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ASX ANNOUNCEMENT – IVE GROUP LIMITED (ASX:IGL)

5 December, 2016

IVE GROUP ANNOUNCES THE STRATEGIC ACQUISITIONS OF FRANKLIN WEB AND AIW PRINTING AND CAPITAL RAISING

HIGHLIGHTS

- IVE Group Limited (“**IVE**”) to acquire Melbourne based catalogue printers Franklin Web and AIW Printing for \$116.0 million (the “**Acquisitions**”)
- The Acquisitions represent IVE’s strategic extension into the large format web offset (“**LFWO**”) sector
- The LFWO sector is an attractive and complementary sector that builds on IVE’s capabilities
- IVE will fund the Acquisitions plus associated transaction fees and working capital via shares issued to the vendors of approximately \$20.3 million¹, new debt facilities of \$92.0 million, a fully underwritten \$20.0 million 1 for 8.9 accelerated non-renounceable entitlement offer and a \$20.0 million placement
- Targeting net synergies from the acquisitions of approximately \$11.5 million per annum, full run rate expected to be achieved within 12 months of completion
- The Acquisitions are expected to be EPS accretive (greater than 20%) to IVE shareholders in the first full year following integration²
- The Acquisitions will result in a pro forma net debt / pro forma FY16 EBITDA of approximately 1.8x at completion

ACQUISITION DETAILS

OVERVIEW

IVE has today executed binding agreements to acquire the assets of The Franklin Printing Group Pty Ltd (“**Franklin**”) and 100% of the shares of Taverners No.13 Pty Ltd (“**AIW**”).

Franklin is a specialist catalogue producer with facilities based in Sunshine, Victoria. Founded in 1936, Franklin is the third largest player in the LFWO sector and has a strong reputation as a low cost producer of quality catalogue products. Franklin’s strong culture of customer service combined with a history of product innovation has enabled Franklin to build long term relationships with many of the leading retailers in Australia. On completion of the transaction IVE will pay Franklin cash consideration of \$95.7 million and IVE scrip of approximately \$4.3 million, subject to certain purchase price adjustments (including working capital).

¹ Amounting to 10,078,982 number of shares.

² Full run-rate of the \$11.5m synergies to be achieved within twelve months of completion.



Established in 2001, AIW specialises in catalogue production. AIW is the fourth largest player in the LFWO sector and is based in Springvale, Victoria. On completion of the transaction, IVE will issue AIW scrip of approximately \$16.0 million. The completion of the AIW transaction is subject to certain purchase price adjustments (including working capital).

STRATEGIC RATIONALE

The Acquisitions consolidate IVE's position as one of Australia's leading full service marketing and print communications companies, with strong strategic and financial rationale:

- Attractive opportunity to enter an adjacent and complementary sector;
- Franklin is considered a market leading, low cost catalogue producer and the cornerstone acquisition for IVE's expansion into the LFWO sector;
- Unlock significant operational efficiencies of approximately \$11.5 million per annum³ through the integration of Franklin and AIW, with potentially additional unquantified revenue and cross-sell opportunities available;
- Strengthens IVE's offering to the retail sector, delivering customers a broader choice of services and consolidating IVE's position as one of Australia's leading full service marketing and print communications companies;
- Diversifies IVE's revenue base through expanding the range of value added products and services;
- Strengthens management capability to support integration and growth; and
- Financially compelling with EPS accretion of greater than 20% to IVE shareholders in the first full year following integration:⁴
 - o Post-synergies, the Acquisitions represent an EV / FY16 pro forma normalised EBITDA of 3.8x;
 - o The Acquisitions will result in a pro forma net debt / pro forma FY16 EBITDA of approximately 1.8x at completion; and
 - o IVE intends to maintain its stated dividend policy of a payout ratio between 65% and 75% of NPAT.

Operating synergies of \$11.5 million per annum, full run rate are expected to be achieved within 12 months post completion. The synergies will be driven by consolidating the assets and business operations of Franklin and AIW and integrating IVE's Blue Star DISPLAY business in Victoria with Franklin's retail display business. Implementation costs include one off restructuring costs, expected to be between \$6.5 million and \$7.5 million, and one off capital expenditures are expected to be up to \$18 million for the relocation of equipment and establishment of a catalogue production capability in IVE's Blue Star WEB facility in Sydney and the expansion of IVE's Blue Star DISPLAY capability in Victoria.

IVE Executive Chairman Geoff Selig said: "The acquisitions of Franklin and AIW build further on IVE's ongoing diversification strategy which has been effectively executed over the last decade. The combination makes strategic sense for our businesses and delivers value for all

³ Full run rate of synergies expected to be achieved within 12 months post completion, excluding one-off restructuring costs and capital expenditures.

