIONS EVOLUTION

- > salmathub rollout and ↑ usage rates. salmathub portal launched.
- > Lasoo List for voice launched.
- > Data insights work underway.
- > Reviewed digital marketing tools and proposition.
- > Ecommerce process review completed.



SALES EXCELLENCE

- > Product and technical training program established.
- > Improved marketing and sales enablement resources.
- > Key wins based on value proposition versus price.
- > MicroSourcing client growth.



OPERATIONAL SUSTAINABILITY

- > Completed phase one collation trial. Phase two well underway.
- > Investment in MicroSourcing facilities and website.
- > Customer centre of excellence (CoE) program underway, CRM system and protocols improved.

MARKETING SOLUTIONS

Addressing challenging conditions with innovation



- **Catalogue industry issues** - lack of price discipline.
- Salmat response: innovation, value, **professionalism**.
- Focus on **costs out** to address volume reduction.
- **salmathub** app continued rollout and new portal launched.
- **Collation** trial significantly progressed. Securing client support.
- **Data insights** program now ramping up.
- **Digital and ecommerce** offering more aligned. Focus on wins.
- **Operational excellence** program drove widespread improvement.
- Renewed focus on **customer experience**.

MANAGED SERVICES

Continuous improvement and market leadership



- Remains specialist **market leader** in this space.
- Having reached capacity, **expanded facilities** in two sites.
- **New website** recently launched, plus new online marketing.
- **New clients** sourced from USA, CAN and AU markets.
- One major client conducting a **staged reduction** of seats in FY20.
- Majority of clients very 'sticky' - **organic growth**.

SUMMARY

Future opportunities

- Salmat's investment in innovation has extended our capability and value proposition.
- Marketing Solutions:
 - Irrational market behaviour persists. Industry sustainability at stake.
 - Continuing to innovate: salmathub, collation, data insights.
 - Selling on value and ROI rather than just price.
- Managed Services will benefit from increased capacity and marketing investment.
- 40 years successfully completed. Now we move to the next phase of Salmat's evolution.

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