27 August 2012

Salmat – Focused for the future
Annual results for year ended 30 June 2012
Divestment of BPO for $375 million

Salmat Limited (ASX:SLM), Australia's leading omni-channel communications partner, today announces its annual results for the year ended 30 June 2012 and the sale of its Business Process Outsourcing ("BPO") division to FUJIFILM Holdings Corporation ("Fujifilm Holdings"), for $375 million. The sale of the BPO division is discussed in a separate ASX release made today.

- Underlying EBITA of $80.6 million, within guidance
- BPO acquired by Fujifilm Holdings for $375 million
- Strong H2 achieved despite soft consumer economy
- Continued strong cash generation – cash conversion of 114%
- Underlying EBITA growth of 7% in H2 compared to prior year
- Significant H2 margin expansion from 9.6% in prior year to 10.6%
- Strong catalogue volumes in major retailers
- Steady progress made on digital strategy
- Building momentum in contact centres
- Final dividend of 10.5 cps, amounting to a full year dividend of 19 cps, fully franked

Revenue was $823.4 million for the year ended 30 June 2012, down by 4.6% on the prior year. Underlying EBITA was $80.6 million (2011: $88.6m), within guidance provided of $78 million to $83 million. The underlying EBITA margin was 9.8% (2011: 10.3%).

EBITDA was $98.1 million (2011: $100.4m) and Statutory Net Profit After Tax (NPAT) was $30.3 million (2011: $36.0m), which included net significant items after tax of $4.4 million, resulting in underlying net profit after tax of $34.7 million (2011: $42.4m). The significant items primarily comprised restructuring costs and equity accounting for investments in start up joint-ventures.

The Board declared a final dividend of 10.5 cents per share (2011: 12.5cps), bringing the full year dividend total to 19 cents per share (2011: 24.0cps), fully franked. This represents a payout ratio of 100%.

"It's been a year where Salmat has made further inroads on our journey to re-position the business to better capture opportunities in higher growth markets and reduce our dependence on mature activities and markets" said Chief Executive Officer Grant Harrod.

We have seen the resilient nature of the historical core of the business, with the solid growth of catalogues across Australia's major retailers. We have made good progress in the execution of our digital strategy, with the launch of the Salmat Digital brand reflecting continued development of our digital capabilities. The Contact Centre business is improving and the disposal of non-performing assets in the UK and USA in the Speech division has reset this business for growth.

The sale of BPO that we have announced today follows a review process that commenced at the Board's request after the company received an unsolicited approach. The divestment simplifies and focuses Salmat's group strategy around our goal of assisting clients to maximise their Return on Communication. The Board will now consider options to further drive shareholder value, accelerate the growth strategy by building our scale and capability in the digital services and communications market, review the appropriate business and cost structure and deleverage the balance sheet.

The divestment to Fujifilm Holdings has also created exciting growth opportunities for Salmat, as our two companies are now seeking to establish a broader working relationship that will leverage our respective geographies and services. For Salmat, this is a potential opportunity to drive growth by bringing our customer communication services and solutions into the Asian market with a highly credible partner.

“This is a great result for Salmat and the BPO division which would not have been possible without the strong profit growth recorded as a result of the successful implementation of strategic initiatives and cost disciplines put in place by our team. Successful strategy execution, coupled with targeted investment in recent years, has paid dividends and underpins the excellent outcome for shareholders that today’s sale represents. I commend the excellent work of everyone at BPO.” said Chief Executive Officer Grant Harrod. “

“We have taken the business a long way in recent years, but we also recognise that the next stage of BPO’s development is better suited to an owner with global reach and broader outsourcing ambition. I am very confident that we received good value for the business, but also that BPO will be a valuable asset to Fujifilm Holdings. This is a good result for both parties and the strategic partnership that will form as a result of this transaction will lead to greater value creation for all shareholders.” said Mr Harrod.

$ million	H2 2012	H2 2011	% Change (pcp)	Year ended 30 June 2012	Year ended 30 June 2011	% change
Reported sales revenue	401.1	415.4	-3.4%	823.4	863.0	-4.6%
Underlying EBITDA(1)	54.4	49.7	9.5%	103.5	109.6	-5.6%
Underlying EBITA(1)	42.6	39.8	7.0%	80.6	88.6	-9.0%
Underlying net profit after tax(2)	20.4	16.3	25.2%	34.7	42.4	-18.2%
Significant items after tax	-3.6	-3.0	-20.0%	-4.4	-6.4	31.3%
Statutory profit (NPAT)	16.8	13.3	26.3%	30.3	36.0	-15.8%
Underlying earnings per share (cents)(2)	12.9	10.3	25.2%	22.0	26.8	-17.9%
Earnings per share (cents)	10.7	8.3	28.9%	19.2	22.7	-15.4%
Final dividend per share (cents) – fully franked				10.5	12.5	-16.0%
Total full year dividend per share (cents) – fully franked				19.0	24.0	-20.8%

Reported sales revenue of $823.4 million (2011: $863.0m) was down by 4.6% on the prior year. The reduction was primarily due to reduced revenue in the CCS division, but was partially offset by a full years revenue contribution from the digital assets acquired in 2011.

