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2020 Full Year Results Investor Presentation

Year ended 30th June 2020

20th August 2020

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Cover image: Buildings in the centre of Auckland, New Zealand

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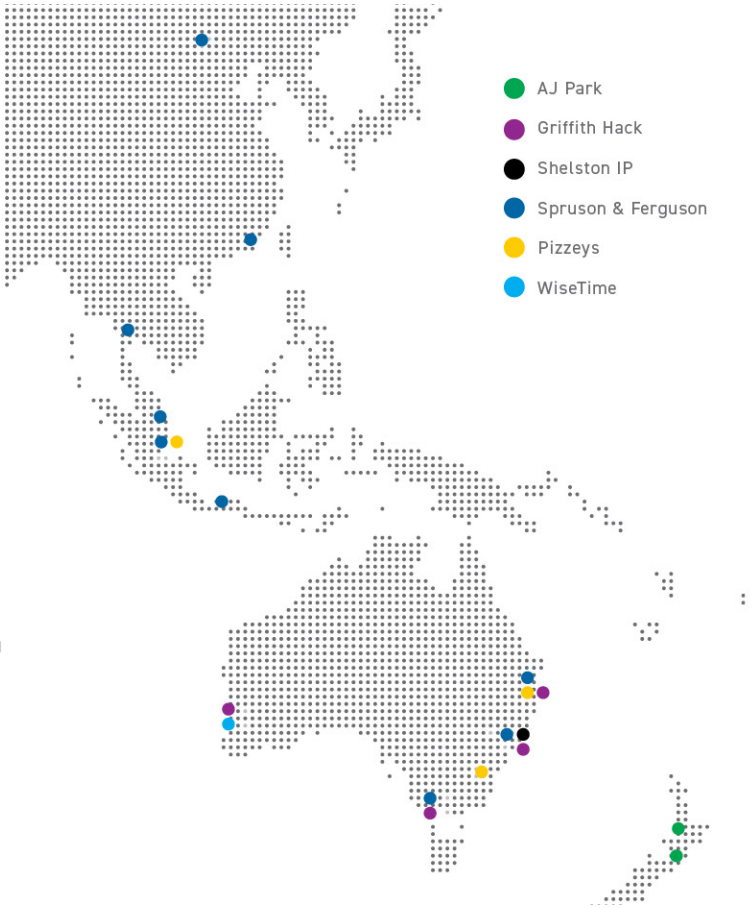
About IPH Limited

Asia-Pacific's leading IP professional services group



900+
Employees[1]

8
IP jurisdictions

№1
Patent group in Australia, New Zealand and Singapore[2]

№1
Trade Mark group in Australia and New Zealand[3]

6 BRANDS

AJPark intellectual property
SHELSTON INTELLECTUAL PROPERTY
griffith hack IP Amplified
SPRUSON & FERGUSON INTELLECTUAL PROPERTY
PIZZEYS Patent and Trade Mark Attorneys
WiseTime TIME FOR MORE

1. Approximate employee numbers across the Group.
2. IPH Management estimate based on IP office filing information: Australia (IP Australia) – FY20 14/07/20; Singapore (IPOS) – CY19 as at approx. 3/08/20; New Zealand (IPONZ) – FY20 as at 7/07/20.
3. IPH Management estimate based on IP office filing information: Australia (IP Australia) – FY20 9/07/20, based on market share of the top 50 agents; New Zealand (IPONZ) – FY20 as at 7/07/20.

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FY20 Highlights

01

Operational highlights

Continued delivery of strategic priorities

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Strategic priorities for FY20

01 Successful Xenith IP integration

02 Maintain market leading position in Australia / New Zealand and continued margin expansion

03 Continued focus on Asia to develop the network effect

04 WiseTime growth in sales

05 Digital platform development

06 Continued focus on potential overseas acquisitions in secondary IP markets

Results in FY20

- Xenith integration successfully completed, including integration of Watermark business into Griffith Hack and divestment of Glasshouse Advisory practice.
- IPH group maintains the number one patent position in Australia, New Zealand and Singapore. Margin expansion achieved within Xenith IP group.
- Increased referrals into Asia business from the expanded group. Griffith Hack is now a top 10 client of IPH Beijing and Hong Kong practice.
- WiseTime revenue growth and growing customer base.
- Digital platform development is in progress, with multiple streams of work underway. Due to COVID-19, IT resources have been focused on ensuring business continuity.
- Proposed acquisition of Baldwins IP in New Zealand. Continue to assess other potential opportunities in overseas markets.

COVID-19 update

Prudent approach during an uncertain period

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Current market environment

- IPH is a resilient business and maintains a significant pipeline of work as a result of previous filings.
- We have seen some disruption due to the pandemic.
- Some slowdown in instructions from clients, particularly local clients, whose operations have been impacted by the pandemic.
- We have observed some short-term decline in filings however activity is expected to recover as markets stabilise.
- Most IP offices have remained open with the exception of some smaller IP offices in SE Asia.

Caring for our people

- Comprehensive COVID-19 response and COVIDSafe plans have been implemented across all offices with the primary focus on the safety and wellbeing of our people, clients and communities.
- Feedback from employee wellbeing surveys used to guide wellbeing initiatives during remote working.
- We continue to follow and act on Government advice in regard to the need to work from home, with a large portion of our workforce currently working remotely across most IP jurisdictions.
- No significant workforce changes have been required as a result of the pandemic.

Managing the business

- Continued conservative cost management including delaying decisions around most remuneration increases until later this year.
- IPH has accessed more than AU$1M in Government Support grants from China, Hong Kong SAR, China and Singapore.
- Government assistance was not accessed in Australia or New Zealand.

Financial highlights

Growth across most financial metrics in challenging market conditions

Revenue
$370.1m
43% ↑

EBITDA
$113.2m
32% ↑

NPAT
$54.8m
3% ↑

Diluted EPS
25.8 cents per share
3% ↓

Dividend[1]
28.5 cents per share (15c final)
14% ↑

Underlying EBITDA[2]
$126.0m
41% ↑

Underlying NPAT[2]
$77.7m
24% ↑

Underlying Diluted EPS
36.5 cents per share
15% ↑

Xenith contribution[3]
(since 15 August 2019)

$106.9m Revenue 3% ↓

$25.7m Underlying EBITDA 44% ↑

1. Represents 82% of cash NPAT.
2. Underlying EBITDA and NPAT excludes costs incurred in pursuit of acquisitions, new business establishment costs, accounting charges for share-based payments, business acquisition costs, restructuring expenses, impairment of Watermark brand and onerous lease provisions and asset write-offs.
3. Compared to 10.5 months in the prior comparative period.

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Financial highlights – pre-AASB16

Compares performance had the prior year accounting standard still applied

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Revenue **$370.1m**	43% ↑	
EBITDA **$101.6m**	18% ↑	
NPAT **$55.0m**	4% ↑	
Diluted EPS **25.9 cents per share**	3% ↓	
FY Dividend[1] **28.5 cents per share (15c final)**	14% ↑	
Underlying EBITDA[2] **$114.5m**	28% ↑	
Underlying NPAT[2] **$77.9m**	24% ↑	
Underlying Diluted EPS **36.7 cents per share**	16% ↑	

Xenith contribution[3]
(since 15 August 2019)

$106.9m Revenue 3% ↓

$21.2m Underlying EBITDA 19% ↑

1. Represents 82% of cash NPAT.
2. Underlying EBITDA and NPAT excludes costs incurred in pursuit of acquisitions, new business establishment costs, accounting charges for share-based payments, business acquisition costs, restructuring expenses, impairment of Watermark brand and onerous lease provisions and asset write-offs
3. Compared to 10.5 months in the prior comparative period.

