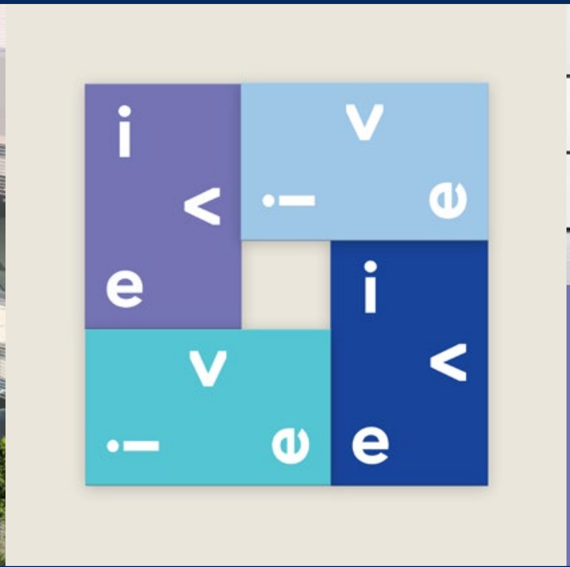
IVE Group Limited

FY22 H1 Results Presentation



ASX : IGL

24 February 2022

Contents

Financial performance dashboard

Significant uplift in EPS over prior corresponding period (PCP) as a result of solid revenue growth, stable margins, and leverage of recalibrated cost base

REVENUE **$382.6m** ↑12.2% on PCP	**EBITDA** **$55.2m** ↑24.7% on PCP	**NPAT** **$20.9m** ↑99% on PCP	**GROSS PROFIT MARGIN** **47.5%** 47.3% PCP
OPERATING CASH CONVERSION TO EBITDA OF **78%**	**NET DEBT** **$78.7m** **CASH ON HAND** **$51.6m**	**EARNINGS PER SHARE** **14.6c** ↑104% on PCP	**INTERIM DIVIDEND** **8.5c** **PER SHARE FULLY FRANKED**

– *The underlying financial results are on a non IFRS basis and are not audited or reviewed*
– *The underlying results are on a continuing operations basis and exclude non-operating items (refer Appendix A)*
– *The comparison of underlying results to PCP excludes net JobKeeper receipts (H1 FY2021)*

Financials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Alright small business, here's the plan.
Application paperwork?

Profit & Loss

	Actual H1 FY2022 $m	Actual H1 FY2021 $m	Variance $m	Variance %
Revenue	382.6	340.8	41.7	12.2%
Gross Profit	181.7	161.3	20.3	12.6%
% of Revenue	*47.5%*	*47.3%*		*0.3%*
EBITDA	55.2	44.3	10.9	24.7%
% of Revenue	*14.4%*	*13.0%*		*1.4%*
EBIT	33.8	20.1	13.7	68.5%
NPAT	20.9	10.5	10.4	98.9%
EPS (CPS)	*14.6*	*7.2*		*104.0%*

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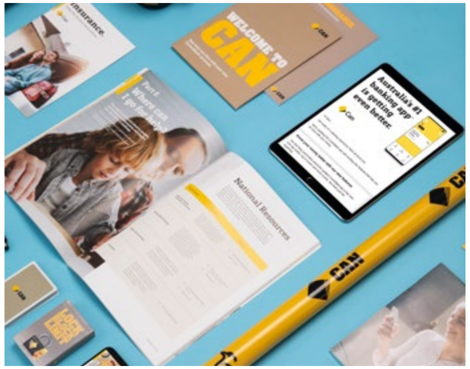
– The comparison of underlying results to PCP excludes net JobKeeper receipts (H1 FY2021)

Revenue

Revenue uplift over PCP of $41.7m ($382.6m H1 FY22 to PCP of $340.8m)

Existing clients

- Revenue increases over PCP across all parts of the business and across most sectors
- Top 20 clients circa 12% up over PCP
- Travel & tourism, and merchandise for events remained at similar levels to PCP, however currently rebounding as expected
- We have been the beneficiary of clients moving revenue onshore from Asia due to supply chain issues, particularly in retail display. We expect this to continue in the medium term
- A number of retail catalogues clients reduced volumes to some extent due to lack of predictability across their product supply chain.



