

IVE GROUP LIMITED – ANNUAL GENERAL MEETING MANAGING DIRECTOR’S PRESENTATION

November 16, 2017



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Warwick Hay – Managing Director

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OUR BUSINESS

A leading product and service offering

IVE is a vertically integrated marketing services and print communications provider. IVE enables its customers to communicate more effectively with their customers by creating, managing, producing and distributing content across multiple levels.

The marketing services and print communications industry is dynamic and constantly evolving. IVE's response to this evolution has been to maintain relevance with our customers through ongoing investment and expansion of our product and service offering.

This has been achieved through an effective combination of both organic growth initiatives and strategic acquisitions.

IVE has a leading product and service offering in Australia and holds leading positions across multiple industry sectors. IVE delivers its products and services through four operating divisions.



kalido.

A customer experience agency that helps brands prosper through creative concept development, digital services, customer analytics & marketing automation

bluestar

Integrated print, point of sale, personalised communications, promotional products, warehouse & logistics services

paretogroup

Fundraising strategy, data-driven solutions and telephone fundraising agency serving the not-for-profit sector

iveo

Managed solutions. Bundles the Group's broad range of products and services into multi-channel solutions for customers

DASHBOARD – THE PAST YEAR

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FY17 FINANCIAL HIGHLIGHTS

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FY17 FINANCIAL HIGHLIGHTS

PROFIT AND LOSS

- **Revenue growth** - Revenue increase of \$114.8 million or 30.1% over PCP, this reflects the impact of Franklin and AIW acquisition, as well as increased revenue from new customer wins and the existing customer base through expanded service offering
- **Gross profit margin** - The gross profit increase of \$48.5 million over PCP largely driven by increased revenue. The Group achieved gross profit margin of 49.9% to revenue compared with 52.2% in PCP. Catalogue revenue has historically been at lower gross profit margin to that of IVE existing revenue. Normalising for this, gross profit has remained stable as a result of managing of inputs, continued leveraging of supply chain and reducing outsource spend wherever possible by producing internally
- **EBITDA growth** - EBITDA of \$55.2 million represents an increase of \$10.3 million or 23.0% over PCP, achieved via a combination of revenue growth and efficiency gains. EBITDA margin of 11.1% is a decrease on PCP of 11.7% impacted by carrying higher costs through transitional year
- **FY17 final dividend** – Final dividend of 6.4 cents per share fully franked, after issue of new shares via the rights issue. This is consistent with the company's stated dividend policy, the payout ratio is 73% of NPAT (before restructure and acquisition costs)

	PRO FORMA ⁽¹⁾			
	Actual FY2017 \$M	Actual FY2016 \$M	Variance \$M	Variance %
Revenue	496.9	382.0	114.8	30.1%
Gross Profit	248.1	199.6	48.5	24.3%
% of Revenue	49.9%	52.2%	—	-4.4%
EBITDA	55.2	44.9	10.3	23.0%
% of Revenue	11.1%	11.7%	—	-5.4%
EBIT	41.4	34.8	6.6	18.9%
% of Revenue	8.3%	9.1%	—	-8.6%
Profit before tax	36.0	32.6	3.4	10.5%
NPAT	24.6	22.3	2.3	10.5%
NPATA	27.3	23.9	3.3	14.0%

(1) The Pro Forma financial results are on a non IFRS basis and not audited
FY2016 & FY2017 excludes restructuring and acquisition expenses

FY17 FINANCIAL HIGHLIGHTS

REVENUE

- IVE's FY17 revenue increased by 30.1% on PCP to \$496.9 million
- Part year contribution from Franklin WEB and AIW
- Strong new business performance across a broad cross section of customers. Highlights of major new contract wins include:
 - **IVEO**: L'Oréal, Diageo, BP and Blackmores
 - **Kalido**: AXA Asia, Johnson & Johnson, Kalbe, The Mall Group, L'Oréal and Foxtel
 - **Blue Star Group**: Coles, Pacific Magazines, Kmart, Lovatts, Globus Travel, Nestle and Suncorp
 - **Pareto**: Red Cross and Greenpeace
- IVE continues to explore new opportunities with existing customers and has grown share of wallet (SOW). Major SOW wins include:
 - **IVEO**: Diageo, iCare, McDonalds and RACV
 - **Kalido**: Super Retail Group, Foxtel and ANZ
 - **Blue Star Group**: NBN, H+R Block, Birdnest, Fairfax and ANZ
 - **Pareto**: World Wildlife Fund and Lifeline
- IVE has successfully renewed a number of key contracts:
 - CBA, Optus, Fairfax, Tupperware, Travelcorp, Australian Electoral Commission, Glaxo Smith Kline, Flight Centre, IAG, NBN, Yaffa Media, Beyond Blue and Kmart



