



ABN 62 606 252 644

# APPENDIX 4D

## FOR THE HALF YEAR ENDED 31 DECEMBER 2022

### Company Information

Current Reporting Period: For the half year ended 31 December 2022

Previous Corresponding Period: For the half year ended 31 December 2021

This information should be read in conjunction with the 31 December 2022 Interim Condensed Consolidated Financial Report of IVE Group Limited and its controlled entities and any public announcements made in the period by IVE Group Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and Listing Rules.

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the condensed consolidated financial statements for the half year ended 31 December 2022.

This report is based on the condensed consolidated financial statements for the half year ended 31 December 2022 of IVE Group Limited and its controlled entities, which have been reviewed by KPMG. The Independent Auditor's Review Report provided by KPMG is included in the condensed consolidated financial statements for the half year ended 31 December 2022.

### Results for announcement to the market

In accordance with the ASX Listing Rule 4.3, the board and management of IVE Group Limited has enclosed an Appendix 4D for the half year ended 31 December 2022.

Results		31 Dec 2022 \$'000	31 Dec 2021 \$'000
Revenue	Up 31.8 %	504,191	382,575
Profit from ordinary activities after tax attributable to members	Down 16.2%	15,268	18,215
Net profit for the period attributable to members	Down 16.2%	15,268	18,215

All comparisons are on a statutory basis unless stated otherwise

Please refer to the attached Directors' Report and Operating and Financial Review for commentary and explanation of these results.



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**Net Tangible Assets per Security**

	31 Dec 2022	31 Dec 2021
Net Tangible Assets per security (cents)	47.2	36.5

**Dividend Amount per Security**

	Amount per security (cents)	Franked amount per security (cents)
Interim dividend for the half year ended 31 Dec 2022	9.5	9.5
Interim dividend for the half year ended 31 Dec 2021	8.5	8.5

Record date for determining entitlements to the dividend:

- Interim dividend entitlement date: close of business 15 March 2023; and
- Payment date: 13 April 2023

**Auditor review**

The Independent Auditor's Review Report provided by KPMG is included in the IVE Group Limited Interim Financial Report for the half year ended 31 December 2022.

**Attachments**

Interim Financial Report for the half year ended 31 December 2022 for IVE Group Limited.

**Authorised for release: The Board**

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# **IVE GROUP LIMITED INTERIM CONSOLIDATED FINANCIAL REPORT**

ABN 62 606 252 644

**31 DECEMBER 2022**

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# OPERATING AND FINANCIAL REVIEW

A strong first half performance and maiden contribution from the Ovato acquisition

## FINANCIAL HIGHLIGHTS<sup>1</sup> FOR THE HALF YEAR ENDED 31 DECEMBER 2022

<b>REVENUE</b> <b>\$502.8m</b> ↑31.4% on PCP	<b>EBITDA</b> <b>\$65.0m</b> ↑17.7% on PCP	<b>NPAT</b> <b>\$24.3m</b> ↑16.5% on PCP	<b>EARNINGS PER SHARE</b> <b>16.5¢</b> ↑12.8% on PCP
<b>MATERIAL PROFIT MARGIN</b> <b>44.2%</b> 47.5% PCP	<b>OPERATING CASH FLOW TO EBITDA</b> <b>56.7%</b> 77.8% PCP	<b>NET DEBT</b> <b>\$97.5m</b> <b>CASH ON HAND</b> <b>\$56.2m</b>	<b>INTERIM DIVIDEND</b> <b>9.5¢ps</b> ↑11.8% on PCP

1. The underlying financial results are on a non-IFRS basis, exclude various non-operating items (as reconciled on page 11) and are not audited or reviewed.

### OUR VISION, PURPOSE AND VALUES

Our vision and purpose is to maintain and grow a highly respected, strong and sustainable business for all key stakeholders - our staff, our clients and our shareholders.

Core to this is ensuring a value proposition that maintains its relevance to our clients' ever-evolving communications needs.

IVE unlocks value for our stakeholders through the powerful interaction of our brand values that are the guiding principles of our behaviour - core to this is our 'one company philosophy'.

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## OPERATING AND FINANCIAL REVIEW (CONT.)



### STRATEGY

IVE commenced broadening its product and service offering in the late 1990's, through a combination of organic growth initiatives and a disciplined acquisition program. Core to executing the Group's ongoing growth and diversification strategy was IVE's decision to list on the ASX in December 2015. Since listing, strong free cash flow combined with access to capital has enabled IVE to successfully execute a transformational investment and growth program to further expand and strengthen our integrated marketing offer to enhance and deepen long-term client relationships.

Over the past decade, IVE's continued growth and diversification coupled with the convergence of technologies on the back of the digital revolution, has coincided with meaningful consolidation across the more traditional segments of the marketing and communications sector. This has resulted in a more concentrated competitive landscape than ever before with a significantly reduced number of competitors. IVE has led sector innovation and consolidation and today is Australia's largest and most diversified integrated marketing communications company by a considerable margin.

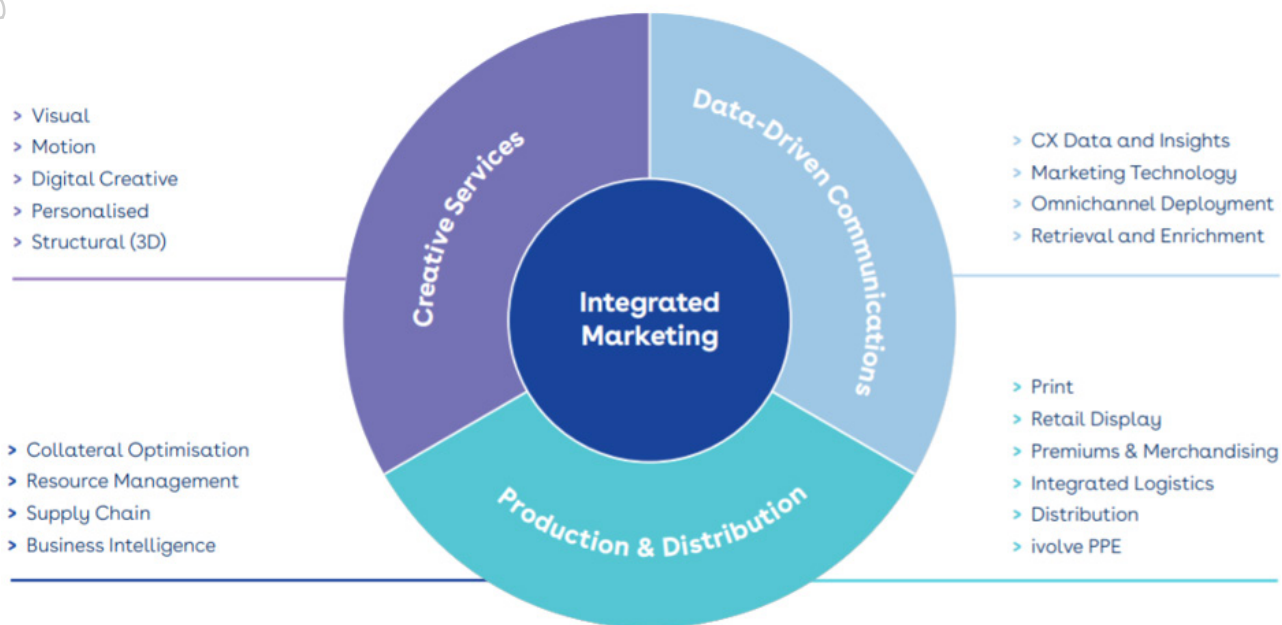
Integral to the ongoing sustainability of the business is the compelling and diverse value proposition IVE takes to market which has always remained relevant by being closely aligned to our clients' evolving marketing communications needs.

