IVE Group Limited

FY23 H1 Results Presentation

ASX : IGL   23 February 2023

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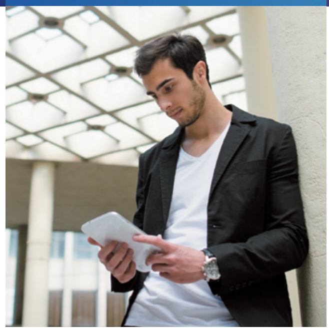
Contents

FY23 H1



Financial performance dashboard

A strong first half performance and maiden contribution from the Ovato acquisition

REVENUE
$502.8m
↑31.4% on PCP

EBITDA
$65.0m
↑17.7% on PCP

NPAT
$24.3m
↑16.5% on PCP

EARNINGS PER SHARE
16.5c
↑12.8% on PCP

MATERIAL PROFIT MARGIN
44.2%
47.5% PCP

OPERATING CASH FLOW TO EBITDA
56.7%
77.8% PCP

NET DEBT
$97.5m

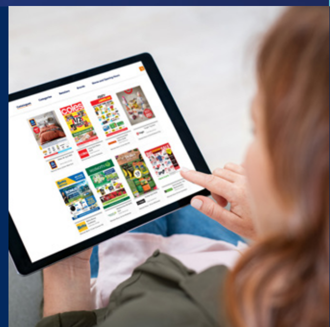
CASH ON HAND
$56.2m

INTERIM DIVIDEND
9.5c
PER SHARE FULLY FRANKED
↑11.8% on PCP

The underlying financial results are on a non-IFRS basis, exclude various non-operating items (refer Appendix A) and are not audited or reviewed

Financials

FY23 H1



Profit and loss

Strong uplift in underlying[1] revenue, EBITDA NPAT and EPS

	FY23 H1 ($m)	FY22 H1 ($m)	Variance ($m)	Variance (%)
Revenue	502.8	382.6	120.2	31.4
Material profit	222.3	181.7	40.6	22.4
% of revenue	*44.2%*	*47.5%*	–	*(6.9)*
EBITDA	65.0	55.2	9.8	17.7
% of revenue	*12.9%*	*14.4%*	–	*(10.4)*
EBIT	41.3	33.8	7.5	22.1
NPAT	24.3	20.9	3.4	16.5
NPATA[2]	25.9	22.8	3.1	13.5
EPS (NPAT) cents	16.5	14.6	1.9	12.8
EPS (NPATA) cents	17.5	15.9	1.6	9.9

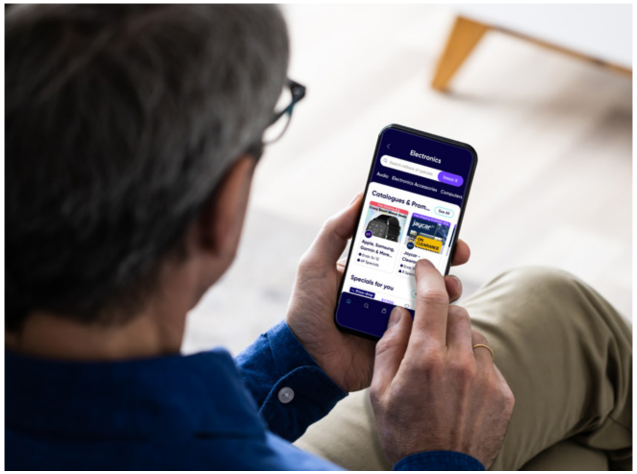
1 The underlying financial results are on a non-IFRS basis, exclude various non-operating items (refer Appendix A) and are not audited or reviewed

2 NPATA – NPAT excluding amortisation of customer contracts

Revenue

- Revenue increased 31.4% to $502.8m from $382.6m pcp
- Ovato (acquired 13 September 2022) contributed $61m of revenue while Active Display Group (ADG) and AFI (both acquired 1 November 2021) contributed $25m of additional incremental revenue over pcp
- Organic revenue growth for the half was around 9% and reflects a further incremental uplift in activity post COVID-19, strong new business momentum, continued high levels of client retention and ongoing cross-selling of the Group's broad offering
- Revenue growth was broad based, particularly strong growth was achieved in Brand Activations (formerly Retail Display), logistics (3PL) and fulfilment
- Revenue associated with travel, tourism and event related merchandise sales improved further during the period but remains below pre-COVID-19 levels





