

SALMAT

FULL YEAR RESULTS

28 AUGUST 2018

Rebecca Lowde, CEO and Alex Panich, CFO

AGENDA

01. Full year summary
02. Group financial performance
03. Operations and strategic review
04. Summary

SALMAT'S RENEWED FOCUS

Doing what we do best, better



Strategic review complete

Every part of the business checked for relevance, performance and potential.



Sold contact centres and SMS

Sold several non-core businesses for total gain of \$51.8m after tax. Smooth separation process.



Growth strategy refined

We have three key strategic pillars for FY19 and beyond, underpinned by People.



Innovation agenda accelerated

Improving the core catalogue business and securing network sustainability.



Targeting new business growth

Implementing further sales improvement initiatives. New business growth and organic growth.



Two key business segments

Clearly defined businesses: Marketing Solutions and Managed Services.

FY18 FINANCIAL HIGHLIGHTS

Underlying EBITDA maintained and underlying profit growth achieved from continuing operations

\$250.2M

Revenue

\$20.3M

Underlying EBITDA

\$13.7M

Underlying profit
before income tax

8.1%

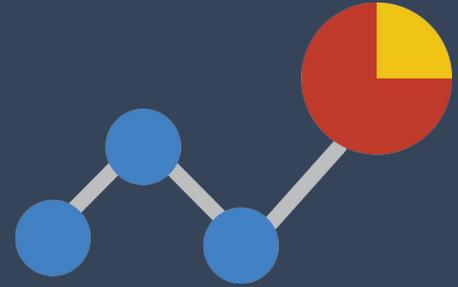
Underlying EBITDA
margin

\$14.7M NET

OPERATING CASH INFLOW

2cps

FINAL DIVIDEND



GROUP FINANCIAL PERFORMANCE

Alex Panich, CFO

FULL YEAR FINANCIAL SUMMARY

EBITDA growth and an underlying loss from continuing operations

\$ million	FY2018	FY2017	% change
Revenue	250.2	258.5	-3.2
Underlying EBITDA from continuing operations	20.3	20.2	+0.5
Depreciation & Amortisation	(6.2)	(8.3)	-25.3
Net interest	(0.4)	(1.7)	-76.5
Underlying profit before income tax	13.7	10.2	+34.3
Income tax expense	(2.3)	(0.9)	+155.6
Underlying profit/(loss) after income tax	11.4	9.3	+22.6
Significant items	(16.6)	(0.6)	*
Net profit/(loss) after tax from continuing operations	(5.2)	8.7	-159.8

