



IVE Group Limited
ABN 62 606 252 644
Level 3
35 Clarence Street
Sydney NSW 2000
P+61 2 9089 8550
ivegroup.com.au

26 November 2019

Executive Chairman's Review – Annual General Meeting 2019

STRATEGIC INTENT OVER TIME

Over the last year the Group continued with the most significant investment program the sector has seen for a very long time, demonstrating our confidence in the industry, and our capacity as a business to execute major initiatives effectively.

Our strategic investment program commenced shortly after our listing in December 2015, and would best be described as a period of further diversification, significant expansion and growth in the scale of our business. The enhanced value proposition we take to market remains compelling to our clients, and clearly demonstrates that our strategy of ensuring and maintaining our relevance in the marketing communications space over a long period continues to serve us very well.

I will make some comments towards the end of my remarks with regards to yesterdays' announcement on the acquisition of Salmat Marketing Solutions and Reach Media NZ – but firstly, I would like to reflect on the financial year just gone.

CLEAN RESULT

The period from August 2017 following the \$55.6m capital raising through to June 2019 has seen us consolidate the significant investment program and execute a number of meaningful initiatives. We did not raise any new capital, or undertake further acquisitions through June 2019, and as a result the FY19 financial results are the 'cleanest' set of reported numbers since we listed.

So, notwithstanding some challenges, particularly in the second half of the year, we are pleased to have once again delivered a solid result, with key financial performance metrics up on the prior year.

All key operational milestones were also met, with the highlight of the year being the final phase and official opening of our \$53 million Franklin WEB NSW operation in Western Sydney – and what an amazing, world class operation it is.



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MANAGEMENT & BOARD CHANGES

We had a change of leadership in August 2019 with the resignation of our managing director of 5 years, Warwick Hay. I would like to acknowledge Warwick's outstanding contribution to the growth and evolution of the business during his time as managing director. It was a pleasure to have worked closely with Warwick during this period, in particular on our listing on the ASX back in 2015. I thank him on behalf of the board and our staff for his commitment and leadership of the business.

Matt Aitken, chief operating officer of the Group at the time was appointed chief executive officer in August following Warwick's resignation. Matt has been a core member of the leadership team for a very long time and we were most fortunate to have someone of Matt's calibre and commitment to seamlessly transition into the leadership role of the business.

I have worked closely with Matt over the last 20 years and the level of respect with which he is held across IVE and the broader marketing sector is testament to his personal style and unique skill set. Matt's appointment, as expected, has been universally well received across the business and our client base.

I would also like to convey our thanks to Andrew Harrison who stepped off the board in November 2018. Andrew joined the board at the time of our listing in December 2015 and we benefited greatly from his insights and experience as he chaired our audit risk & compliance committee during the early years of public company life.

We welcomed Carole Campbell to the board in November 2018, and Carole has taken on the role as chair of the audit risk & compliance committee following Andrew's departure.

BRAND SIMPLIFICATION

As our business and offer to the market has become more integrated over the last 5 to 10 years, operating under multiple brands has led to some confusion from clients and shareholders as we attempt to clearly articulate the expertise of our product/service offering across each of our businesses and as a broader diversified marketing group. It's the right time for us to move to the one IVE brand and this will be officially launched by the end of 2019. I firmly believe this simplification of our brand and narrative will build further on the existing IVE brand to create an incredibly impactful, strong and modern identity.

ACQUISITION OF SALMAT MARKETING SOLUTIONS AND REACH MEDIA NZ

That brings us to yesterday's announcement that we have entered into an agreement to acquire "Salmat Marketing Solutions and Reach Media NZ" - the catalogue distribution businesses of Salmat Ltd. From mine and the Board's perspective we believe this is a

strategically sound acquisition that will be accretive to our earnings and will allow us to build on our already strong position in the catalogue sector. There is no need to raise any new capital with the acquisition being fully debt funded.

The acquisition provides a low risk entry in to the distribution space, while at the same time providing the opportunity to take control over the distribution channel and to invest appropriately, with catalogues remaining a key component of a customer's marketing strategy.

The transaction will also provide us with access to a broader set of customers - through many SME retailers with whom we don't currently transact, allowing the opportunity to present a full service offering to that customer base. Additionally, some synergies are expected to be achieved in the medium term.

This transaction has been carefully considered by the Board and we are confident of the additional value this will bring to the Group. Matt will provide more detail shortly in the CEO's report.

STRATEGY / NET DEBT

The acquisitions and subsequent capital expenditure program announced yesterday complete the final phase of our strategic roadmap over recent years to further expand and strengthen our offer to retail clients. The continued solid performance of the business positions us well to generate strong free cashflow over the years ahead.

The Board has been looking carefully at the current financial and economic environment - particularly in terms of low interest rates. We are looking to balance the use of relatively inexpensive debt, while continuing to invest in the business and delivering strong overall returns to shareholders. The net debt / EBITDA position for the Group was 1.79x as at 30 June 2019. In the medium term we would be targeting a level around 1.5x.

CLOSING

I am pleased to be the chairman of a company that is committed to making decisions that we believe to be in the best interests of the ongoing sustainability of our business. We are extremely fortunate to have a diverse, committed and talented team of 1800 across the region that remain focused every day of the year on ensuring we continue to exceed our client expectations in the ever changing and complex marketing landscape.

We are most fortunate to be led by a cohesive, aligned and complimentary leadership team whom I respect greatly. To my fellow directors, thank you for your continued engagement, guidance and expertise over the last year.