

IVE Group Limited

# FY21 H1 Results Presentation

ASX : IGL  
25 February 2021

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From idea to execution, our landscape is constantly shifting and evolving. As marketing natives, so are we. We are forever seeking new ways to navigate the marketing maze. We connect our clients with customers wherever, whenever.

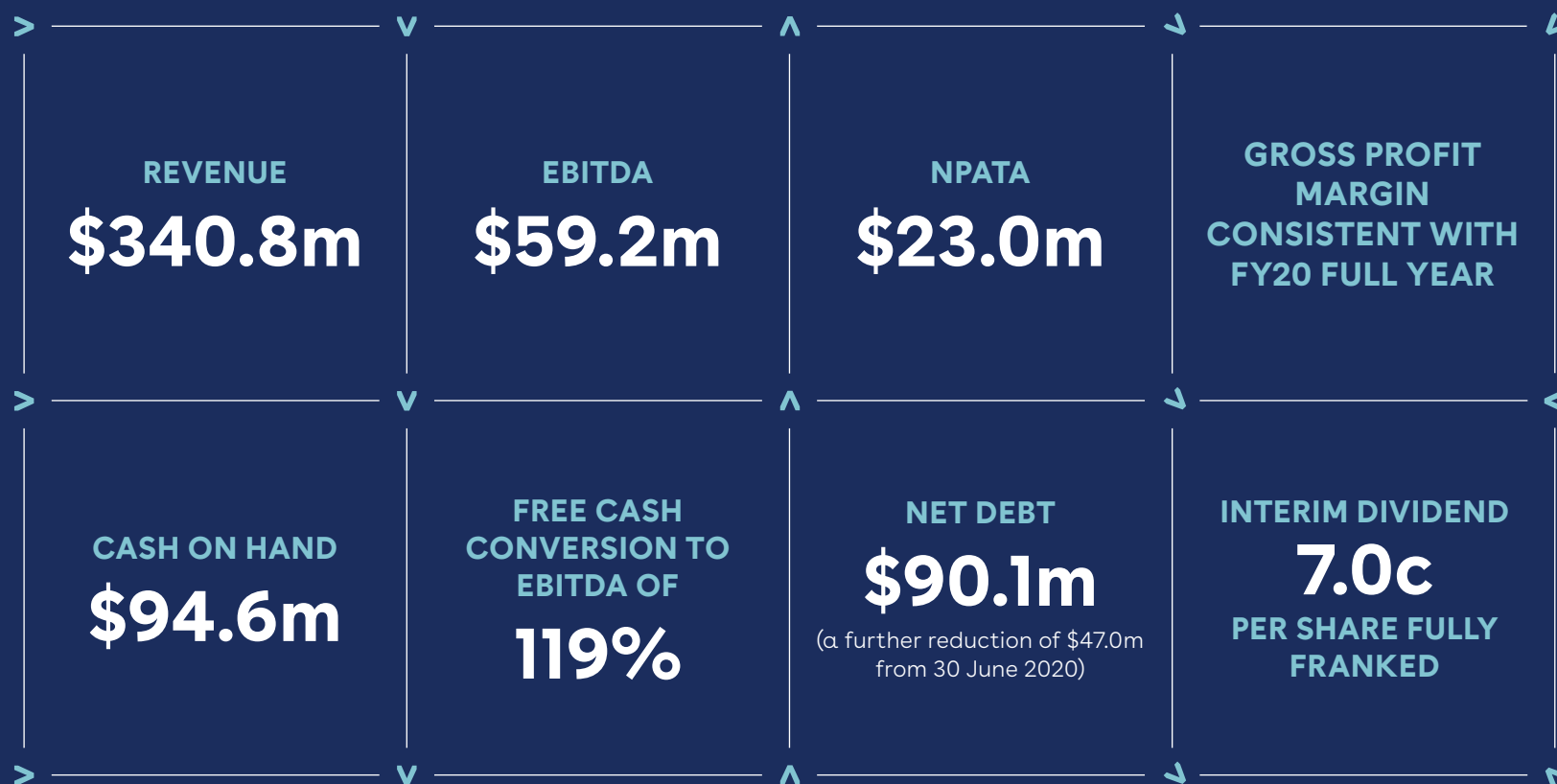


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# Financial performance dashboard

(underlying continuing and post AASB16)



- NPAT excluding amortisation of customer contracts
- The underlying financial results are on a non IFRS basis and are not audited or reviewed
- The underlying results are on a continuing operations basis and exclude non-operating items (refer Appendix B)
- The underlying results include net JobKeeper receipts of \$14.9m

# Summary



## Solid financial performance

- > A solid financial performance for the half year despite the challenging conditions. The flexibility of our cost base and capacity to respond to the impacts of COVID-19 led to further lowering of our net debt level and declaration of a first half dividend. Previous guidance for the full year is reaffirmed