FY17 – KEY INITIATIVES

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FY17 – KEY INITIATIVES

Expansion to enable growth

- **Kalido Expansion**

The Kalido division continues its growth trajectory into Asia (specifically in the data analytics, marketing automation and website optimisation space) with strong new business wins in Indonesia, Thailand and China. Kalido Hong Kong opened in April 2017 to complement the existing Singapore office, established in May 2016

As a leading Salesforce Marketing Cloud partner in Asia Pacific, Kalido's Platinum Certification should see them take advantage of many new business and revenue opportunities in Asia, specifically in data analytics, marketing automation and website optimisation

- **Blue Star CONNECT relocation**

Towards the end of 2016, Blue Star CONNECT (NSW) relocated from three existing premises into one new 20,000 sqm purpose-built facility in Erskine Park. The new facility has the capacity to hold 17,000 pallets, supporting the ongoing growth of the Group's logistics and fulfilment offer, which continues to play a key part in our success to secure large managed solutions customers in IVEO. Simultaneously the warehouse management system was upgraded to support further automation and growing activity levels

- **Relocation and expansion of Blue Star DISPLAY in Victoria**

Building on the growth of the Blue Star DISPLAY business in NSW over recent years, the Group's existing Victorian operation was relocated and merged with Franklin WEB's retail display business into a dedicated facility in Sunshine. This coincided with a significant investment program to provide more capacity to better service national retailers for their retail display requirements



ACQUISITION AND INTEGRATION UPDATE

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Acquisition and integration update

The Group continued its disciplined acquisition program with five businesses acquired during the period. Three acquisitions (excluding Franklin WEB and AIW Printing) were seamlessly integrated into existing Blue Star businesses throughout the year:

Franklin WEB (Franklin) and AIW Printing (AIW) (completed 13th December 2016)

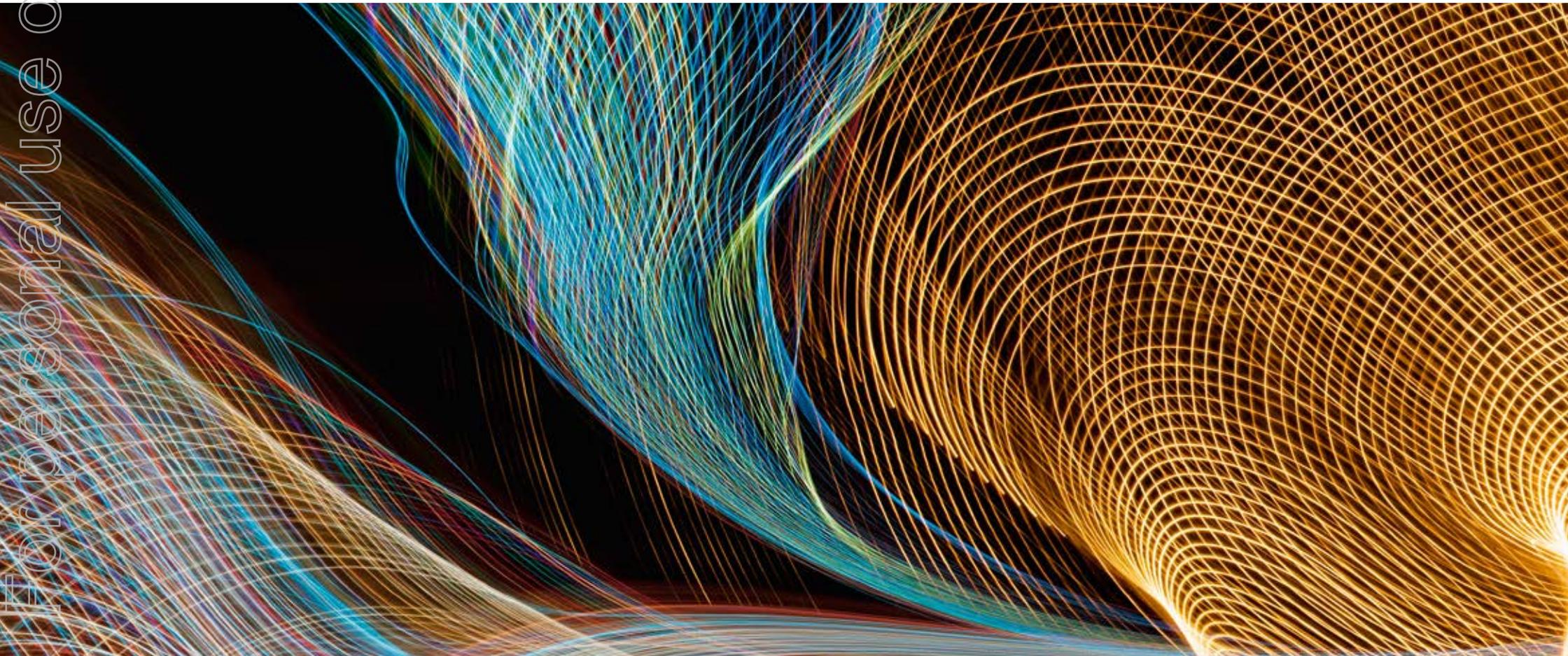
- Customers' response to IVE's acquisition of Franklin and AIW has been very positive:
 - \$70 million in incremental annual contracted revenue has been secured since December 2016 – Coles, Pacific Magazines and the extension of NARTA (including an additional large national retailer)
 - All major customers of both Franklin and AIW have been retained
 - Customers of both Franklin and AIW are actively engaged to explore IVE Group's diversified offering
- All key staff have been retained
- Establishment of Franklin NSW in conjunction with Franklin VIC to efficiently service national retailers with quicker speed to market and reduced costs:
 - The installation of the first new 80 page Lithoman printing press in Franklin NSW, and supporting infrastructure
 - The Franklin NSW facility will also include highly automated stitching and perfect binding equipment to enable a full service offering to the market
 - All key staff have been recruited for the new Franklin NSW operation
 - The Franklin NSW facility was fully operational on the 27th October ahead of plan

