

Salmat **Update on Half Year to 31 December 2015**

23 February 2016

Craig Dower, CEO

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Agenda

1. Half year summary
2. Group financial performance
3. Business transformation
4. Outlook

Summary

- 'Focus, Simplify, Grow' transformation program on track.
- Successfully executed against several major transformation initiatives.
- Restructure completed: non-strategic and unprofitable services exited, redundant roles removed, operations streamlined.
- Sales momentum building:
 - Major contract renewals secured.
 - \$20m in new business signed.
 - Offset by ended/expired contracts.
- Acquisitions performing well - Fuse and Netstarter integrated within Salmat.
- On track to earnings growth in FY16.
- Now finalising next-stage growth strategy post transformation.

A close-up photograph of a hand pointing at a laptop screen. The background is a blurred blue light. A red circular overlay is positioned on the right side of the image, containing white text.

**Group
financial
performance**

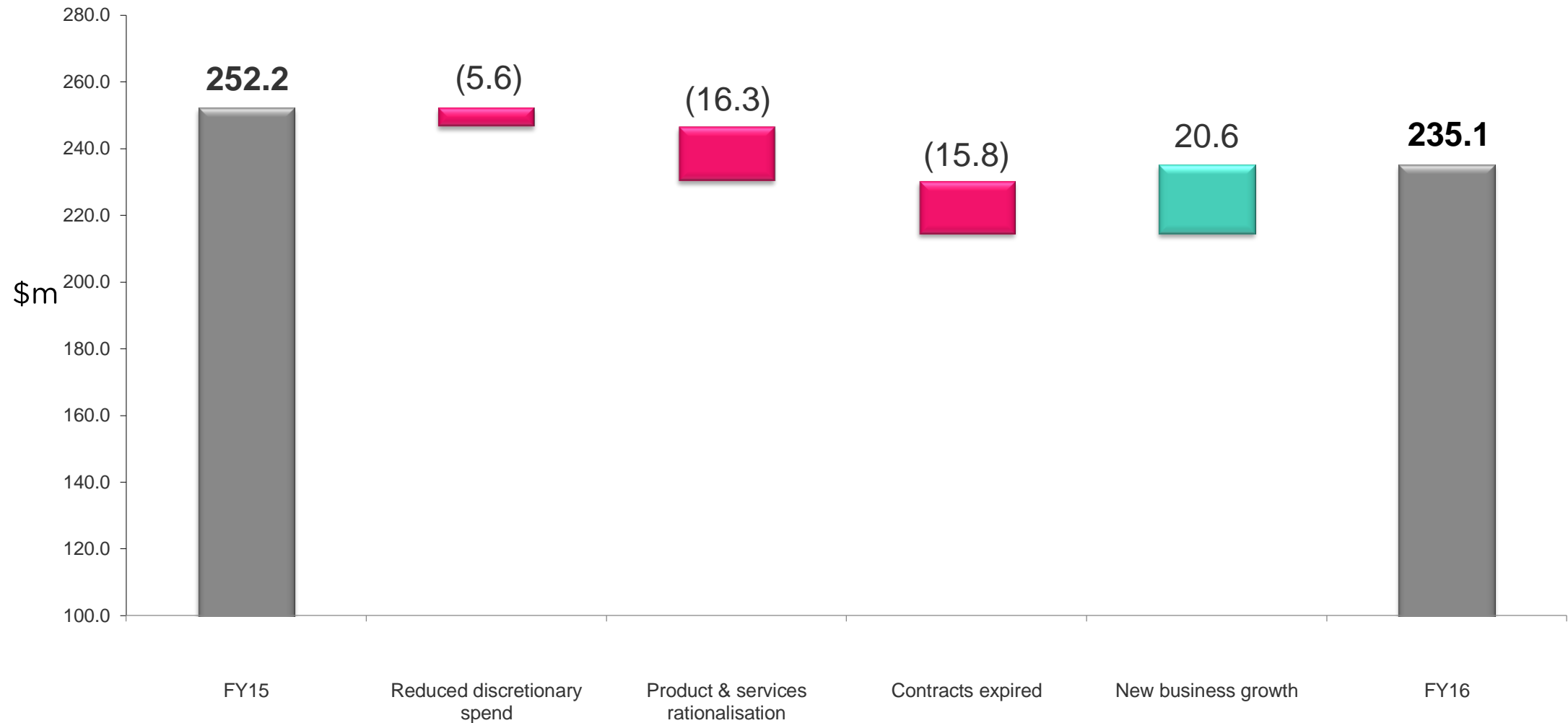
*Rebecca Lowde,
CFO*

Financial results - overview

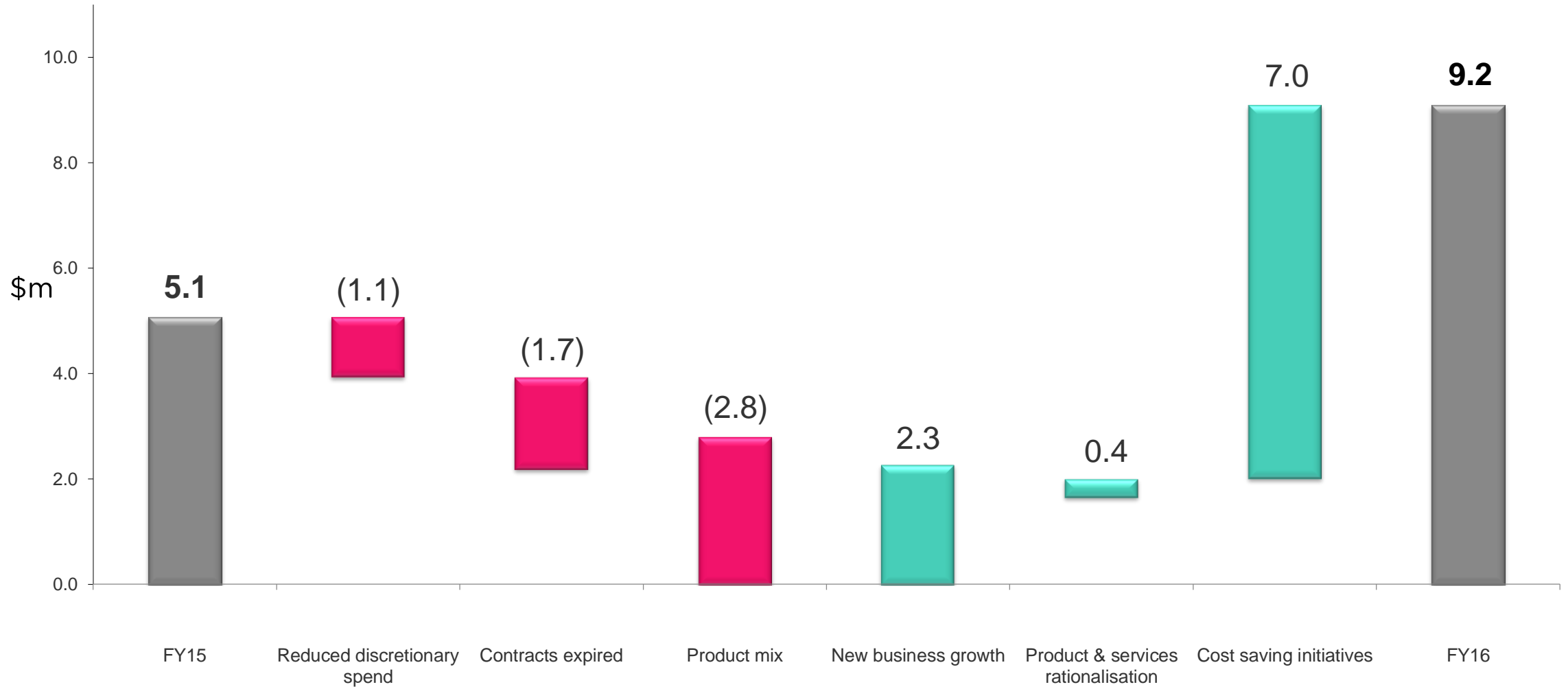
\$ million	H1 2016	H1 2015	% change
Revenue	235.6	253.5	- 7.1
EBITDA	9.2	5.1	+ 80.4
Depreciation & Amortisation	(7.1)	(6.8)	+ 4.4
