

ASX RELEASE – IVE GROUP LIMITED (ASX:IGL)

23 February 2023

Financial results for the Six Months to 31 December 2022

IVE Group Limited (IVE, the Company or the Group) is pleased to announce its financial results for the six months to 31 December 2022.

As evidenced by the financial metrics outlined below, IVE delivered a strong first half performance underpinned by an impressive uplift in revenue and associated further leveraging of the recalibrated cost base to drive strong earnings growth. The solid performance was broad-based and reflects the Group's leading industry vertical positioning, tier 1 clients and diversified revenues.

The result also included a modest contribution from the acquisition of Ovato which completed on 13 September 2022.

Key underlying¹ financial performance indicators for the half include:

- Revenue \$502.8m, up 31.4% from \$382.6m pcpc
- EBITDA \$65.0m, up 17.7% from \$55.2m pcpc
- NPAT \$24.3m, up 16.5% from 20.9m pcpc
- EPS 16.5¢pcpc, up 12.8% from 14.6¢pcpc
- Operating cash conversion to EBITDA 57%
- Cash on hand \$56.2m
- Net debt \$97.5m, up from \$76.8m at 30 June 2022, primarily reflecting the funding of elevated holdings of inventory (paper) to ensure continuity of supply across the expanded (post-Ovato) client base and to capture any subsequent growth opportunities
- Fully franked interim dividend of 9.5¢pcpc, up 12% from 8.5¢pcpc

Commenting on IVE Group's FY23 H1 performance, Chief Executive Officer, Matt Aitken said:

"The first half result was ahead of expectations, underpinned by a strong performance across the Group. The half saw the completion of the final phase of our Victorian site consolidation initiative, the highly anticipated launch of our new e-commerce marketplace Lasoo, and the acquisition of major competitor Ovato. Given unprecedented volatility in domestic energy markets, it is pleasing to announce our future partnership with global renewables company Iberdrola, with our power purchasing agreement (PPA) due to commence on 1 January 2024."

¹ The underlying results are on a non-IFRS basis, exclude various non-operating items (as reconciled in the Appendix 4D and the Investor Presentation) and are not audited or reviewed.

Ovato acquisition - integration on track

The integration timetable and expected financial metrics are unchanged from those previously announced.

During the half, all major Ovato clients (many of whom were also existing IVE clients) were successfully transitioned across to IVE with no significant client losses. The prudent decision was also taken to increase inventory levels to ensure continuity of supply for existing Ovato clients. Staff have transitioned seamlessly and are a great addition to the Group's expanded workforce.

The expanded business is performing well, meeting all customer expectations, with all core business functions having been integrated under one leadership structure including sales, finance, estimating and inventory management.

Key Ovato assets are being progressively integrated into IVE's existing web offset footprint over the phased integration period. Around \$11m of revenue was transitioned across to existing IVE facilities during the half.

Operationally, the sites are working closely to ensure optimal efficiency is maintained across all production assets and the business will continue to progressively realign its operational cost base with revenue and asset transfers to IVE sites.

Ovato's estimated first half contribution to the Group is as follows:

- \$60.7m of revenue;
- \$4.4m of EBITDA; and
- \$1.6m of NPAT.

Ovato's expected 2023 full year contribution is outlined in the FY23 outlook and guidance section overleaf.

Lasoo - successful platform launch

The new Lasoo platform successfully launched in October 2022.

Retailer onboarding continues to gain momentum and the pipeline for new retailer integration remains strong with a number of retailers having deferred integration from the key Christmas trading period to the first half of calendar 2023. Retailer additions to the platform during January 2023 included CUB and Lincraft.

Lasoo contributed a FY23 H1 \$2.4m pre-tax loss reflecting costs primarily associated with the consumer go-to-market marketing campaign and modest team buildout costs. Due to a likely increase in 2H FY23 marketing spend following promising early momentum, Lasoo is now expected to contribute a FY23 after tax loss of \$3.9m (previously \$3.3m).

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 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 2H, 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 2H allowance has proven insufficient. Accordingly, IVE's upgraded FY23 guidance (outlined overleaf) now includes an additional \$3.3m allowance for increased FY23 2H 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).

Importantly, pricing under the Iberdrola contract (assuming available LGC's 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).

FY23 outlook and guidance¹

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

The FY23 guidance provided in conjunction with the release of the Group's FY22 result excluded an anticipated loss primarily associated with Lasoo's consumer go-to-market campaign and did not allow for any anticipated contribution from the Ovato transaction.

Having regard to 1H23 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):

- Underlying EBITDA of around \$120m
- Underlying NPAT of around \$41m
- Capital expenditure is expected to be around \$15m (excluding Ovato)
- Restructure and acquisitions costs are expected to be 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 (on track for \$15m on a full run-rate basis post integration)
- Restructure and acquisitions costs of around \$16m

Guidance also includes temporary FY23 2H pre-tax energy (electricity and gas) 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 p41-43 of IVE's 2022 Annual Report



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Results briefing

Investors and analysts are invited to join a Zoom briefing hosted by Geoff Selig (Executive Chairman), Matt Aitken (CEO) and Darren Dunkley (CFO) which will be held at 11:00AM Australian Eastern Daylight Savings Time today.

Participants must pre-register for the briefing at least 30 minutes before the scheduled start. To receive a unique and necessary access code, please follow the link [here](#).

The financial accounts and presentation slides are available on IVE Group's [website](#).

Geoff Selig
Executive Chairman

This announcement has been approved for release by the IVE Group Board.

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