Material profit margin

- Material profit (revenue less material cost of goods sold) margin was 44.2%, down from 47.5% pcp
- This was primarily due to business mix including the on boarding of Ovato revenue at a lower material profit margin, and a high outsourced revenue component in our Brand Activations division
- Although Ovato generates a lower material profit margin than the broader Group, incremental Ovato revenue is expected to generate an uplift in EBITDA margin once operating synergies are captured post completion of integration
- Increased input costs including paper, freight and consumables also contributed to the reduced material profit margin, however, these increases are passed on to clients over time
- Although material profit margin decreased relative to pcp on an underlying basis (and excluding Ovato), EBITDA and NPAT margin were broadly in-line with pcp

Earnings, NPAT and EPS

- EBITDA increased 17.7% to $65.0m from $55.2m pcp
- Excluding a $4.4m contribution from Ovato, underlying EBITDA growth was 9.8% driven by the uplift in revenue
- EBIT increased 22.1% to $41.3m from $33.8m pcp. Excluding a $2.3m contribution from Ovato, underlying EBIT growth was 15.4%
- Net finance costs were $5.7m compared to $3.9m pcp or $3.3m compared to $2.2m pcp on a pre-AASB 16 basis. Increased net interest expense reflects higher net debt (driven by additional working capital particularly relating to increased inventory and activity due to Ovato) and higher interest rates
- NPAT increased 16.5% to $24.3m from $20.9m pcp. Excluding a $1.6m contribution from Ovato, NPAT growth was 8.6% reflecting the strong EBIT growth partially offset by the increase in net finance costs
- Earnings per share for the half was 16.5 cents representing a 12.8% uplift from 14.6 cents pcp
- Non-operating items of $13.0m pre-tax (refer Appendix A) excluded from underlying earnings:
  - $7.1m of restructuring costs, including $4.3m of costs related to the Ovato integration and $2.5m pertaining to the completion of the Victorian site consolidation and relocation of NSW distribution
  - $2.8m of acquisition costs mainly related to the Ovato transaction
  - $2.4m of costs related to Lasoo's consumer go-to-market campaign and team buildout

Balance sheet

Increase in net debt primarily reflects working capital seasonality coupled with impacts of the Ovato acquisition

	FY23 H1 ($m)	FY22 ($m)
Loans & borrowings	153.7	143.8
Less cash	56.2	67.0
Net Debt	**97.5**	**76.8**

Loans & borrowings are gross of facility establishment costs and exclude AASB16 right of use liabilities impacts

- Net debt increased to $97.5m at 31 December 2022 from $76.8m at 30 June 2022, mainly driven by increase in working capital
- Cash at bank of $56.2m with undrawn facility of $25m
- During the half, the Group undertook a share placement and retail share purchase plan (issuing a combined total of 8.587m shares @ $2.25 each) which raised $18.6m net of related transaction costs
- The capital raising was undertaken to:
  - Preserve balance sheet capacity for IVE to pursue previously announced growth initiatives including further organic initiatives (e.g. Lasoo e-Commerce market place);
  - Support further opportunistic 'bolt-on' and/or strategic acquisitions (e.g. in the adjacent packaging sector); and
  - Strengthen and deepen IVE's institutional shareholder base, increasing liquidity in the market for IGL shares
- Proceeds from the share issue and a $10m net drawdown on the Group's loan facility were more than offset by the $15.6m Ovato purchase price (including related transaction costs), associated restructuring costs, a targeted increase in inventory and Lasoo launch costs

Capital expenditure

Our operational asset base is in excellent condition

	FY23 H1 ($m)
Group-wide investment and maintenance	12.0
Total	**12.0**

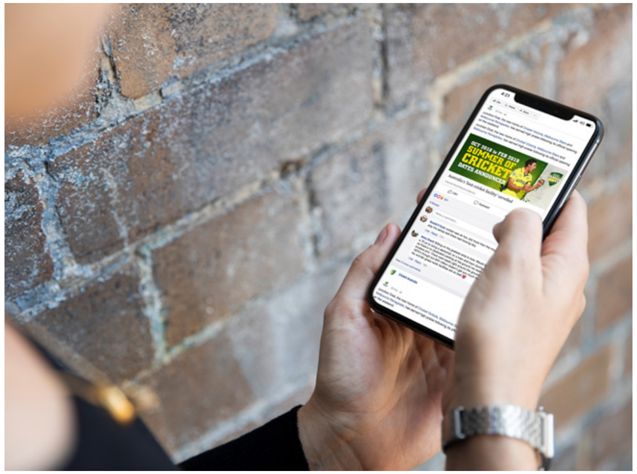
- Capital expenditure was $12.0m for the half
- Major capital expenditure undertaken during the half included outlays associated with completion of the Victorian (Braeside) site consolidation, fit-out of the new Erskine Park (NSW) logistics site and the digital print fleet upgrade and expansion
- There are currently no major capital expenditure programs anticipated across the remainder of the year with FY23 capital expenditure expected to be around $15m (ex-Ovato)