Underlying EBITA of $80.6 million (2011: $88.6m) was 9% lower than for the previous period, but is within market guidance. The reduction in group EBITA is attributable to the loss of the Telstra contract within CCS, lower margin catalogue sales within TMS and additional expenditure on our digital strategy. However, this was offset by a better contribution from the BPO division.

Significant items after tax had a net impact of $4.4 million (2011: $6.4m) in costs for the year, predominantly resulting from restructuring costs and losses incurred in start-up digital joint ventures.

Statutory profit (NPAT) was $30.3 million (2011: $36.0m), as a result of one-off restructuring and investments, higher amortisation and higher net interest expense.

Net debt was $241.6 million (2011: $258.3m) at year end, with the reduction a result of strong working capital management and cash generation (cash conversion of 114%), which continues to be a focus of the group.

Total capital expenditure of $22.4 million (2011: $35.5m) was incurred on major investments in colour capability, production enhancements and IT expansion and refreshments.

(1)Adjusted for significant items
(2)Adjusted for significant items, after tax

Operational review

Targeted Media Solutions

$ million	H2 2012	H2 2011	% Change	Year ended 30 June 2012	Year ended 30 June 2011	% change
Sales revenue	132.7	129.0	2.9%	275.2	250.8	9.7%
Underlying EBITA	17.5	20.0	-12.5%	36.2	42.5	-14.8%

Targeted Media Solutions revenue grew $24.4 million (+9.7%) for the year reflecting revenue growth from the digital acquisition and catalogue business. However, underlying EBITA fell $6.3m (-14.8%), reflecting the growth in lower margin sales and investments in new sales strategies and the digital business.

Catalogue volumes were up 4.0% during the year, driven by increasing volumes across major retailers, and revenue growth was in line with this. The catalogue volumes from Small and Medium Enterprises ("SME") also grew strongly (+4.4%). The EBITA margin achieved in the catalogue business was impacted in H1 2012 by increasing lower margin sales to large retailers, which has now stabilised. There has been additional investment in driving new markets for catalogues, particularly SME, which also has had an impact on EBITA margin.

The focus of the Salmat Digital business during 2012 has been to complete the integration of the acquired businesses. The leadership team is now in place and a number of diverse businesses have been integrated into a cohesive customer facing unit. The Salmat Digital brand has been launched as specialists in omni-channel brand management and e-commerce. In addition, Lasoo and Roamz operate under the Salmat Digital banner, but due to their B2C focus, retain their own branding.

Salmat has invested $3.6 million in Lasoo this year, primarily marketing directed towards brand building and expanding functionality. The continued expansion of functionality and audience traffic is the next step in the full commercialisation of this product. Interactions, or "clicks" are the key revenue driver for this business, and they have increased 8.3% in 2012. Consumers are increasingly accessing Lasoo through mobile devices, up 105% for the year, demonstrating the need for the new "everywhere commerce" enabled platform.

We invested cash of $2.2 million in the Roamz joint venture during in 2012, to build a location-based app aggregating content via social media, to provide users with information of events and activities going on around them. Roamz presents an ideal platform for retailers to advertise and promote their brands, and has worked closely with key brands such as Dymocks and The Voice during the year, generating significant traffic and interest to these brands.

Customer Contact Solutions

$ million	H2 2012	H2 2011	% Change	Year ended 30 June 2012	Year ended 30 June 2011	% change
Sales revenue	111.0	130.8	-15.1%	232.2	293.7	-20.9%
Underlying EBITA	5.3	6.0	-11.7%	11.0	16.0	-31.3%

Customer Contact Solutions revenue was $232.2 million (2011: $293.7m), a reduction of 20.9%. Underlying EBITA was $11 million (2011: $16.0m), a fall of 31.3% as we cycle out the Telstra contact centre contract.

The division has seen a strong performance from the Contact Centres and Speech businesses, but negatively impacted by a weak performance from the Direct Sales business, which continues to be influenced by the weak discretionary spend environment.

The strategy to move the Contact Centre to more premium services is progressing well. There is a strong pipeline underpinning growth prospects and margins are expanding towards levels seen in 2010. The New Zealand "near shore" contact centre strategy is providing excellent value for our clients and is expected to continue growing strongly.

The Speech Solutions business has had a very strong year since the closure of underperforming assets in the UK and USA. A refocused leadership team and product offering are delivering significant EBITA and margin growth. A number of new products, including biometric identification, call routing and automated surveys are being rolled out to major clients. At the same time, a productised technology platform approach is being implemented, eliminating as far as possible the need for bespoke client systems.