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FY20 Results

02

Revenue and EBITDA

Well placed in a challenging environment

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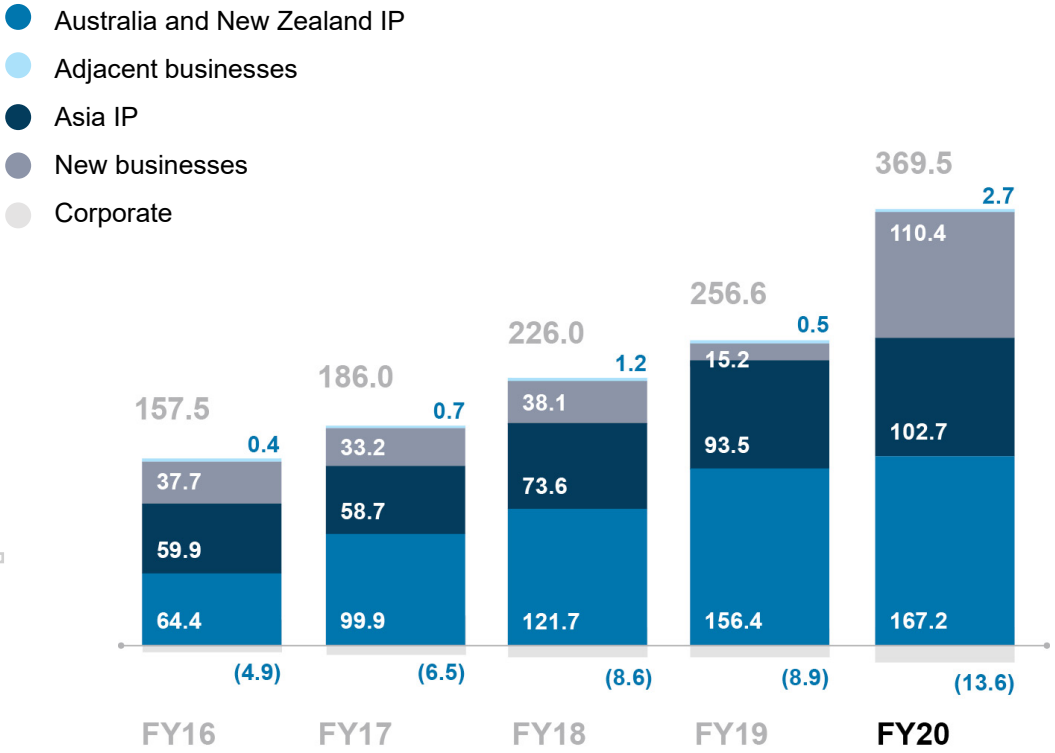
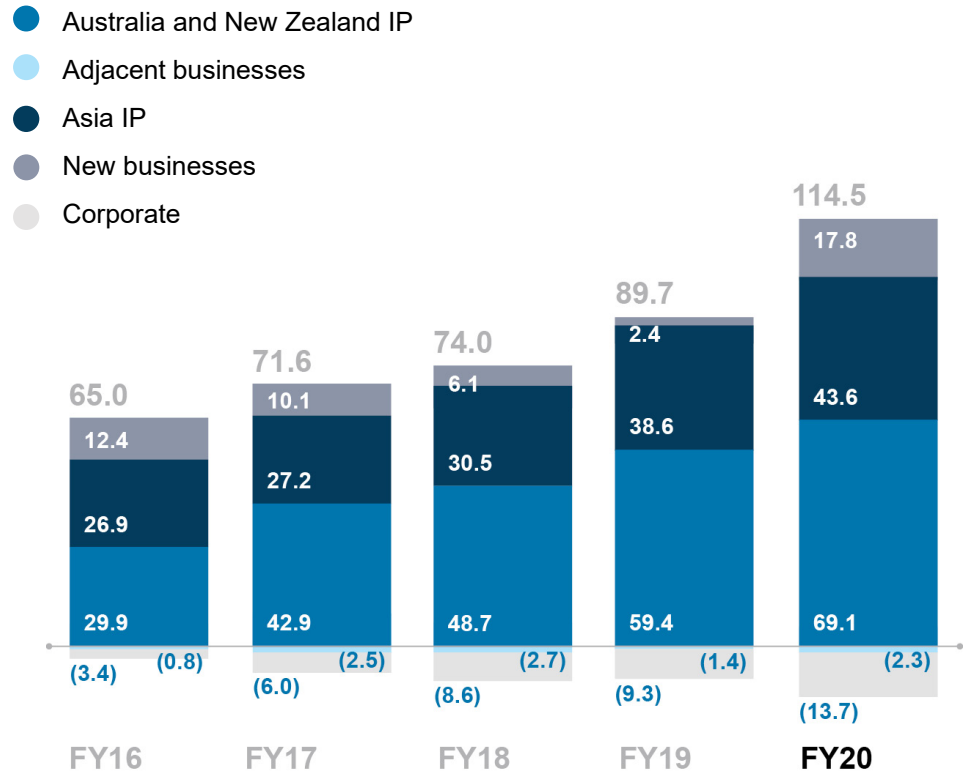
Underlying Revenue ($m)



Underlying EBITDA ($m)



1. Underlying EBITDA in FY20 is pre-AASB16.
2. Underlying EBITDA excludes costs incurred in pursuit of acquisitions, revaluations of deferred settlements & earn outs, new business establishment costs, accounting charges for share-based payments and restructuring expenses.
3. New Businesses FY20 represents 10.5 months of Xenith IP.

Like for Like Revenue and EBITDA

Continuing growth in Asia

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	Underlying Revenue[1] June 20	New Businesses[2]	Accounting FX Movements[3]	Currency Adjustment[4]	Adjusted Revenue June 20	Underlying Revenue June 19	Chg%
Australia & NZ IP	277.7	(107.5)	0.1	(6.8)	163.5	171.6	(5%)
Asian IP	102.7		0.7	(4.8)	98.6	93.5	6%
Wisetime	0.4				0.4	0.5	
Glasshouse	2.3	(3.9)			(1.6)		
Corporate	1.2	1.0	(0.7)		1.4	(0.0)	
Eliminations	(14.6)		1.2		(13.5)	(8.9)	
	369.5	**(110.4)**	**1.2**	**(11.6)**	**248.9**	**256.6**	(3%)

	Underlying EBITDA[1] June 20	New Businesses	Accounting FX Movements	Currency Adjustment	Adjusted EBITDA June 20	Underlying EBITDA June 19	Chg%
Australia & NZ IP	86.9	(23.6)	0.1	(6.6)	56.9	61.8	(8%)
Asian IP	43.6		0.7	(2.7)	41.6	38.6	8%
Wisetime	(1.2)				(1.2)	(1.4)	
Glasshouse	(1.1)	1.2			0.1		
Corporate	(13.3)	4.6	(0.7)		(9.4)	(10.0)	
Eliminations	(0.6)		1.1		0.6	0.7	
	114.5	**(17.8)**	**1.2**	**(9.3)**	**88.5**	**89.7**	**(1%)**

1. Underlying EBITDA and NPAT (pre-AASB16) excludes costs incurred in pursuit of acquisitions, new business establishment costs, accounting charges for share-based payments, business acquisition costs, restructuring expenses, impairment of Watermark brand and onerous lease provisions and asset write-offs.
2. New business represents 10.5 months of Xenith IP. Excludes additional contribution generated under IPH ownership.
3. Accounting FX movements represents change in realised and unrealised FX as reported in the financial statements.
4. Currency adjustment represents the performance had the prior period exchange rates applied.