Cash flow and interim dividend

	Underlying FY23 H1 ($m)
EBITDA	**65.0**
Movement in NWC/non cash items in EBITDA	(28.2)
Operating cash flow	**36.8**
Operating cash conversion to EBITDA	57%
Interim dividend (per share)	**9.5c**

The underlying financial results are on a non IFRS basis, exclude various non-operating items (refer Appendix A) and are not audited or reviewed

- Operating cash conversion of 57% to EBITDA on an underlying basis was lower than 78% pcp
- This was primarily due to an increase in working capital reflecting higher activity levels and a targeted increase in inventory (paper) holdings to ensure continuity of supply across the expanded (post-Ovato) customer base and to capture growth opportunities
- Aside from the targeted inventory increase, continued disciplined management of working capital, including reduced debtor days and increased collections over the period
- Reflecting the strong uplift in underlying EPS, the Board declared a fully franked interim dividend of 9.5 cents per share, up 11.8% from 8.5 cents per share pcp
- The Group's dividend payout policy remains unchanged, targeting a full year payout ratio of 65-75% of underlying NPAT



Business updates

FY23 H1

Ovato acquisition

- IVE completed the Ovato transaction on 13 September 2022
- The integration timetable and expected financial metrics are unchanged from those previously announced
- The integration of an estimated $160m of Ovato revenue into IVE's manufacturing footprint remains on track for completion by June 2024 and is expected to increase the Group's underlying annual:
  - EBITDA by $28m
  - NPAT by $15m
- Integration and associated capital expenditure costs are expected to be around $22m, excluding redundancies
- Key assets from Ovato's Warwick Farm, Geebung and Clayton sites will be integrated into IVE's existing web offset footprint (Huntingwood and Silverwater in NSW and Sunshine in Vic) over a phased transition period of approximately 18 months

Ovato acquisition summary

	($m)
Consideration[1]	**13.0**
Fair value of assets acquired and liabilities assumed	
Inventories	6.0
Assets held for sale[2]	4.2
Fixed assets[2]	15.2
Employee liabilities[2,3]	(13.9)
Make good liabilities[2]	(1.1)
Net assets acquired	**10.3**
Goodwill on acquisition	**2.7**

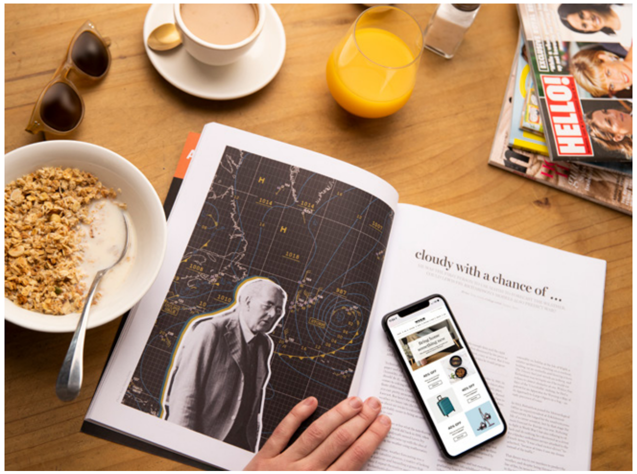
1 *Per the Sale Agreement, part of the consideration may be refunded depending on any surplus funds available from Ovato's administration*

2 *Net of tax impact which is disclosed separately in the DTA/(DTL) balance*

3 *Includes redundancy provision disclosed separately in provisions (See Note 13 in Appendix 4D)*

Integration on track

- During the half, all major Ovato customers were successfully transitioned across to IVE with no significant client losses and inventories were increased to ensure continuity of supply
- Staff have transitioned seamlessly
- The expanded business is performing well, meeting all customer expectations and all core business functions have been integrated under one leadership structure including sales, finance, estimating and inventory management
- Ovato's estimated first half contribution to the Group is as follows:
  - $60.7m of revenue
  - $4.4m of EBITDA
  - $1.6m of NPAT
- Around $11m of revenue was transitioned into existing IVE sites during the half, paving the way to close down and relocate Ovato production assets to IVE sites
- Notwithstanding equipment and revenue movements, the sites are working closely to ensure optimal efficiency is maintained daily across all production assets and the business will progressively realign its operational cost base with revenue and asset transfers to IVE sites
- Key integration milestones include:
  - Dec '22-Jul '23: engineering teams commissioned to relocate printing and binding assets, including commissioning Geebung and Clayton assets into Silverwater, Sunshine and Huntingwood
  - Mar '23: Geebung and Clayton sites exited
  - Jul '23: phase II revenue transfer of around $60m to IVE sites
  - FY24 2H: final asset relocations to IVE
  - Jun '24: integration complete, Warwick Farm site exited; and
  - FY25: full acquisition metrics expected
- Ovato's expected FY23 contribution is outlined on page 17

