

# ASX Announcement

17 February 2022

## Network and integrations deliver lift in underlying HY22 earnings

**Underlying EBITDA up 11% to \$68.3m**

### HY22 Highlights

- Statutory NPAT \$24.6m, down 8% equating to Diluted EPS of 11.2 cents per share (HY21: 12.4 cents)
- Underlying NPAT \$43.2m, up 15% equating to Underlying Diluted EPS of 19.7 cents (HY21: 17.4 cents)
- Underlying EBITDA up 11% to \$68.3m with improved margin
- Interim dividend up 4% to 14.5 cents per share, 40% franked
- Underlying 'like-for-like' EBITDA up 5% with continued margin expansion
- Strong growth in Asian patent filings and client referral traffic

\$'m	Statutory Results HY22	Statutory Results HY21	Change %	Underlying Results HY22	Underlying Results HY21	Change %
Revenue	\$191.4	\$179.8	6%	\$191.4	\$179.8	6%
EBITDA	\$54.9	\$56.7	(3%)	\$68.3	\$61.7	11%
EBITDA %	28.7%	31.5%	(9%)	35.7%	34.3%	4%
NPAT	\$24.6	\$26.8	(8%)	\$43.2	\$37.6	15%
Diluted EPS	11.2c	12.4c	(9%)	19.7c	17.4c	13%
Interim Dividend	14.5c	14.0c	4%			

### Underlying EBITDA up 11% with continued margin expansion

IPH Limited (ASX:IPH), the leading intellectual property (IP) services group in the Asia Pacific region, today announced a Statutory Net Profit After Tax (NPAT) of \$24.6 million for the half year ended 31 December 2021 compared to \$26.8 million for the prior comparable period.

Diluted Earnings Per Share (EPS) were 11.2 cents compared to 12.4 cents in the prior comparable period.

On an Underlying basis, the Company reported a strong lift in earnings with Underlying NPAT increasing by 15% to \$43.2 million and Underlying EBITDA up by 11% to \$68.3 million. Underlying earnings were assisted by organic growth and foreign exchange gains of \$2.1 million compared to foreign exchange losses of \$2 million in the prior corresponding period. Underlying EBITDA margin increased from 34.3% to 35.1%.

The larger difference between the Group's Statutory and Underlying result in 1HFY22 compared to the prior comparable period is primarily due to the previously announced non-cash write-down of the intangible value of the Shelston IP brand of \$4.6 million following its integration with Spruson & Ferguson Australia. It also includes an increase in share based payments by \$1.1 million compared to the prior corresponding half, a component of which is an expense of \$0.4M as a result of shortening the restriction period on vested shares in the Employee Share Plan from 3 years to 2 years.

The basis for calculation of underlying earnings is contained in the table at the end of this announcement.

The Company's continuing solid financial position and ongoing cash generation enabled a 4% increase in the interim dividend to 14.5 cents per share, 40% franked.

The record date for determining entitlements to the interim dividend is 23<sup>rd</sup> February 2022 with scheduled payment on 18<sup>th</sup> March 2022.

The IPH Dividend Reinvestment Plan (DRP) will operate in respect of the interim dividend.

## Results Commentary

IPH Chief Executive Officer, Dr Andrew Blattman, said: *"This strong half year result again demonstrates the power of the IPH network, particularly the role of organic growth.*

*"Standout results in Asia and in client referral traffic combined with our continued success in driving synergies from integrations has assisted in a 3% increase in like-for-like revenue.*

*"While our Australian/NZ results included the impact of integration activity at Spruson & Ferguson, the group has maintained our leading market share position in Australia, extended it in Singapore and increased our presence across key jurisdictions in Asia."*

### Asia

*"It was another strong result from our Asia business, with like-for-like revenue increasing by 9% while like-for-like EBITDA improved by 10%. EBITDA margin increased by 1%.*

*"We experienced continued momentum in patent filings across the Asian network, up 16.2% across all key Asian jurisdictions outside of Singapore, with growth in each of these jurisdictions except Hong Kong SAR. China was again a standout with patent filing growth of 16.9%.*

*"In Singapore, we increased our market leading position to 24.2% of the total market for the 2021 calendar year, with preliminary data also showing IPH patent filing growth of 13.4%.*

*"This performance from our Asian business was underpinned by buoyant client referrals from IPH businesses into our Asian network, up 17% for the period and generating margin accretive growth. In addition, we continue to see a number of clients file across several key jurisdictions in Asia," Dr Blattman said.*

### In Australia and New Zealand

*"We successfully integrated Spruson & Ferguson Australia and Shelston IP in December 2021.*

*"Cost synergies delivered to date have helped to deliver growth in like-for-like EBITDA and a 4% increase in Underlying EBITDA margin.*

