



IVE GROUP LTD  
FY19 H1 RESULTS  
PRESENTATION

ASX: IGL

25th February 2019

Over the last 2 years IVE has heavily invested in a number of strategic initiatives to enhance our value proposition to customers and to further strengthen our market position.

In October 2018 the Group concluded the most significant investment program the sector has seen for many years, a huge vote of confidence in the sector itself, and in our capacity as a business to execute major initiatives effectively.

Our FY19 half year results clearly demonstrate the benefits from our investment program are flowing through with operational efficiencies, margin expansion, and the resulting uplift in earnings.

The positive momentum that resulted in a strong H1 performance has continued into H2, giving us the confidence of delivering solid earnings growth for the full year.

# Business Overview

We enable our clients to communicate more effectively by creating, personalising, managing, producing and distributing content across multiple channels.

IVE has an unparalleled value proposition in Australia, holding leading positions across most marketing and communications sectors.



# Financial highlights (pro forma)

Realising the returns from our recent investment program

**\$375.6M**

Revenue

Up 4.5%

on PCP

**\$43.4M**

EBITDA

Up 13.3%

on PCP

**\$20.8M**

NPATA

Up 7.9%

on PCP

EBITDA  
EBIT & NPAT  
margin  
expansion  
on PCP

Interim  
Dividend

**8.6c**

Per Share  
Fully Franked

Dividend  
Growth  
**7.5%**

on PCP



Financials

# Profit & Loss

- **Revenue increase of \$16.3M (4.5% increase on PCP)**
  - New customer wins
  - Continued success of cross selling to existing customers
  - Key contract extensions
  - No customer losses of note
  - Prior period acquisition revenue for full period
- **Gross profit margin of 48.2% (47.7% in PCP)**
  - Margin increase driven by reduced outwork through Franklin WEB NSW facility being operational for the full period
  - Paper cost increases having some negative impact during the period
  - Gross profit in all other areas of the business remained stable
- **EBITDA of \$43.4M (13.3% increase on PCP)**
- **Expansion of EBITDA margin to 11.6% (10.7% in PCP)**
  - Revenue growth
  - Increased gross profit
  - Productivity gains
  - Continued focus on cost management
  - Operational synergies
- **NPAT of \$19.0M (8.1% increase on PCP) impacted by increased depreciation due to Franklin WEB NSW facility being fully operational for period**

	Statutory	Pro Forma (ex restructure & acquisition)			
	H1 FY19 \$M	H1 FY19 \$M	H1 FY18 \$M	Variance \$M	Variance %
Revenue	375.6	375.6	359.3	16.3	4.5%
<b>Gross Profit</b>	<b>180.9</b>	<b>180.9</b>	<b>171.2</b>	<b>9.7</b>	<b>5.7%</b>
% of Revenue	48.2%	48.2%	47.7%	-	1.1%
<b>EBITDA</b>	<b>42.6</b>	<b>43.4</b>	<b>38.3</b>	<b>5.1</b>	<b>13.3%</b>
% of Revenue	11.3%	11.6%	10.7%	-	8.4%
<b>EBIT</b>	<b>31.2</b>	<b>32.1</b>	<b>29.4</b>	<b>2.7</b>	<b>9.1%</b>
% of Revenue	8.3%	8.5%	8.2%	-	4.3%
Profit before tax	26.6	27.4	25.4	2.1	8.1%
<b>NPAT</b>	<b>18.4</b>	<b>19.0</b>	<b>17.6</b>	<b>1.4</b>	<b>8.1%</b>
<b>NPATA</b>	<b>20.2</b>	<b>20.8</b>	<b>19.3</b>	<b>1.5</b>	<b>7.9%</b>

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

## Net debt and capital expenditure

- Equipment finance borrowings increased as a result of the capital expenditure program associated with the further expansion of the Group's personalised communication/s growth strategy post the SEMA acquisition
- The period also reflects the large portion of FY19 capital investment spend including final payment for the Franklin WEB NSW second 80 page press and ancillary equipment
- The balance of \$4.5m across the Group relates to targeted investment and maintenance expenditure
- FY19 full year capital investment in line with previous update (circa \$26.0M)