The diversity of the Group's value proposition places IVE in a strong position relative to our competitors. IVE has an unparalleled breadth of offering with market leading positions across the key segments of the marketing communications value chain in which we operate.

A clearly defined and well executed long-term strategy has not only cemented IVE as Australia's largest integrated marketing communications business but has also contributed to a resilient business with diversified revenue streams spanning a broad range of sectors and underpinned by an extensive and tier-1 client base. IVE's earnings resilience and strong balance sheet has supported a consistently high dividend yield and funding for ongoing growth and diversification initiatives.

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## OUR INTEGRATED SERVICE OFFERING



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

Further information on IVE's strategy, operations and markets are set out in our 30 June 2022 Annual Report.

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## OPERATING AND FINANCIAL REVIEW (CONT.)

### OUR CLIENTS

IVE has a high quality customer base with over 2,800 customers spanning much of the Australian economy. The customer base is highly diversified with the largest customer representing around 5% of total revenue.

Close to 70% of our customers use IVE for more than one service and our ability to meet their current needs and grow as necessary is one of our key advantages leading to the long tenure of customer relationships – circa 10 years on average.





## RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

### Basis of preparation

IVE's Financial Report for the six months ended 31 December 2022 (1H23) is presented in accordance with Australian Accounting Standards which comply with International Financial Reporting Standards (IFRS).

Certain non-IFRS financial information has also been included in this report to assist investors in better understanding the underlying performance of IVE. The non-IFRS 'underlying' financial information pertaining to the 1H23 and 1H22 results is presented before the impact of certain non-operational items.

The Directors believe the non-IFRS underlying results better reflect the underlying operating performance and is consistent with prior year reporting.

The non-IFRS underlying financial information has not been audited or reviewed.

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

### FINANCIAL RESULTS ON AN IFRS AND UNDERLYING<sup>1</sup> BASIS (underlying where noted)

	1H23 (\$m)	1H22 (\$m)	Variance (\$m)	Variance (%)
Revenue	504.2	382.6	121.6	31.8
Material profit	223.0	181.7	41.3	22.7
% of revenue	44.2%	47.5%	-	(6.9)
Underlying EBITDA	65.0	55.2	9.8	17.7
Underlying EBITDA margin	12.9%	14.4%	-	(10.4)
EBITDA	52.3	52.1	0.2	0.4
Depreciation and amortisation	24.0	21.4	2.6	12.4
EBIT	28.3	30.6	(2.3)	(7.6)
Net finance costs	5.7	3.9	1.8	47.1
NPBT	22.5	26.8	(4.3)	(16.0)
Income tax expense	7.3	8.6	(1.3)	(15.6)
NPAT	15.3	18.2	(2.9)	(16.1)
NPATA	16.8	20.1	(3.3)	(16.4)
Underlying NPAT	24.3	20.9	3.4	16.5
Underlying NPATA <sup>2</sup>	25.9	22.8	3.1	13.5
IFRS diluted earnings per share (EPS)	10.2¢	12.6¢	(2.4¢)	(19.0)
Underlying EPS	16.5¢	14.6¢	1.9¢	12.8
Underlying NPATA EPS	17.5¢	15.9¢	1.6¢	9.9
Dividends per share	9.5¢	8.5¢	1.0¢	11.8

1. The underlying financial results are on a non-IFRS basis, exclude non-operating items and are not audited or reviewed.

2. NPATA - NPAT excluding amortisation of customer contracts.

## OPERATING AND FINANCIAL REVIEW (CONT.)

### Revenue

IFRS revenue for the half year increased 31.8% to \$504.2m from \$382.6m in the prior corresponding period (pcp).

Underlying revenue (which excludes Lasoo) increased 31.4% to \$502.8m from \$382.6m pcp.

Ovato assets (acquired 13 September 2022) contributed \$61m of revenue while Active Display Group (ADG) and AFI (both acquired 1 November 2021) contributed \$25m of additional incremental revenue over pcp.

Excluding acquisitions, organic revenue growth for the half was around 9% and reflects a further incremental uplift in activity post COVID-19, strong new business momentum, continued high levels of client retention and ongoing cross-selling of the Group's broad offering.

Revenue growth was broad-based but particularly strong growth was achieved in Brand Activations (formerly Retail Display), logistics (3PL) and fulfilment.

Revenue associated with travel, tourism and event related merchandise sales improved further during the period but remains below pre-COVID-19 levels.

### Material profit margin

IFRS and underlying material profit (revenue less material cost of goods sold) margin for the half was 44.2%, down from 47.5% pcp.

This was primarily due to business mix including the onboarding of Ovato revenue at a lower material profit margin and a high outsourced revenue component in our Brand Activations division.

Although Ovato generates a lower material profit margin than the broader IVE Group, incremental Ovato revenue is expected to generate an uplift in EBITDA margin once operating synergies are captured post completion of integration.

Increased input costs including paper, freight and consumables also contributed to the reduced material profit margin, however, these increases will continue to be passed on overtime.

Although material profit margin decreased relative to pcp, it is important to note that on an underlying basis (and excluding Ovato), EBITDA and NPAT margin were broadly in-line with pcp.

### Earnings, NPAT and EPS

IFRS EBITDA was largely unchanged at \$52.3m from \$52.1m pcp, with strong underlying earnings growth offset by the non-operating items as tabled overleaf.

Underlying EBITDA increased 17.7% to \$65.0m from \$55.2m pcp.

Excluding an estimated \$4.4m contribution from Ovato, underlying EBITDA growth was 9.8% driven by the uplift in revenue, partially offset by the aforementioned business mix changes and increased input costs.

Production labour and overhead costs increased in line with revenue, primarily due to the acquisitions of Ovato, ADG & AFI.

IFRS depreciation and amortisation of \$24.0m was up from \$21.4m pcp, largely due to \$2.1m of Ovato depreciation.

Underlying pre-AASB 16 depreciation (excluding amortisation) was \$9.2m, up from \$8.7m pcp.

IFRS EBIT of \$28.3m compares to \$30.6m pcp.

Underlying EBIT increased 22.1% to \$41.3m from \$33.8m pcp. Excluding an estimated \$2.3m contribution from Ovato, underlying EBIT growth was 15.2%.

IFRS net finance costs were \$5.7m compared to \$3.9m pcp or \$3.3m compared to \$2.2m pcp on a pre-AASB 16 basis.

The increase in net interest expense reflects higher net debt (primarily due to additional working capital particularly relating to increased inventory holdings and activity due to Ovato) and higher interest rates with the domestic cash rate having increased 2.35% during the half.

IFRS NPAT of \$15.3m compares to \$18.2m pcp, with the reduction on the prior period due to materially increased restructure and acquisition costs primarily relating to the Ovato acquisition.