- We have also seen a number of existing retail clients return to the catalogue and letterbox distribution channel
- No material client losses through the period with client retention remaining consistently high
- Continued revenue growth as a result of effectively cross selling broader offer to existing clients

New business

- Continued to focus on growing market share through harnessing the power and uniqueness of IVE's go-to-market proposition
- New business momentum across all parts of the business remains strong with a number of new clients on-boarded during the period
- Letterbox distribution revenue up 17% over PCP, predominantly as result of significant new business wins (Aldi, Officeworks and Bunnings) and the closure of competitor walker network in Australia
- 2 high profile clients (each circa $10m annual revenue) recently secured and awaiting contract execution

ADG and AFI (businesses acquired 1 November 2021) revenue for the period was $8.2m

Gross profit

- Gross profit margin of 47.5% to PCP of 47.3%
  - strong revenue uplift over PCP
  - stable market conditions excluding current supply chain challenges
  - tight management of COGS

NPAT and earnings per share (EPS)

- NPAT of $20.9m to PCP of $10.5m
- EPS of 14.6 cents per share to PCP of 7.2 cents per share
- EPS growth driven by revenue uplift, stable margins, lower finance costs, and the benefit of recalibrating the cost base further over the last 12-18 months as previously outlined
- Depreciation and amortisation of $21.4m to PCP of $24.2m (H1 FY22 pre AASB16 depreciation of $8.7m)
- Net finance costs of $3.7m to PCP of $5m (H1 FY22 pre AASB16 net finance cost of $2.0m to PCP $3.3m)
- $3.4m of non-operating items excluded from underlying earnings, predominantly redundancies and business relocations of $1.0m, employee share issue of $1.2M, and software as a service costs for MIS system not yet implemented of $0.9m.

Net debt

Continued balance sheet strength as a result of strong cash generation maintains low gearing, further enhancing our flexibility and capacity to pursue a range of earnings accretive initiatives

	Actual H1 FY2022 $m	Actual FY2021 $m
Loans & borrowings* – sub total	130.3	183.8
Less Cash	51.6	106.5
Net Debt	**78.7**	**77.3**

** Loans & borrowings are gross of facility establishment costs*
** Excludes right of use liabilities impacts from adopting AASB16*

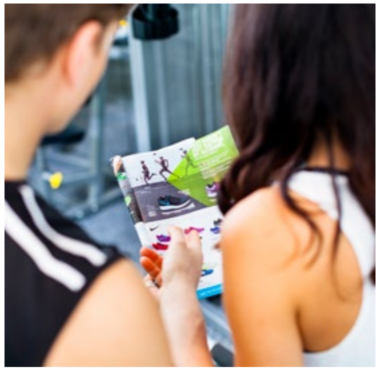
- Net debt of $78.7m to PCP of $90.1m ($77.3m at 30 June 2021)
  - cash at bank $51.6m at 31st December 2021 with working capital facility of $30.0m remaining fully undrawn
  - $50.0m of senior debt facility was repaid in August 2021

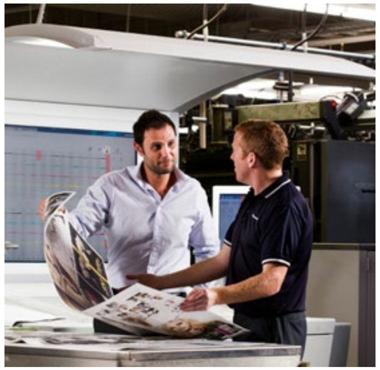
Capital expenditure

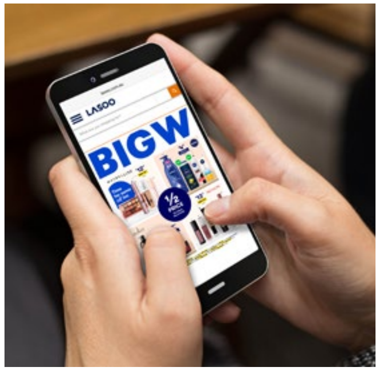
Our operational asset base is in excellent condition which continues to result in lower capital expenditure than recent years of investment on the back of meaningful acquisitions and growth initiatives

	H1 FY2022 $m
Group wide targeted investment and maintenance	3.5
Lasoo investment	2.7
Total	**6.2**

