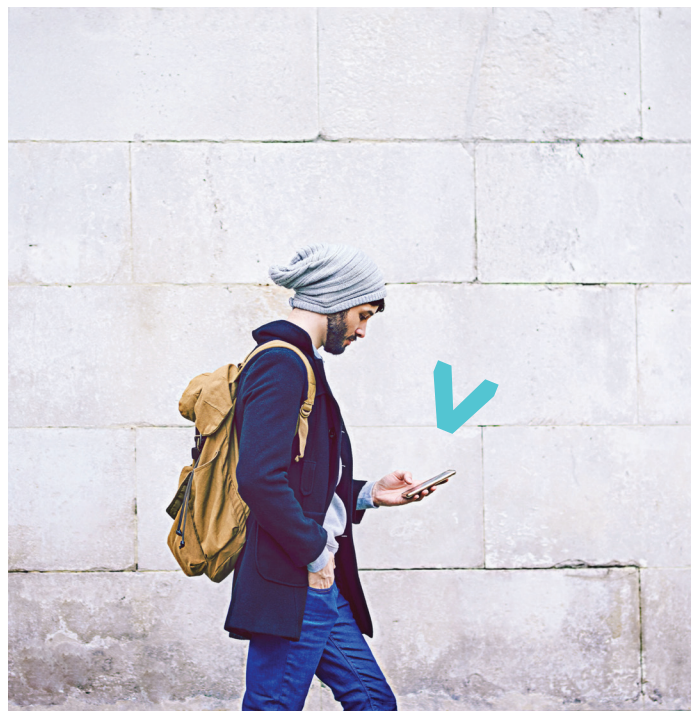


IVE Group Limited FY20 H1 Results Presentation

ASX : IGL
26 February 2020

ive



We are forever seeking

i

new ways to navigate

>

e

the marketing maze

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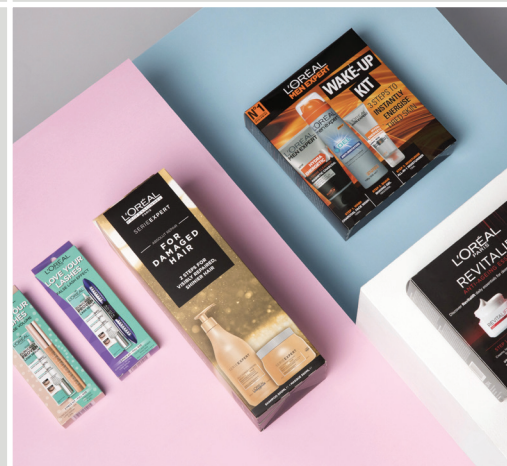
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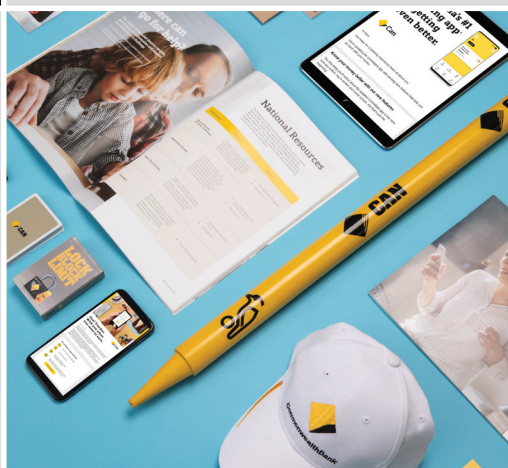