⁴ Once synergies are fully realised and excludes one-off capital expenditures.



our stakeholders. We are confident the combination will deliver improved customer outcomes, enhanced returns for shareholders and new opportunities for employees.”

“Importantly, Phil Taylor, CEO of Franklin, has agreed to continue his leadership of Franklin under IVE ownership. We are pleased to welcome Phil and his executive team to IVE and look forward to working together to build on our market leading full service offering.”

CEO of Franklin Phil Taylor said: “We are excited to be partnering with IVE for the next phase of our company’s growth. We look forward to working with a company that shares our passion for adding real value to our clients.”

Charles Garrard, Chairman of AIW, said “Industry consolidation in the large format web offset sector is long overdue because of the excess capacity. Despite strong support from our customers and dedicated staff, for which we are extremely grateful, AIW is not immune to the effects of this overcapacity. We believe that a combined IVE, Franklin and AIW operation will be a robust competitor offering a more diverse value proposition for its valued customers.”

SIGNIFICANT CHANGE TO SCALE OF ACTIVITIES

For the purposes of ASX Listing Rule 11.1, the Acquisitions will result in a significant change to the scale of IVE’s activities (as assessed against ASX’s criteria set out in Guidance Note 12). The impact of the Acquisitions, together with the equity funding described below (being the Entitlement Offer and Placement (each defined below)), on IVE’s total assets, total equity interests, annual revenue and annual profit before tax and extraordinary items, is set out below. ASX has provided in principle confirmation that shareholder approval is not required in relation to the Acquisitions.

- The FY16 pro-forma combined revenue of the enlarged group is \$610.0 million (compared with IVE standalone revenue of \$382.0 million)
- EBITDA pre and post pro-forma synergies of the enlarged group is \$62.2 million and \$73.7 million, respectively, (compared with IVE standalone EBITDA of \$42.8 million)
- NPAT pre and post pro-forma synergies of the enlarged group is \$28.6 million and \$34.3 million, respectively, (compared with IVE standalone NPAT of \$20.9 million)
- The FY16 pro-forma combined total assets are \$379.2 million (compared with IVE standalone assets of \$231.4 million)
- The FY16 pro-forma combined total equity of the enlarged group is \$130.0 million (compared with IVE standalone total equity of \$81.5 million)

FUNDING

IVE is raising a combination of debt and equity to fully fund the combined purchase price of \$116.0 million, associated transaction fees and working capital movement. The total consideration for the Acquisitions is to be funded as follows:

- \$20.0 million by way of a fully underwritten share placement to institutional shareholders at an offer price of \$2.00 per new share (“**Offer Price**”) (“**Placement**”);
- \$20.0 million by way of a fully underwritten accelerated non-renounceable 1 for 8.9 entitlement offer to all eligible shareholders at the Offer Price (“**Entitlement Offer**”);
- \$20.3 million by way of IVE scrip to Franklin and AIW shareholders, subject to voluntary escrow arrangements (in respect of 50% of the scrip issued to AIW shareholders on completion); and



- \$62.2 million draw down of additional \$92.0 million new senior debt facilities.

The Offer Price of \$2.00 per new share represents

- A 2.6% discount to the theoretical ex-rights price (“**TERP**”)⁵; and
- A 3.4% discount to the last close price of \$2.07 on Friday, 2 December 2016.

Approximately 20 million new IVE shares are expected to be issued under the Entitlement Offer and the Placement. The new ordinary shares will rank equally with existing ordinary shares. Shares issued under the Placement do not have rights to participate in the Entitlement Offer.

The Entitlement Offer and Placement are both fully underwritten by Bell Potter Securities Limited and Evans and Partners Pty Ltd.

ENTITLEMENT OFFER

The Entitlement Offer comprises an accelerated institutional entitlement offer (“**Institutional Entitlement Offer**”) and a retail entitlement offer (“**Retail Entitlement Offer**”).

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 1 new IVE ordinary share (“**New Shares**”) for every 8.9 existing IVE ordinary shares (“**Entitlement**”) held as at 7.00pm (Sydney Time) on Wednesday, 7 December 2016 (“**Record Date**”).

New Shares issued under the Entitlement Offer will rank equally with existing shares from the date of allotment. The first dividend payable in respect of the New Shares will be the interim dividend for FY17 which is expected to be announced in February 2017.

Caxton Print Holdings Pty Limited As Trustee For Selig Family Trust (which represents the interests of Geoff Selig, Executive Chairman, and Paul Selig, Non-Executive Director), intends to take up 50% of its entitlement as part of the Entitlement Offer. Wolseley Partners Pty Ltd, being the largest shareholder of IVE and representing the interests of Wolseley Private Equity, is unable to take up any rights in the Entitlement Offer as its investment in IVE is held within a fully invested fund. All IVE directors who hold shares in IVE have stated they intend to take up some or all of their entitlements.