Underlying NPAT and EPS

Underlying EPS growth of 16%

Year ended 30 June 2020	FY20 Statutory Income Statement	Adjustments	Underlying Earnings FY20[2]	AASB 16 Adjustments	FY20 Pre-AASB Income Statement	FY19 Statutory Income Statement	Adjustments	Underlying Earnings FY19
Total revenue	370.1	(0.5)	369.6		369.6	259.5	(2.9)	256.6
Recoverable expenses	(105.6)		(105.6)		(105.6)	(74.6)		(74.6)
Compensation	(115.5)	2.2	(113.3)		(113.3)	(68.6)	2.2	(66.4)
Occupancy	(1.7)		(1.7)	(11.6)	(13.3)	(8.6)		(8.6)
New businesses/acquisitions related net expenses	(5.8)	5.8				(4.5)	4.5	
Impairment	(5.3)	5.3						
Other	(23.0)		(23.0)		(23.0)	(17.3)		(17.3)
Total expenses	(256.9)		(243.6)		(255.2)	(173.6)		(166.9)
EBITDA	113.2		126.0		114.5	85.9		89.7
EBITDA %	30.6%		34.1%		30.9%	33.1%		35.0%
Depreciation & Amortisation	(34.5)	19.6	(14.9)	9.6	(5.3)	(12.7)	9.2	(3.4)
EBIT	78.7		111.2		109.2	73.2		86.3
Net Finance Costs	(7.0)		(7.0)	2.2	(4.8)	(2.6)		(2.6)
NPBT	71.7		104.2		104.4	70.6		83.7
Tax (expense)/benefit	(16.9)	(9.5)	(26.4)		(26.4)	(17.5)	(3.3)	(20.8)
NPAT	54.8	22.9	77.7	0.2	77.9	53.1	9.7	62.9
Diluted EPS (cents)[1]	25.8c		36.5c		36.6c	26.7c		31.7c
Growth rate					16%			

1. Diluted EPS includes performance rights that are yet to vest.
2. Underlying EBITDA and NPAT excludes costs incurred in pursuit of acquisitions, new business establishment costs, accounting charges for share-based payments, business acquisition costs, restructuring expenses, impairment of Watermark brand and onerous lease provisions and asset write-offs.

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Cash flow statement

IPH continues to generate strong cash flows

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Commentary

- Cash conversion in excess of 100% reflects the strong final quarter of FY19. The cash receipts of this revenue were received in FY20. It also reflects the comparatively weaker final quarter of FY20.
- As a prudent measure, the Company drew down $20M from its debt facilities in March. Subsequent to year-end, $12.7M of this balance was repaid in August 2020.
- Cashflows support high dividend payout (82% of cash NPAT for FY20).
- Strong balance sheet with a leverage ratio of 0.6 times. IPH debt facilities do not mature until February 2022.

Key Metrics at 30 June 2020

Cash on hand	$83m
Drawn debt	$151m
Net debt	$68m
Leverage ratio (Net debt / FY20 EBITDA)	0.6 times
Debt maturity	Feb 2022
Cash conversion at 30 June 2020	106%

Year ended 30 June 2020	FY20 Cash Flow Statement	FY19 Cash Flow Statement
$'m		
Statutory EBITDA	113.2	85.9
Change in working capital	11.8	(3.7)
Operating capital expenditure	(5.2)	(5.9)
Cash flow before acquisitions, financing activities and tax	119.9	76.3
Cash conversion ratio	*106%*	*89%*
Income taxes paid	(30.4)	(17.3)
Net interest paid	(4.9)	(2.6)
Free cash flow	84.6	56.4
Dividends paid (net DRP)	(47.9)	(45.4)
Undistributed free cash flow	36.7	11.0
Acquisitions, investments & intangibles	(40.3)	(32.8)
Lease payments	(11.9)	-
Proceeds from sale of Practice Insight products	-	10.1
Net borrowing proceeds/(repayments)	64.1	23.6
Net cash flow	48.6	11.9

Balance sheet

Strong balance sheet with leverage ratio of 0.6 times

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Commentary

- Balance sheet movements reflect the acquisition of Xenith IP and the adoption of AASB16
- Xenith Acquisition:
  - Issue of shares totalling $130m
  - Drawdown of $65m borrowings
  - Investments now included within the acquisition amount
  - Increased goodwill ($114m), customer relationships ($120m), trade marks ($15m) and deferred tax liabilities ($40m)
- Implementation of AASB16 resulted in:
  - Right of use assets
  - Interest bearing lease liabilities
  - Increase in deferred taxes

$'m	Balance Sheet as at 30 Jun 2020	Balance Sheet as at 30 Jun 2019
Cash and cash equivalents	82.9	**35.3**
Trade and other receivables	89.1	**63.4**
Investments	-	**39.2**
Other current assets	9.1	**7.3**
Total current assets	**181.1**	**145.2**
PP&E	13.3	**6.7**
Rights of use assets	38.8	
Acquisition intangibles & goodwill	483.3	**255.1**
Deferred tax asset	22.6	**7.8**
Other non-current assets	-	**0.2**
Total assets	**739.1**	**414.9**
Trade and other payables	24.7	**19.1**
Tax provisions	3.3	**10.2**
Lease liabilities	53.7	
Deferred tax liability	60.4	**22.4**
Borrowings	151.2	**65.5**
Other liabilities	23.1	**12.9**
Total liabilities	**316.4**	**130.1**
Net assets	**422.7**	**284.8**
Equity		
Issued capital	402.2	**262.8**
Reserves	0.5	**(2.0)**
Retained profits	20.0	**24.0**
Total equity	**422.7**	**284.8**

Impact of foreign currency

USD weakened in 2H

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Earnings currency sensitivity

- Based on the USD profile in FY20 in the IPH Group, a 1c movement in the AUD/USD exchange rate equates to approximately $1.9m of revenue on services charges on an annualised basis.
- This sensitivity fluctuates on the basis of acquisitions, their timing and their mix of currencies
- The Group has a number of hedge positions against specific FX risks, the most material of which represent less than 10% of the group's USD exposure. These are taken into account in the provision of the USD sensitivity of a 1c movement equating to a $1.9M movement in service charges. This policy is currently under review.

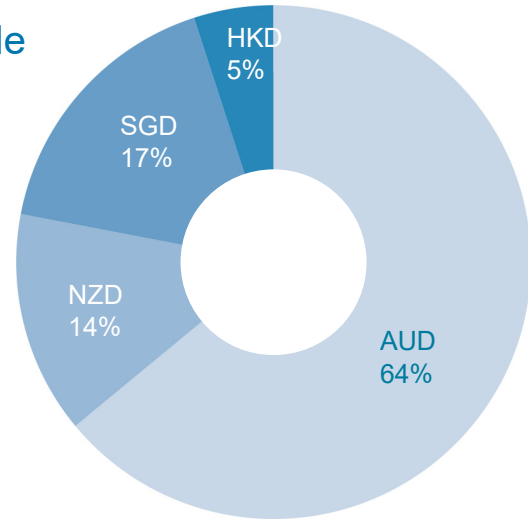
Balance sheet sensitivity

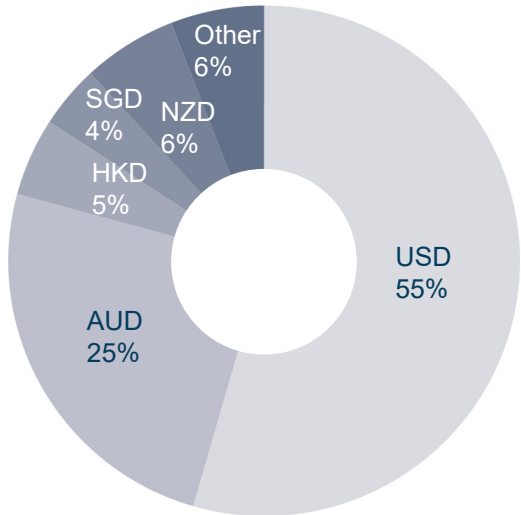
- The Group is also exposed to FX on the level of its USD denominated cash and receivables in the balance sheet, balances of which fluctuate.
- 55% of the Group's invoicing is denominated in USD.[1]
- Average USD cash[2] held US$14m.
- Average USD net assets (including cash)[3] US$27m.

FX Rates	FY20	FY19
USD	0.6712	0.7153
SGD	0.9283	0.9765

FY20 currency profile

Operating expenses





Service charges

1. Excludes USD billing in SF Hong Kong where HKD is pegged to USD. IPH exposure is to HKD.
2. Average of closing monthly USD cash balance.
3. Average of opening and closing USD denominated assets.

