

IVE GROUP LTD FY18 RESULTS PRESENTATION

August 27, 2018



Geoff Selig - Executive Chairman
Warwick Hay - Managing Director
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BUSINESS OVERVIEW

World class diversified offering

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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

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 channels.

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 continual 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.

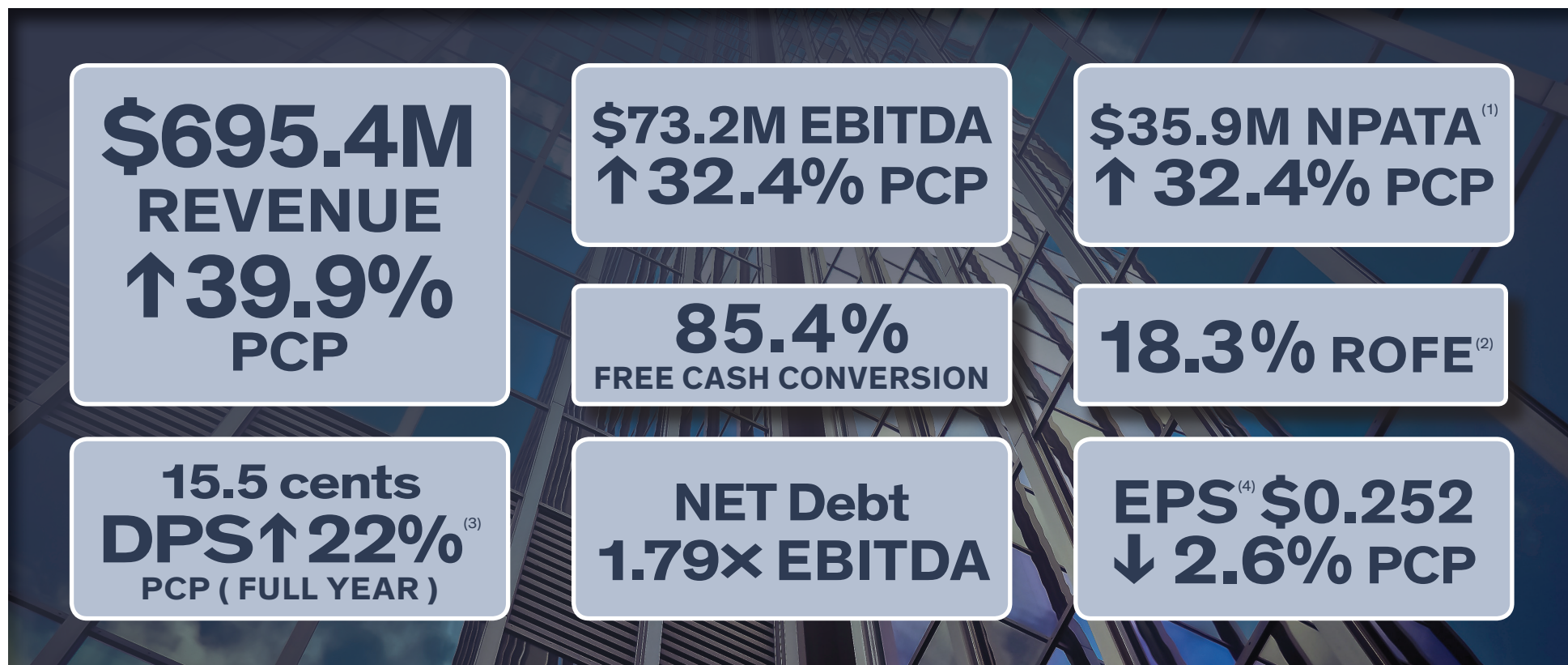
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HIGHLIGHTS

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FINANCIAL PERFORMANCE DASHBOARD (PRO FORMA)



(1) NPAT excluding amortisation of customer contracts

(2) EBIT/average funds employed where funds employed equals net assets plus net debt

(3) Growth based on FY2017 shares on issue post August 2017 capital raise (DPS growth pre August 2017 capital raise shares on issue 8.8%)