Underlying NPAT increased 16.5% to \$24.3m from \$20.9m pcp. Excluding an estimated \$1.6m contribution from Ovato during the period, NPAT growth was 8.9% reflecting the strong EBIT growth partially offset by the increase in net finance costs.

IFRS earnings per share for the half was 10.2 cents or 16.5 cents on an underlying basis representing a 12.8% uplift from 14.6 cents pcp.

### IFRS TO UNDERLYING NPAT RECONCILIATION

Non-operating items excluded from underlying NPAT	1H23 (\$m)	1H22 (\$m)
<b>IFRS NPAT</b>	<b>15.3</b>	<b>18.2</b>
Restructure costs	7.1	0.5
Acquisition costs	2.8	0.5
Software as a service (still in development stage)	0.7	0.9
Lasoo consumer go-to-market campaign and team buildout	2.4	-
Other items	0.1	1.4
<b>Pre-tax non-operating items</b>	<b>13.0</b>	<b>3.4</b>
Tax effect of adjustments	(3.9)	(0.6)
<b>Underlying NPAT</b>	<b>24.3</b>	<b>20.9</b>

Non-operating items included in IFRS NPAT but excluded from underlying NPAT include:

- Restructuring costs of \$7.1m (\$0.5m pcp) with \$4.3m pertaining to the integration of acquired Ovato assets, including the decommissioning and relocation of certain machinery
- During the half, the Group also incurred \$2.5m of restructuring costs pertaining to the completion of the relocation of four Victorian businesses into the new Braeside precinct, including integration of the ADG and AFI acquisitions finalised late in 2022, as well as the relocation of NSW distribution
- Acquisition costs of \$2.8m (\$0.5m pcp) primarily relating to the Ovato transaction
- Software as a service (computer) expenses of \$0.7m (\$0.9m pcp) are excluded from underlying earnings as the MIS system is still in development stage - the project will complete in 2H FY23
- A \$2.4m pre-tax loss due to Lasoo's consumer go-to-market campaign and team buildout

## OPERATING AND FINANCIAL REVIEW (CONT.)

### OVATO ACQUISITION

IVE completed the acquisition of selected Ovato printing and finishing assets on 13 September 2022.

The integration timetable and expected transaction financial metrics are unchanged from those previously announced.

The integration of an estimated \$160m of Ovato revenue into IVE's manufacturing footprint remains on track for completion by June 2024 and is expected to generate meaningful synergies from further leveraging the Group's operating assets and cost base.

Key assets from Ovato's Warwick Farm, Geebung and Clayton sites will be integrated into IVE's existing web offset footprint (Huntingwood and Silverwater in NSW and Sunshine in Victoria) over a phased transition period of approximately 18 months.

Once integration is complete, the acquisition is expected to increase the Group's underlying annual:

- EBITDA by \$28m; and
- NPAT by \$15m.

Integration and associated capital expenditure costs are expected to be around \$22m, excluding redundancies.

Integration and acquisition costs will be treated as significant items and excluded from underlying NPAT for reporting purposes.

The consideration, net assets acquired and associated goodwill is summarised below:

Ovato acquisition summary	(\$m)
<b>Consideration<sup>1</sup></b>	<b>13.0</b>
<i>Fair value of assets acquired and liabilities assumed</i>	
Inventories	6.0
Assets held for sale <sup>2</sup>	4.2
Fixed assets <sup>2</sup>	15.2
Employee liabilities <sup>2,3</sup>	(13.9)
Make good liabilities <sup>2</sup>	(1.1)
<b>Net assets acquired</b>	<b>10.3</b>
<b>Goodwill on acquisition</b>	<b>2.7</b>

1. Per the Sale Agreement, part of the consideration may be refunded depending on any surplus funds available from Ovato's administration.

2. Net of tax impact which is disclosed separately in the DTA/(DTL) balance.

3. Includes redundancy provision disclosed separately in provisions. See Note 13.

## Integration on track

The integration of Ovato assets into IVE's production facilities remains on track for completion by June 2024.

During the half, all major customers were successfully transitioned across to IVE with no significant client losses, and inventories were increased to ensure continuity of supply.

Staff have transitioned seamlessly and are a great addition to IVE's expanded workforce.

The expanded business is performing well, meeting all customer expectations and all core business functions have been integrated under one leadership structure including sales, finance, estimating and inventory management.

Notwithstanding equipment and revenue movements, the sites are working closely to ensure optimal efficiency is maintained daily across all production assets.

Ovato's estimated first half contribution to the Group is as follows:

- \$60.7m of revenue;
- \$4.4m of EBITDA; and
- \$1.6m of NPAT.

Around \$11m of revenue was transitioned across to IVE during the half, paving the way to close down and relocate Ovato production assets to IVE's web offset sites.

The business will progressively realign its operational cost base with revenue and asset transfers to IVE sites.

Key integration milestones include:

- Dec '22-Jul '23: engineers commissioned to relocate printing and binding assets, including commissioning Geebung and Clayton assets into Silverwater, Sunshine and Huntingwood;
- Mar '23: Geebung and Clayton sites exited;
- Jul '23: phase II revenue transfer of around \$60m to IVE sites;
- 2H FY24: final asset relocations to IVE;
- Jun '24: integration complete, Warwick Farm site exited; and
- FY25: full acquisition metrics expected.

Ovato's expected FY23 contribution is outlined on page 18.

## OPERATING AND FINANCIAL REVIEW (CONT.)

### LASOO - SUCCESSFUL PLATFORM LAUNCH

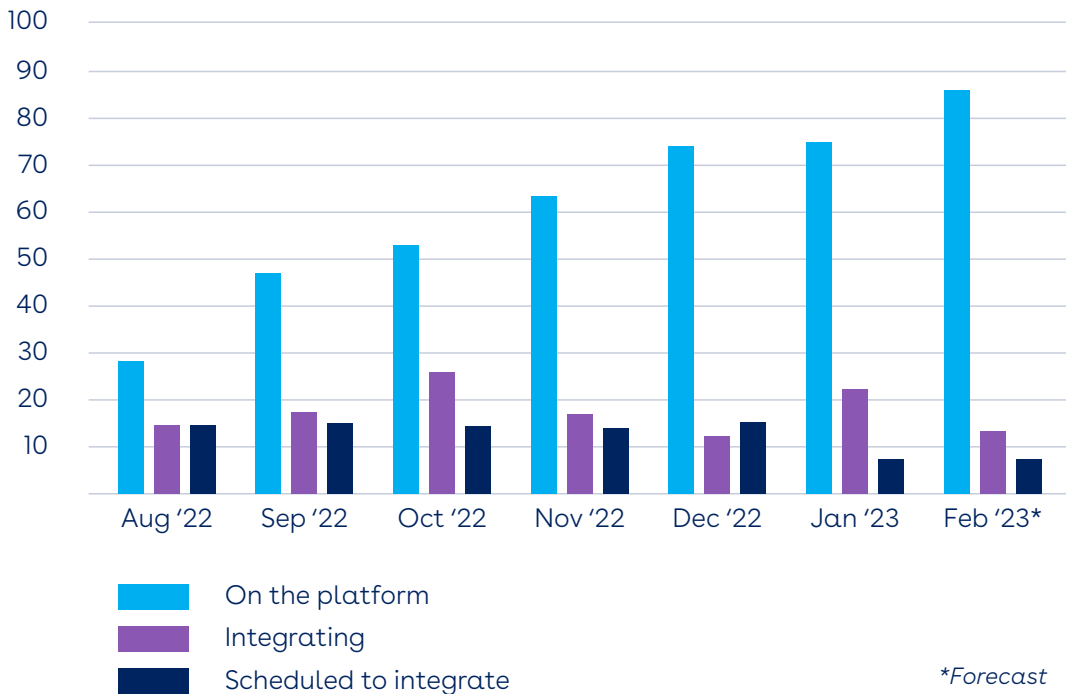
#### Superior e-Commerce marketplace for retailer's specials

The new Lasoo platform successfully launched in October 2022.