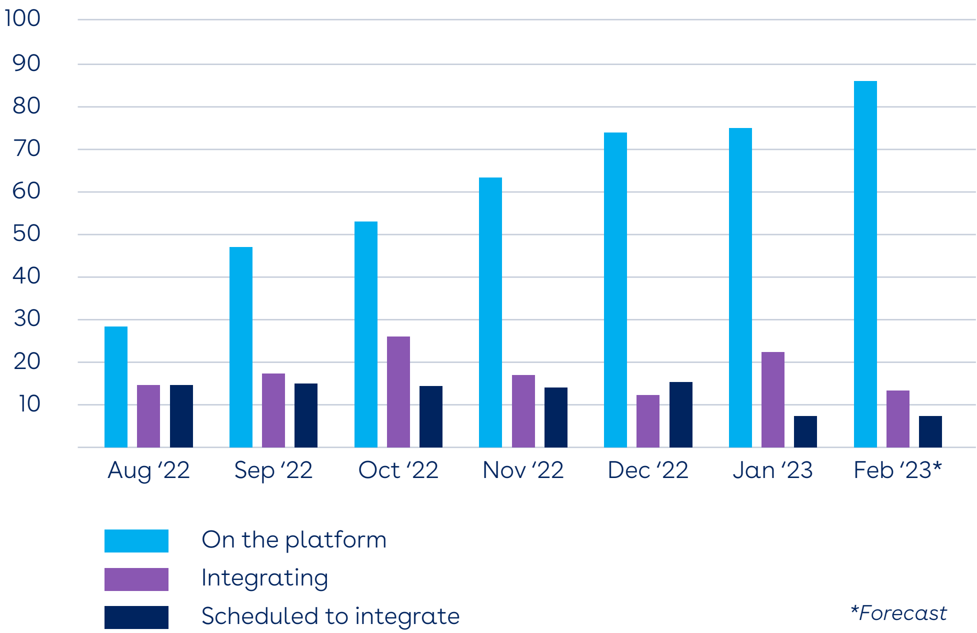


Lasoo – successful platform launch

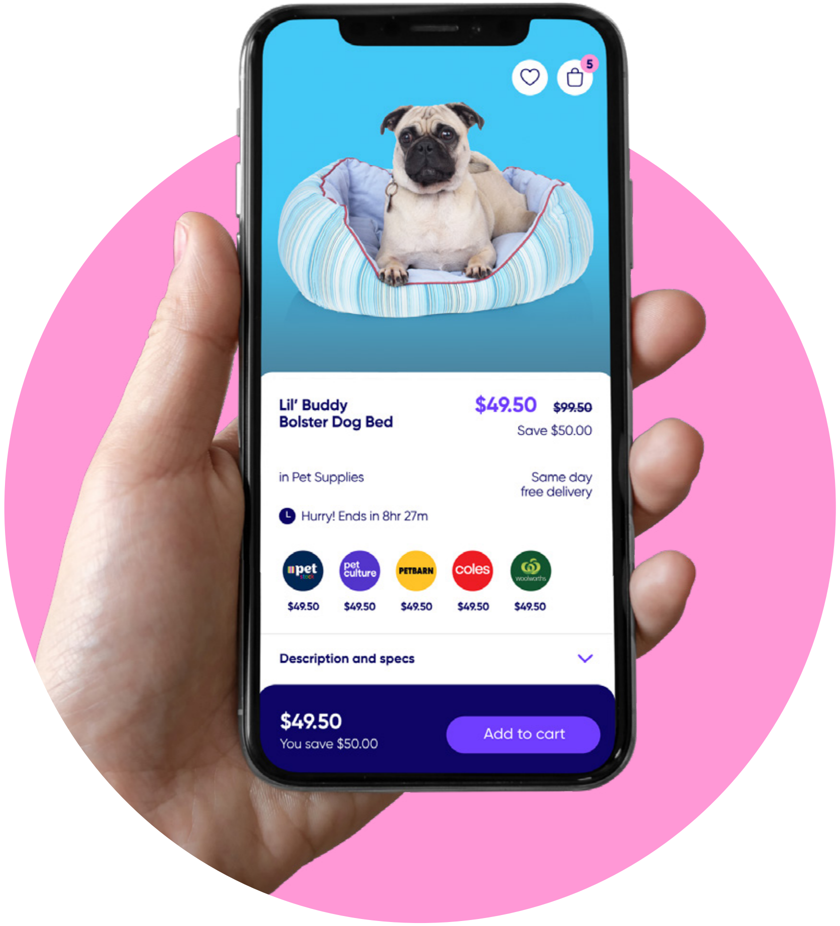
Superior e-Commerce marketplace for retailer's specials