FY17 comparatives restated to reflect continuing operations

* no meaningful figure

FULL YEAR FINANCIAL SUMMARY

Discontinued operations for the year including gain on sale

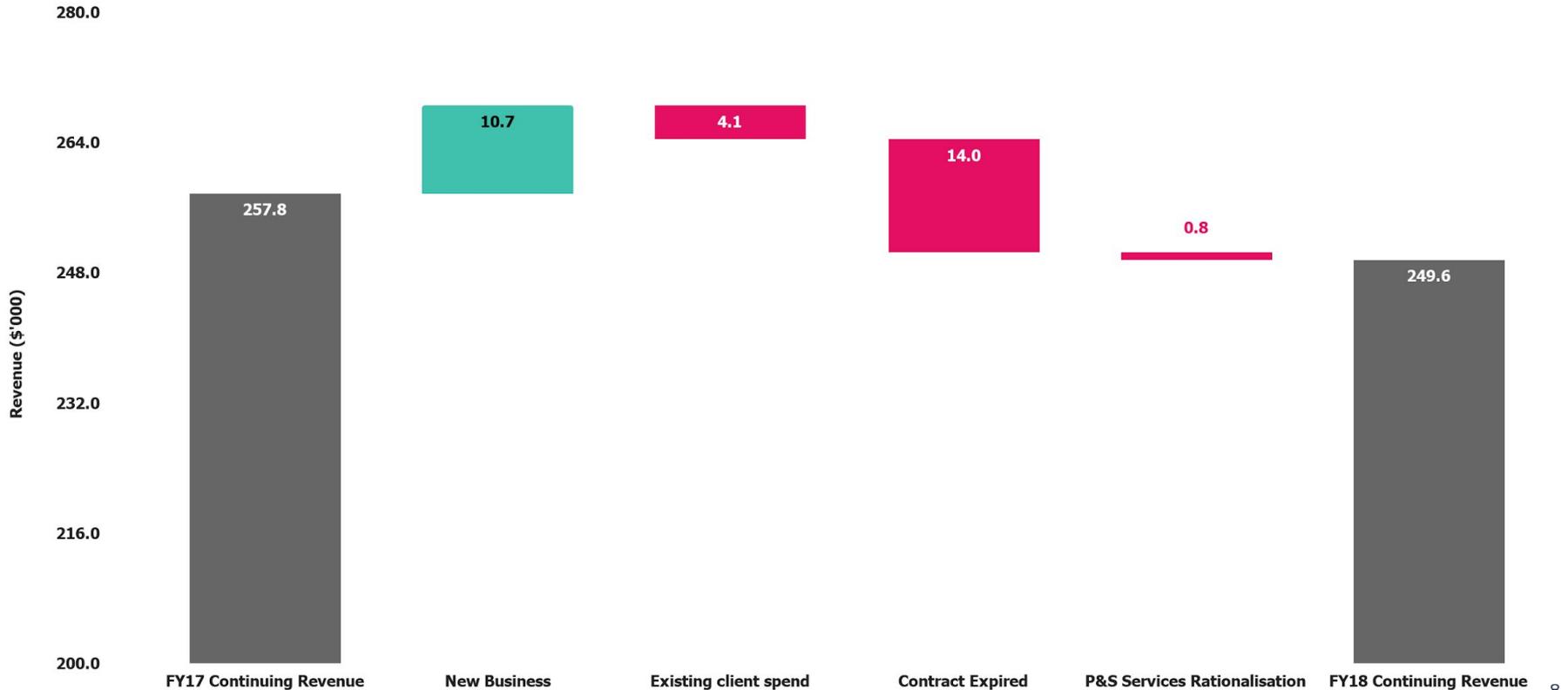
\$ million	FY2018	FY2017	% change
Revenue	123.0	176.8	-30.4
EBITDA from discontinued operations	(9.3)	2.7	*
Depreciation & Amortisation	(5.5)	(5.2)	+5.8
Underlying loss before income tax	(14.8)	(2.5)	*
Income tax expense	(2.0)	(1.9)	+5.3
Gain on sale of discontinued operations	51.8	-	*
Net profit/(loss) after tax from discontinued operations	35.0	(4.4)	*