Net Interest	(0.9)	(0.9)	-
Underlying profit/(loss) before income tax	1.1	(2.6)	*
Significant items	-	(64.6)	*
Profit/(loss) before income tax	1.2	(67.2)	*
Income tax expense	(1.7)	(2.5)	- 32.0
Net (loss) after tax	(0.5)	(69.7)	+ 99.2

* no meaningful figure

Sales revenue bridge



EBITDA bridge



Balance sheet

- Cash outflows included payment of deferred consideration, dividend to parties related to non-controlling interest and prior year working capital.
- US denominated draw down to fund deferred consideration.
- Reduction in payables relating to expenses incurred in prior year

\$ million	31 Dec 15	30 Jun 15	Change A\$m
Cash and cash equivalents	44.1	48.6	-4.5
Accounts receivable	62.1	63.5	- 1.4
Fixed assets	17.0	19.9	-2.9
Goodwill and intangibles	93.1	94.2	-1.1
Other	21.4	21.7	-0.3
Total assets	237.7	247.9	-10.2
Current liabilities	93.9	106.7	-13.3
Borrowings	29.1	25.5	3.6
Other non-current liabilities	9.6	9.6	0.0
Total liabilities	132.6	141.8	-9.2
Equity	105.1	106.1	-1.0

Cash flow summary

- Restructuring costs and prior year expenses included in operating cash flow.
- Paid MicroSourcing deferred considerations.
- Dividend paid relates to MicroSourcing.
- Gain from sale of investment and a specific product line no longer part of the portfolio.