*"We continue to expect annualised net EBITDA synergies between \$2.0-\$2.5 million, with a further saving of annualised rental costs of approximately \$1 million on the assumption that the Shelston IP premises will be subleased. Approximately \$1.0-\$1.25 million of these synergies and around \$250,000 of rental costs are expected to be achieved in FY22.*

*"Integration activity over the period had an impact on Spruson & Ferguson's revenue and patent filing numbers, however from our experience, impacts from integrations are short-term as we are already seeing in revenue activity. After a softer result in September and October, revenue recovered in ANZ in November/December to finish up 1% for the half on a like-for-like basis.*

*"The integration plus the reduced filings by the largest filer in the Australian market impacted the IPH group's total patent filing growth of 1.4%, however excluding Spruson & Ferguson who serviced this client, the IPH Group grew filings by 8.3% in line with the total market at 8.9%. IPH continues to lead the market with a combined group patent market share (excluding innovation patents) of 33.9% for the half.*

### **Stronger platform for growth**

*“Leveraging our network and capturing operational synergies from integrated businesses continues to drive positive earnings growth and margin accretion.*

*“We continue to strengthen our internal expertise, including by the acquisition and integration of Applied Marks into our business. This transaction enabled the creation of our Digital Services function which is focused on harnessing digital expertise and software tools to generate growth and efficiencies for our teams and clients in each of the regions in which we operate.*

*“Our financial position remains robust with low gearing and consistent cash generation which enables us to continue to assess further accretive growth options, including potential international acquisition opportunities in core secondary IP markets,” Dr Blattman said.*

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**Authorised for release to ASX by:**

The Board of Directors

### **About IPH Limited**

IPH is the Asia Pacific’s leading intellectual property services group, comprising a network of member firms working in eight IP jurisdictions and servicing more than 25 countries. The group includes leading IP firms AJ Park, Griffith Hack, Pizeys and Spruson & Ferguson, online IP services provider Applied Marks, and the autonomous timekeeping business, WiseTime. IPH employs more than 900 people working in Australia, China, Hong Kong SAR, Indonesia, Malaysia, New Zealand, Singapore and Thailand.

## Appendix 1 - Like-for-Like earnings

This like-for-like basis adjusts for the impact of foreign exchange movements and new business acquisitions.

	Underlying Revenue Dec 21	New Businesses	Accounting FX Movements	Currency Adjustment	Adjusted Revenue Dec 21	Underlying Revenue Dec 20	Chg%
Australia & NZ IP	144.1	(3.8)	(4.4)	0.7	136.6	135.6	1%
Asian IP	52.8		(1.7)	0.5	51.6	47.3	9%
Wisetime	0.2				0.2	0.2	
Corporate	5.3		2.0		7.3	3.3	
Eliminations	(10.9)		(0.1)		(11.0)	(6.6)	
	<b>191.4</b>	<b>(3.8)</b>	<b>(4.1)</b>	<b>1.3</b>	<b>184.8</b>	<b>179.8</b>	<b>3%</b>

	Underlying EBITDA Dec 21	New Businesses	Accounting FX Movements	Currency Adjustment	Adjusted EBITDA Dec 21	Underlying EBITDA Dec 20	Chg%
Australia & NZ IP	51.5	(0.8)	(4.4)	1.0	47.3	45.2	5%
Asian IP	24.4		(1.7)	0.4	23.1	21.0	10%
Wisetime	(0.3)				(0.3)	(0.0)	
Corporate	(7.2)		2.0		(5.2)	(4.4)	
Eliminations	(0.0)		(0.1)		(0.1)	(0.1)	
	<b>68.3</b>	<b>(0.8)</b>	<b>(4.1)</b>	<b>1.4</b>	<b>64.8</b>	<b>61.7</b>	<b>5%</b>

## Appendix 2 - Underlying earnings

The internal reporting that is regularly provided to the chief operating decision makers includes financial information prepared on both a statutory and underlying basis. It is considered important to include the financial information on an underlying basis as this reflects the ongoing or underlying activities of the Group and excludes items that are not expected to occur frequently and do not form part of the core activities of the Group.

The adjustments to statutory earnings in order to calculate underlying earnings are summarised in the following table:

Underlying / Statutory Results Reconciliations	HY22 \$'m	HY21 \$'m
<b>Underlying Revenue</b>	<b>191.4</b>	<b>179.8</b>
<b>Statutory Revenue</b>	<b>191.4</b>	<b>179.8</b>
<b>Underlying Net Profit after Tax ("NPAT")</b>	<b>43.2</b>	<b>37.6</b>
less: amortisation of intangible assets arising from acquisitions	(11.6)	(10.8)
less: business acquisition costs	(1.9)	(1.1)
less: restructuring expenses	(1.8)	(1.3)
less: impairment of intangible assets	(4.7)	
less: share based payments expenses	(3.8)	(2.7)
less: IT implementation costs	(1.3)	
add: tax effect of adjustments	6.5	5.1
<b>Statutory NPAT</b>	<b>24.6</b>	<b>26.8</b>