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ASX RELEASE – IVE GROUP LIMITED (ASX:IGL)

24 November, 2021

Trading update for the 4 months to 31 October 2021 and outlook

IVE Group Limited (ASX:IGL) is pleased to provide an update on recent trading conditions and current outlook.

Trading update for the 4 months to 31 October 2021

There has been strong revenue recovery and momentum across the business with revenue up 9% over pcp[1]

- EBITDA[2] & NPAT[3] up 32% and 75% respectively on pcp, demonstrating heightened operating leverage across the business as highlighted in FY21 full year results
- Cash on hand at 31 October 2021 of $42m (post repaying $50m in senior debt facility in August 2021)
- Net Debt at 31 October 2021 of $89.7m

Supply chain: opportunities and challenges

Post COVID global supply chain disruption has a dual effect:

- We continue to benefit from clients "onshoring" work previously produced offshore to guarantee supply
- Paper prices have moved to the top end of their long term historical range driven by tightening supply, increases in pulp costs and well documented increases in global energy prices and shipping costs. Our expectation is that this level of pricing will continue throughout 2022. These price movements primarily impact our web offset printing division.
- In response we have moved quickly to shore up supply and believe it is prudent to increase our paper inventory holdings as foreshadowed at the time of our full year results in August of this year. IVE has long term strong relationships with all major international paper suppliers.

[1] Revenue, EBITDA and NPAT normalised for Telefundraising business which was divested on 31 October 2020
[2] EBITDA on a pre AASB16 basis
[3] EBITDA and NPAT exclude FY21 JobKeeper receipts

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Outlook

The solid underlying fundamentals of the business, combined with the strength of our balance sheet, place IVE in an ideal position to deliver growth as we emerge from this period of COVID disruption

- The financial performance of the business on revenue, EBITDA and NPAT for the 4 months to 31 October 2021 is significantly up on the same period last year
- As illustrated in the FY22 YTD results, heightened operating leverage across the business will underpin earnings growth as revenue returns
- Strong revenue momentum continues and we remain optimistic this will continue over the remainder of the FY22 year driven by post lockdown economic recovery
- We will continue to closely manage paper supply chain pressures which we expect to remain through the balance of FY22, and are working closely with our clients to manage 'flow' through' cost adjustments as required. Due to contractual timing differences, we expect a one off NPAT impact of circa $2m in FY22
- The recent acquisitions of Active Display Group and AFI Branding Solutions at a very low multiple represent the initial deployment of the $30-40m we have available to drive earnings accretive growth initiatives. In addition to a range of organic growth initiatives, we would anticipate attractive acquisition opportunities will present over the coming 12-24 months

Capital management

- The Group will continue to maintain our strong balance sheet position (circa 1.5x pre AASB 16 EBITDA or below)
- Dividend policy remains unchanged
- The Company's dividend policy seeks to pay strong dividends at sustainable levels, targeting a full year payout ratio of 65-75% of NPAT

Capital expenditure

- Full year capital expenditure expected to be $10m excluding Lasoo phase 1 investment of $3.5m
- Capital expenditure to continue at approximately 60% of annual depreciation

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This announcement has been approved by the IVE Group Board

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