- H1 capital expenditure of $3.5m (excluding Lasoo investment)
- Full year capital expenditure expected to be circa $13m (excluding $3.5m to re-platform and transition the Lasoo business as previously communicated)
  - $10m Group wide targeted investment and maintenance as communicated at the time of FY21 full year results in August 2021
  - $3m growth/acquisition to support the integration of ADG and AFI into our retail display operations in Victoria







Cash flow and interim dividend

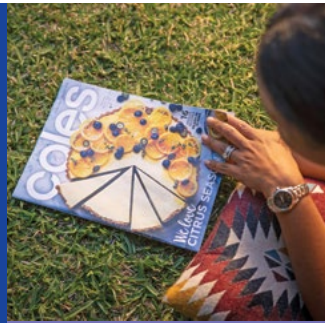
	Underlying H1 FY2022 $m	IFRS H1 FY2022 $m
EBITDA	**55.2**	**52.1**
Movement in NWC/non cash items in EBITDA	(12.1)	(10.5)
Operating Cash Flow	**43.1**	**41.6**
Operating cash conversion to EBITDA	78%	80%

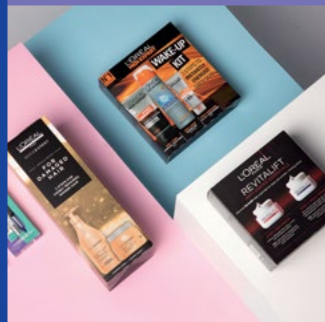
- *The underlying financial results are on a non IFRS basis and are not audited or reviewed*
- *The underlying results are on a continued operations basis and excluded non-operating items (refer Appendix A)*

Operating cash flow conversion of 78% to EBITDA on underlying basis reflecting

- Seasonal increase in working capital
- Disciplined management of the business, working capital and debt underpins continued strong dividend payment for the period
- Interim dividend of 8.5 cents per share fully franked

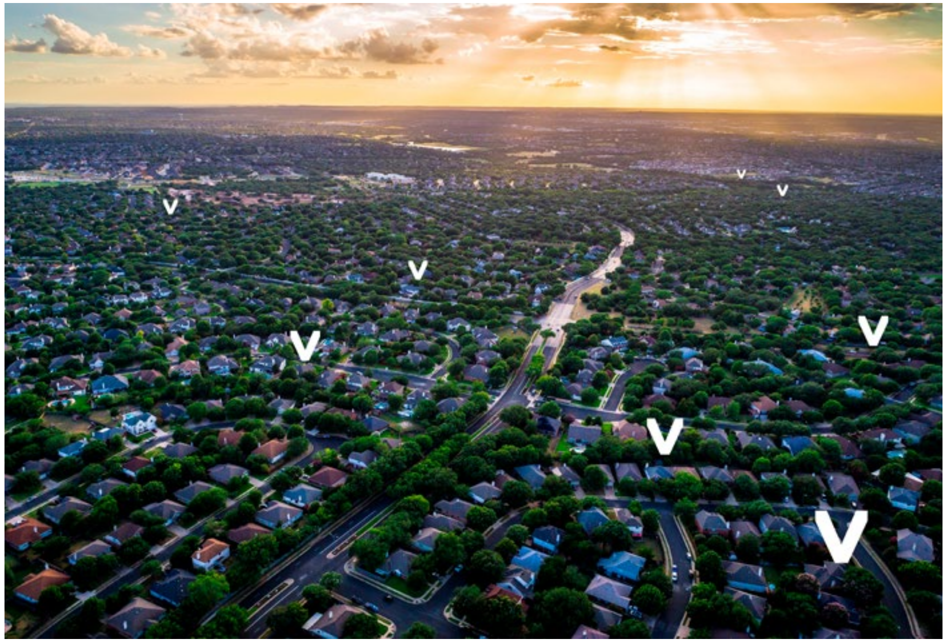
Business updates





Active Display Group (ADG) and AFI Branding Solutions acquisitions and integration

