

For personal use only



# FY20 Results Presentation

ASX: OVT

28 August 2020

This announcement has been authorised for release by the Board of Ovato..

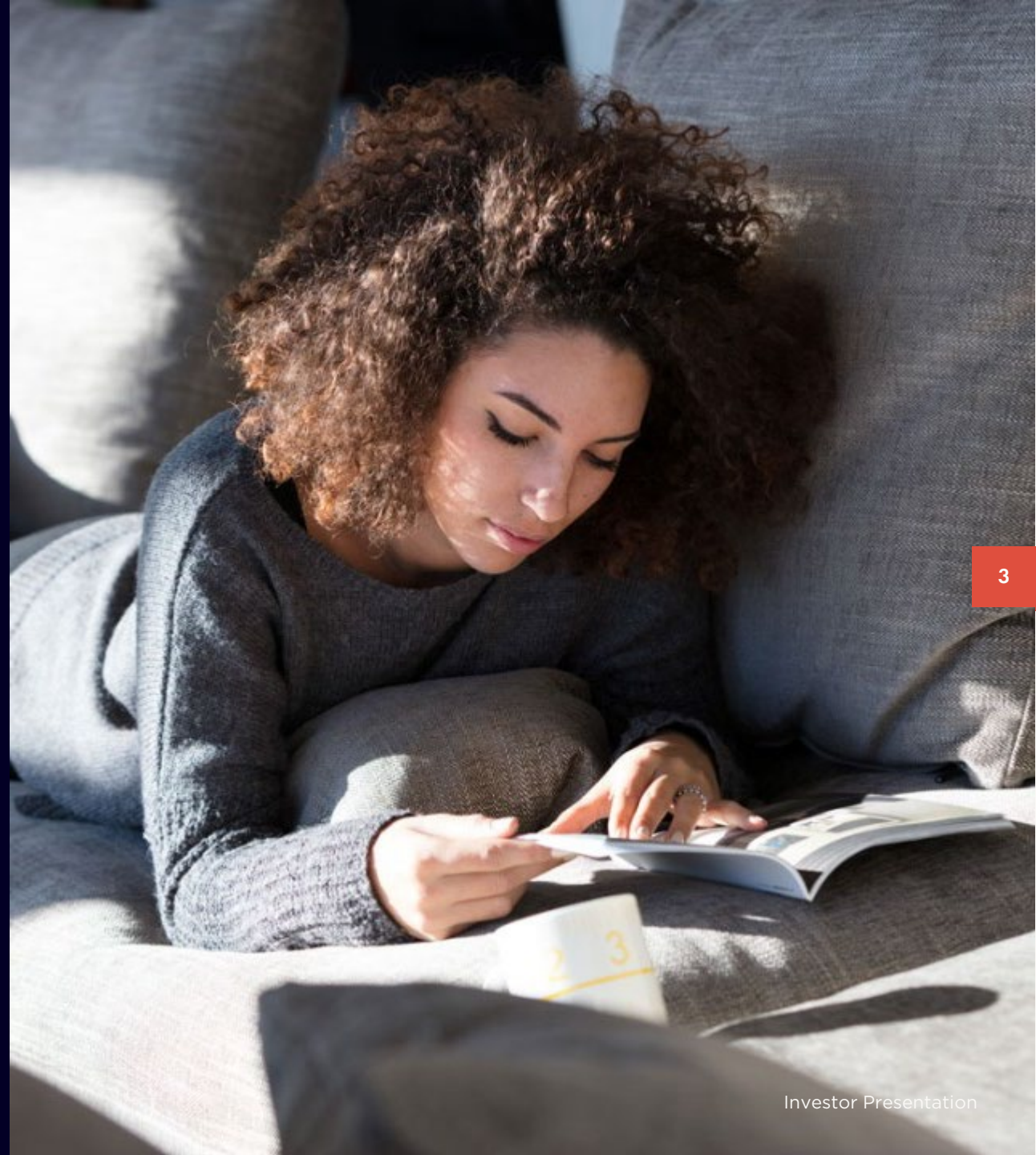
## FY20 At a Glance

- Year to date sales at February 2020, at \$415M were 9% or \$43M lower pcp in tough retail markets. The onset of COVID-19 from March 2020 impacted greatly with sales revenues in the period down by 41% or \$87M in the previous corresponding period (pcp).
- Retail Distribution, Books, Packaging and Marketing Services businesses have held up well.
- NSW site consolidation in H1 complete - full benefits from this have been delayed due to onset of COVID-19.
- Further restructuring will be required and more realistic redundancy scales are essential.
- COVID-19 has delayed but not curtailed previously announced initiatives to de-leverage the business through asset sales and/or equity recapitalisation.
- Our Vision remains relevant despite significant changes to our operating context.