Independent feedback on initial user experience reviews received via Testmate<sup>1</sup> is encouraging - Lasoo's site usability score (SUS) of 94 (website) and 85 (App) compares favourably with an average score of 67 for mature e-Commerce platforms.

Moreover, Lasoo's net promoter score (NPS) of 38+ is promising and, given the increased number of deals on the platform today, is expected to have improved further.

#### Retailer onboarding momentum



The pipeline for new retailer integration remains strong with a number of significant retailers having deferred integration from the key Christmas trading period to the first half of calendar 2023. Additions to the platform during January 2023 included Carlton & United Breweries (CUB) and Lincraft.

Lasoo contributed a FY23 1H pre-tax loss of \$2.4m reflecting costs associated with the consumer go-to-market marketing campaign and modest team buildout costs.

Due to a likely increase in FY23 2H marketing spend following promising early platform activity, Lasoo is now expected to contribute a FY23 after tax loss of \$3.9m (previously \$3.3m).

Over the remainder of FY23, management focus will remain on bedding down the platform including integrating lagging retailers, successfully rolling out the FY23 2H CRO roadmap and continuing to convert an encouraging new business development pipeline.

1. Testmate UX Research Agency.

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## ENERGY - ELECTRICITY AND GAS

IVE is a significant user of energy across its operations, with natural gas only used in the web offset printing operations of the Group.

The Group continues to have an acute focus on energy, both from a market volatility and cost perspective, and more recently with an ESG lens as we develop our targets in line with internal and external stakeholder expectations for the business to transition to 100% renewable energy in the future.

We are pleased to announce that IVE has recently executed a 'Heads of Agreement' with Iberdrola, one of the largest renewable energy companies globally. Expected to be finalised in FY23 Q3, the 7-year partnership agreement with Iberdrola will commence 1 January 2024. From this date, IVE's electricity will be generated from a renewable (primarily wind) source.

The review and negotiation of the Group's power purchasing agreement (PPA) comes at a time of well publicised and unprecedented increases in the cost of both electricity and gas.

IVE's 2022 calendar year pre-tax energy cost (excluding energy costs to produce Ovato revenues) was approximately \$9.4m, comprising \$7.8m for electricity and \$1.6m for gas.

Given the 31 December 2022 expiry of IVE's existing electricity supply agreement and volatile spot energy markets, the FY23 guidance released in conjunction with the Group's FY22 result allowed for a \$1.25m increase in the cost of electricity in FY23 2H, giving rise to a FY23 budgeted energy cost of around \$10.2m (\$8.6m for electricity and \$1.6m for gas).

In light of continued increases in the cost of electricity and especially gas, the original FY23 2H allowance has proven insufficient. Accordingly, IVE's upgraded FY23 guidance (outlined on page 18) now includes an additional \$3.3m allowance for increased FY23 2H energy costs (\$1.0m for electricity and \$2.3m for gas) giving rise to an expected FY23 total energy cost of \$13.4m (\$9.5m for electricity and \$3.9m for gas).

From 1 January 2024, the Group's new long-term partnership with Iberdrola will provide stable and consistent electricity consumption pricing for IVE. The total price of electricity under the contract will partly be dependent upon the price received for Large Scale Generation Credits (LGC) if and when sold.

**Importantly, pricing under the Iberdrola contract (assuming available LGCs are sold at today's market traded price) would see the Group's rates for electricity return to around calendar 2022 levels.**

**While there can be no assurances around the timing of eventual gas price relief, there is a prevailing expectation that the gas market will improve in the near term. If so, and depending upon timing, this may deliver upside relative to IVE's upgraded FY23 guidance (as outlined on page 18).**

## OPERATING AND FINANCIAL REVIEW (CONT.)

### BALANCE SHEET, CAPITAL EXPENDITURE AND CASH FLOW

Net debt	1H23 (\$m)	FY22 (\$m)
<b>Loans &amp; borrowings</b>	<b>153.7</b>	<b>143.8</b>
Less cash	56.2	67.0
<b>Net debt</b>	<b>97.5</b>	<b>76.8</b>

Loans and borrowings are gross of facility establishment costs and exclude AASB 16 liabilities impacts.

Loans and borrowings increased to \$153.7m at 31 December 2022 from \$143.8m at 30 June 2022, mainly driven by the increase in working capital.

Undrawn facilities were \$25m at 31 December 2022.

During the half, IVE undertook an institutional share placement and retail share purchase plan (issuing a combined total of 8.587m shares @ \$2.25 each) which raised \$18.6m net of related transaction costs.

The capital raising was undertaken to:

- Preserve balance sheet capacity for IVE to pursue previously announced growth initiatives including further organic initiatives (e.g. Lasoo e-Commerce market place);
- Support further opportunistic 'bolt-on' and/or strategic acquisitions (e.g. in the adjacent packaging sector); and
- Strengthen and deepen IVE's institutional shareholder base, increasing liquidity in the market for IGL shares.

Proceeds from the share issue were more than offset by the \$15.6m Ovato purchase cost (including related transaction costs) and associated restructuring costs.

In conjunction with completion of the Ovato transaction, the Group further increased inventory (paper) levels to ensure no disruption to client service levels across the expanded (post Ovato) customer base, and to place the business in a strong position to take advantage of any growth opportunities should they emerge.

Net debt increased to \$97.5m at 31 December 2022 from \$76.8m at 30 June 2022, primarily reflecting:

- Strong underlying cash flow; offset by
- An increase in working capital as discussed overleaf;
- Restructuring costs; and
- Lasoo launch costs.

Net debt to equity increased to 47.5% at 31 December 2022 from 42.1% at 30 June 2022.



Capital expenditure	1H23 (\$m)
Group-wide targeted investment and maintenance	12.0

Major capital expenditure undertaken during the half included:

- \$1.9m related to the Group's now completed Victorian (Braeside) site consolidation
- \$1.1m related to the now completed fit-out of the new Erskine Park logistics site
- \$3.2m related to the now completed digital print fleet upgrade and expansion in NSW

There are currently no major capital expenditure programs anticipated across the remainder of the year with FY23 capital expenditure expected to be around \$15m (excluding Ovato).