## COVID-19

- > We estimate a revenue reduction of circa \$50m to pcg as a result of COVID-19, particularly in the retail catalogue and travel sectors
- > We continued through the period to flex and streamline our cost base in response to COVID-19 to mitigate short term revenue impacts and to further strengthen the business on an ongoing basis

## Coles catalogue

- > Coles ceased to produce the letterbox version of their weekly catalogue from 9 September, 2020 with a resulting revenue reduction to pcg of circa \$12m

## Divestment of Telefundraising

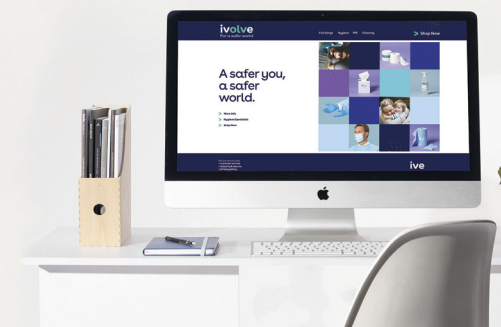
- > The divestment of our outbound call centre business IVE Telefundraising (formerly Pareto Phone) was completed on 30 October, 2020
- > Consideration received was \$16.5m which resulted in a profit on divestment of \$4.2m
- > The proceeds of the sale were used to further strengthen the balance sheet



## involve launch

- > Following the successful pivot into PPE during FY20, our involve brand and extensive range of PPE was successfully launched in October 2020
- > The involve business leverages our existing onshore and offshore sourcing capabilities, and our significant warehouse and logistics capability in Sydney and Melbourne

[Go to the involve website](#)



## Share buyback

- > The Company announced a share buyback on 12 November, 2020
- > As at 25 February 2021 the Company had acquired 990,477 shares at an average price of \$1.31 per share

## Long-term contract with Australian Community Media (ACM)

- > We entered into a long term contract with ACM at the end of October 2020
- > Expected revenues of circa \$100m over the five-year term, with revenue transitioning mainly during H2 of FY21
- > To support ACM's requirements, and further enhance service to our clients, IVE acquired selected assets of ACM's web offset operation in WA for a purchase consideration of \$2.0m