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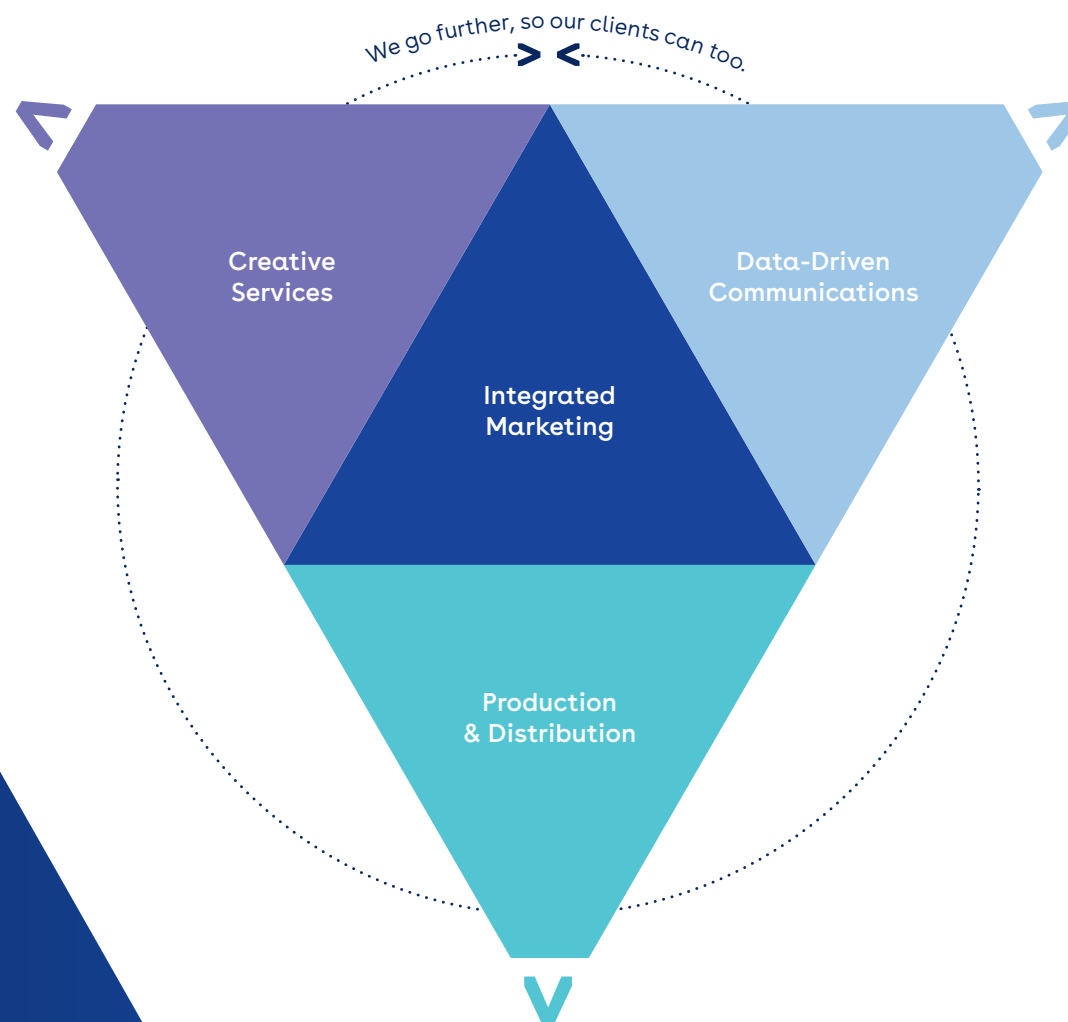


Our integrated service offering

Founded in 1921, we are Australia's leading holistic marketing company.

With an unmatched breadth and depth of offering, we guide our clients from idea to execution. We help brands navigate the complex marketing maze, and connect our clients with customers wherever, whenever.

Specialising in creative, data-driven communications, integrated marketing, production and distribution, we bring together the capabilities, specialists and technology needed to make customer connection seamless.