FY17 comparatives restated to reflect discontinued operations

* no meaningful figure

SALES REVENUE BRIDGE

Year to 30 June 2018 - Continuing operations



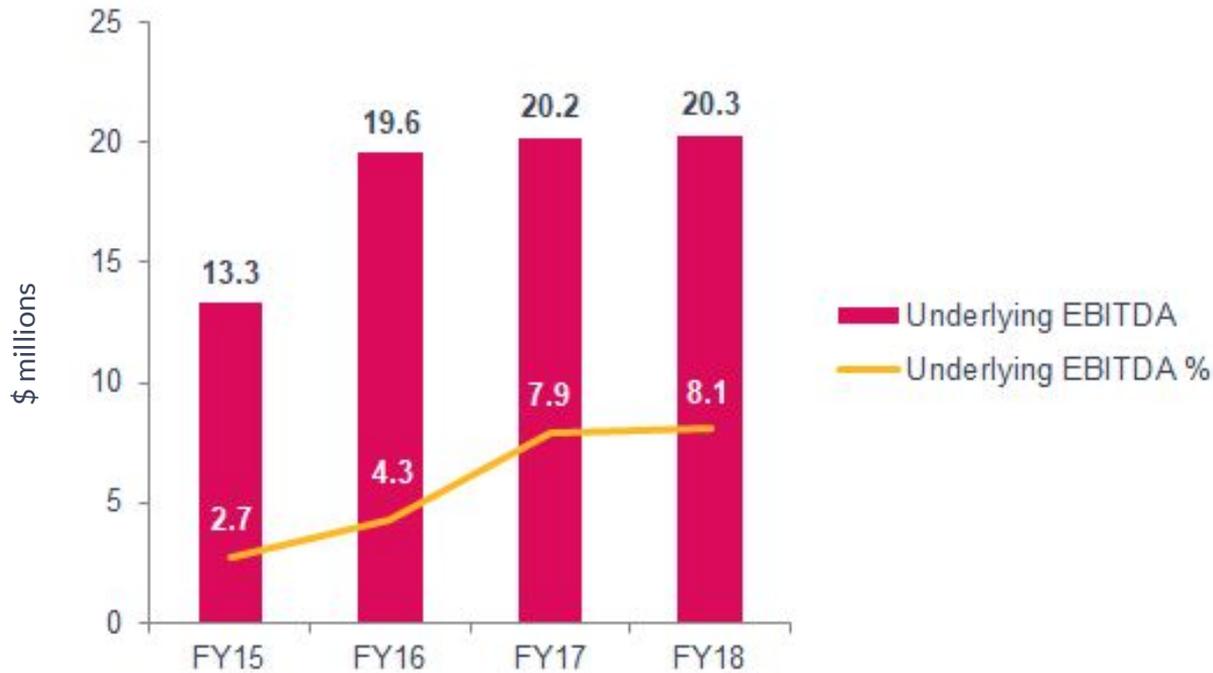
EBITDA BRIDGE

Year to 30 June 2018 - Continuing operations



UNDERLYING EBITDA TRAJECTORY

Steady growth in underlying EBITDA



FY17 & FY18 underlying EBITDA has been adjusted to reflect continuing operations

BALANCE SHEET

\$ million	FY2018	FY2017	% change
Cash and cash equivalents	79.1	34.8	127.2%
Trade and other receivables	29.5	52.1	-43.3%
Fixed assets	5.1	10.9	-52.8%
Goodwill & intangibles	55.8	88.1	-36.7%
Other	19.9	24.7	-19.6%
Total assets	189.4	210.5	-10.0%
Current liabilities	53.3	61.0	-12.6%
Borrowings	0.6	26.0	-97.5%
Other non-current liabilities	6.1	6.6	-8.4%
Total liabilities	60.1	93.7	-35.9%
Equity	129.4	116.9	10.7%

- Cash increase of \$44.3m from prior year: contact centre sale proceeds received in May 18 and special dividend of \$16.0m paid in July 18.
- Goodwill & intangibles reduced by \$32.3m on the sale of Contact and the impairment relating to Marketing Solutions
- Bank borrowings of \$25.6m was repaid with proceeds from the contact centre sale.

CASH FLOW SUMMARY

\$ million	FY2018
Net cash at 30 June 2017	8.9
Operating cash inflow	14.7
Tax payments	(2.1)
Capex & intangibles	(2.8)
Net proceeds from sale of business	66.4
Payments for acquisitions	(4.5)
Repayment of loan from associate	0.7
Net financing costs (incl interest)	(0.9)
Dividends paid	(2.0)
Foreign exchange movements	0.1
Net cash 30 June 2018	78.5

- Operating cash inflows of \$14.7m are comparable to the prior year when adjusted for contract termination \$3.1m and restructuring costs of \$2.8m relating to the sale of businesses during the year.
- Net cash proceeds from the sale of businesses has left the Group in a positive net cash position of \$78.5m.
- Bank debt of \$25.6m has been repaid during the year leaving the Group with no bank debt on the balance sheet.

SEGMENT INFORMATION

Year ended 30 June 2018

\$ million	FY2018	FY2017	% change
Sales revenue:			
Marketing Solutions	176.9	191.2	-7.5%
Managed Services	72.8	66.6	+9.3%
EBITDA:			
Marketing Solutions	16.6	17.6	-5.7%
Managed Services	10.5	9.1	+15.4%

Production volumes	FY18	FY17	% change
Catalogues	4.2bn	4.3bn	-3.0%
Average MicroSourcing headcount	3,707	3,557	+4.2%