	\$ million
Net cash at 30 June 2015	23.1
Prior period working capital outflows	(6.9)
Net operating cash inflow	7.3
Capex	(2.4)
Dividend paid to non-controlling interest	(1.4)
Deferred consideration	(4.2)
Sale of investment/product	0.9
Net financing costs (incl interest)	(0.1)
Tax	(1.3)
Currency translation effect	(0.1)
Net cash at 31 December 2015	14.9

Segment information

\$ million	H1 2016	H1 2015	% change
Sales revenue:			
Media + Digital	136.0	154.2	- 11.8%
Contact	99.1	98.0	+ 1.1%
EBITDA:			
Media + Digital	12.7	15.8	- 19.6%
Contact	2.7	1.7	+ 58.8%

Production volumes	H1 2016	H1 2015	% change
Catalogues	2.42b	2.54b	- 4.7%
Contact centre seat utilisation (average)	68.7%	60.3%	+ 13.9%



**Business
Transformation**

*Craig Dower,
CEO*

'Connecting Salmat' transformation

- Two year program commenced in January 2015.
- Key objective is to *Focus* on areas of market leadership; *Simplify* every aspect of the business; *Grow* in a targeted and profitable manner.
- Products and services refined, internal systems consolidated, sales approach sharpened. Salmat is leaner and more efficient, with a common objective.
- Organisation redesign completed and implemented.
- Program is on track to achieve our targets:
 - More focused and profitable product and services portfolio.
 - Substantial and systemic cost reductions achieved (more to come).
 - Much stronger execution skills and disciplines across the business.
 - Successful program delivery (Workday, Google, Salesforce.com).

Transformation timeline

JAN '15

COMPLETED IN '15



IN PROGRESS '16

DEC '16



Operations/IT/delivery update

Progress made

- Reach upgrade and customer consolidation completed.
- Restructure of all operations completed - common approach to service delivery across all of Salmat.
- Successful delivery of major projects, including ACMA Do Not Call Register.
- Successful go-live of Google for Work collaboration platform.
- Continued consolidation of operations and infrastructure.
- Substantial cost reductions.

Second half focus

- Improved client satisfaction through continued focus on service levels.
- Continued rationalisation and consolidation of operations and infrastructure.
- Continued lower cost to serve.

Sales update

Progress made

- Retention of major letterbox distribution contracts for next 2-3 years (\$60m+).
- Continued strong growth in media agency sales, local area marketing, MicroSourcing.
- Improved cross-selling across digital and ecommerce.
- Contact wins in Federal Government (Australia and New Zealand).
- Strong Contact pipeline (government, commercial).

Second half focus

- Close several major Contact deals.
- Leverage marketing capabilities and campaigns to drive greater overall momentum.
- Continue to drive sales effectiveness programme.

Marketing update

Progress made

- Completion of product and services review resulting in a simpler portfolio.
- Centralised strategic product house implemented.
- Channel Marketing capability established: value proposition; lead optimisations; sales enablement and training.
- Launched first integrated campaign “Starts with Salmat”.
- Next phase growth strategy development: evolution of marketing and customer experience.

Second half focus

- Re-fresh of the Salmat brand and value proposition – from junk mail provider to marketing services leader.
- Complete simplification and repositioning of the Letterbox+ capability (integrated physical and digital position).
- Introduction of Customer Marketing to optimises client profitability.
- New product launches: Mobile, Social and Promotions.
- Complete next-phase growth strategy (to be shared with investors at year end).

Acquisition update

- MicroSourcing
 - On track to finalise remaining 50% ownership by end of FY16.
 - Performing strongly
 - Netstarter
 - Performance on track (remaining performance-linked payments unlikely to change).
 - Good collaboration with other Salmat service areas leading to more bundled sales.
 - Fuse
 - Exercised final 50% option in January 2016.
 - Team now integrated into Salmat premises.
 - Solid pipeline and sales picking up.
 - Final instalments and performance-based payments from retained cash.
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Outlook