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Market Overview

03

IPH group global filings

Scale helps to mitigate the periodic fluctuations in filings in certain markets

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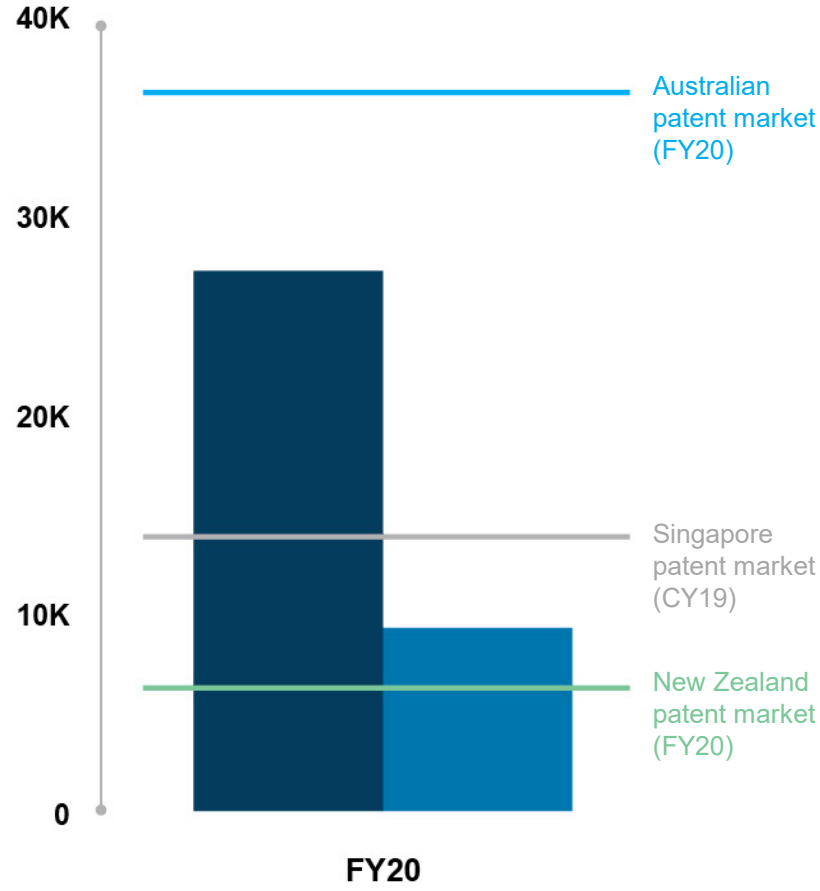
Scale comparison of total IPH Group filings to key national markets (Filings through IPH offices and our external agents[1])

- IPH (as a group) is a significant global patent and trade mark filer, both in our home markets as well as outgoing filings from 'local' clients into other global IP jurisdictions.
- Annualised aggregate IPH group patent filings in all markets are more than the combined total markets of New Zealand and Singapore, and represent more than three quarters of the total Australian market.
- This scale and geographic diversification helps to mitigate the periodic fluctuations in filings in certain markets.



- Patents – IPH
- Trade marks – IPH

1. Total patent / trade mark cases filed or instructed to be filed by IPH entities into any jurisdiction in the world. Includes cases filed by any agent (IPH and non-IPH). Data based on internal filing statistics.
FY20 IPH includes filings by the following entities: Spruson & Ferguson, FAKC, Pizzeys, Cullens, AJ Park, Griffith Hack, Shelston and Watermark. Filings from acquired companies are included from 1 Jul of the acquisition year.

Patent market – Australia

Mature market with stable filings

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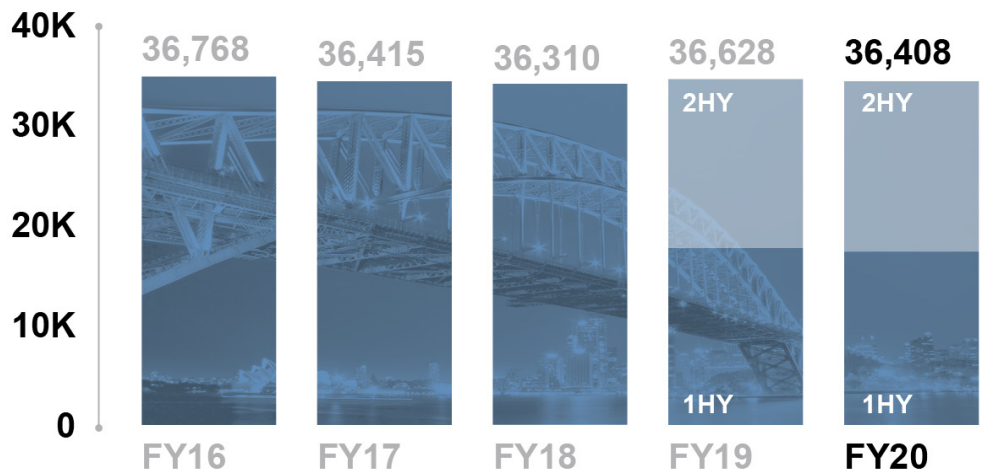
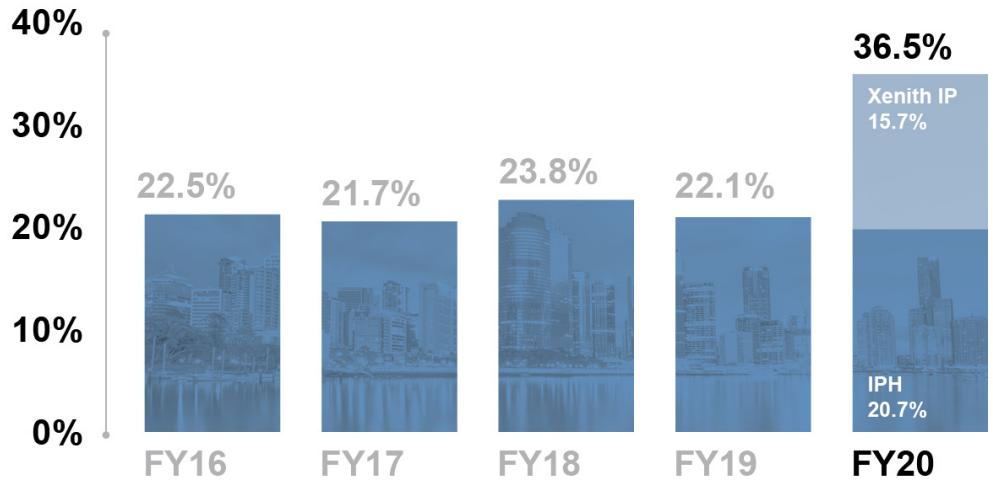
Australian patent market filings[1]

- Australian patent market declined by 0.6% from FY19 to FY20.
- Removing innovation patent filings, the market declined by 1.5%.
- Patent filings in Q4FY20 declined by 2.6% compared to the prior comparable period.



IPH Group filings and market share[2]

- The IPH group maintains number one patent market position in Australia.
- Filings by the combined IPH Group (including Xenith on a pro-forma basis) declined by 5.3% in FY20 reflecting client mix and filing activity.
- Market share of Xenith IP businesses declined from 16.2% in FY19 to 15.7% in FY20.



1. IPH Management estimate based on filing information recorded on IP Australia as at 14/07/20 (FY20), 1/08/19 (FY19) and 3/08/2018 (FY16-FY18). Includes all types of patent applications..
2. IPH Management estimate based on agent recorded with IP Australia as at 14/07/20 (FY20), 1/08/19 (FY19), 3/08/18 (FY18) and 6/07/18 (FY16-FY17) and may not reflect any subsequent change of agent. IPH Group market share includes filings by the following entities: FY16 and FY17 - Spruson & Ferguson, FAKC, Pizzeys, Cullens, FY18 and FY19 - Spruson & Ferguson, FAKC, Pizzeys, Cullens and AJ Park. FY20 - Spruson & Ferguson, FAKC, Pizzeys, Cullens, AJ Park and Xenith IP acquired businesses (Griffith Hack, Shelston and Watermark). Filings from acquired companies are included from 1 Jul of the acquisition year.