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Creative Services

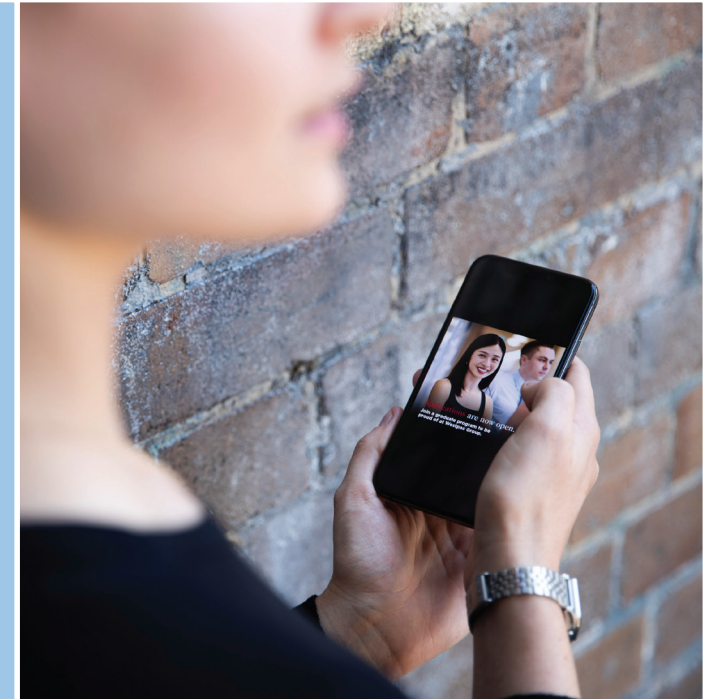


Visual
Motion
Digital
Personalised
Structural

Data-Driven Communications



CX data and insights
Marketing technology
Omni-channel deployment
Retrieval and enrichment
Tele-fundraising



Production & Distribution

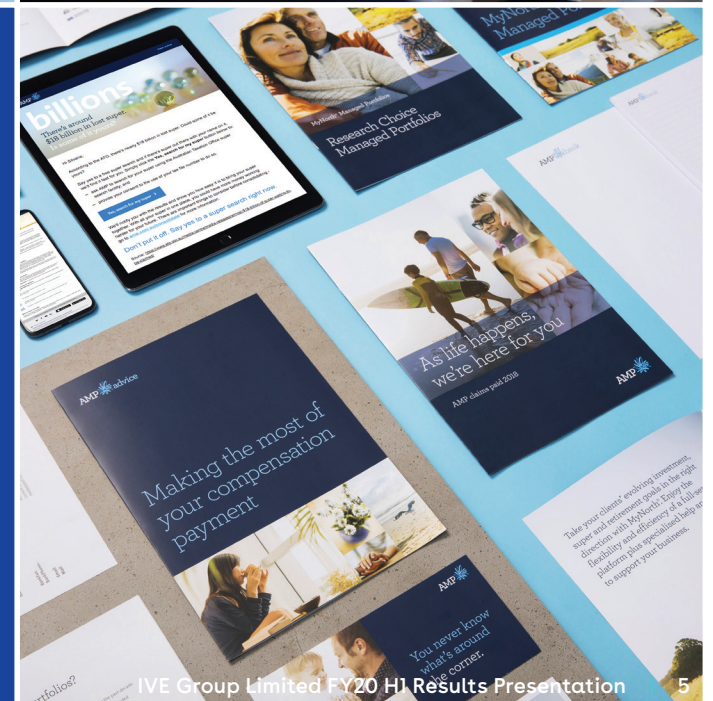


Print
Retail display
Premiums and merchandising
Integrated logistics

Integrated Marketing



Resource management
Supply chain
Reporting



Financial performance dashboard

(pro forma and pre AASB16)

REVENUE
\$360.2m

down 4.1% on PCP

EBITDA
\$40.1m

down 7.8% on PCP

NPAT
\$17.6m

down 7.3% on PCP

Gross profit
margin consistent
with FY19 full year

EBITDA MARGIN
11.1%

consistent with
FY19 full year

INTERIM DIVIDEND
8.6c

per share
fully franked

- The Pro Forma financial results are on a non IFRS basis and are not audited or reviewed
- The Pro Forma results exclude all restructuring and acquisition expenses (refer Appendix C)
- The interim dividend of 8.6c is within the board's stated policy 65-75% of Pro Forma NPAT