- The new Lasoo platform successfully launched in October 2022
- Independent feedback on user experience and net promoter scores is encouraging and reflected in unique user visits significantly above levels experienced on the old platform
- Lasoo's site usability score (SUS) of 94 (website) and 86 (app) compares favourably with an average score of 67 for mature e-Commerce platforms while Lasoo's net promoter score (NPS) of +38 is promising

Retailer onboarding momentum



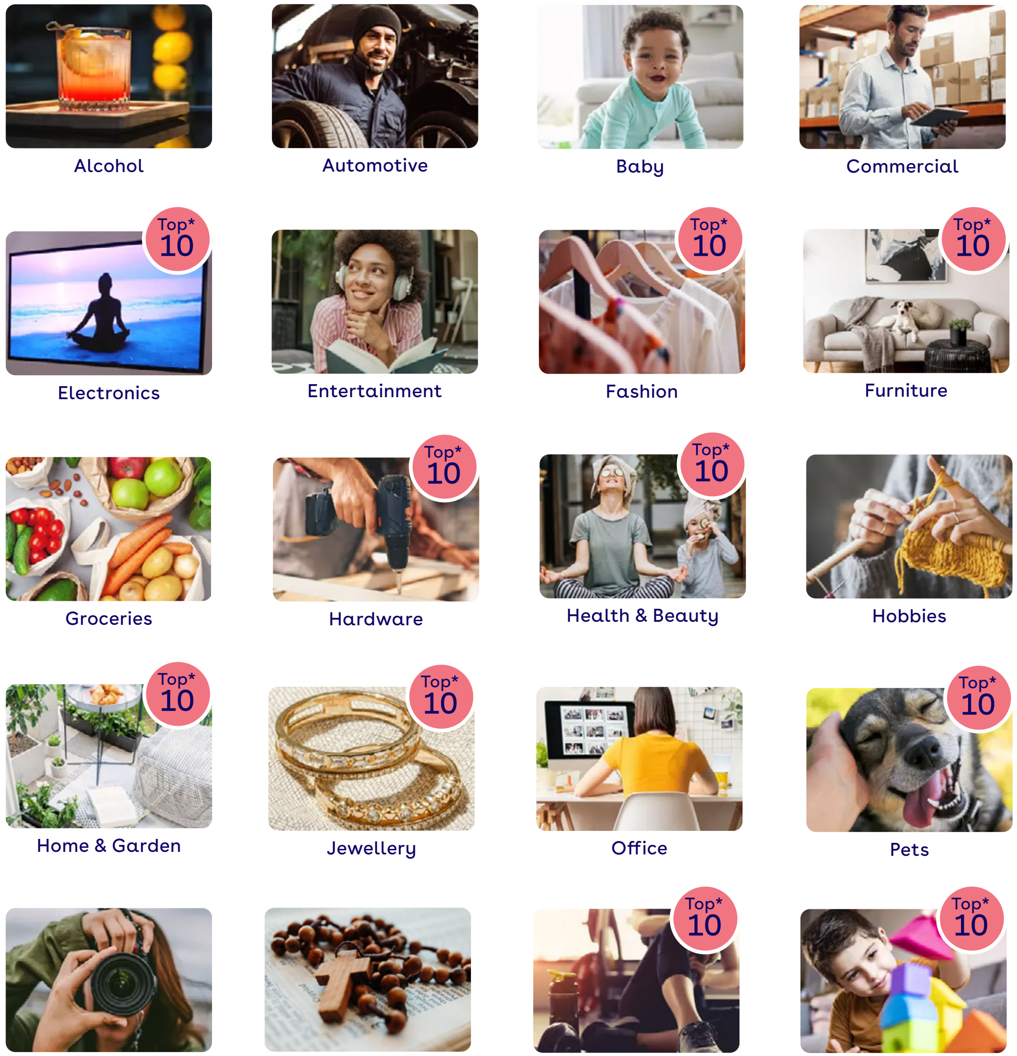
*Forecast



Lasoo – successful platform launch (continued)