OPERATIONS AND STRATEGIC REVIEW

Rebecca Lowde, CEO



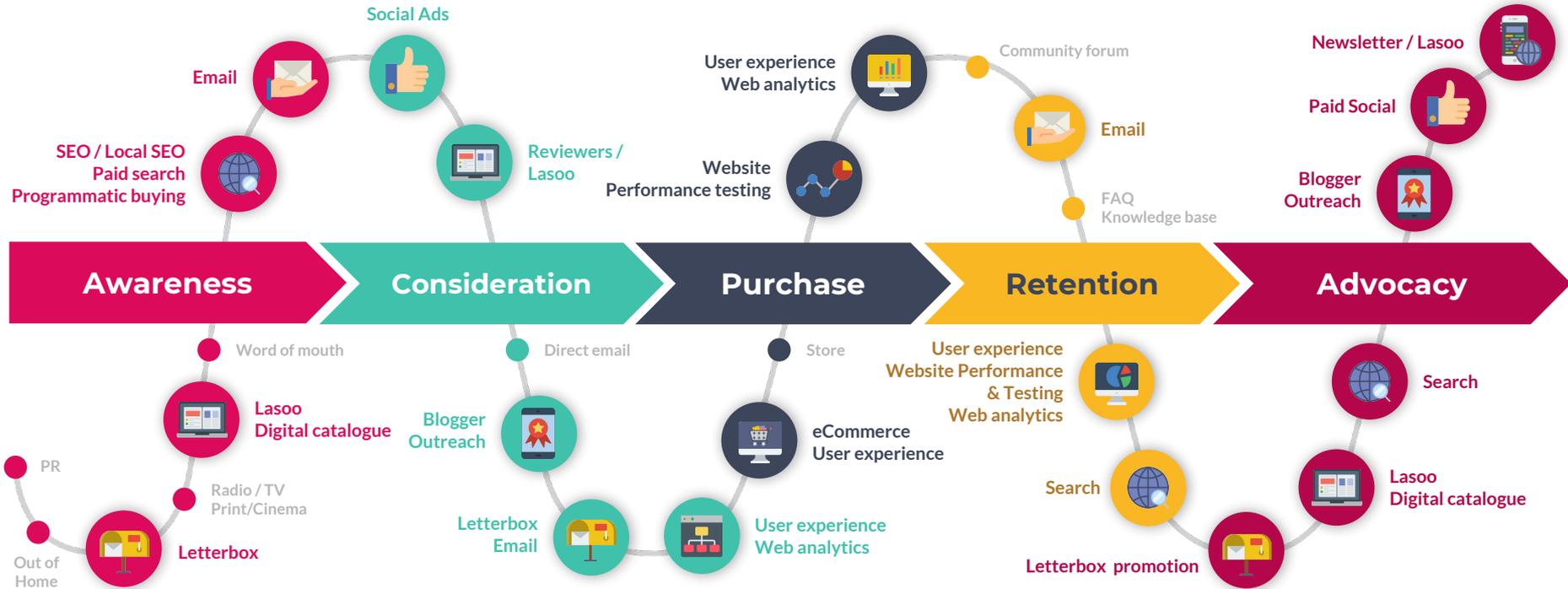
STRATEGIC REVIEW FINALISED

Covered every part of the business

- Reviewed digital suite for services that complement catalogues.
- Sold MessageNet, Interactive Solutions and Fuse.
- Finalised major platform migration in contact centres and shut down legacy platform.
- Approached with an offer and elected to sell.
- Sale of contact centres: better, clearer focus for us.
- Streamlined management team with new GM Marketing Solutions and Head of Delivery and Operations appointed.
- Advanced innovation journey.
- Tabled catalogue distribution network sustainability at industry and client level.

SALMAT'S MARKETING SOLUTIONS

Mapped against the customer journey



REACH

CONVERT

SERVE

MARKETING SOLUTIONS

Advanced the innovation journey



- Catalogue volumes decreased, as did overall industry. Maintained majority market share.
- Improved integration of catalogue and complementary digital services continued.
- Digital new business and service levels dropped in FY18: new management appointed.
- Further salmathub rollout. Excellent uptake and response from users in the field and clients. True differentiator for Salmat.
- Salmat continued to raise awareness of catalogue distribution industry issues amongst peers, suppliers, clients.
- Advanced the innovation journey: collation trial, data insights, Lasoo updates.