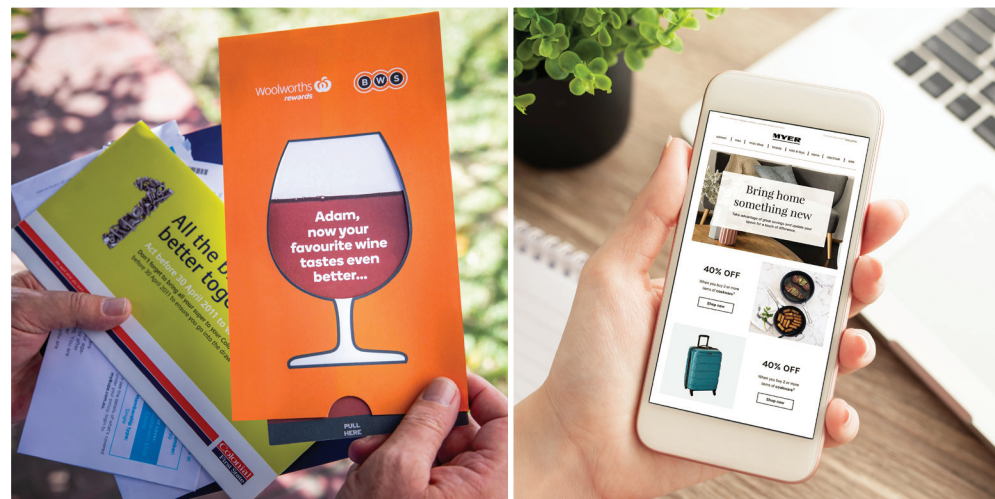
FINANCIALS

Profit & Loss (pre AASB16)

- **Revenue decrease of 4.1%**
 - Impacted by softer macro- economic conditions, particularly in retail sector
 - Strong momentum on new customers secured
 - A number of key contract renewals/extensions
 - No customer losses of note
- **Gross profit margin of 47.8% (48.2% in PCP & 47.9% FY19 full year)**
 - Paper cost increases during FY19 in our web offset business continued to negatively impact, however the global paper market is less volatile with pricing more stable relative to the past year
- **EBITDA of \$40.1M (\$43.4M in PCP)**
 - Primarily driven by reduced revenue offset by cost base efficiencies
- **EBITDA margin of 11.1% (11.6% in PCP & 11.1% in FY19 full year)**
 - Reduced revenue
 - Gross profit stable
 - Continued focus on productivity and cost management
- **NPAT of \$17.6M (7.3% decline on PCP) impacted by reduced EBITDA on PCP**

| | Pro Forma (ex restructure & acquisition) | | | | | |
|---------------------|--|------------------|------------------|------------------|--------------|---------------|
| | Post AASB16 | | Pre AASB16 | | | |
| | Actual H1 FY2020 | Impact H1 FY2020 | Actual H1 FY2020 | Actual H1 FY2019 | Variance \$M | Variance % |
| Revenue | 360.2 | 0.0 | 360.2 | 375.6 | –15.5 | –4.1% |
| Gross Profit | 173.4 | 1.4 | 172.0 | 180.9 | –8.9 | –4.9% |
| % of Revenue | 48.2% | | 47.8% | 48.2% | | –0.9% |
| EBITDA | 51.1 | 11.1 | 40.1 | 43.4 | –3.4 | –7.8% |
| % of Revenue | 14.2% | | 11.1% | 11.6% | | –3.8% |
| EBIT | 29.2 | 0.5 | 28.7 | 32.1 | –3.4 | –10.6% |
| % of Revenue | 8.1% | | 8.0% | 8.5% | | –6.8% |
| Profit before tax | 24.0 | –1.4 | 25.3 | 27.4 | –2.1 | –7.7% |
| NPAT | 16.6 | –0.9 | 17.6 | 19.0 | –1.4 | –7.3% |
| NPATA | 18.5 | –0.9 | 19.5 | 20.8 | –1.4 | –6.7% |

- The Pro Forma financial results are on a non IFRS basis and are not audited or reviewed.
- The Pro Forma results exclude all restructuring and acquisition expenses (refer Appendix C).
- NPATA excluding amortisation of customer contracts.
- On adoption of AASB16, the Group's EBITDA result has increased significantly compared to prior year. The new accounting standard requires operating leases previously expensed within EBITDA to be brought on to the balance sheet as a right-of-use asset and lease liability. These balances reduce over the lease term as depreciation and interest expense.



