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ASX RELEASE – IVE GROUP LTD (ASX:IGL)

20 November, 2023

Executive Chair's Review – Annual General Meeting 2023

IVE Group (IVE) attaches the Executive Chair's Review which will be presented today at the Company's 2023 Annual General Meeting.

This announcement has been approved by the IVE Group Board

Geoff Selig
Executive Chairman

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For more information please visit our website:
https://investors.ivegroup.com.au/investor-Centre/

Executive Chair's
Review

IVE Group Limited 2023 Annual General Meeting

Reflecting on the Company's performance and resilience through the COVID-19 pandemic, I wrote in our 2021 annual report:

> *"As I reflect on the extraordinary year we have just been through, and this coinciding with our centenary as a business, it has reaffirmed my optimism that as we emerge from the pandemic, the solid fundamentals of the business place IVE in a position of strength from which to continue growing and evolving over the years ahead."*

In that context, the Board is delighted with the Group's performance over the last 12 months, a record year that saw the Group deliver its second year of solid uplift in both revenue and earnings post the pandemic. The result is even more pleasing given trading conditions over the period were not without challenge, with margins pressured by input price inflation, coupled with materially higher energy and finance costs.

FY22 over FY21	FY23 over FY22
Revenue up 15.6%	Revenue up 27.5%
EBITDA up 13.3%	EBITDA up 23.1%
NPAT up 66.1%	NPAT up 19.8%
Earnings per share (EPS) up 71.1%	EPS up 14.5%

Strong organic growth combined with the acquisition of Ovato drove a 27% uplift in revenue to $967m, and a 20% uplift in underlying NPAT to $39.7m from $33.1m in the prior year. Return on funds employed increased to 24.7% from 21.3% the prior year.

On 13 September 2022, following ACCC clearance, the Group completed the highly accretive and strategically important acquisition of substantially all of the printing and finishing assets of Ovato, IVE's primary print competitor. Once the integration is complete, the acquisition is expected to deliver an additional $145m of revenue, $25m of EBITDA, and $13m of NPAT.

So as to reduce operational risk and accelerate synergy emergence, we decided to expedite the Ovato integration, with the integration now on track to be complete by December 2023, six months ahead of schedule. It is important to note that the full integration synergies will not be realised until the end of FY24 when significant Ovato Sydney site costs (primarily related to lease expiry) are exited and final production efficiencies captured.

To preserve balance sheet strength and to support 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 further strengthened IVE's institutional shareholder base, supporting increased liquidity in the market for IVE shares.

Allowing for the aforementioned modest capital raising, earnings per share (eps) increased 15% to 26.4 cents per share (cps), supporting a full year dividend of 18.0 cps fully franked. The current year payout ratio of 69% is consistent with the Company's dividend policy which targets a full year payout ratio of 65%-75% of underlying NPAT. Since listing on the ASX in December 2015, and inclusive of the recently declared 8.5 cps final dividend, the Company has paid $1.03 per share in fully franked dividends, representing a total payout of $143m (70% average payout ratio and 7.9% yield since listing), consistent with the profitability and cash generative nature of the business. These metrics exclude FY20 when the Company prudently elected not to pay a dividend as a result of the Covid-19 pandemic.

The Company remains well capitalised and highly liquid. Our balance sheet is strong, with net debt of $124m at 30 June 2023, up from $76.8m a year earlier, equating to 1.0x EBITDA (1.4x pre AASB 16) and below our stated target of 1.5x pre AASB 16 EBITDA. The Group's net debt position increased over the year primarily as a result of the Ovato transaction and associated integration costs, and the need to hold additional inventories given the significantly increased size of the business.

So as to better manage increasingly volatile energy (electricity and gas) costs over recent years, and consistent with stakeholder expectations for the business to transition to 100% renewable energy, the Group executed a 7-year partnership agreement in April 2023 with Iberdrola, one of the world's largest renewable energy companies. From January 2024, IVE's electricity requirements will be generated from a renewable source (primarily wind), creating a clear pathway to 100% renewable supply. Associated large-scale (renewable energy) generation certificates (LGC's) will likely be sold in the near term to subsidise IVE's electricity costs.

With respect to environmental social governance (ESG) more broadly, last year we undertook a detailed assessment in conjunction with an external specialist to define the scope of our ESG roadmap and inform the development of a robust and transparent sustainability framework. We recently finalised the ESG action plan and reporting regime, and I invite shareholders and prospective investors to refer to the Group's ESG framework and 2025 targets covered in our 2023 annual report.

IVE has successfully executed over the last decade on our strategy of growth and diversification. Core to this has seen the Company successfully move into a number of natural adjacencies, often through an initial cornerstone acquisition. Following an in depth analysis of the Australian packaging sector over the last year, we determined for a number of reasons the $800m+ folded cartons (fibre-based) segment was a strategically attractive adjacency for the Group to pursue. Consistent with other product adjacencies in which IVE operate, the shorter run folding carton segment thematics are appealing, and afford IVE the opportunity to play a lead role in consolidating a fragmented market by way of a cornerstone acquisition.

On 25 October 2023, the Group entered the fibre-based packaging sector with the strategic acquisition of leading Melbourne based packaging business JacPak. This cornerstone acquisition provides a solid foundation from which to grow our packaging revenues over the years ahead. Whilst the Group may consider opportunistic 'bolt-on' acquisitions, the primary driver of our growth strategy will be organic. We look forward to providing a more comprehensive update on our packaging organic growth strategy at our interim results in February 2024.

Thank you

I'd like to extend my sincere thanks to our Group 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 Cliff Brigstocke, Sean Smith, Darryl Meyer, Michael Bettridge 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.

In addition to continued optimisation of the Group's operating assets, the business remains committed to its previously articulated diversification and growth strategy. The Company has 'bounced back' strongly from the COVID-19 pandemic with a strengthened market position, is 'match fit', maintains a solid balance sheet, and a team focused on delivering across a range of exciting initiatives over the year ahead to further drive the ongoing strength and sustainability of IVE.

Geoff Selig

Geoff Selig
Executive Chair

20 November 2023