Craig Dower,
CEO

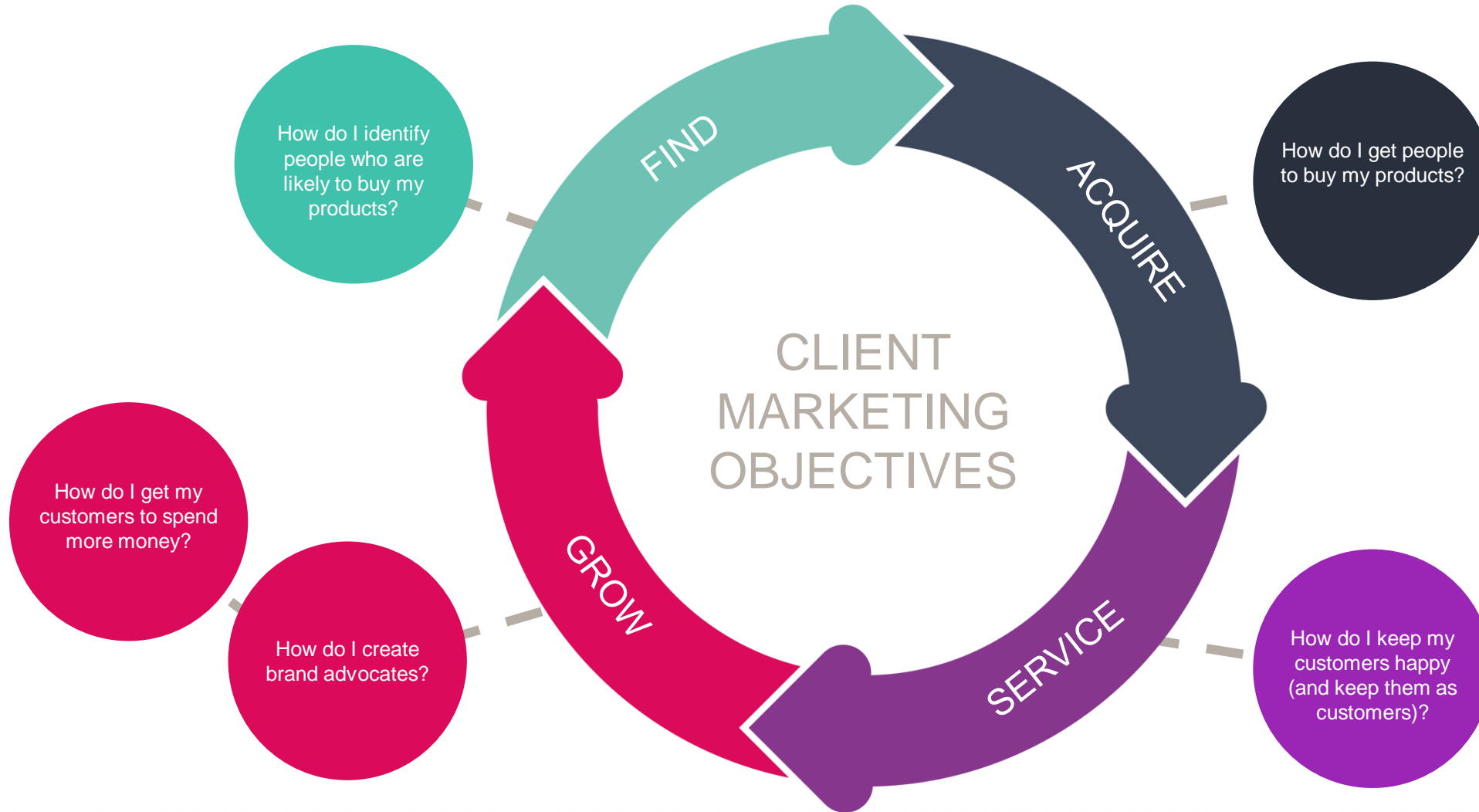
Next phase growth strategy now in development

Our ambition: Salmat will be the market leader in providing integrated marketing solutions.

- Helping clients best utilise budgets to cost effectively target and **reach** more customers every week through letterbox and search.
- Helping clients plan marketing around the path to purchase and **convert** more opportunities through best in class digital and contact experiences, driven by email, SMS and competition programs.
- Helping clients **serve** customers more efficiently and grow business by combining traditional and digital channels.

Salmat's next-phase growth strategy will continue to build on the business transformation and the 'Start with Salmat' market positioning.

Salmat's expertise: the fundamentals of marketing



Summary

- Making progress on overall business transformation: starting to flow into results.
- EBITDA performance for H1 was substantially up on pcp (78.4%).
- We have achieved \$20 million in new business growth, and have secured all major letterbox RFPs completed to date.
- Our ability to execute has improved across all parts of the organisation: we are a stronger, more disciplined business.
- There remains room for improvement:
 - Client retention – aim to retain all customer contracts and build from that platform.
 - Sales momentum – needs to be consistent across all parts of the business.
 - Continued optimisation of cost, reduced cost to serve, and improved margins.
- We continue to operate in a volatile market, so expect some bumps along the way.
- Maintaining target of 7-10% EBITDA margin over medium term.

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
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Questions**