

Tuesday 25 February 2020

Salmat half year results to 31 December 2019

Salmat Limited (ASX:SLM) today released its results for the half year ended 31 December 2019. During the period, Salmat announced that it had entered into sale agreements for both the Marketing Solutions and MicroSourcing businesses. The half year results therefore reflect the current continuing operations, which comprise the remaining core management team, with the assets and liabilities of each of the businesses held for sale.

“The sale of both Marketing Solutions and MicroSourcing marks the end of an era for Salmat,” said CEO Rebecca Lowde.

“With the MicroSourcing sale set to complete on 28th February 2020, we are now reviewing all options to determine the most effective vehicle for maximising returns to shareholders,” said Ms Lowde.

Group results - continuing operations

Continuing operations \$ million	1H20	1H19	Change pcp
Total revenue	0.2	0.4	(50.0%)
Underlying EBITDA from continuing operations	(2.5)	(2.4)	4.2%
Significant items	(0.6)	(0.1)	500.0%
Net interest	0.2	0.4	(50.0%)
Tax expense	(4.9)	-	NMF
Net loss after tax from continuing operations	(7.9)	(2.7)	192.6%
(Loss)/profit from discontinued operations	(2.0)	7.5	(126.7%)
(NLAT)/NPAT for the period	(9.9)	4.8	(306.3%)

NMF = no meaningful figure

Salmat’s Marketing Solutions business was sold for \$25.0 million, subject to customary working capital adjustments, on 25 November 2019 to a wholly-owned subsidiary of the IVE Group Limited. Sale completion occurred on 1 January 2020.

The MicroSourcing business was sold for \$100.0 million, subject to customary working capital and net debt adjustments, on 30 December 2019 to Probe BPO Holdings Pty Ltd. The sale was subject to

shareholder approval as MicroSourcing is the disposal of Salmat's main undertaking. A general meeting was held on 21 February 2020, at which shareholders voted in favour of the sale. The sale is therefore now expected to complete on 28 February 2020.

Revenue from continuing operations was slightly lower than the prior period and related to interest earnings.

Underlying EBITDA from continuing operations was consistent period on period and is made up of corporate overheads including the Board, executive management, legal and advisory fees as well as minor facility and administrative expenses.

Significant item costs were \$0.6 million for the period, including \$0.4 million in strategic review fees relating to the sale of the two businesses. An impairment expense of \$0.2 million was recognised on property, plant and equipment that was fully written down and did not transfer with the sales.

Income tax expense of \$4.9 million from continuing operations is higher this half due to the write off of deferred tax assets relating to income tax losses the Group is no longer expecting to recover.

Net loss after tax from discontinued operations was \$2.0 million for 1H20. Marketing Solutions made a net loss after tax of \$4.0 million for the period, which included shutdown costs for Netstarter and the other associated digital businesses that were not included in the business sale. MicroSourcing made a net profit after tax of \$5.6 million that included a withholding tax payment on overseas dividends of \$2.7 million.

Assets and liabilities held for sale were \$88.5 million and \$56.9 million respectively, resulting in a total net asset held for sale position of \$31.8 million, including intangible assets of \$22.3 million.

Cash totalled \$45.7 million as at 31 December 2019, after paying dividends of \$10.0 million in October 2019. Transaction-related legal and advisory costs of \$1.1 million were paid during the period. Tax-related payments of \$2.7 million were made for withholding tax on overseas dividends as profits retained in the Philippines were transferred to Australia.

The Group ended the period with **net assets** of \$77.8 million, down 20% as compared to 30 June 2019.

Future strategy

Following successful completion of the MicroSourcing sale, Salmat intends to return value to shareholders. The Board and its advisors are reviewing all available options to ensure that this process is optimised. Salmat will announce its proposal to distribute funds once the review is complete.

-ENDS-

This announcement has been authorised for release by the Board of Salmat Limited.

ABOUT SALMAT

Founded in 1979, Salmat evolved from a small letterbox distribution business to an ASX-listed marketing services provider working with some of Australia's most recognised and trusted brands.

On 1 January 2020, IVE Group Limited (ASX:IGL) acquired Salmat Marketing Solutions and Reach Media NZ.

On Monday 30th December 2019, Salmat entered into an agreement to sell the MicroSourcing business to Probe BPO Holdings Pty Ltd. This sale is due to complete on 28 February 2020.

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