Cash flow	Underlying 1H23 (\$m)	IFRS 1H23 (\$m)
<b>EBITDA</b>	<b>65.0</b>	<b>52.3</b>
Movement in NWC/non-cash items in EBITDA	(28.2)	(25.6)
<b>Operating cash flow</b>	<b>36.8</b>	<b>26.8</b>
Capital expenditure (net)	(7.6)	(7.6)
Payments for acquisitions	(15.6)	(15.6)
<b>Net cash flow before financing and taxation</b>	<b>13.6</b>	<b>3.5</b>
Tax	(12.9)	(9.2)
Net proceeds of bank loans	8.2	8.2
Payment of finance lease liabilities	(17.9)	(17.9)
Proceeds of share issue	18.6	18.6
Dividends paid	(11.5)	(11.5)
Net interest paid	(2.7)	(2.7)
<b>Net cash flow</b>	<b>(4.6)</b>	<b>(11.0)</b>
Operating cash conversion to EBITDA	57%	51%
Free cash conversion to EBITDA	45%	37%

The underlying financial results are on a non-IFRS basis, exclude various non-operating items and are not audited or reviewed.

The Group generated underlying operating cash flow of \$36.8m during the half, reflecting 57% operating cash conversion, down from 78% pcp.

This was primarily due to an increase in working capital reflecting higher activity levels and a targeted increase in inventory (paper) holdings to ensure continuity of supply across the expanded (post-Ovato) customer base and to capture growth opportunities.

Aside from the targeted inventory increase, the Group maintained disciplined management of working capital, including reduced debtor days and increased collections over the period.

The Board declared a fully franked interim dividend of 9.5¢ per share, up 12% from 8.5¢ per share pcp.

The company's dividend policy remains unchanged, targeting a full year payout ratio of 65% to 75% of underlying NPAT.

## OPERATING AND FINANCIAL REVIEW (CONT.)

### 2023 FULL YEAR OUTLOOK AND GUIDANCE<sup>1</sup>

A strong interim result coupled with continuing momentum across the business and emerging synergies from the Ovato integration place IVE in a strong position to deliver a healthy FY23 result, well up on FY22, albeit tempered somewhat by a temporary but significant increase in energy costs.

The FY23 guidance provided in conjunction with the release of the Group's FY22 result excluded an anticipated loss associated with Lasoo's consumer go-to-market campaign and did not allow for any anticipated contribution from the Ovato transaction.

Having regard to 1H23 performance, year-to-date Ovato integration progress and further refinements in Ovato integration planning, the Group has upgraded its FY23 guidance as outlined below.

FY23 guidance (excluding anticipated \$3.9m after-tax loss from Lasoo, originally guided at \$3.3m after-tax loss):

- Underlying EBITDA of around \$120m
- Underlying NPAT of around \$41m
- Capital expenditure is expected to be around \$15m (excluding Ovato)
- Restructure and acquisitions costs are expected to be around \$19m and will be treated as significant items and excluded from EBITDA and NPAT
- The Group's dividend policy remains unchanged, targeting a full year payout ratio of 65-75% of underlying NPAT

Guidance includes an expected FY23 contribution from Ovato (from 13 September 2022) of:

- Underlying EBITDA of around \$11m (on track for \$28m on a full run-rate basis post integration)
- Underlying NPAT of around \$4m (on track for \$15m on a full run-rate basis post integration)
- Restructure and acquisition costs of around \$16m

Guidance also includes temporary FY23 2H pre-tax energy (electricity and gas) costs in excess of original allowance of \$3.3m (\$2.3m post-tax)

The Board and management's primary focus for the remainder of FY23 includes:

- Continue to drive improved performance across the business more broadly;
- Ensure the smooth and seamless integration of Ovato assets into the Group's footprint to maximise transaction value consistent with [or better than] previously advised financial metrics;
- Continue to invest in and drive further material growth and improved financial performance across the Lasoo platform; and
- Investigate appropriate packaging acquisition opportunities consistent with the Group's previously advised packaging strategy.

### ADDITIONAL INFORMATION

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1. Outlook and guidance is subject to risks as outlined in the Risk Management Framework on pp41-43 of IVE's 2022 Annual Report.

# DIRECTORS' REPORT

For the six months ended 31 December 2022

The directors present their report together with the interim condensed consolidated financial statements of the Group comprising of IVE Group Limited (the Company), and its subsidiaries (the Group) for the six months ended 31 December 2022 and the auditor's review report thereon.

## DIRECTORS

The names of the Company's directors in office during the interim period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Geoff Bruce Selig  
Gavin Terence Bell  
Paul Stephen Selig  
James Scott Charles Todd  
Sandra Margaret Hook  
Catherine Ann Aston  
Andrew Bird

## OPERATING AND FINANCIAL REVIEW

The profit after tax of the Group for the six months period ended 31 December 2022 was \$15,268 thousand (for six months ended 31 December 2021 was \$18,215 thousand). A review of operations and results of the Group for the six months ended 31 December 2022 are set out in the Operating and Financial Review, which forms part of the interim consolidated financial report.

## DIVIDENDS

The directors have declared an interim dividend of 9.5 Australian cents per share, fully franked, to be paid on 13 April 2023 to shareholders on the register at 15 March 2023. The interim dividend declared by the Company to members for the six months ended 31 December 2022 was \$14,449 thousand (for the six months ended 31 December 2021: \$12,198 thousand).

## ROUNDING

The Group is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 24 March 2016 and in accordance with that legislative instrument, amounts in the interim condensed consolidated financial statements and directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

## LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 20 and forms part of the directors' report for the six months ended 31 December 2022.

This report is made in accordance with a resolution of the directors:



**Geoff Selig**  
Director

Dated at Sydney this 23rd day of February 2023



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of IVE Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of IVE Group Limited for the half-year ended 31 December 2022 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten version of the KPMG logo in blue ink.

KPMG

A handwritten signature in blue ink, appearing to read 'Daniel Camilleri'.

Daniel Camilleri

Partner

Sydney

23 February 2023

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# FINANCIAL REPORT

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## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2022

<i>In thousands of AUD</i>	<i>Note</i>	<b>31 December 2022</b>	<b>31 December 2021</b>
Revenue	4	504,191	382,575
Cost of sales		(281,160)	(200,910)
<b>Gross profit</b>		<b>223,031</b>	<b>181,665</b>
Other income		13	2
Production expenses		(110,889)	(85,733)
Administrative expenses		(73,080)	(63,286)
Other expenses		(10,803)	(2,033)
<b>Results from operating activities</b>		<b>28,272</b>	<b>30,615</b>
Finance income		173	61
Finance costs		(5,921)	(3,900)
<b>Net finance costs</b>	7	<b>(5,748)</b>	<b>(3,839)</b>
<b>Profit before tax</b>		<b>22,524</b>	<b>26,776</b>
Income tax expense	8	(7,256)	(8,561)
<b>Profit for the period</b>		<b>15,268</b>	<b>18,215</b>
<b>Other comprehensive income</b>			
Cash flow hedges – effective portion of changes in fair value		204	(9)
Cash flow hedges – reclassified to profit or loss		(173)	150
<b>Total comprehensive income for the period</b>		<b>15,299</b>	<b>18,356</b>
<b>Profit attributable to:</b>			
Owners of the Company		15,268	18,215
<b>Profit for the period</b>		<b>15,268</b>	<b>18,215</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		15,299	18,356
<b>Total comprehensive income for the period</b>		<b>15,299</b>	<b>18,356</b>
<b>Earnings per share</b>			
Basic earnings per share (cents)		10.3	12.7
Diluted earnings per share (cents)		10.2	12.6