(4) NPATA/weighted average shares on issue

HIGHLIGHTS

- Revenue
 - Strong organic growth of 6.2%
 - Excellent success on revenue retention
 - Continued good momentum on 'cross sell'
 - No material revenue losses
- Successfully raised \$55.6 million in August 2017 to drive further growth beyond FY18
- Operational milestones met
 - Relocated and merged Victorian Blue Star DISPLAY operation with Franklin WEB retail display business
 - Completed the merger of Franklin WEB Victoria and AIW in December 2017, with excess capacity retired
 - \$53 million investment in a new highly automated low cost production site for Franklin WEB NSW near completion with the 2nd 80 page press due for commissioning in September 2018
 - Completed acquisition of SEMA in September 2017
 - seamless ownership change
 - integration into Blue Star DIRECT largely complete
 - establishes IVE as a clear leader in data driven multi-channel personalised communications
- EPS \$0.252⁽¹⁾ was down 2.6% on PCP impacted by August 2017 share issue, with full benefits of the capital raise residing in FY19 following completion of acquisition integrations and major capital expenditure programs

(1) Pro forma NPATA/weighted average shares on issue



FY18 FINANCIAL RESULTS



FY18 FINANCIAL RESULTS

Profit and loss

	PRO FORMA			
	Actual FY2018 \$M	Actual FY2017 \$M	Variance \$M	Variance %
Revenue	695.4	496.9	198.5	39.9%
Gross Profit	338.6	248.1	90.5	36.5%
% of Revenue	48.7%	49.9%	—	-2.5%
EBITDA	73.2	55.3	17.9	32.4%
% of Revenue	10.5%	11.1%	—	-5.4%
EBIT	54.3	41.5	12.8	30.9%
% of Revenue	7.8%	8.4%	—	-6.5%
Profit before tax	46.4	35.8	10.6	29.7%
NPAT	32.4	24.5	7.9	32.1%
NPATA	35.9	27.1	8.8	32.4%

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

- Revenue increased on PCP due to a combination of strong organic growth and the acquisitions of Franklin WEB, AIW and SEMA
- Gross profit margin stable to PCP after normalising for the impact of an increase in work mix weighting to catalogue revenue and the impacts of Franklin Web outsourcing through the integration period
- EBITDA margin of 10.5% (11.1% in PCP) driven by a number factors:
 - Delayed closure of AIW site due to contract wins
 - SEMA integration
 - Electricity and gas price increases
 - Q4 paper price increases
 - Bad debts associated with Kalido Asia

FY18 FINANCIAL RESULTS

Capital expenditure to support revenue growth

	FY2018 \$M
Franklin WEB NSW	32.0
Blue Star WEB - new 16 page web offset press	10.4
SEMA integration	3.1
Group wide targeted investment and maintenance	9.1
TOTAL	54.6

Franklin WEB NSW

- Total capital expenditure of \$52.8 million to establish site
- FY17 (\$10.1 million)
- FY18 (\$32 million)
- FY19 (\$10.7 million)

Blue Star WEB

- FY18
 - New highly automated 16 page web offset press (\$10.4 million)

SEMA/Blue Star DIRECT

- FY18
 - SEMA integration (\$3.1 million)
- FY19
 - Additional high speed continuous inkjet as outlined in the August 2017 capital raise (\$5.5 million)

Targeted investment and maintenance

- FY18 (\$9.1 million)
- FY19 (\$9 million)

FY18 FINANCIAL RESULTS

Net debt

	Actual FY2018 \$M
Borrowings - Short Term	15.7
Borrowings - Long Term	137.5
Borrowings¹ - Sub Total	153.2
Cash	-22.3
Net debt	130.9
FY18 EBITDA	73.2
NET Debt / FY18 EBITDA	1.79

(1) Borrowings are gross of loan establishment costs

- Net debt to FY18 pro forma EBITDA of \$73.2 million is 1.79X
- Equipment finance borrowings increased due to the new printing presses in Franklin WEB NSW and Blue Star WEB, offset by reduction in senior facilities due to facility amortisation payment of \$5.0 million in December 2017 and a further \$5.0 million in June 2018
- The second press and ancillary equipment has been funded from the proceeds of the August 2017 capital raise with the majority of the spend occurring in FY2018 and final payments due on commissioning in H1 of FY2019



FY18 FINANCIAL RESULTS

Strong free cash flow conversion

	PRO FORMA	STATUTORY
	FY2018 \$M	FY2018 \$M
EBITDA	73.2	63.6
Movement in NWC/non cash items in EBITDA	-10.7	-16.0
Free Cash Flow	62.5	47.6
Capital expenditure (net)	-35.2	-35.2
Payments for acquisitions & deferred consideration	-15.4	-15.4
Net cash flow before financing and taxation	11.8	-3.0
Tax	-6.8	-4.0
Repayment of bank loans	-16.0	-16.0
Payment of finance lease liabilities	-3.5	-3.5
Proceeds from new share issue (net)	53.3	53.3
Dividends paid	-21.3	-21.3
Interest paid (net)	-7.0	-7.0
Net cash flow	10.4	-1.5
Free cash conversion to EBITDA	85.4%	74.8%