Patent market – Singapore

IPH continues to hold the #1 market share position in Singapore

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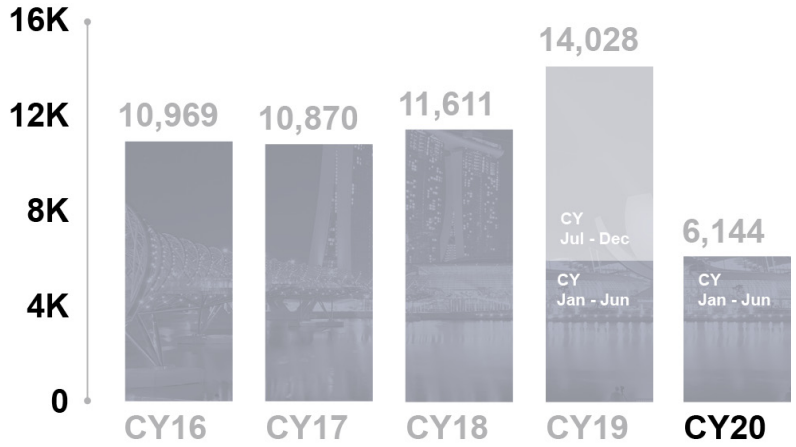
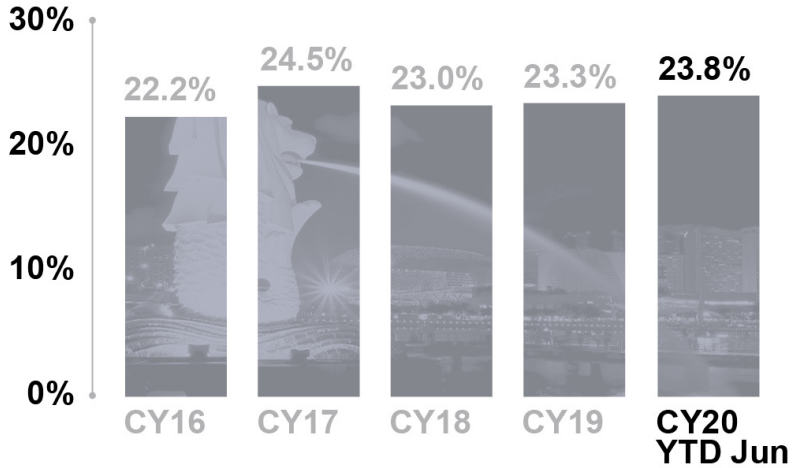
Singapore patent market filings[1]

- Singapore patent market increased by 20.9% in CY19 compared with CY18
- Changes to Singapore patent examination process (closure of the 'foreign route') from 1 January 2020 resulted in an influx of applications in December 2019 seeking examination under the foreign route. This has not resulted in lower filing activity in CY20 to date
- Preliminary data indicates market growth of 1.7% in CY20 YTD June compared with the prior corresponding period



IPH Group filings and market share[2]

- IPH Group filings increased by 22.2% in CY19 compared with CY18
- IPH Group continues to hold the number one market share position in Singapore
- Preliminary data indicates IPH Group filings growth of 1.9% in CY20 YTD June compared with the prior corresponding period



1. IPH Management estimate based on IPOS filing information via incremental refreshes to 3/08/20 (CY19-CY20), 1/08/19 (CY18) and 2/08/18 (CY16-CY17). Note, data for recent months subject to change due to data release timings.
2. IPH Management estimate based on patent filings from agents recorded with IPOS via incremental refreshes to 3/08/20 (CY19-CY20), 1/08/19 (CY18), 9/07/18 (CY17) and 10/08/17 (CY16) and may not reflect any subsequent change of agent. Note, data for recent months subject to change due to data release timings. From CY16 onwards, IPH market share includes the Singapore offices of Spruson & Ferguson and Pizzeys.

IPH Patent Filings - Asia

Prior year growth consolidated

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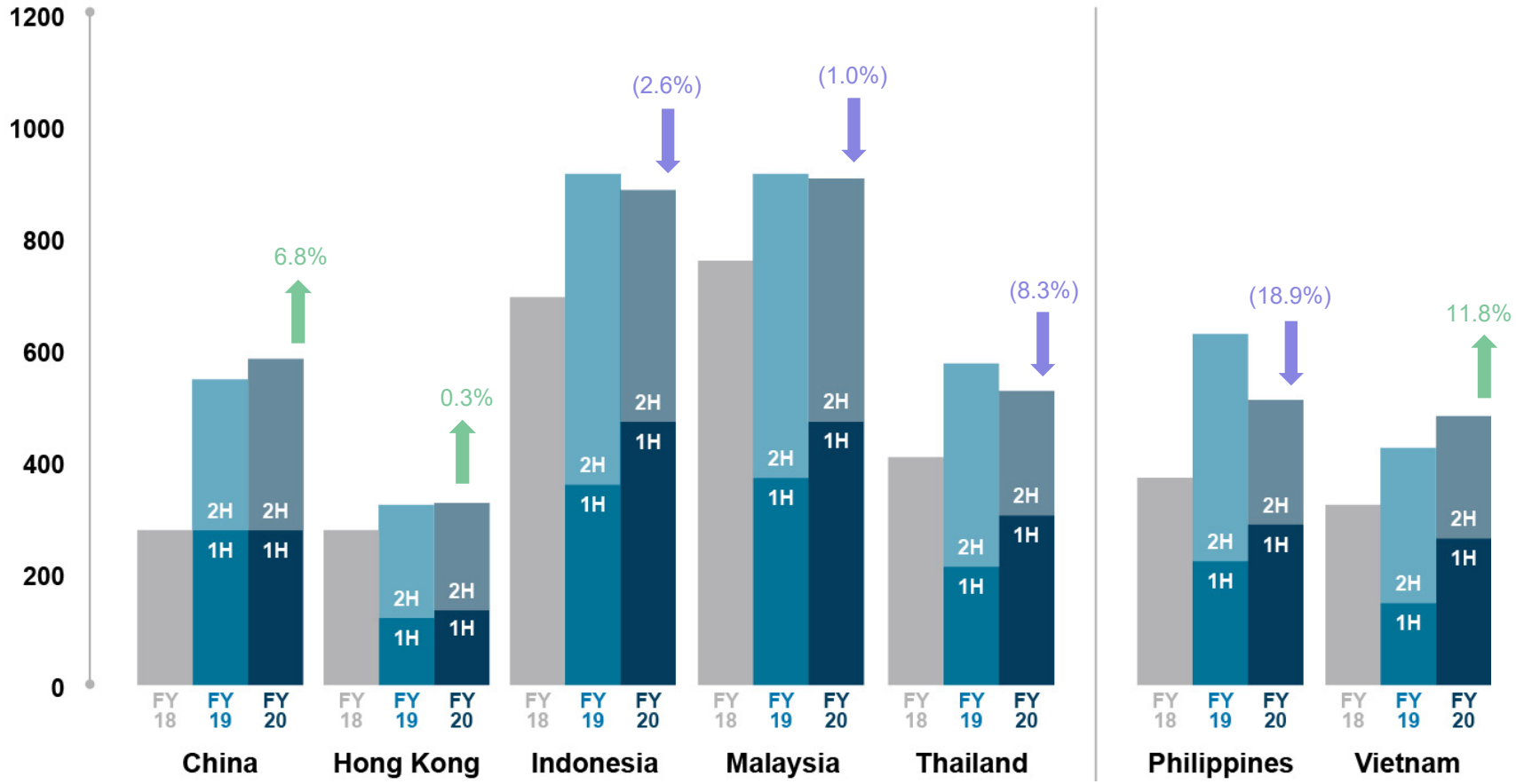
Filings in key Asian jurisdictions by IPH offices[1]

- Strong 1HFY20 growth of 28.5% across these jurisdictions.
- 2HFY20 compares against a very strong 2HFY19 due to a significant filing from one client across multiple jurisdictions.
- Network continues to be attractive to large clients. In FY20 we have seen multiple large filers across a number of jurisdictions.



