

IVE GROUP LTD FY18 H1 RESULTS PRESENTATION

February 26, 2018



Geoff Selig - Executive Chairman
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BUSINESS OVERVIEW

Unparalleled 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



HIGHLIGHTS



HIGHLIGHTS

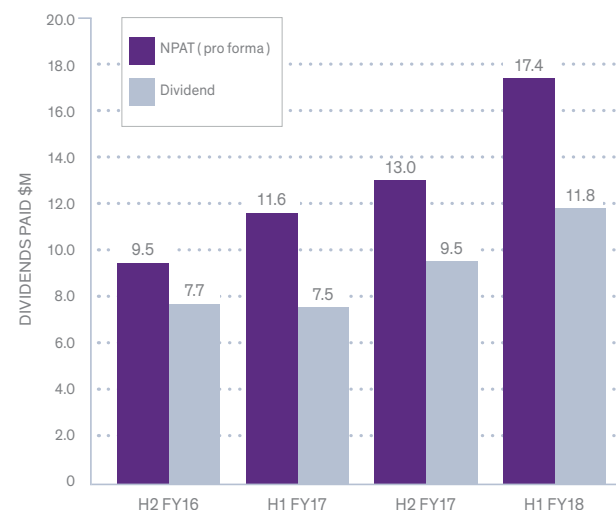
Solid financial performance... strong dividend stream

Solid financial performance

- Sales revenue of \$359M up 73%
- Pro forma EBITDA of \$38.3M up 56.9% (PCP \$24.4 million)
- Acquisition and restructure costs of \$2.1M
- Pro forma NPATA of \$19.1M up 53.4% (net profit after tax and before amortisation of customer contracts)
- Free cash conversion of 79.4% to pro forma EBITDA
- Net debt 1.6 x full year pro forma EBITDA guidance of \$75M (mid-point guidance)
- Interim dividend of 8 cents per share fully franked

Shareholder returns

- IVE has established a sound track record of delivering a strong dividend stream to its shareholders, with \$36.5m* of dividends paid since listing in December 2015
- Dividends paid in line with dividend policy, payout ratio 65-75% of pro forma NPAT



*Figure is exclusive of franking credits & includes the dividend declared of 8 cents per share for H1 2018.
All dividends paid are fully franked

HIGHLIGHTS

All key milestones met

Key operational targets achieved

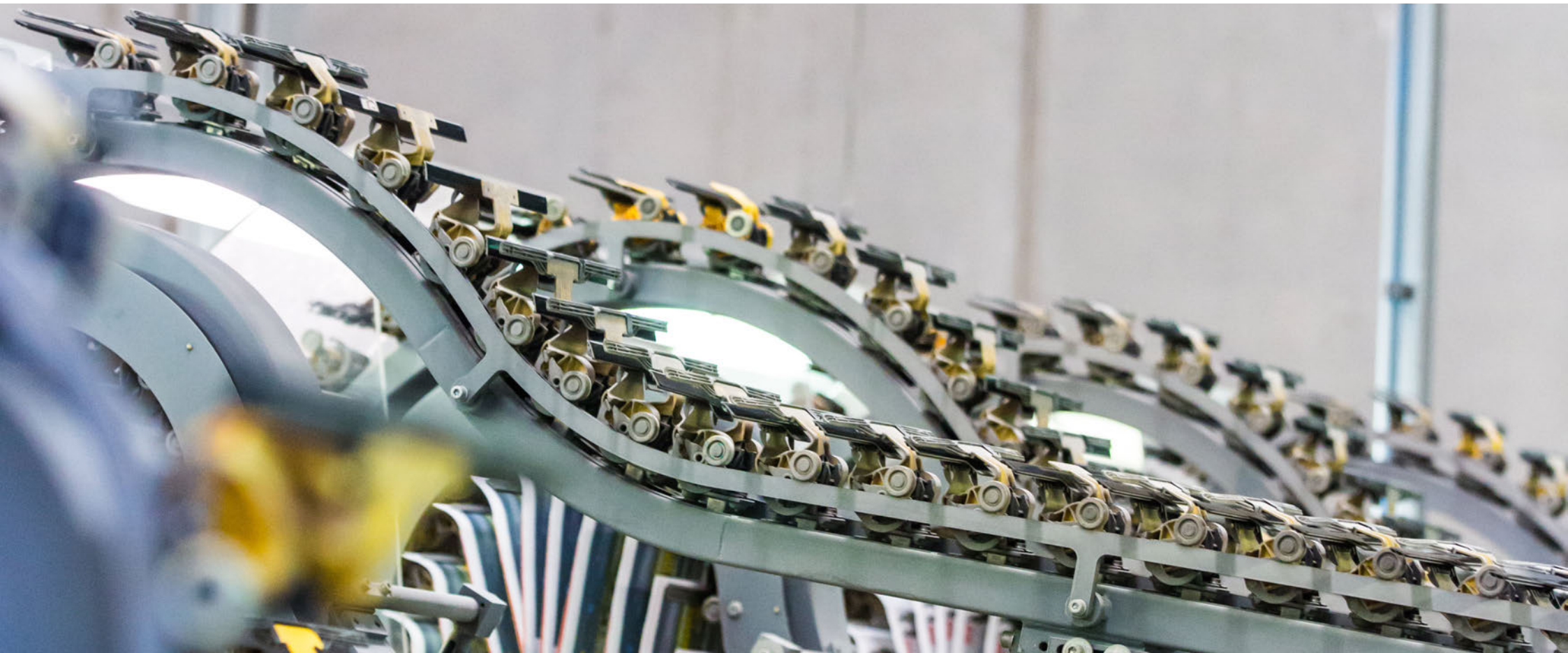
- Franklin WEB Victoria and AIW merger fully complete in December, 2017
- Franklin WEB NSW greenfield site fully operational November 1, 2017
- Ordered 2nd 80 page press & ancillary equipment for Franklin WEB NSW
- Blue Star DISPLAY Victoria merger with Franklin WEB's retail display business and further expansion complete July 2017