	Dec 18 \$M	Jun 18 \$M
Loans & borrowings - short term	12.5	16.5
Loans & borrowings - long term	158.9	136.8
<b>Loans &amp; borrowings* - Sub Total</b>	<b>171.4</b>	<b>153.2</b>
Cash	-27.2	-22.3
<b>Net Debt</b>	<b>144.2</b>	<b>130.9</b>

\* Borrowings are gross of loan establishment costs

	H1 FY19 \$M
Franklin WEB NSW	12.1
Personalised communications	6.1
Group wide targeted investment and maintenance	4.5
<b>Total capital expenditure</b>	<b>22.6</b>

# Cashflow and dividend

- Operating cash flow was strong reflecting EBITDA achievement
- Pro forma free cash conversion of 81.5%
- Increase in working capital driven by seasonality
- Interim dividend of 8.6 cents per share, fully franked with payout ratio of 67% pro forma NPAT
- EPS growth to PCP
  - 8.1% increase based on SOI at balance date
  - Flat on PCP based on weighted average SOI (due to SEMA acquisition shares issued in PCP)

	Pro Forma H1 FY19 \$M	Stat H1 FY19 \$M
<b>EBITDA</b>	43.5	42.6
Movement in NWC/ non cash items in EBITDA	-8.1	-8.2
<b>Free Cash Flow</b>	35.4	34.4
Capital expenditure (net)	-16.6	-16.6
Payments for acquisitions & deferred consideration	-6.1	-6.1
<b>Net cash flow before financing and taxation</b>	12.8	11.7
Tax	-4.0	-3.7
Proceeds from bank loans	14.9	14.9
Payment of finance lease liabilities	-3.2	-3.2
Dividends paid	-11.1	-11.1
Interest paid	-3.9	-3.9
<b>Net cash flow</b>	5.6	4.8

<b>Free cash conversion to EBITDA</b>	81.5%	80.7%
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The pro forma financial results are on a non IFRS basis  
Excludes all restructuring and acquisition expenses (refer Appendix)





# Appendices

# 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 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.

# Appendices

## Appendix B

### Statutory balance sheet

	Actual Dec 18 \$M	Actual Jun-18 \$M
<b>Current Assets</b>		
Cash and cash equivalents	27.2	22.3
Trade, prepayments and others	134.0	126.0
Inventories	50.5	47.1
<b>Total Current Assets</b>	<b>211.7</b>	<b>195.5</b>
<b>Non Current Assets</b>		
Deferred tax assets	13.7	16.0
Property, plant and equipment	137.7	123.7
Intangible assets and goodwill	167.5	170.3
<b>Total Non Current Assets</b>	<b>319.0</b>	<b>310.0</b>
<b>Total Assets</b>	<b>530.7</b>	<b>505.5</b>
<b>Current Liabilities</b>		
Trade payables and provisions	131.1	131.8
Loans and borrowings	11.8	16.5
Current tax payable	3.2	1.3
<b>Total Current Liabilities</b>	<b>146.1</b>	<b>149.6</b>
<b>Non Current Liabilities</b>		
Trade payables and provisions	20.4	21.7
Loans and borrowings	158.1	134.9
<b>Total Non Current Liabilities</b>	<b>178.5</b>	<b>156.6</b>
<b>Total Liabilities</b>	<b>324.7</b>	<b>306.1</b>
<b>Net Assets</b>	<b>206.0</b>	<b>199.3</b>
<b>Equity</b>		
Share Capital	156.4	156.3
Other reserves	0.0	0.0
Retained Earnings	49.6	43.0
<b>Total Equity</b>	<b>206.0</b>	<b>199.3</b>

### Statutory to pro forma NPAT reconciliation

	FY19 H1 Actual \$M
<b>Statutory NPAT</b>	<b>18.4</b>
Restructure costs	0.8
Acquisition costs	0.1
Tax effect of adjustments	-0.3
<b>Pro forma NPAT</b>	<b>19.0</b>

# Appendices

## Appendix C Disclaimer

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The IVE logo consists of the lowercase letters 'ive' in a bold, sans-serif font. The letter 'i' is a light green color, while the letters 'v' and 'e' are a darker green color.