FINANCIALS

Net debt, capital expenditure and balance sheet

- Net debt increase from June 2019 reflects seasonal increase in working capital. Working capital is forecast to decrease for H2 in line with previous years.
- \$5.0M reduction in inventory from June 2019, with further reduction expected in H2
- H1 capital expenditure of \$6.3M excluding ERP/MIS enhancement. Full year expected to be circa \$10.0M as communicated in August 2019

| | Pre AASB16 | |
|--------------------------------|---------------|---------------|
| | Dec 19 \$M | Jun 19 \$M |
| Borrowings – short term | 7.2 | 6.3 |
| Borrowings – long term | 166.6 | 168.9 |
| Borrowings* – Sub Total | 173.8 | 175.2 |
| Cash | –23.7 | –31.5 |
| Net Debt | 150.1 | 143.7 |

*Loans & borrowings are gross of facility establishment costs

*Excludes right of use liabilities impacts from adopting AASB16



FINANCIALS

Cashflow and dividend

- Pro forma free cash conversion of 67.4%
- Operating cash flow impacted by seasonal increase in working capital
- Pro forma EPS of 11.9c
- Interim dividend of 8.6 cents per share, fully franked with payout ratio of 72.4% pro forma NPAT



| | Pre AASB16 | |
|--|-------------------------------|--------------------------|
| | Pro Forma H1 FY2020 \$M | IFRS H1 FY2020 \$M |
| EBITDA | 40.1 | 34.2 |
| Movement in NWC/ non cash items in EBITDA | -13.1 | -10.8 |
| Free Cash Flow | 27.0 | 23.4 |
| Capital expenditure (net) | -6.2 | -6.2 |
| Net cash flow before financing and taxation | 20.8 | 17.2 |
| | | |
| Tax | -8.5 | -7.4 |
| Payment of finance lease liabilities | -3.2 | -3.2 |
| Dividends paid | -11.4 | -11.4 |
| Interest paid | -3.1 | -3.1 |
| Net cash flow | -5.4 | -7.9 |
| | | |
| Free cash conversion to EBITDA | 67.4% | 68.5% |

- Cash flow based on pre AASB16
- The Pro Forma financial results are on a non IFRS basis and are not audited or reviewed
- The Pro Forma results exclude all restructuring and acquisition expenses (refer Appendix C)

BUSINESS UPDATE

Salmat Marketing Solutions & Reach Media New Zealand

The acquisition of Salmat Marketing Solutions and Reach Media New Zealand was completed on January 1, 2020 for a purchase consideration of \$25.4 million. The acquisitions were fully debt funded and are expected to be accretive to earnings in H2FY20.

The acquisition will be bolstered by a \$25-30M capital investment program in FY21 to automate the Marketing Solutions catalogue collation process prior to letterbox delivery for the existing 12,000 strong national (Australian) walker network.

Transaction rationale

- these acquisitions complete the final phase of our strategic roadmap over recent years to further expand and strengthen our offer to retail clients
- the combination of Australia's largest letterbox distribution business with IVE's broader print, data analytics and marketing services offer provides an exciting opportunity for our clients to enhance returns on their marketing spend through our highly integrated offer
- our commitment to a significant capital investment program over the next 18 months to automate catalogue collation will enhance the ongoing sustainability of the national walker network resulting in a stronger distribution channel delivering improved ROI for IVE's retail clients
- The acquisition also provides a significant opportunity to market our compelling value proposition, particularly our powerful print and national distribution offer, to SME's
- Marketing Solutions and Reach Media will continue to operate as standalone businesses



BUSINESS UPDATE

Salmat Marketing Solutions & Reach Media New Zealand – cont.

Update since completion

- The acquisition has been extremely well received by all Salmat/Reach customers, many of whom were existing IVE customers
- Salmat and Reach staff have responded very positively
- The acquisition has been broadly recognised as an ideal fit to IVE's existing powerful retail offer
- The foreshadowed capital investment program to strengthen the national walker network and deliver a superior product has been welcomed by the sector as an important step in enhancing the catalogue channel
- The capital investment business plan will be complete by the end of February 2020
- 12 month business plan under IVE ownership near complete