- Operating cash flow was strong reflecting EBITDA achievement
- Pro forma free cash conversion of 85.4%
- Increase in working capital impacted by SEMA acquisition
- Final dividend of 7.5 cents per share, fully franked with payout ratio of 74% of pro forma NPAT
- Full year dividend of 15.5 cents per share, fully franked with payout ratio of 71% of pro forma NPAT (22% increase on PCP)⁽¹⁾

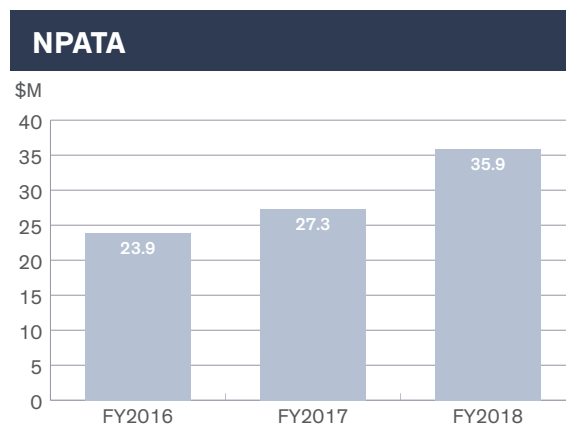
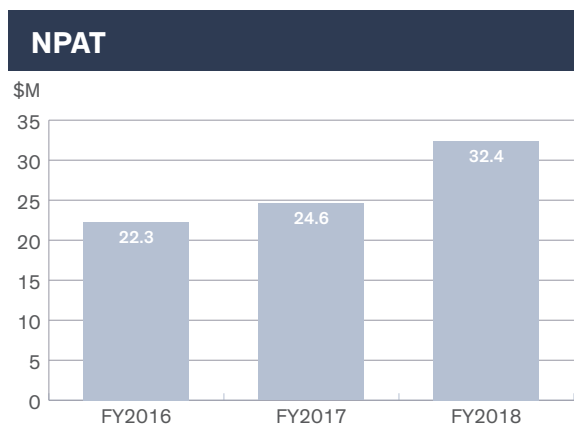
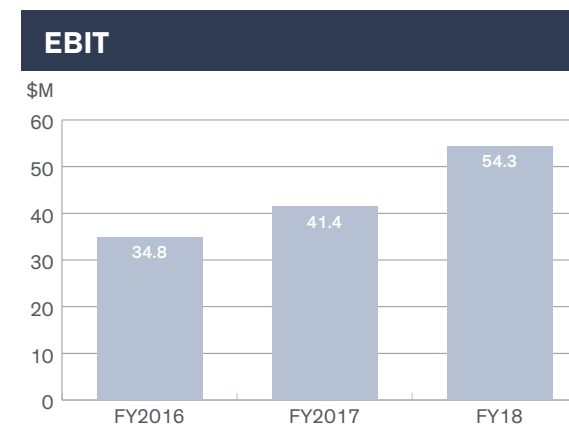
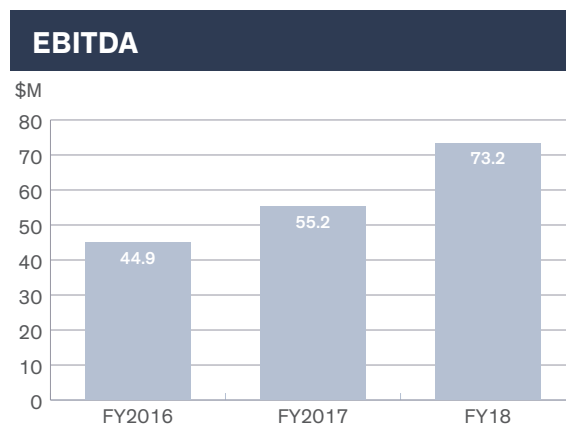
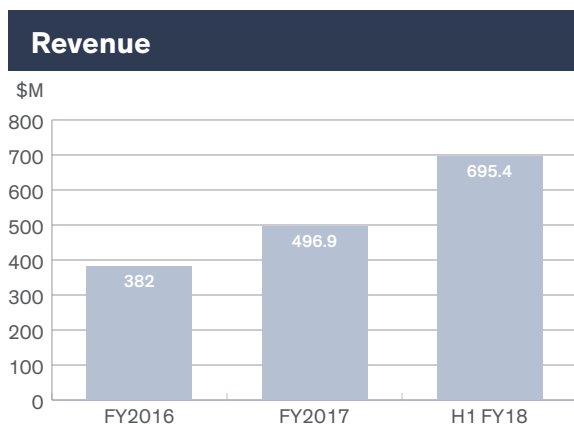
(1) Dividend per share growth based on FY2017 shares on issue post August 2017 capital raise (dividend per share growth pre August 2017 capital raise 8.8%)