- The integration of both the ADG & AFI businesses is progressing well and will be complete by the end of June 2022
- Post integration, we remain confident of achieving $45m annualised revenue, EBITDA of $6.5m and NPAT of $4m
- ADG's operations across 4 sites are currently being fully integrated into our Retail Display facility in Braeside Victoria where meaningful synergies will be unlocked (refer to page 13/14 of the CEO's presentation at our AGM on 23 November 2021 for detailed overview of IVE's Victorian site consolidation initiative which is due to complete by 30 June 2022)
- Our Group sales teams are already cross selling the broader IVE offer to ADG/AFI clients, and existing IVE clients the new products and services acquired including printed fabric and dedicated third party logistics (3PL)
- All key customers and staff have made the transition to IVE successfully



Supply chain

Global supply chain disruption for both raw materials and finished goods requires ongoing close management. The Company has been, and remains, well placed to manage this prevailing dynamic expected to continue for the foreseeable future

- We have been the beneficiary of clients moving revenue onshore from Asia which has been an upside for the business, particularly in retail display. We expect this to continue in the medium term
- Global supply chain challenges, primarily paper, continue to require ongoing focus
- We maintain strong relationships with our global suppliers which is important given the prevailing dynamics
- We continue to maintain our focus on building inventory levels as previously communicated
- Longer term impacts of any upward price movements have been factored in to contract terms and renewals, albeit we continue to work closely with clients in the short term to manage/mitigate potential impacts as required

lasoo

- The Company has over the last 12 months committed to investing in the enhancement and amplification of Lasoo. We intend to continue our investment in Lasoo over the next 2 years to further enhance the consumer experience, and work closely with our retail clients to unlock opportunities to drive further revenue for their business
- Phase 1 investment of $3.5m to re-platform, develop new logo/brand identity, and update the app and browser is progressing according to plan
- Enhanced user experience has been completed in collaboration with 8 major Australian retailers and panel of consumers
- New platform is now in the final stages of development and testing
- On track for a comprehensive go to market launch within the next 6 months as previously communicated

Track record of strategy execution, capital management and future growth initiatives

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Track record of strategy execution, capital management and future growth initiatives

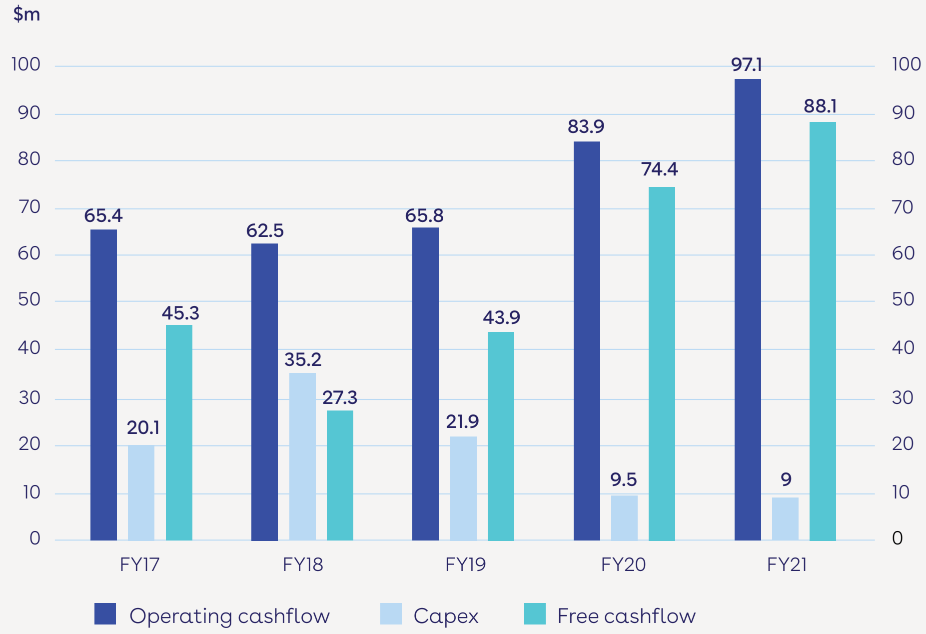
A clearly defined and well executed strategy over the long term has cemented IVE as the largest integrated marketing communications business in Australia, holding leading market positions across all sectors in which we operate.

Execution of our strategy has resulted in a diversified resilient business with a consistently high dividend yield, and strong balance sheet from which to pursue further growth opportunities in the short to medium term.