- The pipeline for new retailer integration remains strong with a number of significant retailers having deferred integration from the key Christmas trading period to the first half of calendar 2023. Additions to the platform in January 2023 included Carlton & United Breweries (CUB) and Lincraft
- Lasoo contributed a FY23 H1 loss of $2.4m pre-tax reflecting costs associated with the consumer go-to-market campaign and modest team buildout costs
- Due to a likely increase in FY23 H2 marketing spend following promising early platform activity, Lasoo is now expected to contribute a FY23 after tax loss of $3.9m (previously $3.3m)
- Over the remainder of FY23, management focus will remain on bedding down the platform including completing scheduled retailer integrations, successfully rolling out the FY23 H2 CRO roadmap and continuing to convert an encouraging new business development pipeline

Categories selling on Lasoo



Alcohol | Automotive | Baby | Commercial
Electronics | Entertainment | Fashion | Furniture
Groceries | Hardware | Health & Beauty | Hobbies
Home & Garden | Jewellery | Office | Pets
Photography | Religious & Ceremonial | Sports & Outdoors | Toys & Games

**Top 10 selling category since platform launch*

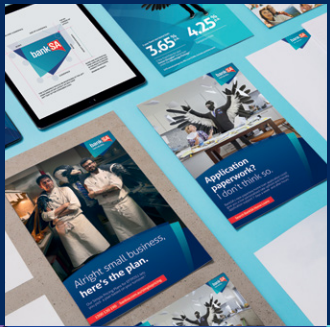
Brands now available to buy on special via Lasoo

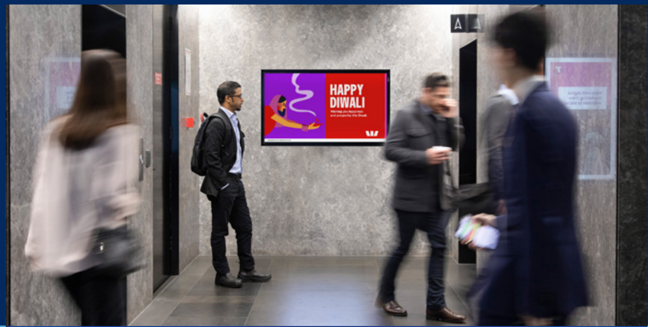
	BURBERRY	LEGO	PERONI	NIKE	REVLON	tommee tippee	Miele
SAMSUNG	MICHAEL KORS	Barbie	Asahi	adidas	MAYBELLINE NEW YORK	pigeon	dyson
Google	GUCCI	Disney	VICTORIA VB BITTER	asics	REMINGTON EST. NEW YORK 1937	ergoPouch AUSTRALIA	SEGWAY
BOSE	RALPH LAUREN	XBOX	GREY GOOSE	BROOKS	BVLGARI	little tikes	Castrol
SONY	TOMMY HILFIGER	PlayStation	CARLTON DRAUGHT	Reebok	L'ORÉAL	vtech	sodastream
JBL	Calvin Klein	Nintendo	GREAT NORTHERN BREWING CO.	fitbit	NIVEA	Leap Frog	VINTEC
SONOS	BONDS	STAR WARS	WOLF BLASS	GARMIN	GARNIER	fisher-price	amazon
logitech	rivers	Harry Potter	PURE BLONDE	new balance	Colgate	HUGGIES	Nature's Way
kogan	NONI B	Pokémon	Corona	AM AUGUST MCGREGOR	OLAY	Curash	PHILIPS
BRAUN	COACH	MARVEL	JACOB'S CREEK	INTEX	Dove	oricom	JIMMY CHOO