- It is expected that the synergies will be a minimum of \$11.5 million per annum (full run rate effective January 2018)
- AIW to be closed by end of December 2017
 - The AIW plant at Springvale in Victoria was significantly scaled down in January 2017 and currently operates as a short term transitional satellite manufacturing arm of Franklin WEB. As a result of the decision to establish the Franklin greenfield operation in NSW on the back of significant revenue growth, the final closure of AIW was delayed.
 - The delayed closure of AIW has resulted in additional costs being incurred over the integration period. This was necessary to ensure customer delivery requirements were met until Franklin WEB (NSW) was fully operational.

The Mailing House	(completed September 2016) fully integrated into Blue Star DIRECT (NSW)
Display Bay and R25	(completed December 2016) fully integrated into Blue Star DISPLAY (NSW)

AUGUST 2018 CAPITAL RAISING

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AUGUST 2018 CAPITAL RAISING

Benefits excluded in FY18 outlook

August 2018 the Group successfully completed a \$55.6 million capital raising to support initiatives to drive growth beyond FY18. These initiatives and acquisitions consolidates our position as one of Australia's leading vertically integrated marketing services and print communications businesses.

<p>Acquisition and Integration of SEMA</p> <p>\$19.6 million</p> <p>(excludes \$3.4 million of IGL scrip)</p>	<ul style="list-style-type: none"> • Revenue \$42 million and EBITDA \$3 million • SEMA adds new capability – inbound scanning, electronic archiving and retrieval smarts • SEMA customers have been very supportive of ownership change • SEMA customer pipeline already delivering success under IVE-CBA, Transurban (QLD) • Integration plan near completion with two SEMA locations to be integrated into Blue Star existing DIRECT NSW and VIC operations • Integration completion May/June 2018 • Costs to execute \$4.5 million • Expected synergies in excess of \$5.0 million firming up • Order placed for new continuous inkjet device \$5.5 million – April 2018
<p>Additional LFWO press</p> <p>\$22.0 million</p>	<ul style="list-style-type: none"> • 2nd 80 page web offset press and ancillary equipment ordered for Franklin NSW • Rebalancing capacity between Victoria and NSW • Installation September 2018
<p>Strong acquisition pipeline</p> <p>\$11.2 million</p>	<p>The Company has a strong pipeline of value accretive bolt-on acquisitions which if completed in FY18 would be expected to provide additional revenue and EBITDA. These have not been included in the FY18 outlook.</p>
<p>Total</p> <p>\$55.6 million</p>	

FY18 OUTLOOK

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FY18 OUTLOOK

IVE continues to enhance its position as one of Australia's leading diversified marketing communications businesses

Strong outlook

- FY18 EBITDA expected to be approximately \$70 – 75 million (before restructure costs)
 - FY18 restructure costs expected to be \$2.5 – 3.5 million
- Key drivers of FY18 expected to be:
 - full year contribution of Franklin WEB
 - phased realisation of new contract wins in LFWO
 - phased realisation of synergies from Franklin/AIW integration
 - Franklin WEB (NSW) fully operational from October 2017
 - AIW to be closed by end of December 2017



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