

Tuesday 27 August 2019

Salmat full year result to 30 June 2019

Salmat Limited (ASX:SLM) today released its results for the year ended 30 June 2019.

Underlying revenue was in line with the prior year and underlying net profit after tax was up compared with the prior year. Underlying EBITDA of \$19.0 million was down from \$20.3 million in FY18.

“Despite unfavourable market conditions and a subdued retail sector, we have maintained revenue and grown underlying net profit for FY19,” said CEO Rebecca Lowde.

“We have seen the trend of rising costs and lower overall volumes in our Marketing Solutions segment persist in the second half of FY19 and have been looking at a number of options to address long-term sustainability in this market. We will see volumes continue to drop in FY20 but have secured some key new wins which will partially offset the decline,” said Ms Lowde.

“Managed Services has continued to perform well and we have invested in new facilities and marketing effort to support further growth,” said Ms Lowde.

Group results - continuing operations

\$ million	FY19	FY18	Change pcip
Revenue*	251.0	250.2	+0.3%
Underlying EBITDA from continuing operations	19.0	20.3	-6.4%
Income tax expense	(2.8)	(2.3)	-21.7%
Underlying NPAT from continuing operations	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

Revenue from continuing operations of \$251.0 million was up from \$250.2 million in FY18. This was due to both new business and increase in existing customer spend, and in spite of a \$7.9 million reduction to FY19 revenue following a change in accounting standards. Overall, Managed Services performed well while Marketing Solutions continued to face industry challenges. Despite those

challenges, there were a pleasing number of new business wins throughout the year, particularly towards the end of FY19.

Underlying EBITDA from continuing operations of \$19.0 million was down on the prior year by \$1.3 million. Managed Services grew earnings in line with revenue, while Marketing Solutions EBITDA declined due to increasing cost of delivery and operational challenges within digital solutions.

Significant item costs totalled \$38.1 million for FY19, compared with \$16.6 million in FY18. For FY19, this included restructuring costs of \$0.7 million; industry review fees of \$0.7 million as the Group looked at potential options available to the catalogue industry; collation proof-of-concept costs of \$0.8 million for the NSW trial being conducted; and non-cash impairments totalling \$35.9 million.

The catalogue market faced a challenging year through continued competitive pricing pressure and volume decline in the Australian and New Zealand markets. An impairment expense was recognised on the Marketing Solutions CGU of \$32.5 million. The investment and related party loan held in relation to Reach Media were both impaired in FY19, totalling \$2.7 million. Additionally, Reach Media's result included an IT asset write off in the joint venture loss of \$0.6 million.

Underlying net profit after tax from continuing operations of \$12.1 million was up on the prior year (2018: \$11.4m). Depreciation and amortisation expenses were down on the prior year in line with the reduction in asset purchases as 'Cloud' and 'SaaS' based solutions have been implemented. A positive net interest balance is the result of the debt reduction in the prior year and higher cash balance held in FY19.

Reported net loss after tax from continuing operations of \$26.0 million was largely driven by significant items, compared with a \$5.2 million loss in FY18.

Net cash at 30 June 2019 was \$58.6 million, down from \$78.5 million at 30 June 2018. The largest outflow was \$21.9 million paid to shareholders during the year as fully franked dividends.

Due to the statutory loss arising from the impairment of goodwill in FY19, Salmat was unable to pay a fully franked final **dividend**.

Operations and strategy

The primary focus for FY19 was a number of innovation and growth programs within the Marketing Solutions and Managed Services segments.

Innovations including the salmathub catalogue distribution app and automated collation technology trial were progressed in FY19, with positive results. We also invested in Salmat's data insights program, which will expand further during FY20 as the huge potential for this capability is demonstrated to clients.

"The catalogue market has been in slow decline for some time," said Rebecca Lowde.

“Salmat has been working hard to try and address industry viability issues and the Board assessed a number of options during the year relating to this matter.

“Salmat’s investment in the industry is geared at providing a sustainable future for this highly-relevant medium, to the benefit of clients, industry stakeholders and consumers alike,” said Ms Lowde.

In Managed Services, two new MicroSourcing facilities were opened during the year to cater for both existing clients and expected growth. A new search engine optimised website was also recently launched, which is expected to boost new business.

We are continuing to support MicroSourcing further growth with marketing support and additional capacity.

“As we celebrate Salmat’s 40th anniversary in 2019, we are putting in place new innovation and resources to secure future growth. We will also persevere in seeking constructive opportunities to work with other industry stakeholders towards our shared success,” said Ms Lowde.

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ABOUT SALMAT

Salmat is a leading Australian marketing services provider. We help clients connect with their customers, week-in, week-out. Salmat's unique combination of targeted letterbox and online marketing channels enables clients to Reach, Convert and Serve their customers. We also provide a wide range of back office solutions, through our Philippines-based Managed Services business.

Founded in 1979, Salmat has evolved from a small letterbox distribution business to an ASX-listed company. With a talented team across three countries we work with some of Australia’s most recognised and trusted brands.

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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