The Notes on pages 26 to 35 are an integral part of these interim consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

<i>In thousands of AUD</i>	<i>Note</i>	<b>31 December 2022</b>	<b>30 June 2022</b>
<b>Assets</b>			
Cash and cash equivalents		56,158	67,035
Trade and other receivables		141,951	113,781
Inventories		112,138	74,164
Prepayments		5,491	5,489
Assets held for sale		4,167	-
Other current assets		10,358	4,638
<b>Total current assets</b>		<b>330,263</b>	<b>265,107</b>
Deferred tax assets		18,920	17,151
Trade and other receivables		724	307
Property, plant and equipment	9	117,825	100,088
Right-of-use assets	9	134,138	105,917
Intangible assets and goodwill	10	133,594	133,293
Other non-current assets		2,207	2,554
<b>Total non-current assets</b>		<b>407,408</b>	<b>359,310</b>
<b>Total assets</b>		<b>737,671</b>	<b>624,417</b>
<b>Liabilities</b>			
Trade and other payables		163,168	124,373
Lease liabilities		39,405	32,367
Loans and borrowings		3,284	3,764
Employee benefits		34,099	24,411
Current tax payable		1,579	5,730
Provisions		12,272	-
Other current liabilities		9,043	15,349
<b>Total current liabilities</b>		<b>262,850</b>	<b>205,994</b>
Loans and borrowings		139,297	130,201
Lease liabilities		115,204	92,349
Employee benefits		7,778	6,714
Provisions		5,928	5,376
Other non-current liabilities		1,215	1,211
<b>Total non-current liabilities</b>		<b>269,422</b>	<b>235,851</b>
<b>Total liabilities</b>		<b>532,272</b>	<b>441,845</b>
<b>Net assets</b>		<b>205,399</b>	<b>182,572</b>
<b>Equity</b>			
Share capital	11	167,434	148,878
Reserves		2,291	1,807
Retained earnings		35,674	31,887
<b>Total equity</b>		<b>205,399</b>	<b>182,572</b>

The Notes on pages 26 to 35 are an integral part of these interim consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2022

<i>In thousands of AUD</i>	<i>Note</i>	<b>Share capital</b>	<b>Share-based payment reserve</b>	<b>Hedging reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Balance at 1 July 2021</b>		<b>149,066</b>	<b>463</b>	<b>(648)</b>	<b>27,146</b>	<b>176,027</b>
<b>Total comprehensive income for the period</b>						
Profit for the period		-	-	-	18,215	18,215
Other comprehensive income		-	-	141	-	141
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>141</b>	<b>18,215</b>	<b>18,356</b>
<b>Transactions with owners of the Company</b>						
Share buy-back	11	(188)	-	-	-	(188)
Employee share issue	11	1,218	-	-	-	1,218
Performance share rights	12	-	156	-	-	156
Dividends to owners of the Company	11	-	-	-	(9,993)	(9,993)
<b>Total transactions with owners of the Company</b>		<b>1,030</b>	<b>156</b>	<b>-</b>	<b>(9,993)</b>	<b>(8,807)</b>
<b>Balance at 31 December 2021</b>		<b>150,096</b>	<b>619</b>	<b>(507)</b>	<b>35,368</b>	<b>185,576</b>
<b>Balance as at 1 July 2022</b>		<b>148,878</b>	<b>1,978</b>	<b>(171)</b>	<b>31,887</b>	<b>182,572</b>
<b>Total comprehensive income for the period</b>						
Profit for the period		-	-	-	15,268	15,268
Other comprehensive income		-	-	31	-	31
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>31</b>	<b>15,268</b>	<b>15,299</b>
<b>Transactions with owners of the Company</b>						
Share issue	11	18,556	-	-	-	18,556
Performance share rights	12	-	453	-	-	453
Dividends to owners of the Company	11	-	-	-	(11,481)	(11,481)
Total transactions with owners of the Company		18,556	453	-	(11,481)	7,528
<b>Balance at 31 December 2022</b>		<b>167,434</b>	<b>2,431</b>	<b>(140)</b>	<b>35,674</b>	<b>205,399</b>

The Notes on pages 26 to 35 are an integral part of these interim consolidated financial statements.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2022

<i>In thousands of AUD</i>	<i>Note</i>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers		528,279	408,123
Cash paid to suppliers and employees		(494,261)	(365,905)
<b>Cash generated from operating activities</b>		<b>34,018</b>	<b>42,218</b>
Interest received		173	38
Interest paid		(2,882)	(1,568)
Income tax paid		(9,237)	(7,820)
Restructure and make good		(7,069)	(534)
<b>Net cash from operating activities</b>		<b>15,003</b>	<b>32,334</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and intangible assets	9, 10	(7,643)	(6,204)
Acquisitions of businesses (including transaction costs)	13	(15,608)	(4,937)
Payment of costs in relation to other acquisitions and assets		(184)	(113)
<b>Net cash used in investing activities</b>		<b>(23,435)</b>	<b>(11,254)</b>
<b>Cash flows from financing activities</b>			
Proceeds from bank loan		30,000	-
Proceed from share issue (including transaction costs)		18,556	-
Repayment of bank and equipment finance loans		(21,758)	(51,635)
Share buy-back (including transaction costs)	11	-	(188)
Dividends paid		(11,481)	(9,993)
Payment of lease liabilities		(17,871)	(14,095)
<b>Net cash from financing activities</b>		<b>(2,554)</b>	<b>(75,911)</b>
Net (decrease)/increase in cash and cash equivalents		(10,986)	(54,831)
Effects of foreign currency translation		109	-
Cash and cash equivalents at 1 July		67,035	106,474
<b>Cash and cash equivalents at 31 December</b>		<b>56,158</b>	<b>51,643</b>

The Notes on pages 26 to 35 are an integral part of these interim consolidated financial statements.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

## 1 REPORTING ENTITY

IVE Group Limited (the ultimate parent entity or the Company) is a company domiciled in Australia. Its registered address is Level 3, 35 Clarence Street, Sydney NSW 2000.

These interim consolidated financial statements, as at and for the six months ended 31 December 2022 comprises the Company and its subsidiaries (IVE or Group).

The Group is a for-profit entity. The Group is primarily involved in:

- Conceptual and creative design across print, mobile and interactive media;
- Printing and distribution of catalogues, magazines, marketing and corporate communications materials and stationery;
- Manufacturing of point of sale display material and large format banners for retail applications;
- Personalised communications including marketing automation, marketing mail, publication mail, e-Communications, and multi-channel solutions;
- Data analytics, customer experience strategy, and CRM; and
- Outsourced communications solutions for large organisations including development of customised multi-channel management models covering creative and digital services, supply chain optimisation, inventory management, warehousing and logistics.

The Group services all major industry sectors in Australia including financial services, publishing, retail, communications, property, clubs and associations, not-for-profit, utilities, manufacturing, education and government.

## 2 BASIS OF PREPARATION

This interim condensed consolidated financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001* and IAS 34 *Interim Financial Reporting*. It does not include all the information required for a complete set of IFRS financial statements. However, selected explanatory Notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2022.

The interim condensed consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 24 March 2016 and in accordance with that legislative instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

### Significant accounting policies

The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2022.