Investment, expansion and growth since IPO

- The execution of our long term strategy has resulted in the compelling value proposition IVE takes to market
- Listing in December 2015, strong free cashflows and access to capital has enabled the Company to execute a transformational investment program that has further expanded our diversified integrated marketing communications offer
- IVE holds leading market positions across the marketing communications sector, has a stable and diverse client base and revenue mix across a range of sectors, stable margins, and has generated reliable cashflows that have resulted in a strong balance sheet to support ongoing growth opportunities
- The disciplined execution of our strategic investment program over the last 5 years has resulted in significant increases in both revenue and earnings, albeit FY20/21 were COVID impacted

FY17-FY21 operating and free cashflow

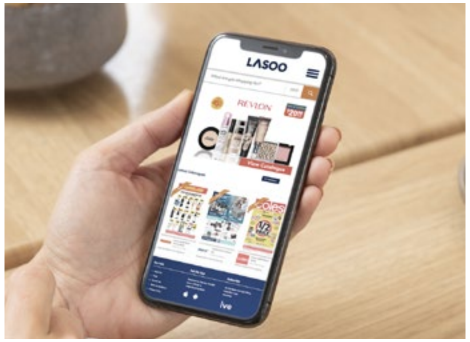


Note: Free cashflow is equivalent to operating cashflow net of capital expenditure

- Track record of high operating and free cashflow – FY17-FY21
  - operating cashflow of $375m
  - free cashflow of $279m
  - delivered an average of 105% operating cash conversion to pre AASB16 EBITDA
  - elevated capital expenditure in FY17-FY19 to support significant revenue growth and expansion initiatives. Capital expenditure has now returned to more normal levels as previously communicated, and moving forward is expected to be approximately 60% of depreciation (pre AASB16)

Dividends and capital management

- The Company's dividend policy seeks to pay strong dividends at sustainable levels, targeting a full year payout ratio of 65-75% of NPAT
- Since listing, the Company has paid a total of $104.3m in fully franked dividends (including declared H1 FY22 interim dividend)
- Dividends have averaged 7.6% on an annual yield basis* from FY17 – FY21 (excluding FY20 where, to be prudent, no dividend was paid as a result of the COVID-19 pandemic)
- The Company completed a successful share buyback program in 2021, acquiring a total of 5.4m shares (3.6% of the issued capital) at a total cost of $7.4m (average price of $1.37 per share)
- The Company has no plans to initiate a further buyback program given current share price ($1.92 at 23 February 2022) and our strategic priority to pursue further earnings growth opportunities as outlined below

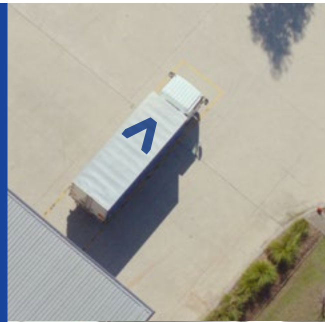


** Annual dividend yield = total annual dividend/share price at 30 June of that financial year (excludes franking credit benefit)*

Growth opportunities

- Continue to organically grow the revenues and earnings of the business on the back of the strength of our integrated offer, world class operations, market position and competitive advantage
- The strength of our balance sheet places us in a very good position post COVID-19 to invest across a range of strategic organic initiatives together with opportunities that may present in terms of attractive acquisitions
  - based on FY22 full year earnings guidance, we expect net debt at 30 June 2022 to be circa 1x pre AASB16 EBITDA, below our stated leverage target of 1.5x pre AASB16 EBITDA
  - the Company has allocated $30-40m to invest in a range of earnings accretive opportunities
    - as a component of our drive to grow our fibre based packaging offer, we intend to seek an appropriate acquisition to expedite this strategy
    - we expect a number of 'bolt on' acquisition opportunities will present over the coming 12-24 months. We have a demonstrable track record over many years of successfully acquiring and integrating businesses to unlock synergies
    - our current investment to enhance and amplify Lasoo

Outlook and guidance



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Outlook and guidance

A solid H1 result and continued momentum across the business place us in a strong position to deliver a healthy full year result, well up on FY21