Energy – electricity and gas

- IVE is a significant user of energy across its operations, with natural gas only used in the web offset printing operations of the Group
- The Group continues to have an acute focus on energy, both from a market volatility and cost perspective, and more recently with an ESG lens as we develop our targets in line with internal and external stakeholder expectations for the business to transition to 100% renewable energy in the future
- We are pleased to announce that IVE has recently executed a 'Heads of Agreement' with Iberdrola, one of the largest renewable energy companies globally. Expected to be finalised in FY23 Q3, the 7-year partnership agreement with Iberdrola will commence 1 January 2024. From this date, IVE's electricity will be generated from a renewable (primarily wind) source
- The review and negotiation of the Group's new power purchasing agreement (PPA) comes at a time of well publicised and unprecedented increases in the cost of both electricity and gas
- IVE's 2022 calendar year pre-tax energy cost (excluding energy costs to produce Ovato revenues) was approximately \$9.4m, comprising \$7.8m for electricity and \$1.6m for gas
- Given the 31 December 2022 expiry of IVE's existing electricity supply agreement and volatile spot energy markets, the FY23 guidance released in conjunction with the Group's FY22 result allowed for a \$1.25m increase in the cost of electricity in FY23 H2, giving rise to a FY23 budgeted energy cost of around \$10.2m (\$8.6m for electricity and \$1.6m for gas)
- In light of continued increases in the cost of electricity and especially gas, the original FY23 H2 allowance has proven insufficient. Accordingly, IVE's upgraded FY23 guidance (outlined overleaf) now includes an additional \$3.3m allowance for increased FY23 H2 energy costs (\$1.0m for electricity and \$2.3m for gas) giving rise to an expected FY23 total energy cost of \$13.4m (\$9.5m for electricity and \$3.9m for gas)
- From 1 January 2024, the Group's new long-term partnership with Iberdrola will provide stable and consistent electricity consumption pricing for IVE. The total price of electricity under the contract will partly be dependent upon the price received for Large Scale Generation Credits (LGC) if and when sold
- **Importantly, pricing under the Iberdrola contract (assuming available LGCs are sold at today's market traded price) would see the Group's rates for electricity return to around calendar 2022 levels**
- **While there can be no assurances around the timing of eventual gas price relief, there is a prevailing expectation that the gas market will improve in the near term. If so, and depending upon timing, this may deliver upside relative to IVE's upgraded FY23 guidance (outlined overleaf)**

Outlook and guidance





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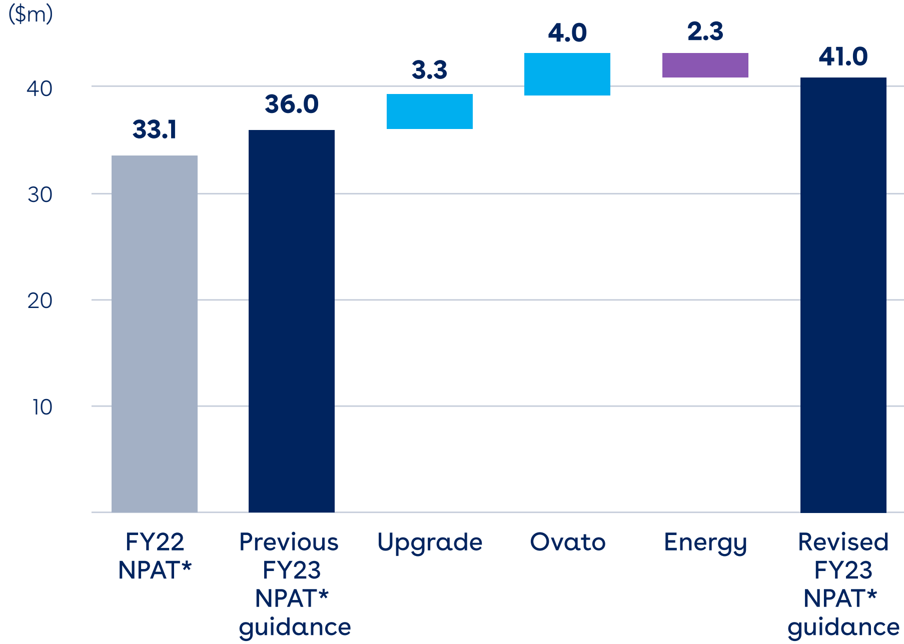
Outlook and guidance[1]

A strong interim result coupled with continuing momentum across the business and emerging Ovato synergies place IVE in a strong position to deliver a healthy FY23 result, well up on FY22, albeit tempered somewhat by a temporary but significant increase in energy costs

- The FY23 guidance provided in conjunction with the release of the Group's FY22 result excluded an anticipated loss associated with Lasoo's consumer go-to-market campaign and did not allow for any anticipated contribution from the Ovato transaction
- Having regard to the strong FY23 H1 performance, year-to-date Ovato integration progress and further refinements in Ovato integration planning, the Group has upgraded its FY23 guidance as outlined below
- FY23 guidance (excluding anticipated $3.9m after-tax loss from Lasoo, originally guided at $3.3m after-tax loss):
  - Underlying EBITDA of around $120m
  - Underlying NPAT of around $41m
  - Capital expenditure is expected to be around $15m (excluding Ovato)
  - Restructure and acquisition costs of around $19m and will be treated as significant items and excluded from EBITDA and NPAT
  - The Group's dividend policy remains unchanged, targeting a full year payout ratio of 65-75% of underlying NPAT
- Guidance includes an expected FY23 contribution from Ovato (from 13 September 2022) of:
  - Underlying EBITDA of around $11m
  - Underlying NPAT of around $4m
  - Restructure and acquisition costs of around $16m pre-tax
- Guidance also includes temporary FY23 H2 pre-tax energy costs in excess of original allowance of $3.3m ($2.3m post-tax)