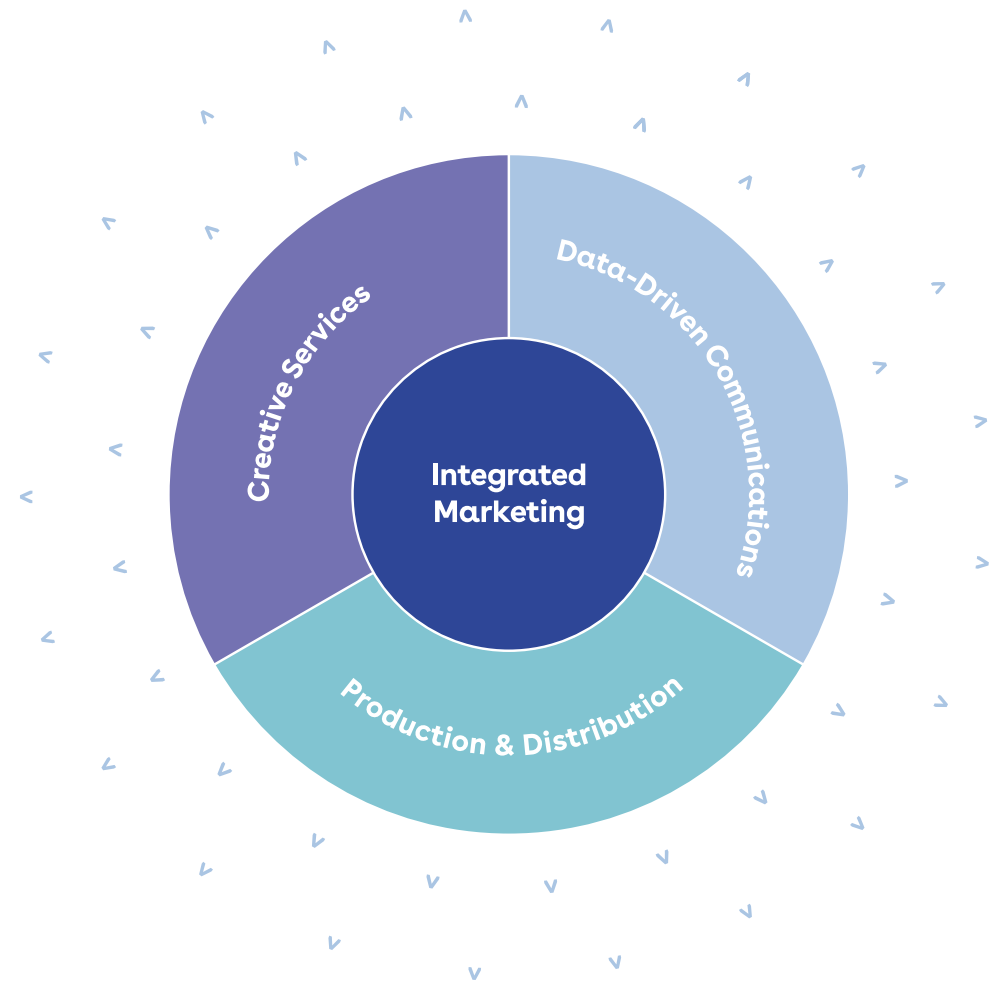


# Our integrated service offering

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Specialising in creative, data-driven communications, integrated marketing, production and distribution, we bring together the capabilities, specialists and technology needed to make customer connection seamless.

Our offering is supported by robust integrated technology platforms that make complex marketing simpler for our clients.

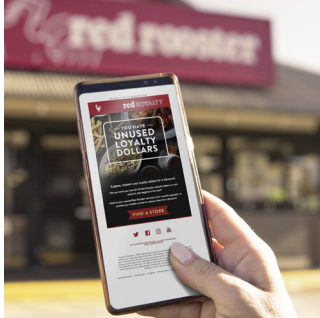


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# Financials

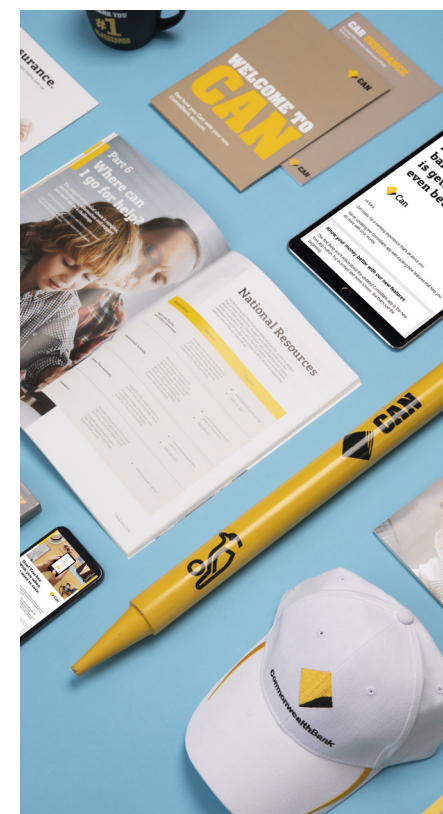
# Financial results

	H1 FY21 & FY20 Post AASB16			
	Actual H1 FY2021 \$m	Actual H1 FY2020 \$m	Variance \$m	Variance %
Revenue	340.8	352.2	(11.4)	(3.2%)
Gross Profit	161.3	166.6	(5.3)	(3.2%)
% of Revenue	47.3%	47.3%		0.1%
Underlying EBITDA continuing operations (inc JobKeeper)	59.2	49.9	9.2	18.5%
Underlying EBITDA continuing operations (ex JobKeeper)	44.3	49.9	(5.6)	(11.3%)
Underlying EBITDA margin % (inc JobKeeper)	17.4%	14.2%		22.4%
Underlying EBITDA margin % (ex JobKeeper)	13.0%	14.2%		(8.4%)
Non-Operating items (inc JobKeeper)	(2.7)	(5.8)	3.1	53.5%
Non-Operating items (ex JobKeeper)	12.2	(5.8)	18.0	311.4%
EBITDA	56.6	44.2	12.4	28.1%
Depreciation and amortisation	24.2	21.9	2.3	10.7%
EBIT	32.4	22.3	10.1	45.2%
Net finance costs	5.0	5.2	(0.2)	(4.5%)
NPBT	27.4	17.1	10.3	60.4%
Income tax expense	8.5	5.5	3.0	54.3%
NPAT from continuing operations	18.9	11.6	7.3	63.3%
Discontinued Operations (NPAT)	4.8	0.8	4.1	528.9%
NPAT	23.8	12.4	11.4	92.3%
NPATA* continuing operations	21.1	13.5	7.7	56.9%
Underlying NPAT continuing operations (inc JobKeeper)	20.8	15.9	5.0	31.2%
Underlying NPAT continuing operations (ex JobKeeper)	10.5	15.9	(5.4)	(33.9%)
Underlying NPATA continuing operations (inc JobKeeper)	23.0	17.7	5.3	29.7%
Underlying NPATA continuing operations (ex JobKeeper)	12.7	17.7	(5.1)	(28.6%)

The underlying financial results are on a non-IFRS basis and are not audited or reviewed

The underlying results are on a continuing operations basis and exclude non-operating items (refer Appendix B)