> As illustrated by the strength of our H1 earnings, heightened operating leverage across the business has contributed to a significant uplift over our H1 FY21 performance, as existing client revenue rebounds and recently secured new business phases in

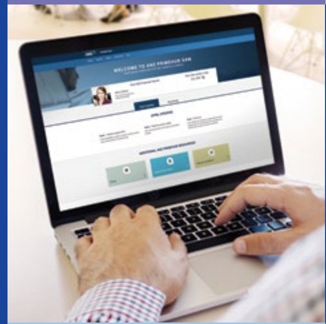
> Revenue momentum continues and we remain optimistic this will continue over the remainder of the FY22 year

> FY22 full year
  - earnings guidance
    - underlying EBITDA expected to be $98-101m
    - underlying NPAT expected to be $33-35m
    - H2 NPAT impacted by $3m as a result of the one-off contractual timing differences of recent paper price increases
  - restructure and acquisition costs expected to be approximately $4m
  - capital expenditure expected to be $13m (excluding Lasoo investment of $3.5m)
  - net debt at 30 June 2022 expected to be circa $85m

> We will continue to closely manage paper supply chain pressures which we expect to continue through the remainder of 2022

> Initiatives
  - complete the Victorian business relocations and Braeside (Victoria) site consolidation by 30 June 2022
  - successfully complete the integration of ADG and AFI into the broader IVE business by 30 June 2022
  - final stage development and go to market launch of phase 1 enhanced Lasoo platform by 30 June 2022
  - finalise strategy and plan to build fibre based packaging capability

Appendices



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Appendix A

IFRS Profit and Loss

	Actual H1 FY2022 $m	Actual H1 FY2021 $m	Variance $m	Variance %
Revenue	382.6	340.8	41.7	12.2%
Gross Profit	181.7	161.3	20.3	12.6%
% of Revenue	*47.5%*	*47.3%*		*0.3%*
EBITDA	52.1	56.6	(4.5)	(8.0%)
Depreciation and amortisation	21.4	24.2	(2.8)	(11.6%)
EBIT	30.6	32.4	(1.8)	(5.5%)
Net finance costs	3.9	5.0	(1.1)	(22.5%)
NPBT	26.8	27.4	(0.7)	(2.4%)
Income tax expense	8.6	8.5	0.1	1.3%
NPAT from continung operations	18.2	19.0	(0.8)	(4.0%)
NPATA continuing operations	20.1	21.1	(1.0)	(4.7%)

IFRS to underlying NPAT reconciliation

	Year to Date Dec 21 $m
IFRS NPAT (continuing)	18.2
Restructure costs	0.5
Acquistion costs	0.5
Software as a service (still in development stage)	0.9
Financial asset write down	0.2
Employee share issue	1.2
Sub total non operating items	***3.4***
Tax effect of adjustments	(0.6)
Underlying NPAT	**20.9**

Appendix B

IVE Group Limited Balance Sheet

	Actual Dec 21 $m	Actual Jun 21 $m
Current Assets		
Cash and cash equivalents	51.6	106.5
Trade receivables, prepayments and others	122.8	106.3
Inventories	53.7	43.8
Intangible assets and goodwill	1.6	1.8
Total Current Assets	229.7	258.3
Non Current Assets		
Deferred tax assets	16.5	15.3
Property, plant and equipment	98.9	100.2
Property, plant and equipment (ROUA)	85.9	96.2
Intangible assets and goodwill	133.2	130.2
Other assets	3.7	0.0
Total Non Current Assets	338.2	341.8
Total Assets	567.9	600.1
Current Liabilities		
Trade payables and provisions	136.6	119.9
Loans and borrowings	2.8	2.8
Lease liability (ROUA)	24.5	27.9
Current tax payable	5.2	3.3
Total Current Liabilities	169.1	153.9
Non Current Liabilities		
Trade payables and provisions	13.6	11.4
Loans and borrowings	115.6	167.0
Lease liability (ROUA)	84.0	91.8
Total Non Current Liabilities	213.2	270.2
Total Liabilities	382.3	424.1
Net Assets	185.6	176.0
Equity		
Share Capital	150.1	149.1
Other reserves	0.1	(0.2)
Retained Earnings	35.4	27.1
Total Equity	185.6	176.0

Appendix C

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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 2021. 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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