MANAGED SERVICES

Offshore back office solutions

MICROSOURCING MODEL



MICROSOURCING ASSET

- Office Space
- Furniture
- Computers
- Software
- Networking
- Servers
- Telecom

OPERATIONS STAFF



MICROSOURCING SERVICE

- Advisory
- Recruitment
- HR Management
- Technical Support
- Facilities Management
- Finance
- Expat Support

MANAGED SERVICES

Supporting continued growth and high-quality services



- Revenue and earnings growth for the year.
- Solid KPI improvement in a number of areas.
- Reliable performance under existing management and operations model.
- Salmat will continue to support growth.
- No impact from external environment issues (political, competitive, regulatory)
- New website will assist online search conversion.
- Staged facilities expansion underway to increase capacity.
- Further growth potential in Australian client base.

STRATEGY: FY19 PRIORITIES

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
- Strategic relationships

PEOPLE

Ensuring our team can perform at their best

Build capability with focus on leadership skills to drive the strategy

- Improved management, engagement and alignment

Create a positive & compelling onboarding experience

- Improved feedback and increased speed to competency

Embed the strategy to establish an engaged & aligned team

- Clear communication and measuring engagement

Build an aligned & engaged culture that recognises high performance & great results

- Cultural working group



MARKETING SOLUTIONS EVOLUTION

Innovating our core solution for long-term success

Deliver differentiation & engagement through salmathub

- Increased uptake, reduced churn, commercialisation path

Grow audience and data via Lasoo upgrade

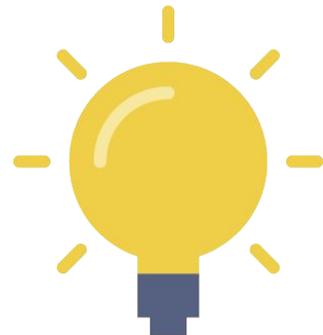
- New users, increased uptake and roadmap for data opportunities

Accelerate client engagement data insights program

- Clearly leverage data assets, develop client reporting program, grow share of wallet

Roadmap for smaller catalogue clients

- Review options to optimise service levels and ROI and establish clear path forward



SALES EXCELLENCE

Embedding a client success focussed sales culture for growth

Client engagement, channel extension and expansion

- Revenue and new business targets

Securing and extending the existing revenue base

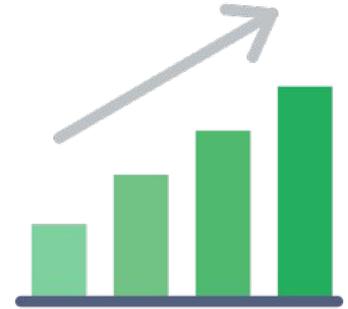
- Retention of top clients and securing longer term contracts

Improved marketing alignment and sales enablement

- New lead and conversion targets, improved sales enablement

Grow Managed Services new business

- New MicroSourcing website to increase search conversion



OPERATIONAL SUSTAINABILITY

Ensuring that we can deliver on client commitments

Automated collation proof of concept trial

- Improved assignment rates, reduced churn, increased efficiency

Improve digital solution performance and service standards

- Improved digital revenue growth, client retention and new business

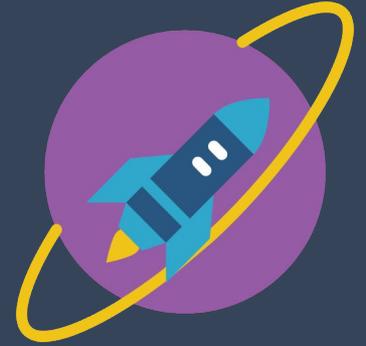
Improve sustainability of distribution contractor pool

- Explore strategic partnerships and incentive programs

Enable further growth for Managed Services business

- Staged facilities expansion and continued process improvement





SUMMARY

Rebecca Lowde, CEO

SUMMARY

Salmat is leaner, more focussed and forward-looking

- We have invested time and money to review the business and get our strategy right.
- We have a clear vision and clear strategic priorities geared towards this vision.
- Our innovation drive has already commenced, with pleasing results.
- Leveraging our market-leading capabilities to extend our offering and share of wallet.
- Raising standards and service delivery where needed.
- Investing in our businesses to deliver further growth.

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