OUTLOOK STATEMENT

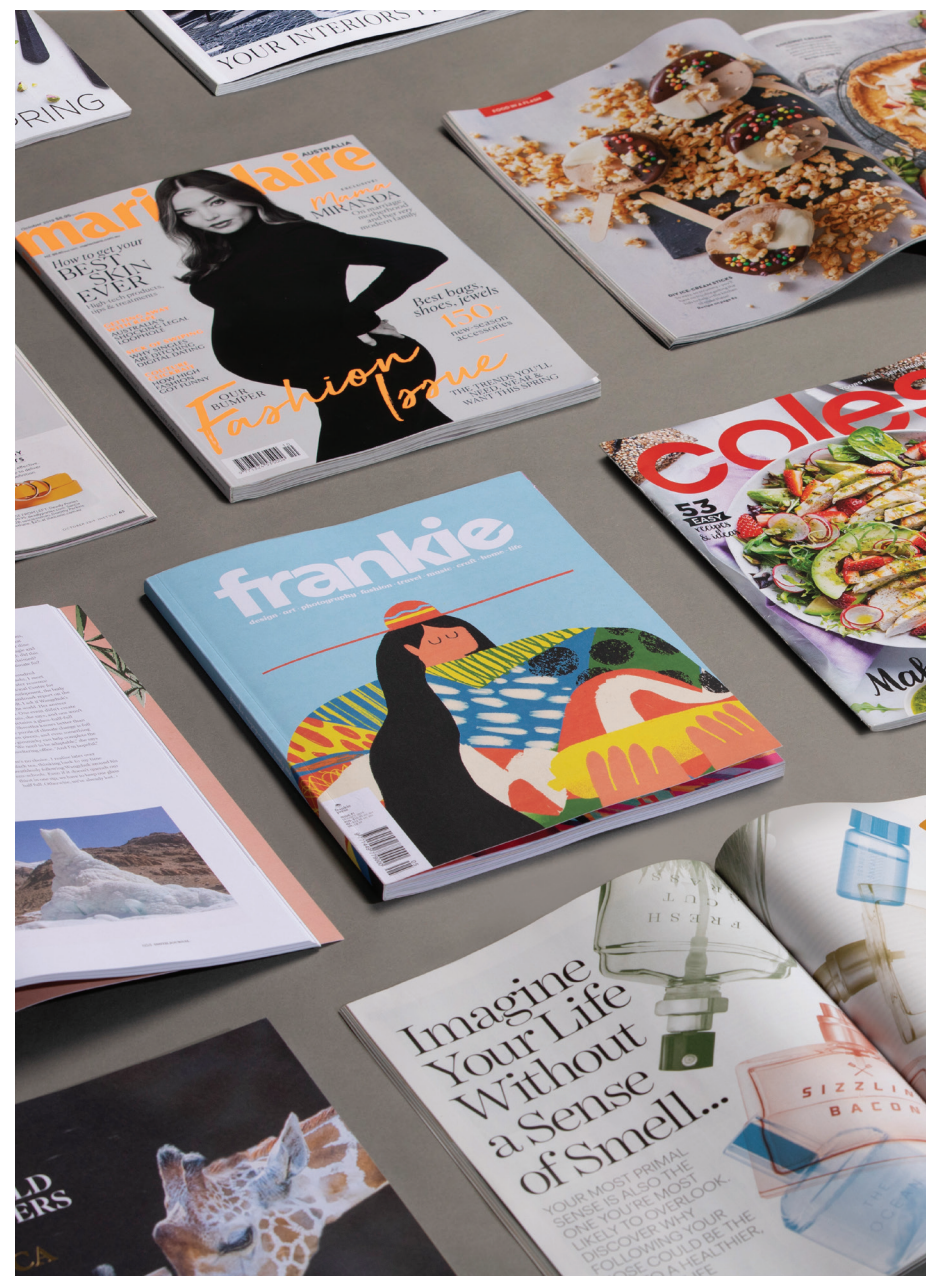
Outlook

- Full year FY20 Pro Forma EBITDA¹ guidance is in the range of \$75-79M
- Continuing softer macro-economic conditions impacting revenue, particularly in retail sector
- The impacts of the COVID-19 virus on our Asian supply chain and broader customer base remain uncertain
- Gross profit margin expected to remain stable
- Key inputs cost of paper and energy have stabilised, albeit remain elevated

Strategic Focus

- Continue to unlock value from the strategic investment program over the last 3 years
- Communicate effectively under one brand our diversified powerful value proposition and reaffirm the strength of our market leading position across the sectors we operate in
- The successful integration of the recent acquisitions of Salmat Marketing Solutions and Reach Media NZ
 - Finalise integration plans
 - Commit to 'industry changing' catalogue collation investment. Estimated cost of \$25-30M funded through a combination of cash reserves and existing facilities
- Medium term:
 - The continued solid and stable performance of the business will generate strong free cashflow over the years ahead
 - Capital expenditure (excluding FY21 catalogue collation equipment) over the next 2 years expected to reduce significantly on prior years
 - No deferred consideration remains payable on prior acquisitions
 - No expected change to dividend policy with resulting solid dividend profile to continue