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 23 February 2023.

## 2 BASIS OF PREPARATION (cont.)

### *Changes in accounting policies*

#### *Adoption of new accounting standards*

The Group has adopted all new and amended Australian Accounting Standards and Australian Accounting Standards Board (AASB) interpretations that are mandatory for the current reporting period and relevant to the Group. Adoption of these standards and interpretations has not resulted in any material changes to the Group's half-year financial report.

## 3 USE OF ESTIMATES AND JUDGEMENTS

In preparing these interim condensed consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2022.

In addition, included in Note 13 is information about assumptions and estimation uncertainty related to acquisition fair values measured on a provisional basis.

### *Measurement of fair values*

When measuring the fair value of an asset or a liability, the group uses market observable data where possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further information about the assumptions made in measuring fair values is included in Note 15 Financial instruments.

## 4 REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. The tables below provide information on the Group's revenue and contract balances derived from contracts with customers.

### **Disaggregation of revenue**

<i>In thousands of AUD</i>	Half year 31 December 2022	Half year 31 December 2021
Products transferred at a point in time	475,306	357,523
Products and services transferred over time	28,885	25,052
	<b>504,191</b>	<b>382,575</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the six months ended 31 December 2022

### 5 PERSONNEL EXPENSES

<i>In thousands of AUD</i>	Half year 31 December 2022	Half year 31 December 2021
Wages and salaries	112,476	91,708
Contributions to defined contribution plans	8,448	6,711
Share-based payment expense	453	1,399
	<b>121,377</b>	<b>99,818</b>

### 6 EXPENSES

Included in the interim condensed consolidated statement of profit or loss and other comprehensive income:

<i>In thousands of AUD</i>	Half year 31 December 2022	Half year 31 December 2021
Depreciation and amortisation	24,049	21,415
Restructuring costs	7,069	534
Acquisition and transaction costs	2,792	517

### 7 NET FINANCE COSTS

<i>In thousands of AUD</i>	Half year 31 December 2022	Half year 31 December 2021
Interest income	173	38
Net foreign exchange gains	-	23
<b>Finance income</b>	<b>173</b>	<b>61</b>
Interest expense	(5,909)	(3,683)
Derivative net change in fair value	-	(12)
Financial assets net change in fair value	-	(205)
Net foreign exchange losses	(12)	-
<b>Finance costs</b>	<b>(5,921)</b>	<b>(3,900)</b>
<b>Net finance costs</b>	<b>(5,748)</b>	<b>(3,839)</b>

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## 8 INCOME TAX EXPENSE

<i>In thousands of AUD</i>	Half year 31 December 2022	Half year 31 December 2021
<b>Current tax expense</b>		
Current year	5,725	9,708
Changes in estimates related to prior years	117	(81)
	5,842	9,627
<b>Deferred tax benefit</b>		
Origination and reversal of temporary differences	1,414	(1,066)
<b>Total tax expense</b>	<b>7,256</b>	<b>8,561</b>

### Numerical reconciliation between tax expense and pre-tax accounting profit

<i>In thousands of AUD</i>	Half year 31 December 2022	Half year 31 December 2021
<b>Profit before tax from continuing operations</b>	<b>22,524</b>	<b>26,776</b>
Tax using the Company's domestic tax rate of 30%	6,757	8,033
Non-assessable income and non-deductible expenses	382	609
Changes in estimates related to prior years	117	(81)
<b>Total tax expense</b>	<b>7,256</b>	<b>8,561</b>

## 9 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

### Acquisitions

During the six months ended 31 December 2022, the Group acquired property, plant and equipment excluding acquisitions with a cost of \$6,338 thousand (six months ended 31 December 2021: \$3,076 thousand).

During the six months ended 31 December 2022, the Group entered into new lease agreements for the use of properties and equipment between 1 to 7 years. The Group makes fixed payments and additional variable payments depending on market rental review during the contract period. On lease commencement, the Group recognised \$23,223 thousand of right-of-use assets and lease liability excluding acquisitions (six months ended 31 December 2021: \$3,438 thousand).

## 10 INTANGIBLE ASSETS AND GOODWILL

### Acquisitions

During the six months ended 31 December 2022, the Group acquired intangible assets with a cost of \$3,975 thousand (six months ended 31 December 2021: \$6,641 thousand).

### Disposals

During the six months ended 31 December 2022, no intangible assets were disposed by the Group (six months ended 31 December 2021: nil).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the six months ended 31 December 2022

### 11 CAPITAL AND RESERVES

<i>Issued and paid up capital (In thousands of AUD)</i>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>152,096,028</b> (June 2022: 143,508,948) ordinary shares fully paid	167,434	148,878

#### Movement in ordinary share capital

<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>Issue price</b>	<b>Total \$'000</b>
<b>1-Jul-21</b>	<b>Opening balance</b>	<b>142,756,952</b>		<b>149,066</b>
1-Jul-21	Share buy-back (including transaction costs)	-		(188)
23-Sep-21	Employee share issue	751,996		-
<b>31-Dec-21</b>		<b>143,508,948</b>		<b>148,878</b>
<b>1-Jul-22</b>	<b>Opening balance</b>	<b>143,508,948</b>		<b>148,878</b>
28-Sep-22	Institutional placement (including transaction costs)	8,000,000	2.25	17,265
17-Oct-22	Share purchase plan (including transaction costs)	587,080	2.25	1,291
<b>31-Dec-22</b>		<b>152,096,028</b>		<b>167,434</b>

#### Dividends

The following dividends were declared by the Group:

For the six months ended 31 December 2022

<i>In thousands of AUD</i>	<b>31 December 2022</b>	<b>31 December 2021</b>
9.5 cents per share (31 December 2021: 8.5 cents per share)	14,449	12,198

On 23 February 2023, the directors have declared a fully franked interim dividend of 9.5 cents per share to be paid on 13 April 2023 to shareholders on the register at 15 March 2023. The interim dividend payout is \$14,449 thousand (for the six months ended 31 December 2021: \$12,198 thousand). A liability has not been recognised as the interim dividend was declared after the reporting date.

## 12 SHARE-BASED PAYMENTS RESERVE

During the six months ended 31 December 2022, the company granted Performance Share Rights (Rights) under the Equity Incentive Plan (EIP). The Rights are an entitlement to receive fully paid ordinary IVE Group Limited Shares on a one-for-one basis. Further details on the Rights are described below.

Type of arrangement	Senior Leadership Team Award
Date of grant	22 November 2022
Number granted	627,775
Contractual life	3 years and 2 months
Vesting conditions	The Rights are subject to the following Performance Conditions: sixty per cent of the Rights are referenced against achieving Earnings Per Share Target (EPS), and forty per cent are referenced against achieving Relative Shareholder Return (TSR) target. The performance period is 1 July 2022 to 30 June 2025 inclusive. The vesting date is expected to be on or soon after the approval of IVE's 2025 Annual Financial Report.
Weighted average fair value	\$1.80
Valuation methodology	The EPS target was calculated using a risk-neutral assumption, whereas the TSR target has been valued using a Monte Carlo simulation approach.
Expected dividend	Holders of performance share rights are not entitled to receive dividends prior to vesting.
<b>Other key valuation assumptions</b>	
Share price at valuation date	\$2.3174
Expected volatility	46%
Risk free interest rate	3.62%
Dividend yield	7.20%

Share rights issued to Directors required shareholder approval. This occurred at the Group's 2022 Annual General Meeting.