## Our Vision

**We are creating a smarter and sustainable business to deliver integrated marketing solutions that turn audiences into customers.**



# COVID-19 Response

- Directed all staff able to work remotely to do so during March, supported with remote working tools.
- COVID Safe measures put in place at all production sites to protect staff who could not perform their work from home.
- All leaders across the business including the Board and Executive Management Team working for significantly reduced pay.
- All other staff taking unpaid leave depending on their working requirements.
- We began offering staff COVID Safe options to return to work over May to address isolation and the mental challenges, except where lockdowns or hotspots have required a more strict approach.

Not being able to meet in person...



...doesn't mean we can't talk face to face

# Financial Overview

## Revenue

- Sales were \$539.3m for the year
- (19.4%) reduction year on year
- Significantly impacted by Covid
- Disrupted period likely to continue into H2 2021

## Result

- EBITDA<sup>1</sup> \$9.2m (pre AASB16)
- Covid impacted and down from \$30.8m pcp
- Significant Items of \$72.5m – primarily NSW site consolidation \$31.8m (cash) and Impairments (PP&E and Inventory), Goodwill Write-Off and Other of \$40.7m (non-cash)

## Net Debt

- \$72.9m – down \$18.0m from \$90.9m at Dec 19, but up from \$44.7m Jun 19 due to costs associated with NSW site consolidation and acquisition of new press

