



SALMAT

# HALF YEAR RESULTS TO 31 DECEMBER 2016

23 FEBRUARY 2017

Craig Dower, CEO and Rebecca Lowde, CFO

# AGENDA

- 01** Half year summary
- 02** Group financial performance
- 03** Operations, transformation and growth
- 04** Outlook

# HALF YEAR SUMMARY

Transformation heavy lifting is done: focussed on growth initiatives

## > 'Focus' and 'Simplify' implemented

While transformation is an ongoing process, priority is accelerating revenue and earnings growth.

## > Invested in sales

New sales leadership, sales training, improved disciplines and accountability all geared to pipeline growth.

## > Revenue up on 2H16

Revenue continues to trail prior corresponding period (continued impact of rationalisation) but up 4.3% on 2H16.

## > Earnings up 46%

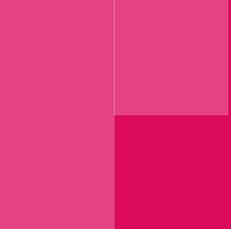
Cost savings, product and services rationalisation and new business all contributed.

## > Improved bottom line

Posted a net profit after tax for the half year. Generating net cash inflow.

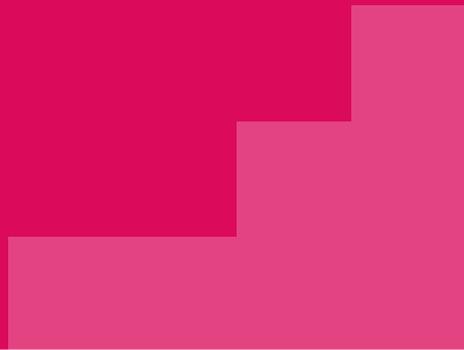
## > Looking to long term growth

Given industry consolidation and changing retail landscape, currently considering strategic options to deliver growth and optimise results.



# **GROUP FINANCIAL PERFORMANCE**

Rebecca Lowde, CFO



# FINANCIAL RESULTS - OVERVIEW

Half year to 31 December 2016

\$ million	1H17	1H16	% change
Revenue	224.5	235.6	(4.7%)
EBITDA	13.4	9.2	45.7%
Depreciation & Amortisation	(7.1)	(7.1)	-
Net interest	(0.9)	(0.9)	-
Profit before income tax	5.4	1.2	350%
Income tax expense	(1.2)	(1.7)	(35.3%)
Net profit/(loss) after tax	4.2	(0.5)	*