\*NPAT excluding amortisation of customer contracts



## Financial results (continued)

### Revenue

- Revenue of \$340.8m to pcp of \$352.2m
  - Includes Letterbox Distribution revenues of \$53.5m
  - We estimate a revenue reduction to pcp of circa \$50m as a result of the impacts of COVID-19, particularly in the retail catalogue and travel sectors
  - Revenue reduction to pcp of circa \$12m reflects the impact of Coles ceasing to produce the letterbox version of their weekly catalogue from 9 September, 2020

### Gross profit

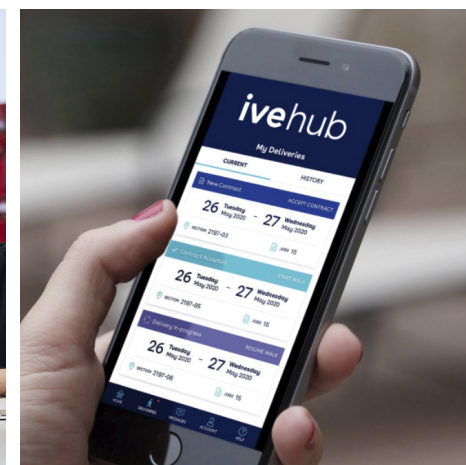
- Gross profit margin of 47.3% stable to pcp of 47.3%
- Paper prices continue to reflect benefits of improved pricing relative to pcp
- Continued leverage of supply chain

### EBITDA

- EBITDA of \$59.2m (inclusive of JobKeeper receipts of \$14.9m) to pcp of \$49.9m
- The business leveraged and streamlined the cost base further throughout the period
- EBITDA margin of 13% (excluding JobKeeper) to pcp of 14.2%

### NPAT

- NPAT of \$20.8m (inclusive of JobKeeper) to pcp of \$15.9m
- NPAT of \$10.5m (exclusive of JobKeeper) to pcp of \$15.9m
- Depreciation and amortisation of \$24.2m to pcp of \$21.9m – pre AASB16 \$12.1m to pcp of \$11.3m
- Net finance costs of \$5.0m to pcp of \$5.2m – pre AASB16 \$3.4m consistent with pcp
- IFRS NPAT of \$23.8m includes profit on divestment of IVE Telefundraising of \$4.2m
- \$2.7m of non-operating items excluded from underlying earnings
  - predominantly redundancies and business relocations





# Net debt

	Actual H1 FY2021 \$m	Actual H1 FY2020 \$m
Loans & borrowings – short term	6.4	6.9
Loans & borrowings – long term	178.3	181.8
<b>Loans &amp; borrowings* – Sub Total</b>	<b>184.7</b>	<b>188.7</b>
Less Cash	94.6	51.6
<b>Net Debt</b>	<b>90.1</b>	<b>137.1</b>

\* Loans & borrowings are gross of facility establishment costs

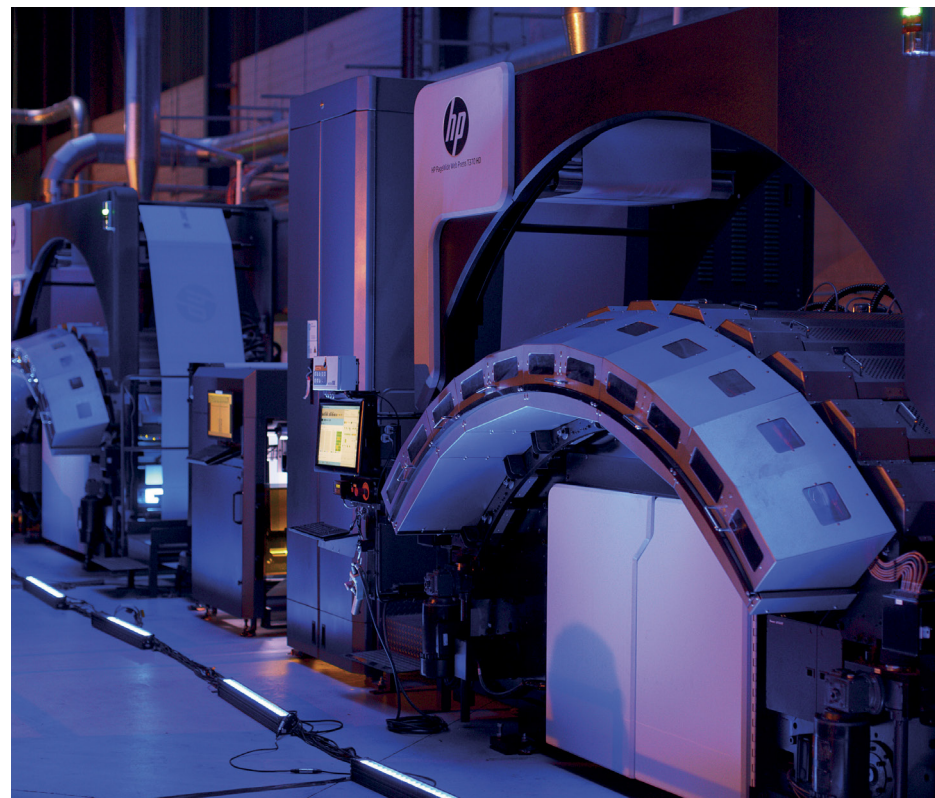
\* Excludes right of use liabilities impacts from adopting AASB16

