

ASX RELEASE – IVE GROUP LIMITED (ASX:IGL)

25 October 2023

IVE announces entry into the fibre based packaging sector with the strategic acquisition of JacPak

IVE Group (IVE) today announces it has signed a binding agreement to acquire 100% of JacPak Pty Ltd, for a total purchase consideration of \$35 million (representing a multiple of 5.8 x FY23 EBITDA). With annual revenue of circa \$45m, JacPak is a leading Melbourne based short to medium run length packaging player in the \$800m folding cartons segment of the Australian packaging sector.

The agreement is subject to the satisfaction of customary conditions and is scheduled to complete on 31 October 2023.

The purchase consideration payable at completion will be funded via the Group's recently established acquisition facility.

Expected transaction financial metrics

The total purchase consideration for JacPak is \$35m, \$27.9m payable on completion, \$4m payable as deferred consideration subject to the achievement of performance hurdles over a 12 month period, and the assumption of \$3.1m of equipment finance leases.

JacPak will continue to operate as a standalone business from an operational perspective, with the combined teams working closely together to grow revenue by cross selling IVE's broad offering into the existing JacPak customer base.

Ashley Tomlin, current owner of JacPak, will remain with the business post completion.

By the commencement of FY25 (1 July 2024), IVE expects to have unlocked around \$2.4m of annualised synergies across procurement, operational efficiencies (primarily insourcing currently outsourced production functions), and finance and administration.

Based on FY23 revenues of \$45m, the acquisition is expected to contribute positively to earnings in FY24. Following the realisation of synergies, the business is expected to deliver EBITDA of around \$8.4m and NPAT of around \$3m, giving rise to EPS accretion of approximately 7% (relative to the mid-point of the Group's FY24 NPAT guidance). Post the realisation of synergies, this represents a 4.2 x multiple on the purchase consideration of \$35m (including the \$4m deferred component).

JacPak currently has available capacity of \$15m for potential organic revenue growth. We are confident that over the near term this capacity will be utilised through new or expanded customer relationships. Should this capacity be fully utilised, we would expect this to deliver a further \$3.5m in EBITDA and \$2.5m of NPAT.

Inclusive of estimated synergies, and assuming current available capacity is utilised, JacPak would generate revenues of circa \$60m, EBITDA of around \$11.9m, and NPAT of around \$5.5m.

Commenting on the acquisition of JacPak, IVE Group CEO Matt Aitken said:

“Over the last two years we have communicated our strategic intention to enter the short to medium run folding cartons segment of the Australian packaging sector. We are pleased to be acquiring a solid entry point into the sector through the cornerstone acquisition of a business of the calibre of JacPak - a market leading, profitable and very well respected business.”

Transaction strategic rationale

In recent years, IVE has been investigating certain segments of the Australian packaging sector. IVE considers this sector as being complementary to the Group’s existing product and service offering, and consistent with its long term strategy to continue the diversification of the business into aligned adjacencies. The fragmented structure of the sector also provides an opportunity for IVE to play a leading role in consolidating the sector further, similar to the strategy we have successfully executed on across a number of other adjacencies over the last decade.

Key success indicators include a pathway to establishing a packaging business capable of generating \$150m p.a. of revenue within 3-5 years, with returns and medium-term growth prospects aligned with IVE’s sustainability agenda, and which unlocks synergies with the Group’s existing business.

Due to similarities with many of the Group’s existing production processes and equipment, as well as its aligned ESG credentials, the Group identified the higher margin, short to medium run length fibre-based folding carton segment to be attractive.

The \$800m folding cartons market makes up a core component of the preferred packaging format for large food and beverage customers, with this segment growing around 10% over the last year.

About JacPak

Established in 2004, JacPak is a leading Melbourne-based packaging company specialising in the short to medium run, fibre-based folding cartons segment of the Australian packaging industry.

JacPak offers innovative, high quality folding carton solutions for fast-moving consumer goods (FMCG), such as those for the food, freezer, dairy, cosmetics, pharmaceutical and pet care industries. JacPak’s state-of-the-art manufacturing site in Keysborough, Victoria, employs 100 dedicated staff, and offers a full in-house packaging solution including prepress, printing, cutting, glueing, and logistics.

This announcement has been approved by the IVE Group Board.

Geoff Selig
Executive Chairman



IVE Group Limited
ABN 62 606 252 644
Level 3
35 Clarence Street
Sydney NSW 2000
P+61 2 9089 8550
ivegroup.com.au

Contact:

Matt Aitken
Chief Executive Officer

+61 413740774

investors@ivegroup.com.au

For more information please visit our website:

www.ivegroup.com.au