\* no meaningful figure

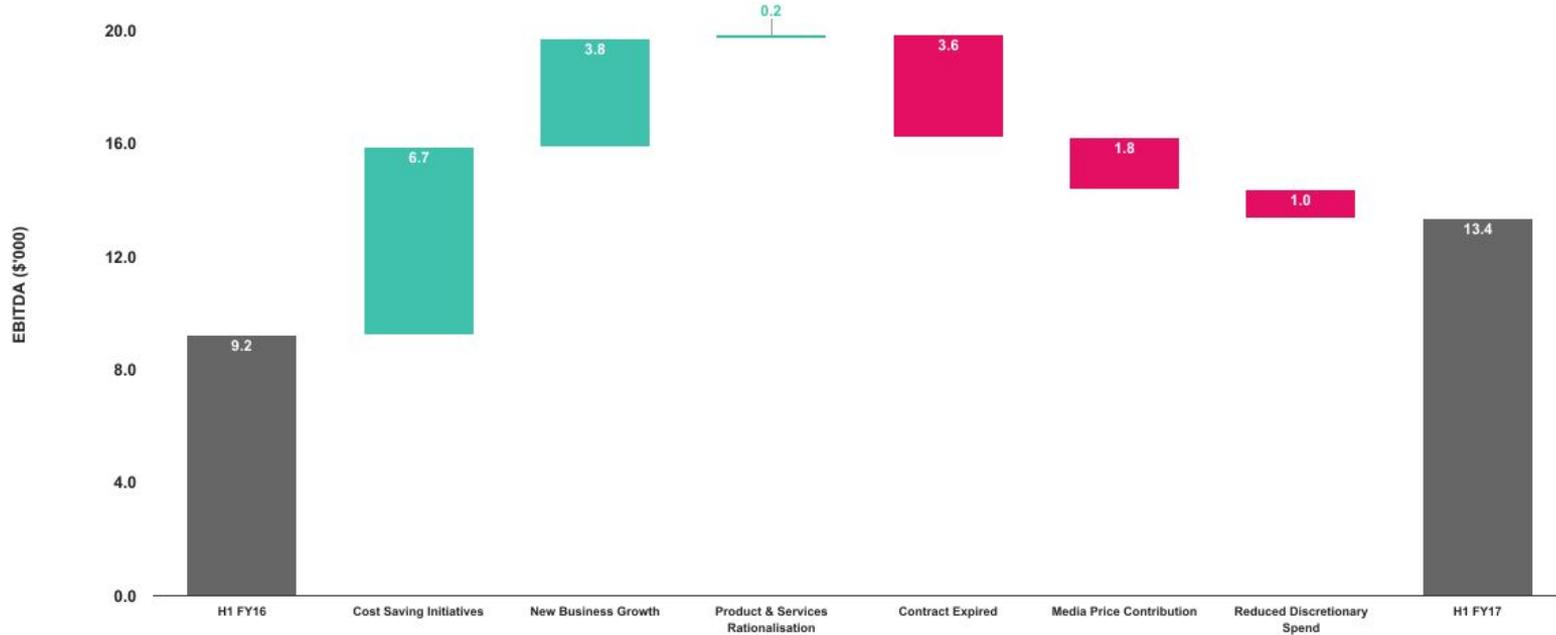
# SALES REVENUE BRIDGE

Half year to 31 December 2016



# EBITDA BRIDGE

Half year to 31 December 2016



# UNDERLYING EBITDA TRAJECTORY

Continuing to grow in F17



# BALANCE SHEET

- Improved balance sheet.
- Trade and receivables up slightly in line with pre-Christmas trade.
- Current liabilities reduced due to payment of US\$17 million in cash and shares for MicroSourcing acquisition in August 16.
- Borrowings increased due to draw-down on bank facility. \$8 million repayment in 2H17.
- PPE continues to decrease given reduction in fixed assets spend.

\$ million	31 Dec 16	30 Jun 16	Change A\$m
Cash and cash equivalents	41.8	42.9	(1.1)
Trade and other receivables	58.0	51.2	7.3
Fixed assets	11.9	13.4	(1.5)
Goodwill & intangibles	90.3	91.2	(0.9)
Other	29.1	28.2	0.9
<b>Total assets</b>	<b>231.1</b>	<b>226.9</b>	<b>4.7</b>
Current liabilities	70.0	91.8	21.3
Borrowings	33.9	28.2	(5.7)
Other non-current liabilities	8.8	9.0	0.3
<b>Total liabilities</b>	<b>112.7</b>	<b>129.0</b>	<b>15.9</b>
<b>Equity</b>	<b>118.4</b>	<b>97.9</b>	<b>20.9</b>

# CASH FLOW SUMMARY

- Positive net operating cash inflow.
- Net cash reduced during the half, as expected; remains positive.
- Capex includes new fitouts and technology upgrade.
- Final NCI dividend to MicroSourcing.
- Initial acquisition payment for remaining 50% of MicroSourcing. Rights issue funds additional \$9-10 million due April and August 2017.
- \$5 million final payment for Netstarter also due 2H17.