- Net debt of \$90.1m
  - A further reduction of \$47m since 30 June 2020
  - A reduction of \$89m since the end of March 2020
- Cash at bank \$94.6m at 31 December 2020 with working capital facility of \$30.0m remaining fully undrawn
- Increase in cash reflects underlying earnings coupled with reduced working capital resulting in high free cash conversion, JobKeeper receipts and the proceeds of the divestment of IVE Telefundraising

# Capital expenditure

	\$m
Group wide targeted investment and maintenance	3.3
Group wide MIS upgrades	1.2
	4.5

- Capital expenditure excludes acquisition of land and building, plant and equipment of \$2.0m for ACM's WA operation
- In line with previous guidance, FY21 full year capital expenditure expected to be approximately \$10.0m including MIS/ERP upgrade(s)



# Cash flow

	Underlying H1 FY2021 \$m	Stat H1 FY2021 \$m
<b>EBITDA</b>	<b>59.2</b>	<b>56.6</b>
Movement in NWC/non cash items in EBITDA	11.5	11.9
<b>Free Cash Flow</b>	<b>70.7</b>	<b>68.5</b>
Capital expenditure (net)	(4.5)	(4.5)
Investments	(5.4)	(5.4)
Payments for acquisitions	(2.1)	(2.1)
Net proceeds from sale of Telefundraising	0.0	15.2
Discontinued operations	0.0	1.6
<b>Net cash flow before financing and taxation</b>	<b>58.8</b>	<b>73.3</b>
Tax	(8.7)	(7.9)
Payment of loans	(1.6)	(1.6)
Payment of lease liabilities	(17.9)	(17.9)
Payment of share buy back	(0.6)	(0.6)
Interest paid	(2.3)	(2.3)
<b>Net cash flow</b>	<b>27.7</b>	<b>43.0</b>
Free cash conversion to EBITDA	119%	121%

- > Underlying cash flow is presented on a continuing operations basis
- > The underlying financial results are on a non IFRS basis and are not audited or reviewed
- > The underlying results are on a continuing operations basis and exclude non-operating items (refer Appendix B)

## Strong cash flow with free cash conversion of 119%

### Share Buyback

- > As at 31 December 2020 the Company had acquired 510,354 shares at a cost of \$0.7m (average price of \$1.37 per share)
- > As at 25 February 2021 the Company had acquired 990,477 shares at a cost of \$1.3m (average price of \$1.31 per share)

### Earnings per share (EPS) for H1 FY21\*

- > EPS including JobKeeper 16.0 cents
- > EPS excluding JobKeeper 9.0 cents

### Dividends

As foreshadowed at our AGM in November 2020, the Company has reinstated dividend payments with the declaration of an interim dividend of 7.0 cents per share fully franked for H1 FY21.



\*EPS – Underlying NPATA divided by weighted average shares on issue as at 31 December 2020