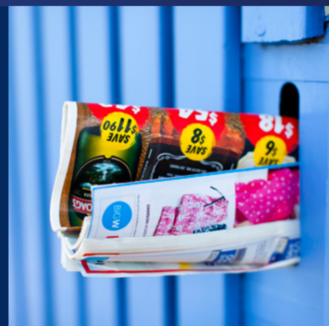
1 Outlook and guidance is subject to risks as outlined in the Risk Management Framework on pp41-43 of IVE's 2022 Annual Report



**Underlying (non-IFRS) NPAT excluding various non-operating items*

Appendices

FY23 H1



Appendix A

IFRS Profit and Loss

	FY23 H1 ($m)	FY22 H1 ($m)	Variance ($m)	Variance (%)
Revenue	504.2	382.6	121.6	31.8
Material profit	223.0	181.7	41.3	22.7
% of revenue	*44.2%*	*47.5%*	-	*(6.9)*
EBITDA	52.3	52.1	0.2	0.4
Depreciation and amortisation	24.0	21.4	2.6	12.4
EBIT	28.3	30.6	(2.3)	(7.6)
Net finance costs	5.7	3.9	1.8	47.1
NPBT	22.5	26.8	(4.3)	(16.0)
Income tax expense	7.3	8.6	(1.3)	(15.6)
NPAT	15.3	18.2	(2.9)	(16.1)
NPATA	16.8	20.1	(3.3)	(16.4)

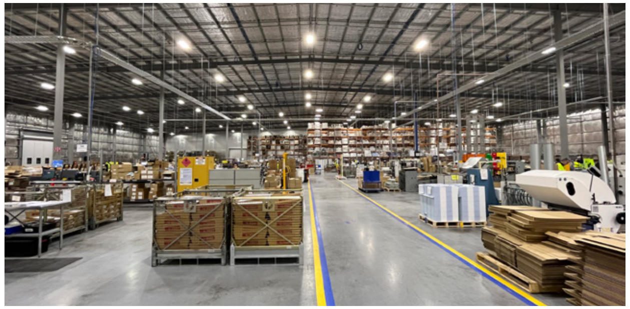
IFRS to underlying NPAT reconciliation

Non-operating items excluded from underlying NPAT	FY23 H1 ($m)	FY22 H1 ($m)
IFRS NPAT	15.3	18.2
Restructure costs	7.1	0.5
Acquistion costs	2.8	0.5
Software as a service (still in development stage)	0.7	0.9
Lasoo consumer go-to-market campaign and team buildout	2.4	-
Other items	0.1	1.4
Pre-tax non-operating items	**13.0**	**3.4**
Tax effect of adjustments	(3.9)	(0.6)
Underlying NPAT	**24.3**	**20.9**

Appendix B

IVE Group Limited Balance Sheet

	FY23 H1 ($m)	FY22 ($m)
Current Assets		
Cash and cash equivalents	56.2	67.0
Trade receivables, prepayments and other	157.8	123.9
Inventories	112.1	74.2
Assets held for sale	4.2	-
Total Current Assets	330.3	265.1
Non-Current Assets		
Deferred tax assets	18.9	17.2
Property, plant and equipment	117.8	100.2
Property, plant and equipment (ROUA)	134.1	105.9
Intangible assets and goodwill	133.6	133.3
Other non-current assets	3.0	2.9
Total Non-Current Assets	407.4	359.3
Total Assets	737.7	624.4
Current Liabilities		
Trade payables and provisions	218.6	164.1
Loans and borrowings	3.3	3.8
Lease liability (ROUA)	39.4	32.4
Current tax payable	1.6	5.7
Total Current Liabilities	262.9	206.0
Non-Current Liabilities		
Trade payables and provisions	14.8	13.3
Loans and borrowings	139.4	130.2
Lease liability (ROUA)	115.2	92.3
Total Non-Current Liabilities	269.4	235.9
Total Liabilities	532.3	441.8
Net Assets	205.4	182.6
Equity		
Share Capital	167.4	148.9
Other reserves	2.3	1.8
Retained Earnings	35.7	31.9
Total Equity	205.4	182.6



Appendix C

Disclaimer

No recommendation, offer, invitation or advice

This presentation contains general information about the activities of IVE Group Limited (IVE) which is current as at 31 December 2022. It is in summary form and does not purport to be complete. It presents financial information on both a statutory basis (prepared in accordance with Australian accounting standards which comply with International Financial Reporting Standards (IFRS) as well as information provided on a non-IFRS basis. This presentation is not a recommendation or advice in relation to IVE or any product or service offered by IVE's subsidiaries.

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