1. Total patent cases lodged in key jurisdictions in Asia (excluding Singapore) by IPH entities (or external agents in the case of the Philippines and Vietnam). IPH Management estimates based on internal filing statistics.

China growth story

Growing IPH's position in this significant IP market

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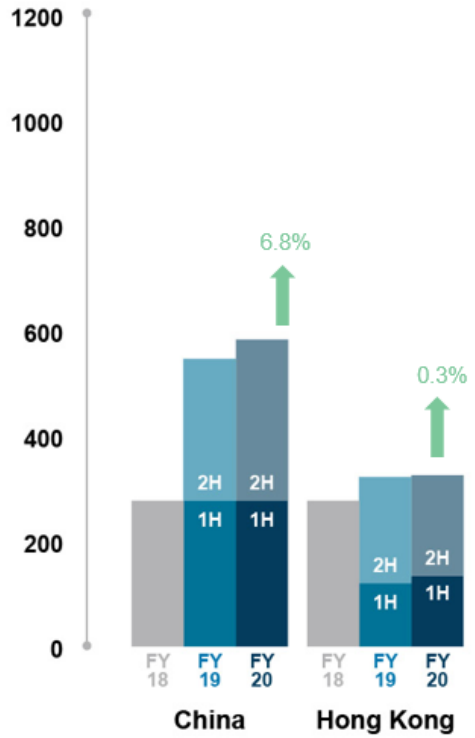
- Increase in both patent and trademark filings into IPH Beijing and Hong Kong practice.
- Nearly 7% increase in patent filings in Beijing practice for FY20
- Growth in service charge (revenue) for Beijing and Hong Kong patent practice, including 14% service charge (revenue) growth in the Beijing practice over the prior year.
- Growth in trade mark revenue over prior year and significant increase in new filings for Beijing practice.
- Continued referrals from within the IPH group - AJ Park and Griffith Hack are top 10 clients.
- Growth achieved despite disruption in instructions from US and local client base due to COVID-19 and disruptions in Hong Kong

Increase in patent filings for IPH Beijing and Hong Kong practices in FY20



Trade mark market – Australia

Second half trade mark total market impacted by self-filers

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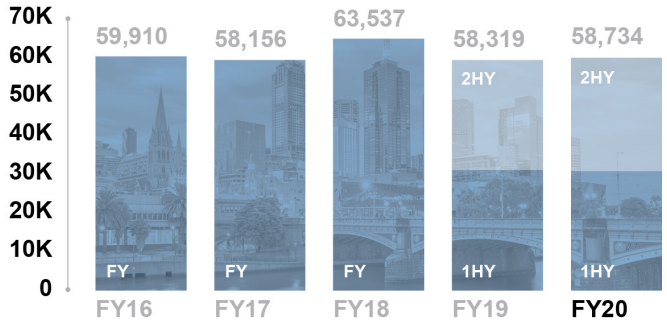
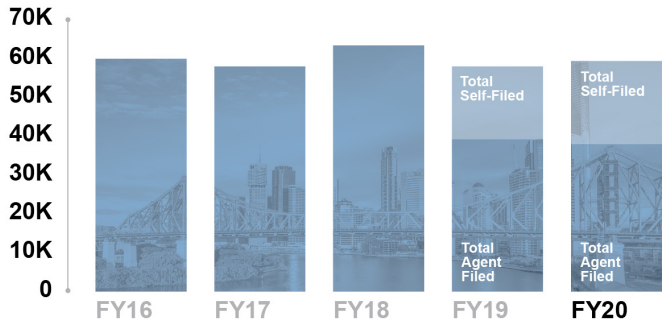
Australian trade mark market filings[1]

- In FY20 Australian trade mark filings increased by 0.7%.
- Excluding self-filers, Australian trade mark filings decreased by 3% for FY20.
- 2H decline in agent filings, as anticipated due to challenging economic environment



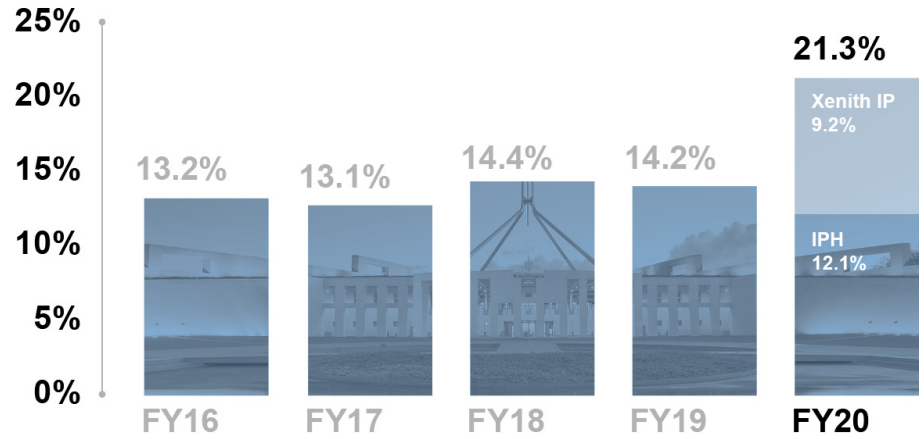
Australian trade mark market filings – Agent vs Self-filed[2]

- Trend towards self-filing as well as low cost providers
- 8.3% increase in self-filed trade mark applications from FY19 to FY20, with most of this increase in Q4 FY20.



IPH Group filings and market share[2]

- The IPH Group continues to be the leading Australian trade mark group by market share of the top 50 agents
- Market share of Xenith IP businesses declined from 10.0% in FY19 to 9.2% in FY20



1. IPH Management estimate based on filing information recorded on IP Australia as at 9/07/20 (FY20) and 1/08/19 (FY16-FY19). Trade mark filings and market share exclude International Registrations.
2. Applications determined as self-filed where no agent is listed at IP Australia, or agent is the same as trade mark owner
3. IPH Management estimate based on agent recorded with IP Australia as at 9/07/20 (FY20), 11/07/19 (FY18-FY19) and 24/10/18 (FY16-FY17) and may not reflect any subsequent change of agent. Market share calculated on total filings from top 50 agents. IPH Group market share includes filings by the following entities: FY16 and FY17 - Spruson & Ferguson, FAKC, Pizzeys, Cullens, FY18 and FY19 - Spruson & Ferguson, FAKC, Pizzeys, Cullens and AJ Park. FY20 - Spruson & Ferguson, FAKC, Pizzeys, Cullens, AJ Park and Xenith IP acquired businesses (Griffith Hack, Shelston and Watermark). Filings from acquired companies are included from 1 Jul of the acquisition year.