# Customers and revenue



# Customers and revenue

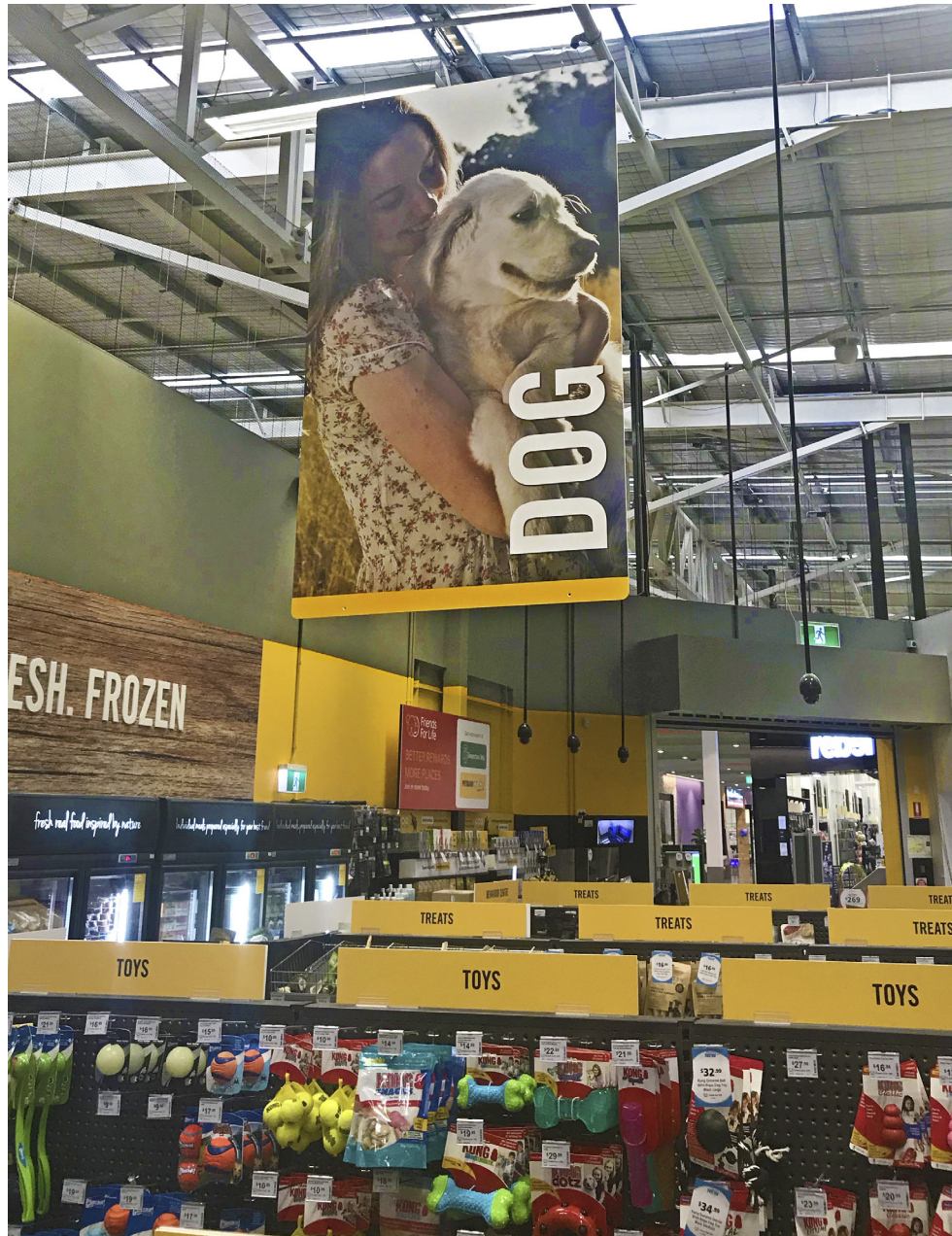
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Core to the ongoing sustainability of the business is the value proposition we take to market remaining relevant by closely aligning to our clients evolving requirements. The diversity of IVE's offer and capability to bundle solutions places us in a strong position relative to a number of competitors across the sector. IVE does not have one headline competitor that has an equivalent breadth of offering, and we continue to hold dominant market positions across the sub sectors in which we operate

- Notwithstanding Coles ceasing the production of their letterbox catalogue, they remain an important client with IVE continuing to produce weekly in store catalogues, publications for their liquor brands and the monthly Coles magazine
- Strong new business momentum achieved in H1 with \$30m annualised in new client revenue secured. This revenue growth is across the entire Group and in addition to the ACM contract
  - **Spotlight Retail Group** was secured as a significant letterbox distribution client in both Australia and New Zealand
  - IVE has been appointed to manage all point of sale marketing, kitting and fulfilment for **Greencross Vets** and **Pet Barn**. Further opportunities have already presented for PPE and Hygiene products, uniforms and apparel.
- Our long term track record of client retention is excellent and there were a number of contract extensions over the period









## Some examples of our diverse offer

- > We have moved deeper into the retail and FMCG vertical by obtaining HACCP (Hazard Analysis Critical Control Points) certification. This has enabled IVE to move beyond just point of sale production, and now through utilisation of our large Integrated logistics capability we are managing the product co-packing requirements for major clients and household consumer brands, including a major tinned food producer, batteries, coffee pods, confectionery, toys and dental products to name a few.
- > IVE has continued to bring new retailers onto its Lasoo aggregated digital catalogue platform, deploying product enhancements and growing revenue and audiences ahead of a meaningful Lasoo investment and enhancement program over the year ahead.
- > A few examples of IVE's diverse value proposition continuing to deliver deeper client relationships
  - Maccas Experience – 21 engaging and dynamic training videos created (concept development, illustration, animation and video production) for **McDonald's** as part of their \$40m per annum commitment to employee training
  - McDelivery Car Wraps – creating eye-catching car wraps for their delivery fleet with great buy-in from franchisees and even better feedback from local communities





- IVE continues to grow and strengthen its partnership with **Woolworths** providing a wide range of services, whether that is through their 980+ store network or directly to their customers (consumers). IVE partners Woolworths in managing customer communication requirements for their Everyday Rewards Program, managing catalogue distribution to millions of letterboxes, providing staff uniforms and producing in-store marketing campaigns on an ongoing basis.



