

## ASX Announcement

11 October 2017

### **Presentation by Andrew Blattman & John Wadley to the Morgans Queensland Conference**

Attached is a presentation to be given this afternoon by Spruson & Ferguson's CEO, Dr Andrew Blattman and IPH's CFO, John Wadley to the Morgans Queensland Conference 2017.

*For more information, please contact:*

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#### **About IPH Limited**

IPH Limited ("IPH", ASX:IPH), the holding company of Spruson & Ferguson, Practice Insight, Fisher Adams Kelly Callinans, Pizeys and Cullens, is the leading intellectual property ("IP") services group in the Asia-Pacific region offering a wide range of IP services and products. These services are provided across Australia, New Zealand, Papua New Guinea, the Pacific Islands and Asia from offices in Sydney, Brisbane, Melbourne, Canberra, Singapore, Kuala Lumpur, Jakarta, Shanghai, Beijing, Hong Kong and Bangkok. The group comprises a multidisciplinary team of approximately 450 people, including some of the most highly regarded IP professionals in the Asia-Pacific region. The team services a diverse client base of Fortune Global 500 companies and other multinationals, public sector research organisations, foreign associates and local clients. IPH is the first IP services group to list on the Australian Securities Exchange.

# IPH Limited

Morgans Queensland  
Conference 2017

Dr. Andrew Blattman - CEO, Spruson & Ferguson  
John Wadley - CFO, IPH Limited

11 October 2017



# FY17 Financial Highlights

## Strong EBITDA and Dividend Growth

- Underlying EBITDA of \$71.6m, 10% ahead of FY16.
- The strengthening of the AUD at the end of June led to the recognition of unrealised exchange losses on the revaluation of USD dominated balances. Applying an AUD/USD exchange rate of 76.2c as provided with our EBITDA guidance of \$72M-\$74M, the reported underlying EBITDA would have been within the range.
- Final Dividend of 10.5c/share (100% franked) declared. DRP activated.
- Underlying NPAT of \$51.2m, 9% ahead of FY16.
- Underlying EPS of 26.7c, 2% increase on FY16, (eliminating the impact of further investment in Data & Analytics Software - a 6% increase).
- Both the Australian and Asian businesses have performed well to “fill the gap” in revenue due to the impact of the America Invents Act (AIA) in the comparative period.
- The Australian (5%) and Asian (2%) businesses have both seen like for like growth at the EBITDA line as a result of focus on margin improvement, and total growth of 20% and 10% including acquisitions.
- Cash of \$24.4m, strong free cash flow, no debt and \$95m undrawn bank facilities.

### Notes

- Underlying EBITDA excludes costs incurred in pursuit of acquisitions, revaluations of deferred settlements & earn outs, new business establishment costs and accounting charges for share based payments. Underlying NPAT excludes amortisation expense on intangible assets arising from acquisitions. The directors believe these adjustments show the operational results of the Group on the basis of how it has been constituted since restructuring in 2014.
- Revenue includes the gross amount of the reimbursement by clients of official filing fees paid to national bodies. Previously these fees were recorded on a net basis. FY16 revenue has been increased by \$14.4m for comparison. This change does not impact EBITDA nor NPAT.
- Operating cash flow before acquisitions and financing activities.

Statutory Results (\$'m)	FY17	FY16	Chg %
Revenue <sup>2</sup>	\$186.0	\$157.5	18.1%
EBITDA	\$68.7	\$59.5	15.4%
NPAT	\$42.9	\$38.8	10.6%
EPS (Diluted)	22.3c	21.7c	2.9%

Underlying Results (\$'m) <sup>1</sup>	FY17	FY16	Chg %
Revenue <sup>2</sup>	\$186.0	\$157.5	18.1%
EBITDA	\$71.6	\$65.0	10.1%
NPAT	\$51.2	\$46.9	9.2%
EPS (Diluted)	26.7c	26.2c	1.9%
EPS (excl. investment in Data & Analytics Software)	28.2c	26.6c	6.0%

Total Dividends	22c	21.0c	4.8%
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# FY17 Operational Highlights

## Asian expansion and leadership position in key markets

<b>Australia</b>	<ul style="list-style-type: none"><li>As a group IPH maintained its No.1 patent (22% market share<sup>1</sup>) and trademark (13% “qualified” market share<sup>2</sup>) market position in Australia.</li><li>Australian patent market is back to pre-America Invents Act (AIA) growth patterns.</li><li>Spruson &amp; Ferguson Melbourne office commenced operations.</li></ul>
<b>Asia</b>	<ul style="list-style-type: none"><li>IPH and Spruson &amp; Ferguson (Asia) maintained No.1 patent market position in Singapore with increased market share (24%) (CYTD17)<sup>3</sup>.</li><li>Increased number of case transfers from new and existing clients into IPH’s Asian operations.</li><li>Expanded and unparalleled network of offices in Asia lay the platform for future growth.</li><li>Filing patterns by IPH in Asia normalised post the impact of AIA.</li></ul>
<b>Practice Insight</b>	<ul style="list-style-type: none"><li>All software products have now been released and are being promoted for sale.</li><li>New client wins for IP software products - Filing Analytics, Citation Eagle and Document Management System (DMS).</li><li>FY18 focus is on marketing and sales.</li></ul>
<b>Acquisitions</b>	<ul style="list-style-type: none"><li>Integrated IPH’s first international acquisition Ella Cheong Hong Kong and Beijing (Oct 2016) (re-branded as Spruson &amp; Ferguson) complementing our already strong Asian presence.</li><li>Strategic and disciplined approach to assessment and due diligence of potential acquisitions.</li><li>Currently IPH is evaluating a number of potential acquisition opportunities at different stages of progression.</li></ul>
<b>Corporate</b>	<ul style="list-style-type: none"><li>Effective 19 November 2017, David Griffith will be retiring and Dr Andrew Blattman will be appointed as the new CEO of IPH.</li><li>19 November 2017 sees the end of the initial minimum three year employment agreements of the original 19 vendor Principals of Spruson &amp; Ferguson. Of those, 12 have signed new employment agreements, in either Spruson &amp; Ferguson or IPH, with the remainder either retired or no longer practising. IPH companies currently employ 65 Principals and 27 new Principals have been appointed across IPH group companies since listing.</li></ul>