	\$ million
Net cash at 30 June 2016	14.6
Net operating cash inflow	6.1
Payment for acquisition	(19.9)
Capex	(4.4)
Dividend paid to non-controlling interest	(1.7)
Payment on borrowings	(1.1)
Net financing costs (incl interest)	(0.4)
Rights issue proceeds incl transaction costs	14.1
Sale of investment in associate	0.7
Net cash at 31 December 2016	8.0

# SEGMENT INFORMATION

Full year to 30 June 2016

\$ million	1H17	1H16	% change
Sales revenue:			
Media + Digital	125.0	136.0	(8.1%)
Contact	99.1	99.1	-
EBITDA:			
Media + Digital	15.7	12.7	+23.6%
Contact	1.4	2.7	(48.1%)

Production volumes	1H17	1H16	% change
Catalogues	2.33b	2.42b	(3.7%)
Contact centre seat utilisation (average)	68.5%	68.7%	
Email/SMS	215.4m	167.5m	+28.6%

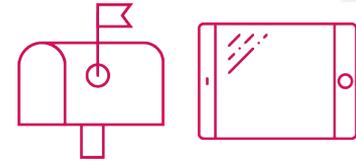
The slide features a solid blue background. In the top-left corner, there are several overlapping squares of varying shades of blue. In the bottom-right corner, there is a large, stepped geometric shape composed of several overlapping squares, also in various shades of blue, creating a staircase-like effect.

# **OPERATIONS, TRANSFORMATION & GROWTH**

Craig Dower, CEO

# MEDIA + DIGITAL

Market-leading media and e-commerce capabilities



## MEDIA

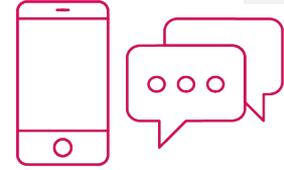
- Solid performance by top catalogue clients, with revenue and volume growth.
- Retailers under pressure: business closures in mid-tier and churn in SME market.
- Salmat volumes holding up well versus industry.
- New business environment challenging.
- Salmat continuing to innovate in this category (pilots underway linking physical/digital/social).
- Despite industry challenges, catalogues remain an important part of the marketing mix.

## DIGITAL

- Overall Digital performance has continued to improve.
- Growth in ecommerce, email and SMS.
- Investing in new capability (sales, consulting) to help drive new business.
- 2H17 focus on revitalising Search and growing revenue across all services.

# CONTACT

Onshore and offshore contact centres and managed services



## CONTACT CENTRES

- Increased spend by existing clients replaced lost contracts.
- New work won in CY16 now being implemented.
- Transition to full cloud platform underway, with significant technology, cost and service benefits.
- Australian key facility recently relocated to new flexible, custom fitout in Melbourne.
- Utilisation improved in NZ and PHP; slightly down in Australia.
- Carrying some extra costs during transition to new premises and platform.

## MICROSOURCING

- Continues to grow revenue and earnings.
- Smooth transition to 100% ownership with continuity of management.
- Strategy to increase sales via targeted marketing.
- Investing to grow Australian and US client base.

# OUTLOOK

Craig Dower, CEO

# SUMMARY

Salmat is streamlined, profitable and focussed on growth

- Business transformation has reconstructed foundations upon which to grow.
- Both EBITDA and NPAT have improved.
- Have also improved client service levels and quality of offering.
- Focus on generating profitable revenue:
  - Contact wins will begin generating revenue 2H17.
  - Media key contracts stable in FY17.
  - Digital performing well.
  - MicroSourcing continuing to grow.
- Need to drive further new business across all service lines.

# 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**  
**+**  
**QUESTIONS**

# APPENDIX

## Recent media

- Computerworld Australia *Salmat continues cloud journey with Chromebook rollout*  
<http://www.computerworld.com.au/article/614569/salmat-continues-cloud-journey-chromebook-rollout/>
- Computer Weekly *Case study: Australia's Salmat to go cloud-only after getting a taste for the technology*  
<http://www.computerweekly.com/news/450412555/Case-study-Australias-Salmat-to-go-cloud-only-after-getting-a-taste-for-the-technology>
- B&T *Salmat appoints new head of search, gains Google accreditation*  
<http://www.itwire.com/people-moves/76539-salmat-appoints-new-head-of-search,-gains-google-accreditation.html>
- CRN *Salmat's CTO on Australian company's SaaS shift with Google partner Cloud Sherpas*  
<https://www.crn.com.au/feature/salmat-it-leader-turned-to-google-partner-cloud-sherpas-to-move-office-into-the-cloud-444132>