- As a retail specialist, IVE continues to support leading retail brands, such as **Diageo** by creating and producing exceptional point of purchase collateral, that help's turn shoppers into buyers. Despite food and beverage sectors experiencing significant disruption since the outset of the pandemic, Diageo continues to successfully grow market share and capture the attention of shoppers by promoting its stable of brands though increased investment with IVE. Every campaign activation is unique and consists of a diverse range of integrated point of sale, displays, premiums and merchandise solutions – manufactured locally and offshore, incorporating everything from creative development, right through to distribution.



- A range of digital and social media creative work for clients like **Blackmores**
- IVE's Data Driven Communications business has been managing **Nufarm's** Salesforce Marketing Cloud integration globally – this project is core to Nufarm's digital transformation, and a desire for their business to be better connected with their customer base. IVE has completed the North American integration (USA and Canada) and is now focused on deployment across Australia and New Zealand ahead of planning the rollout for Europe.



Single Image 1080x1080:  
Pregnancy and Breast-Feeding Gold



Single Image/Video 1080x1920 (2 Frames):  
Pregnancy and Breast-Feeding Gold



Single Image 1920x1080:  
Pregnancy and Breast-Feeding Gold

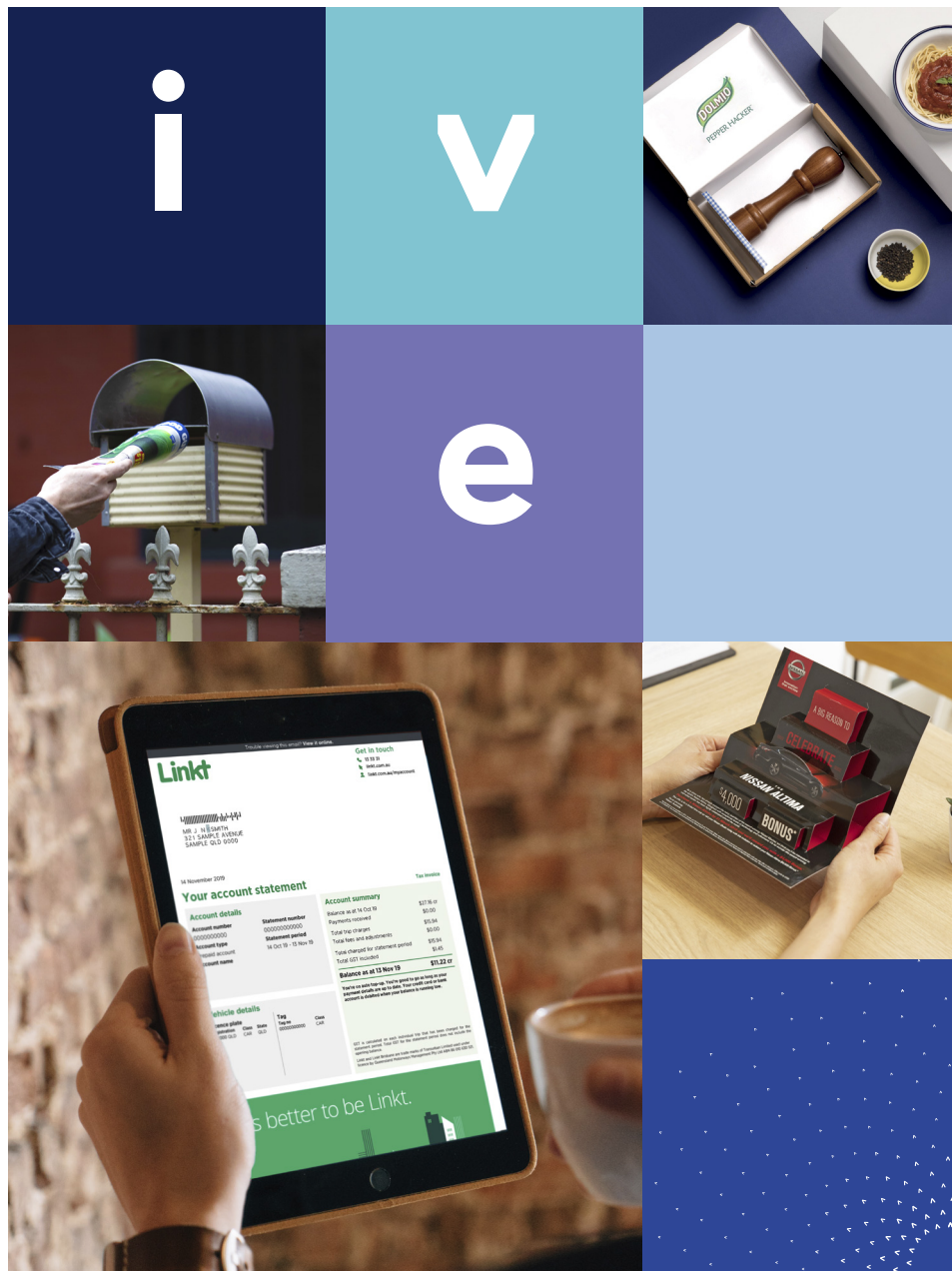




# Outlook

- > FY21 full year underlying EBITDA expected to be consistent with FY20 (\$100m underlying EBITDA continuing operations)
- > Gross profit margin expected to remain stable over the remainder of FY21
- > Full year capital expenditure expected to be approximately \$10m including MIS/ERP upgrades
- > Full year restructure and acquisition costs expected to be approximately \$4m
- > Forecast net debt at 30 June 2021 expected to be \$90-100m