1. The Pro Forma guidance number is on a non IFRS basis and pre AASB16
The Pro Forma guidance number excludes all restructuring and acquisition expenses



APPENDICES

Appendix A

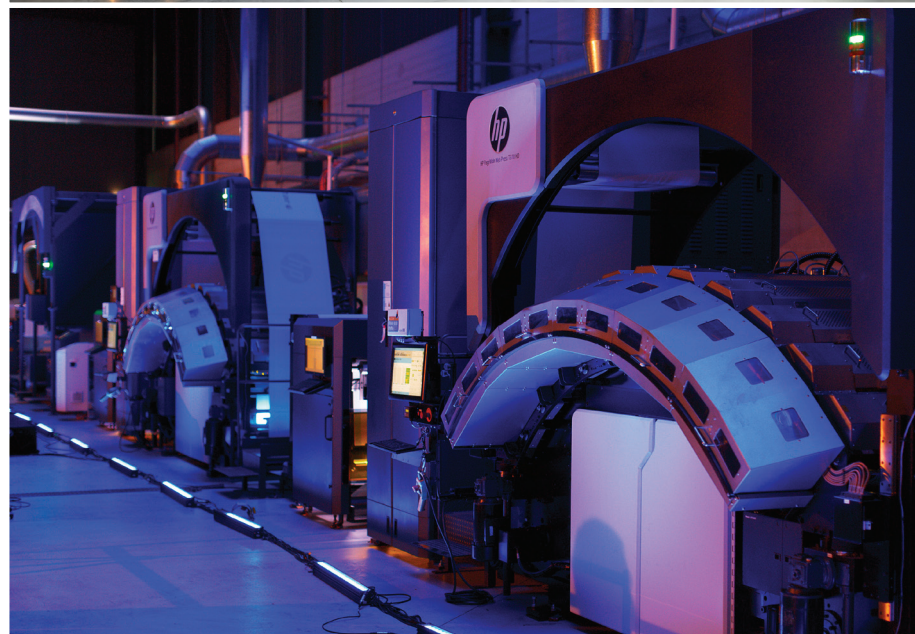
> Non-IFRS financial information

In this Results Presentation, certain non-IFRS financial information has also been included to allow investors to understand the underlying performance of IVE.

The Directors believe that the results before adoption of AASB16, restructuring and acquisitions costs, and Pro Forma comparisons, better reflect the underlying operating performance and is consistent with full year guidance, which differs from the Statutory presentation.

The non-IFRS Pro Forma financial information for the half year ended 31 December 2019 and the pre AASB16 information have not been audited or reviewed.

Financial information in this results presentation is expressed in millions and has been rounded to one decimal place. This differs from the interim financial report where numbers are expressed in thousands. As a result, some minor rounding discrepancies occur.