Patent market trends

Historical context to current disruption

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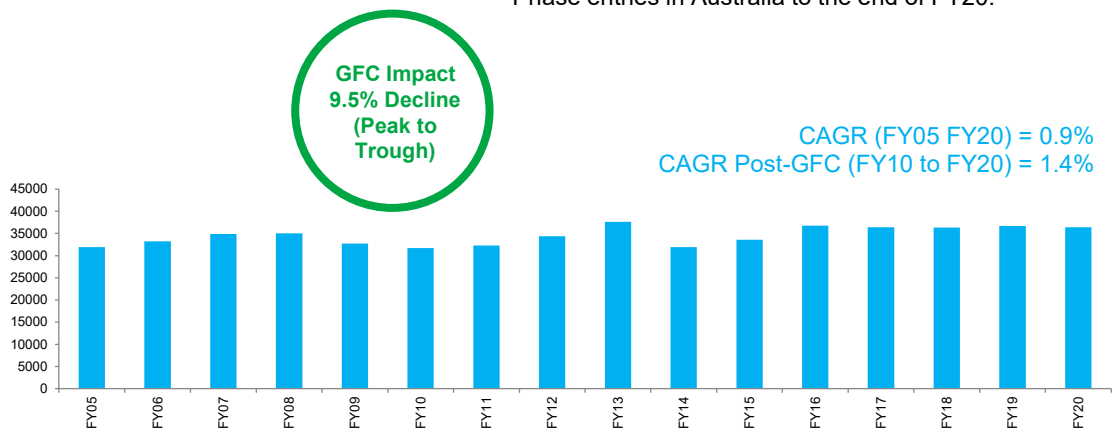
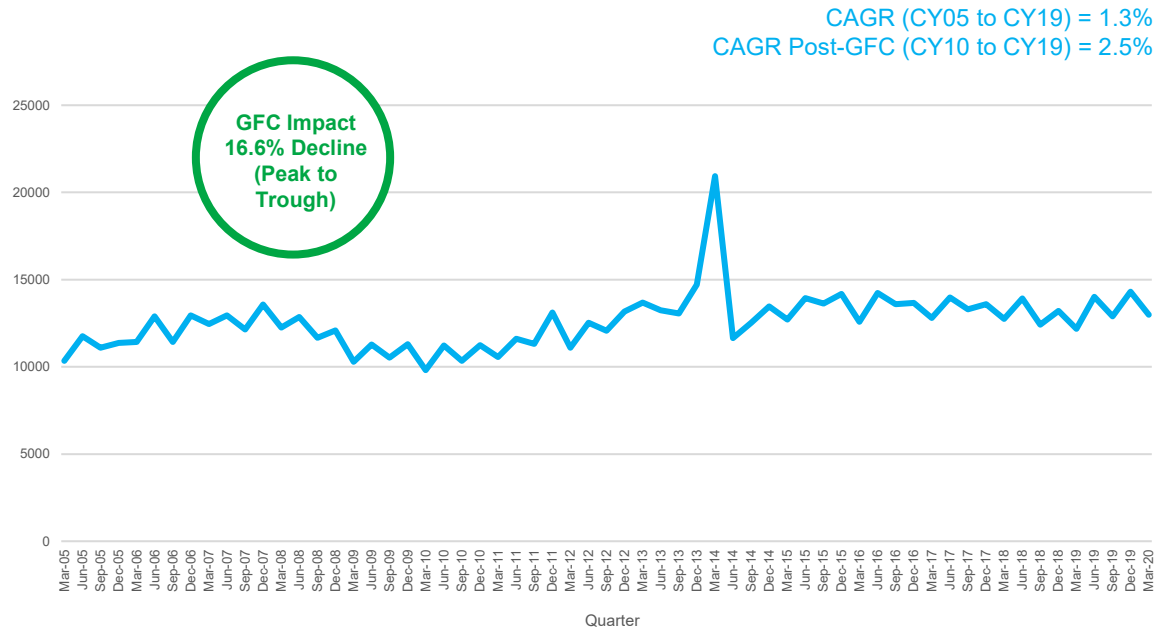
Australian patent filings[1]

- GFC is the most relevant comparison to the current economic downturn
- Based upon observations to date, we haven't seen the decline of c.9% seen in the graph below. We will continue to monitor.
- Lapsing rates of Australian patent applications in the final quarter of FY20 were in line with the quarterly averages over the past two years. This contrasts with a marked increase in lapsing rates observed at the peak of the GFC.
- Lapsing rates are an indicator of client commitment to maintenance of IP already in the process pipeline balanced against a desire to reduce IP expenditure.
- We have not observed a significant decline in National Phase entries in Australia to the end of FY20.



US PCT applications[2]

- Lead indicator for filings in secondary markets remains generally consistent to March 2020 (latest reliable data).
- Peak in early 2014 represents the legislative change of the "America Invents Act" which similarly impacted filings in IPH's secondary markets two years later.



1. IPH Management estimate based on filing information recorded on IP Australia as at 14/07/20 (FY20), 7/07/19 (FY19), 3/08/2018 (FY15-FY18) and 17/04/18 (FY05-FY14). Includes all types of patent applications.
2. US PCT applications by filing date from WIPO IP Statistics Data Center as at 21/07/20

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Operations review

04

Xenith IP financial performance & synergies

Harnessing potential of consolidated business for FY21

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Synergies delivered

- Delivered previously announced synergies for FY20 of $3.5m.
- The synergies have been achieved through the following initiatives:
  - Corporate cost synergy – $2.9m (recorded in Xenith)
  - Xenith case flow to IPH Asia ($0.6m recorded in Asian business). Griffith Hack now a top 10 client of IPH's Beijing and Hong Kong practice.

Business performance

- In addition to synergies captured, the underlying operating businesses increased EBITDA compared to the prior year by a net $0.5m.
- This amount included the previously disclosed significant litigation matter, which led to a non-recurring EBITDA benefit in one entity of c$1.5m.
- Griffith Hack (including the former Watermark business) was more impacted in Q4, with possible impact of COVID-19, in part due to their larger Victorian presence, and integration activities.
- The integration of Watermark into Griffith Hack will assist an improved performance in FY21.
- The Glasshouse Advisory business EBITDA contribution also decreased year on year. In May 2020, its R&D tax and incentive practice was divested to Grant Thornton, with the remaining service lines closed.
- FY21 focus is on harnessing the potential of the remaining Xenith IP brands as IPH businesses.

FY19	12 months	10.5 months
Revenue	125.5	110.4
Underlying EBITDA	19.7	17.8
Underlying EBITDA margin	15.6	16.1

FY20		10.5 months
Revenue	↓ 3%	106.9
Underlying EBITDA	↑ 19%	21.2
Underlying EBITDA margin		19.8

Xenith IP integration successfully completed

Significant integration program achieved

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Watermark integration into Griffith Hack

Full integration, including IT systems, was achieved on schedule, as planned in July 2020.

Both businesses now operating under the Griffith Hack brand, on the one system. Due to COVID-19, teams have been virtually integrated with physical offices retained.

Clients can benefit from access to a deeper pool of IP experts in Australia.

Implementation of new IPH operating model into Griffith Hack.

On track for full year synergies of ~$2m from FY21.

Divestment of Glasshouse Advisory R&D tax and EMDG practice to Grant Thornton

Following a detailed review of the Glasshouse Advisory business, IPH concluded that these aspects of the business would be better placed within a specialist business, more closely aligned to their service offering.

In May, IPH reached agreement with leading assurance tax and advisory firm, Grant Thornton for the divestment of Glasshouse Advisory's R&D tax and Export Market Development Grant practice to Grant Thornton.

Remaining aspects of the business ceased operations by 30 June 2020.

AJ Park update

Strengthening client service proposition in New Zealand

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AJ Park continues to hold the number 1 position for patents and trade marks in New Zealand.

Continued referrals to IPH group business in Asia – AJ Park is a top ten client of IPH Beijing and Hong Kong practice.

Appointment of new Managing Director, effective 1 June 2020.

Implementation of IPH operating model into AJ Park and appointment of new Executive Leadership Team from 1 August 2020 with a renewed focus on the direction and performance of the firm.

Recognised as *Employer of Choice* in NZ Lawyer report.

Proposed acquisition of Baldwins IP

- Proposed acquisition of Baldwins IP by AJ Park was announced in June 2020.
- Under the proposed acquisition, the Baldwins firm will join the AJ Park business and operate as part of the one firm.
- AJ Park and Baldwins are complementary businesses in terms of their high quality and experienced teams and the acquisition will provide additional depth of expertise to clients.
- The transaction remains subject to clearance from the New Zealand Commerce Commission.