CCS has also recently invested in the latest technology – the "Agent of the Future", incorporating telephony, internet and social - to greatly expand Salmat's contact centre multi-channel capabilities. Our clients expect instant global, multi-lingual support 24/7, to communicate in ways that suit their customer lifestyles and changing demographics. This investment will transform call centres into hosted customer contact and knowledge centres and entrench deeper relationships with our clients. Salmat will be clearly positioned as the leader in the outsourced contact centre market in terms of technology and scale and will expand revenue streams in this division.

Business Process Outsourcing

$ million	H2 2012	H2 2011	% Change	Year ended 30 June 2012	Year ended 30 June 2011	% change
Sales revenue	157.4	155.6	1.2%	316.0	318.5	-0.8%
Underlying EBITA	28.0	19.9	40.7%	49.5	41.8	18.4%

Business Process Outsourcing revenue of $316.0 million (2011: $318.5m) was 0.8% lower than the previous year, whereas EBITA grew to $49.5 million (2011: $41.8m), an increase of 18.4%.

Impressions grew 2.8% to 3.64 billion. This was our principal revenue driver, reflecting increasing cross promotions per mail pack. Revenue from e-business grew 22% to $52.1m, comprising 16.5% of revenue in FY12, up from 13.4% in 2011.

Revenue growth in H2 reflects new business wins in Transaction Services and in E-Business. In addition, existing customers increasingly engaged with new E-business services, which is also higher margin business. Margin expansion was also due to a number of operational efficiencies executed during the past 18 months, in particular, the consolidation of the Ravenhall property and the colour refresh program. Our strategy and recent investments clearly drove the strong performance recorded by this business.

Outlook

We are ideally positioned to be Australia's leading omni-channel communications and commerce provider, and to capture the growth in the rapidly changing world of communication. The investments we've made across the business over the past year will continue to generate new wins and steady volumes in a more efficient manner.

Salmat's traditional businesses have proven to be relatively resilient to economic softness, and we expect this to continue as we expect trading conditions to remain unchanged.

Catalogues remain a key sales strategy for Australian retailers and we expect our major customer's volumes to remain strong along with our new markets in SME and non-traditional retail. We do however expect Tier 2 retailers to remain subdued in line with the continued soft outlook for the discretionary retail environment.

Contact Centres should see continued improvement with their strong pipeline and opportunities to implement omni-channel customer service solutions, together with growth in the Speech business. However, continuation of the soft consumer environment may continue to have an impact on Direct Sales.

Significant progress has been made in the Salmat Digital division to build a scalable business and we anticipate capturing our share of this growing market. We are forecasting further investment of $3.9m across Roamz and Lasoo as we continue our journey to develop unique digital channels.

We will provide more details on our performance and plans at our annual general meeting in November.

ABOUT SALMAT

Salmat is Australia's leading omni-channel communication partner.

Salmat helps businesses find, acquire, grow and retain customers by delivering innovative omni-channel communications solutions across an unmatched range of channel options - including:

Digital:	web development, data analytics, e-commerce, social media, email, SMS, search, mobile, e-solutions, scanning, archiving, Lasoo.com.
Voice:	call centres, speech solutions, voice biometrics.
Mail:	unaddressed mail (catalogues), direct mail, essential mail.

Measureable Results

Return on Communication **-** we deliver a return on our clients' investment in communication with measurable results demonstrating improved sales outcomes and productivity improvements.

Market Leaders

Salmat has three divisions, all of which are market leaders:

Targeted Media Solutions (TMS) delivers more than 5 billion unaddressed items to homes across Australia every year. The division uses up to date lifestyle and geo-demographic data to maximise the effectiveness of each campaign, and employs the latest technology to provide clients with real time campaign reporting and auditing. Salmat's new business, Salmat Digital, brings together all of Salmat's digital capabilities into a digital centre of excellence under TMS. This new business establishes Salmat as Australia's leading digital marketing communications provider. Salmat Digital has extensive capability across nearly every aspect of digital marketing communication including: data analytics, online, e-commerce, email, SMS, social media and e-solutions. Lasoo.com.au - Australia's premier online pre-shop website - also forms part of Salmat Digital.

Customer Contact Solutions (CCS) engages in millions of conversations each year for its clients through its contact centres. This division applies world-class technology and a highly trained staff to handle inbound and outbound phone, fax, email and online communication. It also provides face-to-face sales teams on behalf of clients in Australia, New Zealand and more recently in Asia as well as voice biometric technology and e-Learning training.

Business Process Outsourcing (BPO) manages outsourced business services for large corporate clients, using high end technology to engage consumers through bulk 'essential' and direct marketing communication, via mail, email or online, both outbound and inbound. The division, which seeks to streamline and improve delivery of these regular services, also uses its data management capability to record, store and cross reference large amounts of archive information for clients in Australia, Hong Kong, Taiwan and the Philippines.

For more information on Salmat go to www.salmat.com

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