Total expense relating to the Rights during the six months ended 31 December 2022 was \$453 thousand (for the six months ended 31 December 2021: \$156 thousand) and is included in Note 5 of this interim consolidated financial statements.

For the six months ended 31 December 2022, 627 thousand Rights were granted (2022: 824 thousand), 647 thousand lapsed (2022: 530 thousand), and 3,335 thousand remain outstanding (2022: 3,355 thousand).

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the six months ended 31 December 2022

### 13 ACQUISITIONS

On 13 September 2022, IVE acquired selected assets and assumed selected liabilities of Ovato Limited's (Ovato) heatset web print business. The acquired business is being integrated into IVE's Print WEB Offset business.

The following summarises the major classes of consideration attributable to the acquisition, and the provisionally recognised amounts of assets acquired and liabilities assumed at the acquisition date:

<i>In thousands of AUD</i>	
<b>Consideration transferred</b>	
Initial cash paid	13,000
Refundable consideration	-
	13,000
<b>Identifiable assets acquired and liabilities assumed</b>	
Inventories	5,994
Assets held for sale	4,167
Property, plant and equipment	17,737
Right-of-use assets	6,773
Deferred tax assets/(liabilities)	3,927
Employee benefits	(8,972)
Provisions	(12,523)
Lease liability	(6,773)
	10,330
<b>Goodwill on acquisition</b>	<b>2,670</b>

As agreed in the Asset Sale Agreement part of the consideration transferred may be refunded (Refundable consideration). Management has fair valued this amount to nil. The funds available to pay the refundable consideration will be ultimately be determined by the Ovato administrators within six months of the acquisition date. Similarly, management have also measured the assets and liabilities acquired at fair value. The fair value of the refundable consideration, property, plant and equipment, deferred tax assets, employee benefits and provisions has been measured on a provisional basis pending the completion of any final valuation or determination. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the accounting for the acquisition will be revised.



As this business is being integrated into IVE the revenue and profit before tax contribution will become indistinguishable from existing business unit results over time. However, since acquisition the revenue and profit before tax (before acquisition and restructure costs) contribution estimate is \$60,682 thousand and \$2,265 thousand, respectively.

If this acquisition had occurred from beginning of the reporting period the combined Group revenue and net profit before tax (NPBT) would have been estimated at \$537,524 thousand and \$22,524 thousand (assuming NIL NPBT allowance for Ovato), respectively.

Acquisition-related costs totalling \$2,608 thousand has been included in Other expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

#### 14 OPERATING SEGMENTS

The Group has identified one operating segment (whole of business) based on the internal reports that are reviewed and used by the Board (Chief Operating Decision Maker or 'CODM') in assessing performance and in determining the allocation of resources. The Board reviews the internal reports on a monthly basis.

The key measure of performance used by the CODM to assess performance is earnings before interest, tax, depreciation and amortisation (EBITDA).

A reconciliation of the reportable segment's EBITDA to profit before tax is shown below. Profit and loss, total assets and liabilities for the reportable segment is consistent with the primary statements included in this consolidated interim financial report.

<i>In thousands of AUD</i>	Half year 31 December 2022	Half year 31 December 2021
EBITDA	52,321	52,030
Depreciation and amortisation	(24,049)	(21,415)
Net finance costs	(5,748)	(3,839)
<b>Profit before tax</b>	<b>22,524</b>	<b>26,776</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the six months ended 31 December 2022

### 15 FINANCIAL INSTRUMENTS

#### Measurement of fair values

The table below gives information on the valuation technique and unobservable inputs of financial assets or liabilities categorised as a Level 2 or 3 in the fair value hierarchy.

Type	Valuation technique	Significant unobservable inputs	Relationship between the fair value and unobservable inputs
Forward exchange contracts (Level 2)	The fair value is determined using quoted forward exchange rates and present value of estimated future cash flow based on observable yield curves.	Not applicable	Not applicable
Contingent consideration (Level 3)	The fair value is calculated based on the acquired business achieving future revenue target.	Forecast revenue growth	If the applicable performance targets for the acquisition is lower than expected by 10%, then the contingent consideration value will be decreased by approximately \$0.2 million.

#### Reconciliation of Level 3 fair values

The following table shows reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy:

<i>In thousands of AUD</i>	
<b>Balance at 1 July 2022</b>	<b>1,638</b>
Assumed in a business combination in current year	-
<b>Balance at 31 December 2022</b>	<b>1,638</b>

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## 16 GROUP ENTITIES

Ultimate parent entity IVE Group Limited	Ownership interest %	
	31 December 2022	31 December 2021
<b>Controlled entities</b>		
Caxton Print Group Holdings Pty Limited	100	100
Caxton Print Group Pty Limited	100	100
IVE Group Australia Pty Limited	100	100
IVE Group Victoria Pty Limited	100	100
Task 2 Pty Ltd	100	100
Pareto Fundraising Pty Ltd	100	100
James Bennett & Associates Pty Limited	100	100
IVE Employment (Australia) Pty Ltd	100	100
IVE Employment (Victoria) Pty Ltd	100	100
Taverners No. 13 Pty Ltd	100	100
AIW Printing (Aust) Pty Ltd	100	100
AIW Printing Unit Trust	100	100
IVE Group Asia Limited	100	100
Guangzhou IVE Trading Company Limited	100	100
SEMA Holdings Pty Ltd	100	100
SEMA Infrastructure Pty Ltd	100	100
SEMA Operations Pty Ltd	100	100
John W Gage & Co Pty Ltd	100	100
IVE Distribution Pty Ltd	100	100
Lasoo Pty Ltd	100	100
Reach Media New Zealand Limited	100	100
IVE Group Limited Employee Share Trust	100	100
AFI Branding Solutions Pty Ltd	100	100

All entities are incorporated in Australia except for: IVE Group Asia Limited (incorporated in Hong Kong, China), Guangzhou IVE Trading Company Limited (incorporated in China), and Reach Media New Zealand Limited (incorporated in New Zealand).

## 17 EVENTS AFTER THE REPORTING PERIOD

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations or state of affairs of the Group in the future.

## IVE Group Limited DIRECTORS' DECLARATION

In the opinion of the directors of IVE Group Limited (the Company):

- (a) the Interim Condensed Consolidated Financial Statements and Notes, set out on pages 26 to 35, are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the six months ended on that date; and
  - (ii) complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.



**Geoff Selig**

*Director*

Dated at Sydney this 23rd day of February 2023.

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# Independent Auditor's Review Report

To the shareholders of IVE Group Limited

## Report on the Interim Financial Report

### Conclusion

We have reviewed the accompanying **Interim Financial Report** of IVE Group Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of IVE Group Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2022 and of its performance for the **Interim Period** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Condensed Consolidated Statement of Financial Position as at 31 December 2022;
- Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the Interim Period ended on that date;
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises IVE Group Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is the 6 months ended on 31 December 2022.

### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.



### Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion..

KPMG

Daniel Camilleri

Partner

Sydney

23 February 2023

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