Investing in our people

Continued focus on our people across the group

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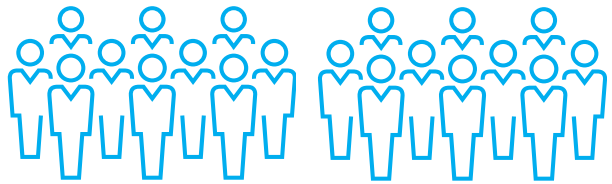
Our people at IPH



900+

Employees across the region

Providing strong career paths

- Continued career advancement and opportunities for people in key parts of our businesses, with client facing promotions made across the IPH group for FY21
- Building people leader capability across the group
- Identifying talent and building pipeline for succession planning
- New Spruson & Ferguson Australia Managing Director appointed from existing IPH business, effective 17 August 2020

Rewarding & recognising our people

- Employee incentive awards for FY20 will be rolled out in line with our usual schedule
- Approximately AU$2.3 million in cash incentives and shares of the same value of the cash incentives will be awarded to eligible business unit employees across the group as part of the incentive program, including to employees in former Xenith businesses
- 97%* of fee earning employees eligible for the incentive plan will receive an award for FY20

* Fee earners on the incentive plan excludes departures during the year.

WiseTime update

Growing customer base

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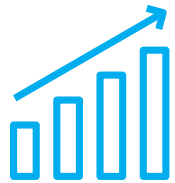
WiseTime
TIME FOR MORE

Growing customer base for WiseTime autonomous time-keeping technology

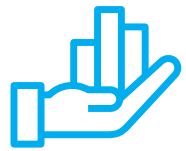


Continued revenue growth

- Revenue growth in FY20.

Sales outcomes

- Early adopter growth from small to medium sized firms following v2 launch in September
- In Q4FY20, several large IP practices have deployed or committed to deploy WiseTime to their firms



Product enhancement and consolidation

- WiseTime has been granted a core US patent for creating an autonomous summary view of a user's attention into a private timeline
- Sale of DMS product has completed

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05

Looking ahead to FY21

Looking ahead to FY21

Continued focus on growth strategy despite COVID-19 impacts

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Strategic priorities for FY21

01 Continue to leverage the expanded group and focus on Asia to develop network effect

02 Continue margin expansion and realise operational efficiencies across the group

03 Realise benefits of operating model synergies and consolidated corporate services

04 Focus on attracting, motivating, developing and retaining our people

05 Digital platform development

06 Continued focus on potential overseas acquisitions in secondary IP markets

Looking ahead to FY21

IPH remains well positioned to manage in an uncertain environment

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IPH remains a resilient business with strong cash flow generation and solid balance sheet metrics with no near term refinancing commitments

Some disruption from COVID-19 on filing activity (AU/NZ and Asia)

Weakening of US dollar will affect reported revenues.

IPH continues to adopt a prudent approach to managing the business in a COVID-19 environment:

- continued focus on the safety and wellbeing of our people
- continued tight control of discretionary expenditure
- most remuneration increase decisions delayed for FY21

Xenith IP integration:

- expect ~$2.5m in synergies (corporate savings and Griffith Hack/Watermark integration)
- FY20 result included non-recurring legal case work within Shelston IP

Thank you

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Appendix

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06

Strategic direction

Continued focus on IPH's growth strategy

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Consolidate acquisitions

- Margin improvement in Australian and New Zealand businesses

Organic growth

- Grow share in Asia
- Expand service offering to existing international associates
- Attract new international corporates in Australia and New Zealand
- Expand service offering to existing Australian and New Zealand corporates

Growth step-outs

- International and domestic acquisitions

Enablers

Robust client management programs focused on delivering the highest levels of client service

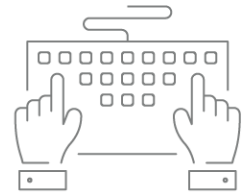
+

Targeted service expansion across Asia Pacific

+

Focus on our people – attract, motivate and retain

+



IT growth strategy, including digital platform development

Patent lifecycle

Long-life IP cycle supports consistent revenues and earnings

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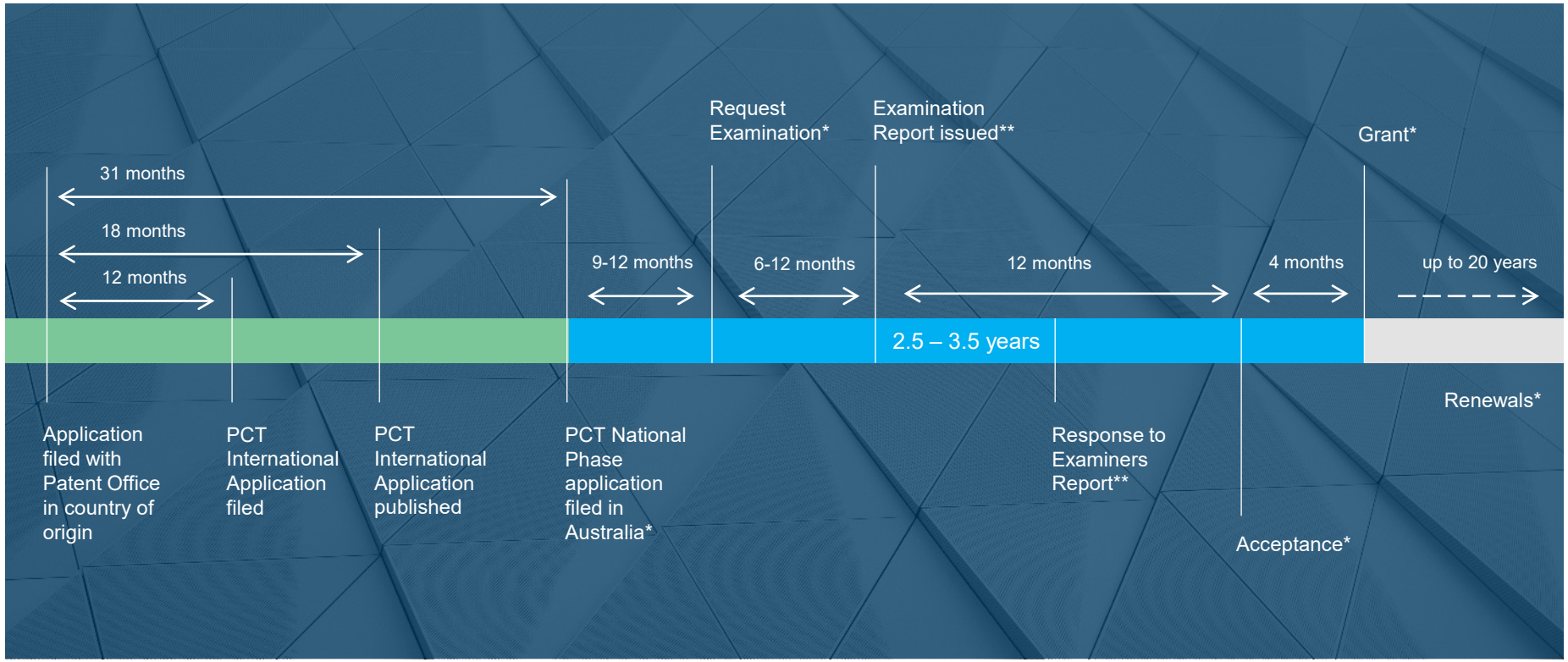
Each year more than half+ of the total patent applications filed in Australia come through the PCT system in the form of PCT National Phase patent applications.

- The process from filing the Australian application (or entering the Australian national phase) to grant of a patent typically takes 2.5-3.5 years.
- Patents can be renewed by paying official renewal fee annually up until the expiry of the patent 20 years from the filing date of PCT International Application.

Typical (indicative) foreign patent application route in Australia



+ IPH Management estimate based on PCT filing information recorded on IP Australia as at 14/07/20 (FY20) and 7/07/19 (FY18-FY19)
* Revenue event – typically flag fall.
** Revenue event – typically combination of flag fall and hourly charges

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