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



FINANCIAL RESULTS - historical performance (pro forma)

Consistent growth from revenue through to NPATA



BUSINESS UPDATE



BUSINESS UPDATE

CAPITAL RAISE

- Successful \$55.6 million capital raise in August 2017 to drive further growth beyond FY18

REVENUE

- Strong organic revenue growth (6.2%)
- Excellent success on revenue retention
- Continued good momentum on 'cross sell' revenue
- No material revenue losses

OPERATIONAL INITIATIVES

Blue Star DISPLAY

- In July 2017 the Group's existing Victorian Blue Star DISPLAY operation was relocated and merged with Franklin WEB'S retail display business into a dedicated facility in Sunshine. This coincided with a significant investment program to provide more capacity to better service national retailers for their retail display requirements



BUSINESS UPDATE

OPERATIONAL INITIATIVES continued

Kalido

- Kalido continues growth trajectory both in Australia and Asia
- Kalido delivers omni-channel solution for Craveable Brands to enhance the customer experience
- Craveable Brands (Oporto, Red Rooster, and Chicken Treat) partnered with Kalido to transform the customer experience, leveraging leading marketing cloud platforms to enable a truly customer-centric, omni-channel automated solution
- Kalido has been recognised on a global stage for the outcomes of the project with Craveable Brands, winning the 2017 Salesforce Global Innovation Award



kalido.
2017 Salesforce Partner
Innovation Award for Marketing Cloud

**craveable
brands.**



BUSINESS UPDATE

OPERATIONAL INITIATIVES continued

Pareto

- Pareto are the leading data experts in understanding and forecasting trends across the not-for-profit sector
- Pareto has developed and implemented a new “big data platform” that will enable all client fundraising data to be automatically uploaded and integrated to provide sophisticated reporting and an enhanced level of insights
- This new data platform enables Pareto to not only analyse trends and performance for specific clients, but also allows Pareto to analyse trends across the market
- A number of new analytical products have been released to the market on the back of this powerful data platform

Franklin WEB

Victoria

- Franklin Victoria/AIW merger fully complete December 2017
- AIW site ceased production in December 2017
- Excess press capacity retired

New South Wales

- To support revenue growth and to re-balance capacity between NSW and Victoria to further enhance our ability to service national retailers, \$53 million has been invested to establish a highly automated low cost greenfield operation in Huntingwood NSW
- This facility was fully operational in November 2017 following the installation of the 1st new 80 page press and highly automated binding line
- Expanded stitching capacity in March 2018
- 2nd new 80 page press on track to be commissioned September 2018



BUSINESS UPDATE

OTHER INITIATIVES

- 'IVE 360' company wide interactive workplace health and safety platform launched
- In addition to existing quality and environmental accreditation, ISO 27001 accreditation was attained to significantly enhance our customers' data security
- Expanded employee benefits program 'IVE Plus' to incorporate new Diversity and Inclusion program



BUSINESS UPDATE

ACQUISITIONS

SEMA

- Completed September 2017
- Integration into Blue Star's existing data driven personalised communications division, Blue Star DIRECT
- Integration across 3 states largely complete in H2, with final phase to complete in Q1 of FY2019
- Seamless ownership change
 - Customers very supportive
 - Strong new business growth
 - All key staff retained
- SEMA brand retired

DOMINION PRINT GROUP

- Completed bolt on acquisition November 2017
- Integration successfully complete March 2018