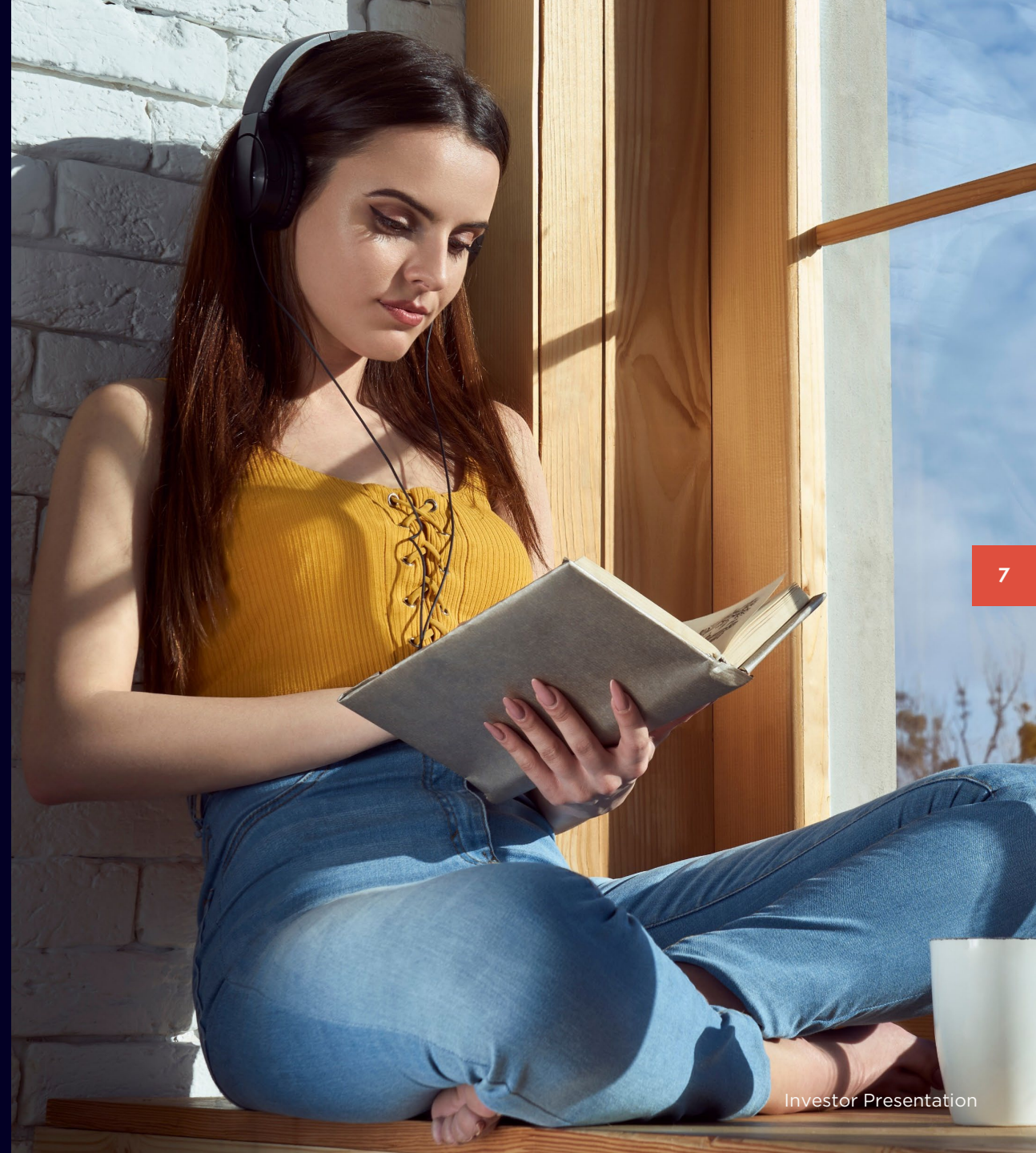
# Operations overview

- Print and Residential Distribution revenue has fallen pcp on weaker retail volumes and more recently with impact of COVID-19.
- Keeping our people safe with an early move to working from home for as many of our team as possible. Covid-safe plans in place at all manufacturing and administrative sites.
- JobKeeper and the NZ wage subsidy have provided an essential support during this period.
- Retail Distribution held up well in the initial stages of lockdown, as one-off publications and imports maintained volumes through the business.
- Paul Gardiner has successfully led the NZ business through a complete lockdown in his first months as Ovato NZ Managing Director.

