

ASX RELEASE – IVE GROUP LIMITED (ASX:IGL)

24 August 2023

Financial results for the Year Ending 30 June 2023

IVE Group Limited (IVE, the Company or the Group) is pleased to announce its financial results for the 12 months ended 30 June 2023 (FY23).

The result was underpinned by strong organic growth coupled with a maiden contribution from Ovato, partially offset by materially higher input and finance costs. Organic revenue growth was broad-based and reflects the Group's leading industry vertical positioning, tier-1 clientele and diversified revenue base.

Key underlying¹ financial performance indicators for the year include:

- Revenue \$967.4m, up 27.5% from \$759.0m pcpc
- EBITDA \$119.0m, up 23.1% from \$96.6m pcpc
- NPAT \$39.7m, up 19.8% from \$33.1m pcpc
- EPS 26.4¢ps, up 14.5% from 23.1¢ps pcpc
- ROFE improved further to 24.7% from 21.3% pcpc
- Operating cash conversion to EBITDA 65.7%
- Cash on hand \$44.9m
- Net debt \$124.2m, up from \$76.8m at 30 June 2022, primarily reflecting the Ovato acquisition including the funding of strategically elevated inventory (paper) and integration costs
- Fully franked final dividend of 8.5 ¢ps, up 6.3% from 8.0¢ps pcpc

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

"In addition to delivering a strong financial performance, the Group acquired selected assets of major competitor Ovato, successfully launched our new e-Commerce marketplace Lasoo, and executed a 7-year agreement with leading global renewable energy company, Iberdrola.

The Ovato integration has proceeded smoothly with all Ovato equipment now expected to be installed and operational in IVE sites by March 2024, three months ahead of the previously advised timetable.

Our focus in the coming 12 months will be on driving further organic growth and operational efficiency, and successfully executing the final phase of the Ovato integration."

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 - integration ahead of schedule

Ovato's estimated contribution to the Group during FY23 is as follows:

- \$136m of revenue;
- \$11m of EBITDA; and
- \$4m of NPAT.

The acquisition is now expected to deliver slightly reduced financial metrics including revenue of around \$145m, EBITDA of around \$25m and NPAT of around \$13m (compared with the original transaction estimates of \$160m, \$28m and \$15m respectively).

The integration of Ovato assets into IVE's production facilities is now expected to be completed by March 2024, three months ahead of the previously advised timetable.

The expedited integration timetable will result in reduced operational risk and accelerated synergy emergence, however, the incremental financial impact in FY24 will be modest with the full integration synergies unable to be realised until the end of FY24 when significant Warwick Farm site costs (primarily related to the \$4m lease expiry) are exited and final production efficiencies captured.

Lasoo - performing strongly after successful launch

Following its successful launch in October 2022, the new Lasoo platform continues to show strong consecutive month-on-month growth across all relevant metrics.

Key financial metrics (monitored daily) including unique monthly users, conversion rate, average basket size, gross transaction value (GTV) and commission rates are tracking broadly in accordance with expectations.

Activity levels remain strong with more than 126 fully integrated retailers operating on the platform (compared with only 28 live prior to launch) underpinning a broad and deep product/category offering.

A number of significant retailers unique to Lasoo joined the platform during 2H FY23 including Lincraft, Barbeques Galore and Direct Chemist Warehouse. The pipeline for new retailer integration remains very strong with several high profile retailers set to commence trading on the platform in 1H FY24.

Consistent with guidance, Lasoo reported a FY23 after tax loss of \$4.0m (for 8 months of trading) primarily reflecting costs associated with the consumer go-to-market marketing campaign and team buildout costs.

The Group is encouraged by the progress and growth of Lasoo since its launch in late 2022 and intends providing a comprehensive update on Lasoo later in FY24.

Packaging update

During 2022, the Group worked closely with an expert advisory firm to complete an in-depth analysis of the Australian packaging market with a view to further developing and refining plans for a more aggressive move into the packaging sector.

The analysis identified the higher margin, shorter run, folding cartons segment and the primary (food) packaging focused flexibles segment as the areas of most interest.

Due to similarities with many of the Group's existing businesses and its aligned ESG credentials, the ~\$700m fibre-based folding carton segment is IVE's initial and primary area of focus.

While optimistic of advancing IVE's packaging strategy in FY24 via the completion of a modest beachhead acquisition, we remain prudent and disciplined with respect to asset selection and purchase price.

FY24 outlook and guidance¹

Following two consecutive years of growth on all key financial metrics (EBITDA, NPAT and EPS), the Group is well placed to deliver healthy returns to shareholders over the year ahead. Notwithstanding prevailing economic uncertainty, we expect the core fundamentals of IVE will once again underpin our financial performance and further strengthen our market position(s).

The Group's FY24 underlying earnings guidance range is as follows:

- EBITDA \$122m - \$127m
- EBIT \$74m - \$79m
- NPAT \$40m - \$43m

Significant items excluded from guidance and underlying earnings include:

Consistent with the prior year, FY24 guidance (and underlying earnings for the purposes of determining dividends) excludes the following items:

- Lasoo is expected to report an after-tax loss of \$3.9m (full year of trading compared with 8 months in FY23), which reflects an expected 20% improvement in EBITDA; and
- Restructure and integration costs (including \$5.5m for final phase of Ovato integration) are expected to be \$8m.

¹ Outlook and guidance is subject to the risks as outlined in the Risk Management Framework on p31 - 32 of IVE Group Limited's 2023 Annual Financial Report

Revenues expected to increase in FY24 with growth forecast across all parts of the business, except for web offset printing (catalogues and publications) and household distribution, where a decline of 3-5% is expected over the year ahead as a result of the following factors:

- Decision to cease production in WA;
- Closure/failure of customer businesses;
- Closure of customer publications; and
- Impact of commercial repricing of Ovato and IVE customers as a result of meaningful increases in paper prices.

The Group's MGM is expected to remain stable across FY24.

Net finance costs are expected to be around \$16-17m, with prospects for some moderation in FY25 as working capital levels normalise.

Capital expenditure is expected to be around \$14.0m (excluding \$4.5m of Ovato integration related capital expenditure).

Commenting on the Group's financial position, Executive Chairman Geoff Selig said:

"The Board is pleased the Group remains in a solid financial position with our net debt at 30 June 2023 sitting below our target level. Combined with positive cash flows, the successful capital raising in October of last year, a \$30m increase in our working capital facility, and establishment of a new \$40m acquisition facility, the Group is well placed to execute on a range of strategic initiatives over the period ahead."

The Group is focused on a range of strategic initiatives over the year ahead:

- Complete the final phase integration of Ovato assets into the Group's footprint to maximise transaction value consistent with previously advised financial metrics;
- Identify and execute on an appropriate packaging acquisition consistent with the Group's previously advised packaging strategy;
- Continue to invest in, and drive further growth across the Lasoo platform;
- Materially grow the breadth and depth of IVE's Content Creation offering; and
- Continue to drive ongoing efficiency and performance across the business more broadly.



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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 Standard 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](#).

Matt Aitken
Chief Executive Officer

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

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