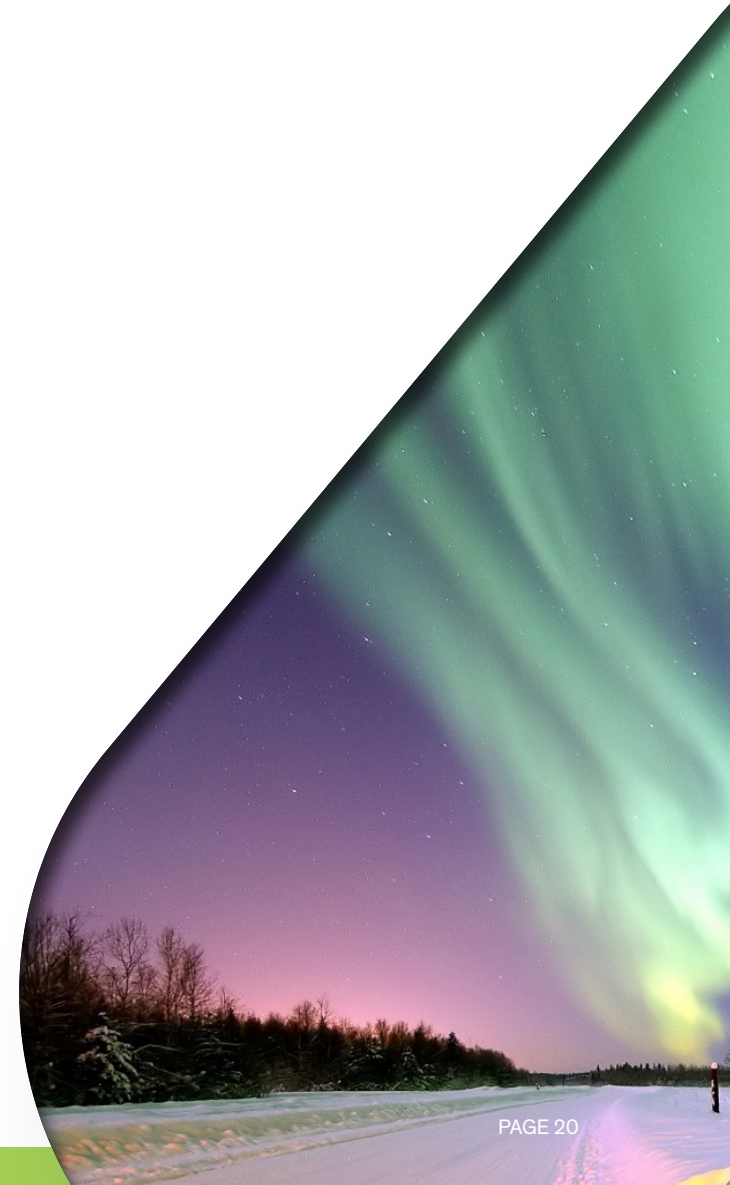
OUTLOOK STATEMENT



OUTLOOK STATEMENT

Continued year on year growth in FY19

- Continued good momentum across the Group positions us well for year on year revenue and earnings growth
- The diverse and compelling value proposition we take to market continues to underpin strong revenue retention and growth – both ‘cross sell’ & new business
- With the completion of the two significant acquisition/integration projects (Franklin/AIW & SEMA/Blue Star DIRECT) and associated major capital investment program, the Company is ideally positioned to fully realise the resulting operational efficiencies in FY19
- Following a period of significant capital expenditure, the Company’s FY19 new capital expenditure budget (excluding already committed FY19 capital expenditure as previously communicated) is significantly lower at \$9 million
- Restructure costs for FY19 are expected to be minimal



APPENDICES

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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.



APPENDIX B

Statutory balance sheet, statutory to pro forma NPAT reconcillation

STATUTORY TO PRO FORMA NPAT RECONCILIATION

	FY 2018 Actual
Statutory NPAT	25.7
Restructure - IVE base (inc FW/AIW)	4.1
Restructure - SEMA/Dominion	4.4
Acquisition costs - SEMA/Dominion/August 2017 capital raise	1.0
Tax effect of adjustments	-2.9
Pro forma NPAT	32.4



	STATUTORY	
	Actual June 2018 \$'M	Actual June 2017 \$'M
CURRENT ASSETS		
Cash and cash equivalents	22.3	23.9
Trade receivables, prepayments and others	126.0	101.3
Current tax receivable	0.0	3.0
Inventories	47.1	46.5
Total Current Assets	195.5	174.7
NON CURRENT ASSETS		
Deferred tax assets	16.0	19.2
Property, plant and equipment	123.7	80.5
Intangible assets and goodwill	170.3	153.9
Total Non Current Assets	310.0	253.6
Total Assets	505.5	428.3
CURRENT LIABILITIES		
Trade payables and provisions	131.8	119.4
Loans and borrowings	16.5	12.8
Current tax payable	1.3	0.0
Total Current Liabilities	149.6	132.2
NON CURRENT LIABILITIES		
Trade payables and provisions	21.7	23.0
Loans and borrowings	134.9	135.5
Total Non Current Liabilities	156.5	158.5
Total Liabilities	306.1	290.7
NET ASSETS	199.3	137.6
EQUITY		
Share Capital	156.3	98.8
Reserves	0.0	0.2
Retained Earnings	43.0	38.6
Total Equity	199.3	137.6

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 30 June 2018. 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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