# Appendices



# Appendix A

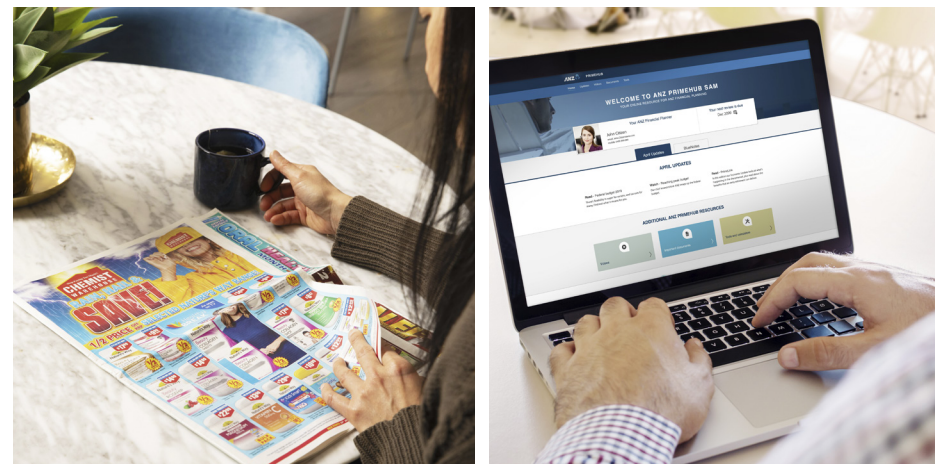
## > Non-IFRS financial information

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 for the half year ended 31 December 2020 have not been audited or reviewed.

Financial information in this results presentation is expressed in millions and has been rounded to one decimal place. This differs from the interim financial report where numbers are expressed in thousands. As a result, some minor rounding discrepancies occur.



# Appendix B

## > IVE Group Limited Balance Sheet

	Post AASB16 Actual Dec-20 \$m	Post AASB16 Actual Jun-20 \$m
<b>Current Assets</b>		
Cash and cash equivalents	94.6	51.6
Trade receivables, prepayments and others	113.7	110.3
Inventories	47.0	56.2
<b>Total Current Assets</b>	<b>255.3</b>	<b>218.2</b>
<b>Non Current Assets</b>		
Deferred tax assets	16.4	15.3
Property, plant and equipment	108.2	109.8
Property, plant and equipment (ROUA)	105.0	115.5
Financial assets	4.9	0.0
Intangible assets and goodwill	128.7	142.4
<b>Total Non Current Assets</b>	<b>363.1</b>	<b>382.9</b>
<b>Total Assets</b>	<b>618.4</b>	<b>601.2</b>
<b>Current Liabilities</b>		
Trade payables and provisions	113.2	107.8
Loans and borrowings	3.2	3.1
Lease liability (ROUA)	29.7	34.3
Current tax payable	5.1	3.3
<b>Total Current Liabilities</b>	<b>151.2</b>	<b>148.5</b>
<b>Non Current Liabilities</b>		
Trade payables and provisions	10.5	10.2
Loans and borrowings	168.1	169.9
Lease liability (ROUA)	100.8	108.1
<b>Total Non Current Liabilities</b>	<b>279.5</b>	<b>288.2</b>
<b>Total Liabilities</b>	<b>430.7</b>	<b>436.7</b>
<b>Net Assets</b>	<b>187.8</b>	<b>164.5</b>
<b>Equity</b>		
Share Capital	155.8	156.5
Other reserves	(0.4)	(0.6)
Retained Earnings	32.4	8.6
<b>Total Equity</b>	<b>187.8</b>	<b>164.5</b>

## > Statutory to underlying NPAT reconciliation

	H1 FY2021 \$m
Statutory NPAT continuing operations	18.9
Restructure and acquisition costs	2.7
<b>Sub Total Non Operating items</b>	<b>2.7</b>
Tax effect of adjustments	(0.8)
<b>Underlying NPAT continuing operations</b>	<b>20.8</b>

# Appendix C

## > Disclaimer

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This presentation contains general information about the activities of IVE Group Limited (IVE) which is current as at 31 December 2020. 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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