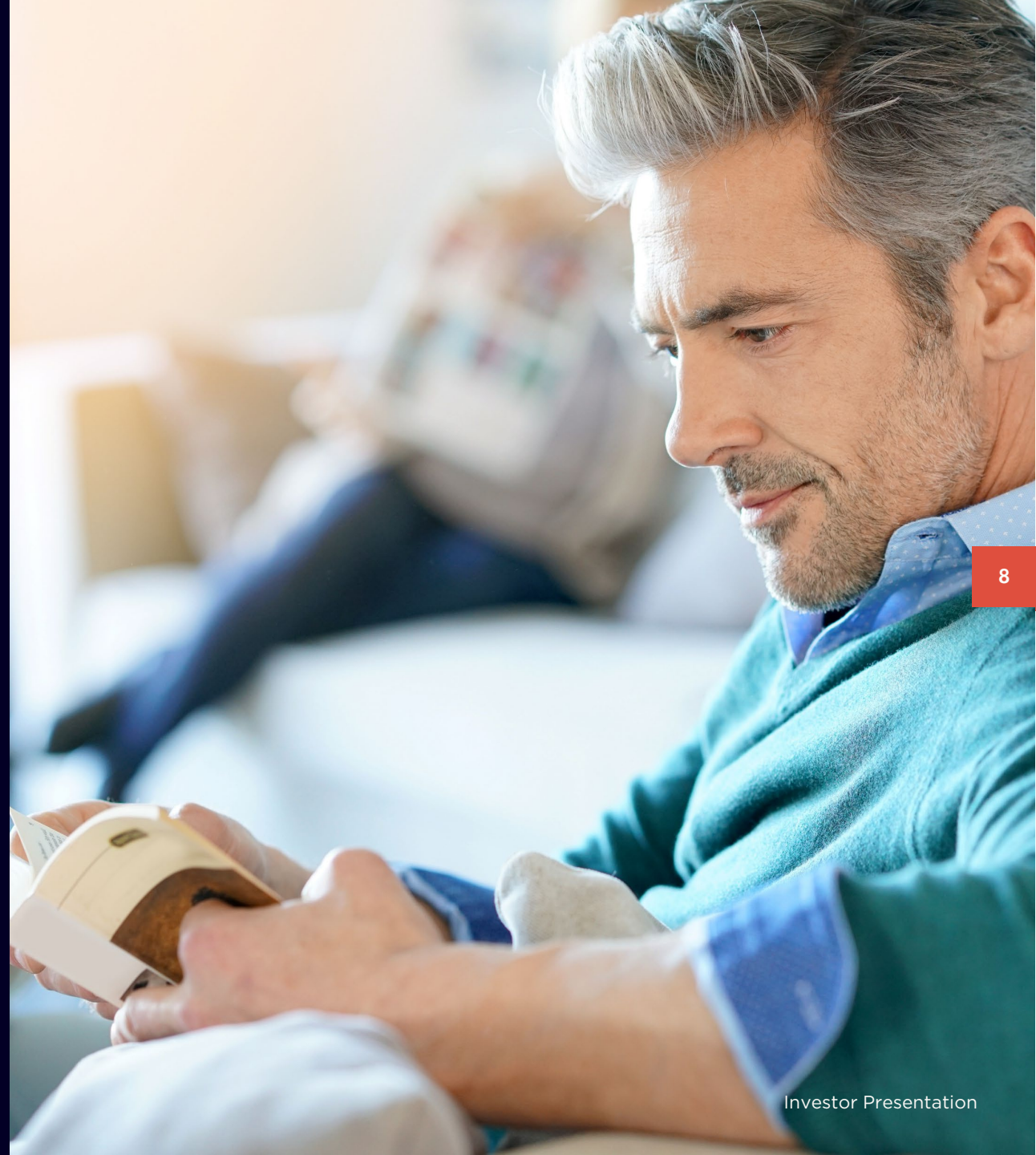


# Our positive future

- Previously announced initiatives to de-leverage the business through asset sales and/or equity recapitalisation are still in place albeit delayed due to COVID-19.
- Control of costs through this period key - primary focus being the reduction in redundancy scales to allow affordable restructuring.
- Remain committed to delivering on our brand promise of turning audiences into customers.
- Ultimately a smaller but more agile and profitable Ovato.



# Financials





# Income Statement



For personal use only

\$m	FY20 (Statutory)	FY20 (pre AASB16)	FY19 (Statutory / pre AASB16)	% Var (pre AASB16)
Sales Revenue - Statutory	539.3	539.3	669.2	(19.4%)
EBITDA (before significant items) <sup>1</sup>	32.4	9.2	30.8	(70.0%)
Depreciation & Amortisation	(21.2)	(21.2)	(28.6)	26.1%
Depreciation - ROUA	(15.8)	-	-	-
EBIT (before significant items)	(4.5)	(11.9)	2.2	-
Finance Costs (before significant items)	(8.5)	(8.5)	(8.4)	(1.0%)
Finance Costs - ROUA	(9.8)	-	-	-
Net (Loss) After Tax (before significant items)	(16.7)	(15.0)	(4.4)	-
Significant items post tax	(92.1)	(96.2)	(79.9)	(20.5%)
Net (Loss) before tax	(95.4)	(98.9)	(69.8)	(41.7%)
Net (Loss) (after significant items)	(108.8)	(111.2)	(84.3)	(32.0%)

9

# Operations Summary



Sales Revenue (\$m) - Statutory	FY20	FY19	Var \$	Var %
Ovato Australia Group	449.3	554.9	(105.7)	(19.0%)
Ovato New Zealand Group	90.0	114.3	(24.3)	(21.3%)
<b>TOTAL GROUP</b>	<b>539.3</b>	<b>669.2</b>	<b>(130.0)</b>	<b>(19.4%)</b>

EBITDA (\$m) – Statutory <sup>1</sup>	FY20	FY19	Var \$	Var %
Ovato Australia Group	31.2	26.3	4.9	18.7%
Ovato New Zealand Group	1.2	4.6	(3.3)	(73.1%)
<b>TOTAL GROUP</b>	<b>32.4</b>	<b>30.8</b>	<b>1.6</b>	<b>5.1%</b>

EBITDA (\$m) - Pre AASB16 <sup>1</sup>	FY20	FY19	Var \$	Var %
Ovato Australia Group	11.5	26.3	(14.8)	(56.2%)
Ovato New Zealand Group	(2.3)	4.6	(6.9)	-
<b>TOTAL GROUP</b>	<b>9.2</b>	<b>30.8</b>	<b>(21.6)</b>	<b>(70.0%)</b>

# Key Metrics



	FY20 (Statutory)	FY20 (pre AASB16)	FY19 (Statutory pre AASB16)	Var \$ (pre AASB16)
Cash Flow from Operating Activities (\$m)	8.1	(8.4)	(19.2)	10.9
Net Cash Flow <sup>1</sup> (\$m)	(10.1)	(27.8)	(12.4)	(15.3)
Net Debt (\$m) <sup>2</sup>	(72.9)	(72.9)	(44.7)	(28.2)
EBITDA <sup>3</sup> / Sales Revenue (%)	6.0%	1.7%	4.6%	

1. Net Cash Flows equals Net Cash Flows from Operations less Investing Cash Flows and proceeds from share issue  
 2. Excluding lease liabilities  
 3. Before significant items