INSTITUTIONAL ENTITLEMENT OFFER

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will take place from Monday, 5 December 2016 to Tuesday, 6 December 2016.

Eligible institutional shareholders can choose to take up all, part or none of their Entitlement.

Institutional entitlements cannot be traded on the ASX. Institutional entitlements which are not taken up by eligible institutional shareholders by the close of the Institutional Entitlement Offer, and institutional entitlements that would otherwise have been offered to ineligible institutional shareholders, will be sold through an institutional shortfall bookbuild on Tuesday, 6 December 2016 (“**Institutional Shortfall Bookbuild**”).

⁵ The TERP is the theoretical price at which IVE shares should trade at immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which IGL shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to IVE’s closing price of \$2.07 on Friday, 2 December 2016 and includes shares issued under the Placement and shares issued to the vendors of Franklin and AIW.



RETAIL ENTITLEMENT OFFER

Eligible retail shareholders will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on Monday, 12 December 2016 and close at 5.00pm (Sydney time) on Wednesday, 21 December 2016.

The Retail Entitlement Offer is open to eligible shareholders with a registered address in Australia or New Zealand.

Eligible retail shareholders wishing to participate in the Retail Entitlement Offer should carefully read the Retail Entitlement Offer Booklet and an accompanying personalised entitlement and acceptance form which are expected to be despatched on Monday, 12 January 2017. Copies of the Retail Entitlement Offer Booklet will be available on the ASX website and our website at www.ivegroup.com.au.

KEY DATES*

Event	Date
Trading halt and announcement of the Acquisitions, Placement and Entitlement Offer	Monday, 5 December 2016
Placement and Institutional Entitlement Offer opens	Monday, 5 December 2016
Institutional Entitlement Offer closes	Tuesday, 6 December 2016
Placement and Institutional Shortfall Bookbuild	Tuesday, 6 December 2016
Trading halt lifted and shares recommence trading on ASX	Wednesday, 7 December 2016
Record Date for determining entitlement to subscribe for New Shares	7:00pm Sydney time Wednesday, 7 December 2016
Retail Entitlement Offer opens	9:00am (Sydney time) Monday, 12 December 2016
Retail Entitlement Offer Booklet despatched to eligible shareholders	Monday, 12 December 2016
Settlement of Placement and applications in the Institutional Entitlement Offer	Monday, 12 December 2016
Allotment and normal trading of New Shares under the Placement and Institutional Entitlement Offer	Tuesday, 13 December 2016
Retail Entitlement Offer closes	5:00pm (Sydney time) Wednesday, 21 December 2016
Settlement of Retail Entitlement Offer	Friday 30 December 2016
Allotment of New Shares issued under the Retail Entitlement Offer	Tuesday, 3 January 2017
Quotation of New Shares issued under the Retail Entitlement Offer	Wednesday, 4 January 2017
Despatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer	Wednesday, 4 January 2017



DEBT FUNDING

IVE has amended and increased its existing debt facilities with its principal lender in addition to raising new debt financing (arranged by existing lender) to fund the balance of the purchase price and provide funding capacity for ongoing growth initiatives. The new senior debt facilities will total \$145.0 million being an increase of \$92.0 million. Following completion of the Acquisitions, IVE will have net debt of \$113.6 million⁶, which is approximately 1.8x pro forma FY16 normalised EBITDA

IVE plans to draw down \$62.2 million to fund the Acquisitions, leaving headroom of approximately \$30 million under the new debt financing arrangements.

IVE TRADING UPDATE

IVE continues to:

- Execute the Group's strategy to further diversify and grow;
- Integrate recent acquisitions and continue a disciplined acquisition program; and
- Be well positioned to build on its business momentum and on the strong culture that defines the company and delivers year on year growth.

ADDITIONAL INFORMATION / FURTHER ENQUIRIES

Further details of the Acquisitions and the Entitlement Offer are set out in the investor presentation also provided to ASX today. The investor presentation contains important information including the terms and effects of the Acquisitions, their risks and conditions and key risks and foreign selling restrictions with respect to the Entitlement Offer. Any person considering an investment in IVE should read the investor presentation and seek his or her own independent advice before making any decision in this regard.

IVE has retained Greenhill & Co. as financial adviser, Herbert Smith Freehills as legal adviser and KPMG as accounting and tax adviser.

If you have any questions in relation to the Entitlement Offer, please contact the IVE Group Limited Offer Information Line on 1300 306 230 (within Australia) and + 1300 306 230 (outside Australia) between 8:30am and 5:30pm (AEST) Monday to Friday. For other questions, you should consult your stockbroker, accountant, or other professional adviser.

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⁶ Including Finance Leases of \$14.3 million.