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ASX RELEASE – IVE GROUP LTD (ASX:IGL)

22 November, 2022

Executive Chair’s Review – Annual General Meeting 2022

The Board and management are very pleased with the outstanding performance of the business over the last 12 months. Despite significant and unique challenges, the Company performed strongly throughout the COVID-19 pandemic, and the further solid improvement in financial performance over the last year illustrates our capacity to deliver a healthy return to shareholders on the back of a meaningful uplift in revenue, and a business with solid foundations that operates extremely well.

Our Strategy and Foundations

The Group’s evolution from a standalone printing business to becoming Australia’s largest diversified marketing communications business over the last 20 years is the result of a clearly defined and well executed strategy. Core to this successful journey has been a combination of targeted organic growth initiatives combined with a disciplined acquisition program which has contributed to broader industry consolidation and a more defined competitive landscape with a reduced number of competitors.

IVE today does not have a single headline competitor with an equivalent breadth of offering or scale, and over the past year we have further strengthened our market positions across the many sub-sectors in which we operate.

Core to the sustainability of the business is the value proposition we take to market which we ensure remains closely aligned to our clients’ evolving marketing communications requirements to maintain relevance and result in deep and longstanding client relationships.

I believe the solid business foundations established over the last 101 years and noted below underpin the operational and financial consistency and resilience the Company continues to demonstrate:

- Highly experienced and loyal people coupled with the IVE culture
- Our customer-first philosophy
- Significant and ongoing investment over many years to ensure highly efficient operations
- An unparalleled diversified value proposition underpinning a compelling integrated offer
- Powerful purchasing power underpinned by industry leading scale
- A strong financial position which provides all stakeholders with stability and security
- ESG credentials including quality assurance, environment, supply chain and data security

The Year in Review

On the back of a pleasing 16% uplift in revenue, the Company reported EBITDA of \$96.6m, which contributed to NPAT of \$33.1m, up 66% over the previous year. Enhanced by the share buyback completed earlier this year, EPS increased 71% to 23.1 cents, enabling the Company to pay a full year dividend of 16.5 cents per share fully franked, up 18% over 2021. The current year payout ratio of 71% is consistent with the Company's unchanged dividend policy targeting a full year payout ratio of 65-75% of underlying NPAT. Since listing on the ASX in December 2015, the Company has paid a total of \$115m in fully franked dividends, notwithstanding the prudent suspension of dividends for a year during the COVID-19 pandemic due to the uncertainty prevailing at the time.

Importantly, our balance sheet strengthened further over the period with net debt of \$76.8m at 30 June 2022 (\$60.3m below net debt at 30 June 2020) equating to only 1.1x (pre AASB 16) EBITDA, well below our stated target of 1.5x. It is worth noting that the net debt position also reflected a meaningful short-to-medium term increase in working capital (circa \$30m of additional inventory) as a result of the Company's informed

decision to increase paper holdings in response to supply chain volatility and to ensure continuity of service for our clients.

The Company completed the acquisition of Active Display Group (ADG) and AFI Branding Solutions (AFI) on 1 November 2022 for consideration of \$6.3m. These acquisitions significantly expand our third-party logistics (3PL) capability and further diversify our offering in the events and exhibition sector.

An important organic initiative over the last year was our \$4.7m investment to transform our Lasoo digital catalogue site into a superior e-Commerce marketplace for many of Australia's leading retailers.

On 14 September 2022 (following ACCC clearance on 30 August 2022), the Group completed the highly accretive and strategically attractive acquisition of substantially all the printing and finishing assets of Ovato, IVE's largest print competitor. The net purchase consideration (including transaction costs) of \$16m was funded from existing facilities, with integration and associated capital expenditure costs over the coming 12-18 months expected to be approximately \$22m excluding redundancies. The integration of the expected \$160m of Ovato revenue into IVE's existing manufacturing footprint is estimated to deliver a \$15m increase in underlying NPAT (circa 35% increase in EPS) relative to FY23 guidance once the integration is complete.

The Company remains well capitalised and highly liquid. To preserve balance sheet strength and to enhance capacity to fund future growth initiatives post the Ovato acquisition, the Company successfully completed a \$19.3m capital raising (8.58m shares issued at \$2.25 per share) in October 2022. The capital raising strengthened IVE's institutional shareholder base, further increasing liquidity in the market for IGL shares. The Company currently has available capacity to pursue targeted earnings accretive opportunities, particularly our intended expansion into the adjacent packaging sector.

Environmental, Social and Governance

During the year and in conjunction with an external specialist, the Company undertook a detailed assessment to define our material environmental social governance (ESG) issues



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and to help inform the development of a robust and transparent sustainability framework. We will shortly finalise the action plan and reporting regime based on in-depth analysis and informed by our sustainable leadership ambitions as well as the views of key stakeholders.

Our People

I'd like to extend my sincere thanks to our CEO, Matt Aitken, for his ongoing commitment and outstanding leadership of the business, as well as our cohesive and talented leadership team including: Darren Dunkley (CFO), divisional CEO's Glen Draper, Cliff Brigstocke, Sean Smith, Darryl Meyer and Rob Draper (CMO and CEO of Lasoo).

I would also like to thank the broader management team and our 2,000+ dedicated staff for their wonderful efforts throughout the year.

Thank you to my fellow directors Paul Selig, James Todd, Sandra Hook, Gavin Bell, Cathy Aston and Andrew Bird for your ongoing contribution, expertise and support.

The Company has emerged from the COVID-19 pandemic with a significant step up in both revenue and earnings, a solid balance sheet, an improved market position and a management team focused on ensuring the continued strong performance of the business as well as a commitment to the execution of our ongoing strategy of diversification and growth over the years ahead.

Thank you

Geoff Selig
Executive Chairman

This announcement has been approved by the Executive Chairman



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