Acquisitions update

- SEMA acquisition completed September 6 2017, further expanding IVE's direct marketing and data analytics capability
 - Seamless ownership change
 - Customers very supportive
 - Strong new business growth
 - All key staff retained
 - Integration plans finalised and on track for completion by end of May 2018
- Completed bolt-on acquisition of Dominion on November 16, 2017



FINANCIALS



FINANCIALS

Profit and loss

- Strong revenue uplift on PCP due to a combination of organic growth and the acquisitions of Franklin WEB, AIW and SEMA
- Excluding Franklin WEB/AIW revenue, and the impacts of Franklin WEB outsourcing during integration period, gross profit remains stable to PCP
- Disciplined direct and indirect cost control with reduced % to revenue compared to PCP, additional costs absorbed during the period as a result of keeping AIW operational through integration
- EBITDA of \$38.3M up 56.9% to PCP
- EBITDA margin of 10.7% to PCP of 11.8%, margin impacted by the following one-off items:
 - Outsourcing through integration period
 - Keeping AIW open during integration
- NPATA of \$19.1M up 53.4% to PCP

	PRO FORMA			
	Actual H1 FY2018 \$M	Actual H1 FY2017 \$M	Variance \$M	Variance %
Revenue	359.3	207.7	151.6	73.0%
Gross Profit	171.2	110.1	61.1	55.5%
% of Revenue	47.7%	53.0%	-	-
EBITDA	38.3	24.4	13.9	56.9%
% of Revenue	10.7%	11.8%	-	-
EBIT	29.4	18.6	10.8	58.0%
% of Revenue	8.2%	9.0%	-	-
Profit before tax	25.4	16.9	8.5	50.4%
NPAT	17.4	11.6	5.8	50.4%
NPATA	19.1	12.5	6.7	53.4%

The pro forma financial results are on a non IFRS basis
 Excludes all restructuring and acquisition expenses (refer Appendix)
 NPATA - NPAT excluding amortisation of customer contracts

FINANCIALS

Net debt

- Net debt 1.6 x full year pro forma EBITDA guidance of \$75M (mid-point guidance)
- Equipment finance increase due to new Franklin WEB and Blue Star WEB presses delivered and commissioned during the period
- Strong cash flow combined with proceeds of capital raising in August 2017 allowing for reduction in senior debt

	Actual H1 FY2018 \$M	Actual JUNE FY2017 \$M
Borrowings - Short Term	16.0	12.8
Borrowings - Long Term	129.4	137.2
Borrowings¹ - Sub Total	145.5	150.0
Cash	-22.4	-23.8
Net debt	123.0	126.2

(1) Borrowings are gross of loan establishment costs

FINANCIALS

Cash flow & dividend

- Continued strong cash flow with pro forma free cash conversion of 79.4%
- Increase in working capital reflecting seasonality
- Interim dividend of 8 cents per share, fully franked with payout ratio of 68% pro forma NPAT

	PRO FORMA	STATUTORY
	H1 FY2018 \$M	H1 FY2018 \$M
EBITDA	38.3	36.2
Movement in NWC/non cash items in EBITDA	-7.9	-11.6
Free Cash Flow	30.4	24.6
Capital expenditure (net)	-20.5	-20.5
Payments for acquisitions & deferred consideration	-13.8	-13.8
Net cash flow before financing and taxation	-3.9	-9.7
Tax	-5.3	-4.7
Repayment of bank loans	-26.0	-26.0
Payment of finance lease liabilities	-1.5	-1.5
Proceeds from new share issue (net)	53.3	53.3
Dividends paid	-9.5	-9.5
Interest paid (net)	-3.4	-3.4
Net cash flow	3.8	-1.4
Free cash conversion to EBITDA	79.4%	67.9%

The pro forma financial results are on a non IFRS basis
Excludes all restructuring and acquisition expenses (refer Appendix)

BUSINESS UPDATE



BUSINESS UPDATE

Franklin WEB Victoria and AIW merger fully complete

Franklin WEB Victoria site expansion complete

- All major AIW equipment relocations complete
- The site produced 23% more volume than the previous 12 months leveraging the combined asset base and increasing utilisation
- Seamlessly on boarded significant new customer contracts