Appendix B

> IFRS balance sheet

| | Post AASB16 | AASB16 Impact | Pre AASB16 | Pre AASB16 |
|---|---------------|---------------|---------------|---------------|
| | Dec 19 \$M | Dec 19 \$M | Dec 19 \$M | Jun 19 \$M |
| Current Assets | | | | |
| Cash and cash equivalents | 23.7 | 0.0 | 23.7 | 31.5 |
| Trade receivables, prepayments and others | 120.8 | 0.0 | 120.8 | 120.6 |
| Inventories | 61.0 | 0.0 | 61.0 | 66.0 |
| Total Current Assets | 205.5 | 0.0 | 205.5 | 218.1 |
| Non Current Assets | | | | |
| Deferred tax assets | 14.3 | 2.7 | 11.6 | 13.5 |
| Property, plant and equipment | 114.7 | -19.7 | 134.4 | 135.3 |
| Property, plant and equipment (ROUA) | 111.2 | 111.2 | 0.0 | 0.0 |
| Intangible assets and goodwill | 161.5 | 0.0 | 161.5 | 163.6 |
| Other (lease receivable) | 0.5 | 0.5 | 0.0 | 0.0 |
| Total Non Current Assets | 402.2 | 94.7 | 307.5 | 312.4 |
| Total Assets | 607.7 | 94.7 | 513.0 | 530.5 |
| Current Liabilities | | | | |
| Trade payables and provisions | 107.5 | -5.2 | 112.7 | 128.5 |
| Loans and borrowings | 3.0 | -4.0 | 7.0 | 6.2 |
| Lease liability (ROUA) | 30.2 | 30.2 | 0.0 | 0.0 |
| Current tax payable | 0.7 | 0.0 | 0.7 | 2.9 |
| Total Current Liabilities | 141.4 | 21.0 | 120.4 | 137.6 |
| Non Current Liabilities | | | | |
| Trade payables and provisions | 9.4 | -10.5 | 19.9 | 19.8 |
| Loans and borrowings | 153.2 | -12.0 | 165.2 | 167.3 |
| Lease liability (ROUA) | 110.3 | 110.3 | 0.0 | 0.0 |
| Total Non Current Liabilities | 272.9 | 87.8 | 185.1 | 187.1 |
| Total Liabilities | 414.3 | 108.8 | 305.5 | 324.7 |
| Net Assets | 193.4 | -14.1 | 207.5 | 205.8 |
| Equity | | | | |
| Share Capital | 156.5 | 0.0 | 156.5 | 156.5 |
| Other reserves | -0.7 | 0.0 | -0.7 | -0.5 |
| Retained Earnings | 37.6 | -14.1 | 51.7 | 49.8 |
| Total Equity | 193.4 | -14.1 | 207.5 | 205.8 |

Appendix C

> IFRS profit and loss

| | Post AASB16 | | Pre AASB16 | | | |
|---------------------|---------------------|-------------------------------|---------------------|------------------|-----------------|---------------|
| | Actual H1 FY2020 | AASB16 Impact H1 FY2020 | Actual H1 FY2020 | Actual FY2019 | Variance \$M | Variance % |
| Revenue | 360.2 | 0.0 | 360.2 | 375.6 | −15.5 | −4.1% |
| Gross Profit | 173.4 | 1.4 | 172.0 | 180.9 | −8.9 | −4.9% |
| % of Revenue | 48.2% | | 47.8% | 48.2% | | −0.9% |
| EBITDA | 45.4 | 11.1 | 34.3 | 42.6 | −8.3 | −19.4% |
| % of Revenue | 12.6% | | 9.5% | 11.3% | | −16.0% |
| EBIT | 23.4 | 0.5 | 22.9 | 31.2 | −8.3 | −26.6% |
| % of Revenue | 6.5% | | 6.4% | 8.3% | | −23.5% |
| Profit before tax | 18.2 | −1.4 | 19.5 | 26.6 | −7.0 | −26.4% |
| NPAT | 12.4 | −1.0 | 13.3 | 18.4 | −5.1 | −27.5% |
| NPATA | 14.2 | −0.9 | 15.2 | 20.2 | −5.1 | −25.0% |

> IFRS to pro forma NPAT reconciliation

| | Post AASB16 H1 FY20 Actual \$M | Pre AASB16 H1 FY20 Actual \$M |
|---------------------------|--------------------------------------|-------------------------------------|
| IFRS NPAT | 12.4 | 13.3 |
| Restructure costs | 2.8 | 2.8 |
| Acquisition costs | 2.9 | 2.9 |
| Tax effect of adjustments | −1.4 | −1.4 |
| Pro forma NPAT | 16.6 | 17.6 |

Appendix D

> 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 2019. 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.

This presentation is not intended to be relied upon as advice to investors or potential investors, and does not contain all information relevant or necessary for an investment decision. It should be read in conjunction with IVE's other periodic and continuous disclosure announcements filed with the Australian Securities Exchange, and in particular the half year to 31 December 2019. These are also available at www.ivegroup.com.au. Investors and potential investors should make their own independent assessment of the information in this presentation and obtain their own independent advice from a qualified adviser having regard to their objectives, financial situation and needs before taking any action.

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Investors and potential investors should consult with their own professional advisors in connection with any investment decision in relation to IVE securities.

Forward looking statements

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