### Notes

1. IPH management estimates based on agent recorded with IP Australia as at 14 Aug 17 and may not reflect any change of agent recorded since filing.
2. IPH management estimates based on agent recorded with IP Australia as at 8 Aug 17 and may not reflect any change of agent recorded since filing. Top 50 Agents only - by number of trade mark applications filed at the Australian Trade Mark Office in FY17.
3. As at approx. 1 Sep 17. IPH management estimate based on agent recorded with IPOS on 3 Oct 17. Includes filings by SF(Asia) and Pizzeys(Asia).

# IPH's FY18 agenda

## Continuing growth in Asia

- With the appointment of the new CEO, IPH enters the next phase of its development with the objective to build on the strong platform laid through:
  - organic growth into Asia;
  - enhancing existing organisational structure, business practices and operational performance;
  - exploring new strategic growth opportunities; and
  - realising our investment in Data and Analytics Software business.

### **Leveraging and strengthening existing network in Asia.**

- Drive organic growth in the region by filings directed from IPH's Australian businesses and international clients acquired through traditional channels.
- In China and Hong Kong the focus is on strengthening the patent capability of each office and capturing market share of our addressable market.

### **Operations optimisation**

- Evaluating IPH's operations across the company's offices in Australia and Asia with a view to simplify back office structure, optimise performance and provide seamless, world-class client service experience.
- Continued margin expansion across all businesses through IT initiatives and business process improvements.

### **Growth opportunities - acquisitions**

- IPH will continue to evaluate strategic M&A opportunities as they arise.
- The emphasis will be on growth in Asia either through acquisitions in Asia; or in other secondary markets with the aim to leverage filings into Asia.

### **Realising investment in Practice Insight**

- Concentration on marketing and sales. All software products have now been released and are being promoted for sale.

# AJ Park Acquisition – 11 Oct 2017

IPH acquires AJ Park – the leading IP firm in New Zealand



- AJ Park is the premier New Zealand IP firm employing 205 people and operating from offices in Auckland, Wellington and Sydney.
- Full service IP firm with a substantial local client base.
- The first New Zealand IP firm to join a publicly listed IP group.
- Further step in IPH's strategy to expand its presence in secondary IP market
- Supports IPH's growth in Asia through extension of our Asian service offering to AJ Park's local and international clients

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# Business Snapshot

Leading intellectual property Group in Asia-Pacific

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**450+** **+205**  
employees

Employees

65 Principals  
107 Professional staff  
286 Support staff



**5** **+1**  
brand

Brands



**14** **+3**  
offices

Offices

**6** **+1**  
country

Countries



**9K+**

Clients



**22%** **+2%**  
in Australia

Patent market share in  
Australia<sup>1</sup> **20%**  
in New  
Zealand

**24%** ↑

Patent market share in  
Singapore<sup>1</sup>



**#1** **#1**  
in New  
Zealand

Patent group in  
Australia &  
Singapore<sup>1</sup>

SF - IP Prosecution  
Firm of the year –  
Australia<sup>2</sup>



**16K+**

Patent filings<sup>3</sup>

**5.5K**

Trademark  
filings<sup>2</sup>



## Notes

1. Australia – FY17 as at 30 Jun 17. Singapore – CYTD17 as at approx. 30 Jun 17.
2. *Managing Intellectual Property*
3. Filings by all IPH entities. IPH management estimate based on internal filing information. All incoming/outgoing patent/trademark applications filed either directly or indirectly (through an agent) by SF(AU), SF(Asia), FAKC, Pizzeys, Cullens and SF(China/HK), including where agent is an IPH entity. Applications filed by SF(China/HK) are those filed by the firm across the entire financial year.

# AJ Park Acquisition – 11 Oct 2017

IPH acquires AJ Park – the leading IP firm in New Zealand

## Key features:

- Purchase consideration of NZD66.1m, being 7.5x FY17 normalised EBITDA, and subject to final accounting adjustments.
- Consideration is to be settled 60% in cash and 40% in new IPH shares.
- The IPH shares issued as part of the consideration will be escrowed for 2 years.
- Cash element of the transaction to be funded in USD denominated debt, creating a natural hedge against the company's USD denominated debts.
- Completion is expected by 31 October 2017.
- Completion subject to a number of conditions.