AIW site ceased production on 17th December 2017

- All obsolete/excess AIW equipment retired
- All inefficiencies as a result of keeping AIW operational through integration to support customer requirements were absorbed during the period
- Restructure costs for final stage exit of AIW site within forecast



BUSINESS UPDATE

Franklin WEB NSW - site fully operational ahead of time

- To support significant revenue growth and to re-balance capacity between NSW and Victoria to further enhance our ability to service national retailers, **\$50M** has been invested (including capital expenditure of \$22M funded by August 2017 capital raise) to establish a highly automated and low cost Franklin WEB operation in NSW
- Plant fully operational on 1st November 2017 and delivering optimal productivity
 - Commissioned the 1st of 2 × 80 page large format web offset presses, and one highly automated perfect binding line
 - Expansion of stitching capability commissioned January 2018



BUSINESS UPDATE

Blue Star DISPLAY Victoria merger with Franklin WEB's retail display business and further expansion complete

- Significant investment to provide more capacity/capability to better service national retailers was completed, with the Blue Star DISPLAY Victorian site fully operational on the 1st July 2017 as planned
- Capital cost to execute in line with business case
- Completes comprehensive national retail display offer across our dual Blue Star DISPLAY operations in NSW and Victoria



BUSINESS UPDATE

Update - \$55.6 million capital raising (August 2017)

SEMA acquisition, integration and expansion (\$19.6M)

- Acquisition completed on the 6th September 2017
- SEMA customers have been very supportive of ownership change
- SEMA to be fully integrated into Blue Star DIRECT (NSW/Victoria/Qld) by end of May 2018
- Relocation and restructure costs of \$4.5M in line with business case
- Synergies of \$5M confirmed with benefits to be fully realised from H1 FY2019
- Capital expenditure of \$5.5M to support new revenue growth
- SEMA brand to be retired at completion of integration

Capacity for future accretive bolt-on acquisitions and balance sheet flexibility (\$11.2M)

- Dominion bolt-on acquisition completed on November 16, 2017
 - Purchase price of \$7.0M includes deferred consideration of \$2.5M
 - Full integration complete by end of February 2018
 - Revenue since acquisition in line with forecast and all key customers retained
 - All restructuring cost in line with business case



BUSINESS UPDATE

Final stage of Franklin WEB NSW greenfield operation on track

Capital expenditure (\$22M) for final stage of Franklin WEB NSW greenfield operation in line with August 2017 capital raising

- 2nd 80 page large format web offset press
 - Press ordered in September 2017 for commissioning end of August 2018
- Ancillary equipment and finishing capability expansion
 - Expansion of high speed stitching capability on track for commissioning in March 2018
 - Integrated inserting capability installing February 2018



OUTLOOK STATEMENT



OUTLOOK STATEMENT

Reaffirming FY18 full year guidance

- Full year FY18 pro forma EBITDA expected to be \$72 - 77M including contribution from SEMA
- Consistent with previous guidance, restructure costs (excluding SEMA) expected to be \$2.5 - 3.5M
- SEMA relocation and restructure costs of \$4.5M (in line with August 2017 capital raise)



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 non-IFRS financial information relates to H1 FY2018 results presented before the impacts of all restructuring and acquisition costs which primarily relate to the acquisitions of AIW, Franklin, SEMA and capital raise. Comparisons to H1 FY2017 performance are on a Pro Forma basis also excluding all restructure and acquisition costs.

The Directors believe that the results before 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 has not been audited or reviewed.

APPENDIX B

Balance sheet, statutory to pro forma reconciliation

FY18 H1 RECONCILIATION STATUTORY NPAT TO PRO FORMA NPAT

	Actual
Statutory NPAT	16.0
Restructure & acquisition - IVE base (inc FW/AIW)	1.5
Restructure & acquisition - SEMA / capital raise	0.6
Tax effect of adjustments	-0.7
Pro forma NPAT	17.4



	STATUTORY	
	Actual December 2017 \$'M	Actual June 2017 \$'M
CURRENT ASSETS		
Cash and cash equivalents	22.4	23.8
Trade receivables, prepayments and others	129.2	101.4
Current tax receivable	2.6	3.0
Inventories	42.0	46.5
Total Current Assets	196.2	174.7
NON CURRENT ASSETS		
Deferred tax assets	17.7	19.1
Property, plant and equipment	119.7	80.6
Intangible assets and goodwill	168.5	153.9
Total Non Current Assets	306.0	253.6
Total Assets	502.2	428.3
CURRENT LIABILITIES		
Trade payables and provisions	134.7	119.5
Loans and borrowings	15.9	12.8
Total Current Liabilities	150.6	132.3
NON CURRENT LIABILITIES		
Trade payables and provisions	22.7	22.9
Loans and borrowings	127.3	135.5
Total Non Current Liabilities	150.0	158.4
Total Liabilities	300.7	290.7
NET ASSETS	201.5	137.6
EQUITY		
Share Capital	156.3	98.8
Reserves	0.1	0.2
Retained Earnings	45.1	38.6
Total Equity	201.5	137.6

APPENDIX C

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No recommendation, offer, invitation or advice

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