For personal use only

# Reconciliation of Cash Flow

\$m	FY20 (Statutory)	FY20 (pre AASB16)	FY19 (Statutory / pre AASB16)	Var \$ (pre AASB 16)
EBITDA (Before significant items) <sup>1</sup>	32.4	9.2	30.8	(21.6)
AASB16 Lease Interest Payments	(8.4)	0.0	0.0	-
Borrowing costs <sup>2</sup>	(8.8)	(8.8)	(9.3)	0.5
Income tax (paid)	(0.1)	(0.1)	(0.0)	(0.0)
Movement in trade working capital	31.0	31.0	(1.7)	32.6
Working capital - onerous lease and makegood provisions payments	(6.8)	(8.5)	(8.9)	0.4
Trading Cash flow	39.3	22.8	10.9	11.9
Significant items	(31.2)	(31.2)	(30.1)	(1.1)
Cash Flow from Operations	8.1	(8.4)	(19.2)	10.9
Asset sales	1.1	1.1	0.1	1.0
Capital Expenditure	(20.5)	(20.5)	(8.4)	(12.1)
Receipts from subleases, excluding the financing component	1.2	0.0	0.0	-
Equity Issue	0.0	0.0	15.1	(15.1)
Net Cash Flow <sup>3</sup>	(10.1)	(27.8)	(12.4)	(15.3)
AASB16 Lease principal payments	(17.7)	0.0	0.0	-
Gain/(Loss) on translation of Foreign Cash / Other	(0.4)	(0.4)	0.5	(1.0)
Reconciliation to Net Debt movement	(28.2)	(28.2)	(11.9)	(16.3)

# Balance Sheet Metrics



	Jun-20	Jun-19
Total Assets (\$m)	381.4	433.7
Shareholders Funds (\$m) <sup>1</sup>	17.8	141.9
Net debt (excl leases) (\$m)	72.9	44.7
Net Debt (excl leases) to EBITDA <sup>2</sup> (times)	7.9	1.4
Net Debt (excl leases) to Equity (%)	410.6%	31.5%
Net Tangible Assets per share (cps)	0.02	0.14
Trade Working Capital (\$m)	10.2	45.3
Debtor Days	24.8	30.0

For personal use only

1. Reduction in shareholder funds includes \$31.8M NSW site consolidation cash significant items and non-cash significant items of \$40.7M (including impairments of goodwill, inventory & PPE)  
 2. EBITDA (pre AASB16 basis) and before significant items

# Debt



Net Debt \$m pre AASB16	FY20	FY19	Var \$
Net Debt	72.9	44.7	28.2

- Asset Secure Receivable Financing Facility (RFF) replaced ANZ in November 2019
- Waivers received from financiers during FY20 as required
- ANZ Overdraft facility extended to 30<sup>th</sup> September 2020
- Scottish Pacific \$50M RFF facility replaced Asset Secure RFF on 31<sup>st</sup> July 2020:
  - 3 year term and no covenants
- Net debt at June 2020 (pre AASB16) was \$72.9M (vs \$90.9M at December 2019)

# Significant Items



\$m	Cash	Non Cash	Total
Redundancies/Press relocations/Other <sup>1</sup>	32.0	0.0	32.0
Impairment - PPE & inventory	0.0	9.3	9.3
Loss on cross currency swap close out	0.0	0.1	0.1
Gain on derecognition of Right of Use Asset (ROUA)	0.0	(6.0)	(6.0)
Impairment - Goodwill	0.0	37.2	37.2
Corporate bond waiver fee	0.2	0.0	0.2
Sub Total	32.2	40.7	72.8
(Gain) on sale of PP&E	(0.3)	0.0	(0.3)
Total	31.8	40.7	72.5
Tax effect <sup>2</sup>			19.6

For personal use only

## Disclaimer

The material in this presentation is a summary of the results of Ovato Limited (OVT) for the full year ended 30 June 2020 and an update on Ovato's activities and is current at the date of preparation, 28 August 2020. Further details are provided in public announcements made by Ovato Limited during the financial year ended 30 June 2020 and results announcement released on 28 August 2020.

No representation, express or implied, is made as to the fairness, accuracy, completeness or correctness of information contained in this presentation, including the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in the presentation ("forward-looking statements"). Such forward-looking statements are by their nature subject to significant uncertainties and contingencies and are based on a number of estimates and assumptions that are subject to change (and in many cases are outside the control of Ovato and its Directors) which may cause the actual results or performance of Ovato to be materially different from any future results or performance expressed or implied by such forward-looking statements.

This presentation provides information in summary form only and is not intended to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor.

Due care and consideration should be undertaken when considering and analysing Ovato's financial performance. All references to dollars are to Australian Dollars unless otherwise stated.

To the maximum extent permitted by law, neither Ovato nor its related corporations, Directors, employees or agents, nor any other person, accepts any liability, including, without limitation, any liability arising from fault or negligence, for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it.

This presentation should be read in conjunction with other publicly available material. Further information including historical results and a description of the activities of Ovato is available on our website at [www.ovato.com.au](http://www.ovato.com.au)



For personal use only

