



## ASX Announcement

20 November 2015

### **AGM Presentations**

In accordance with the ASX Listing Rules and the *Corporations Act 2001*, attached are the presentations to be given at today's Annual General Meeting. The presentations include an earnings update.

*For more information, please contact:*

David Griffith, Managing Director

Malcolm Mitchell, Group Chief Financial Officer

Ph: +61 2 9393 0301

### **About IPH Limited**

IPH Limited ("IPH", ASX:IPH), the holding company of Spruson & Ferguson, Practice Insight, Fisher Adams Kelly Callinans and Pizeys, 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 and supported by a representative office in Shanghai. The group comprises a multidisciplinary team of approximately 380 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 Stock Exchange.

## **Chairman's Address**

Before moving to the formal business of today's meeting, the Managing Director and I will first provide you with an update on the Group's highlights for the year. These presentations were lodged with the ASX prior to the commencement of this meeting.

The 2015 financial year was a defining year for IPH. Since its successful listing on the ASX in 2014, the Group has established a solid position from which to grow and has embarked on strategies to establish itself as the leading intellectual property group in secondary markets.

In November last year, after the Group had restructured and incorporated, IPH became the first intellectual property group to list on the Australian Stock Exchange. The market interest in IPH's quality businesses, whose origins date back to 1887 when Spruson & Ferguson was first established in Sydney, produced strong demand and oversubscription for IPH shares from both institutional and retail investors. The shares were issued at \$2.10 and on completion of the listing IPH had a market capitalisation of \$330 mil.

By the end of the financial year, IPH's share price had increased by 123% to \$4.70 and the company had a market capitalisation of over \$750 mil. In March, because of the increase in the Company's capitalisation, IPH was admitted to the S&P ASX 300 Index. As of last night IPH's market capitalisation was over \$1.2 bil.

Since listing, IPH has moved quickly to take advantage of growth opportunities which exist for the Group. In the last seven months the Board has approved the acquisition of four new businesses in Australia, three of which were of firms operating in IPH's traditional patent & trade mark attorney services and the fourth, being the acquisition of Practice Insight, represented the Group's first move into intellectual property adjacent services. The acquisitions were all funded by a combination of cash and issues of new IPH shares to the principals of the acquired firms. The principals of those firms all remain with the

businesses and a substantial proportion of the new shares issued to them as consideration will be held in escrow for two years from completion of the transactions. In the formal business of this Meeting we will be asking shareholders to ratify and approve share issues we have made for acquisitions.

Going forward we believe that opportunities exist for the Group to continue to acquire and develop intellectual property businesses; not only in Australia but more importantly in Asia and beyond, where we believe the greatest long term growth opportunities lie.

In its first year as a listed company, IPH delivered strong earnings and double-digit growth across all its businesses. The Managing Director will provide further details on the Group's 2015 financial performance and will give you an update on trading in the first four months of the current year, in his presentation which follows.

In addition to strong earnings the Company converted a large proportion of those earnings into cash. As a result the Board was able to declare dividends for FY15 which represent approximately 90% of the Company's pro forma net profit after tax. In March the Company paid an interim dividend of 3.5 cents per share (2.5c franked) and last month it paid the 2015 final dividend of 10.0 cents per share (5c franked).

In August the Board approved a Dividend Re-investment Plan for the Company and also determined that the final dividend would be eligible to be re-invested under the terms of the Plan. 19% of shareholders elected to participate and re-invested their dividends.

It has been a momentous and exciting year for all involved with IPH and the Board is confident that we have laid solid foundations for a Company with significant international growth opportunities in intellectual property services. The Board would like to express its gratitude to our Managing Director, David Griffith for his leadership and to all employees for their hard work and commitment during a year of great change for the Company. I will now invite

David to provide you with more details about the Company's performance and the opportunities that exist to continue the growth of the business.

Richard Grellman  
Chairman

## **Managing Director's Address**

Thank you Mr Chairman.

Ladies and gentlemen, welcome to IPH's 2015 Annual General Meeting. It gives me great pleasure to be able to report to shareholders on IPH's first year as a publicly listed company. The successful listing of the Company one year ago was a major milestone in our 128 year history, because it has provided the opportunity for the Group to embark on the next phase of its development and growth. To cap off the year, the Group's financial and operational performance exceeded expectations, delivering significant growth compared to the prior year and beating our Prospectus forecasts.

The Group's FY15 pro forma earnings before interest, taxes, depreciation and amortisation was \$42.3 mil, an increase of 41% on FY14 and 28% above the IPO prospectus forecast. Pro forma net profit after tax (NPAT) for the year increased by 41% on FY14 to \$30.9 mil and exceeded prospectus forecast by 30%. Our net operating cash flow in FY15 was \$31.6 mil or 103% of statutory NPAT. The results were driven by a combination of strong performance by IPH's Asian operations, operational leverage of the Group's Australian business and foreign exchange gains.

At the end of FY15, IPH maintained a robust balance sheet and had low net debt of \$5.3 mil. The Group has minimal working capital requirements and strong cash flow conversion across its businesses. In July 2015 IPH re-negotiated its bank facilities, increasing our total facilities to \$100 mil. This strong financial and capital position will allow us to continue to invest in our strategic objectives.

Our focus throughout the year was on delivering increased shareholder value through initiatives directed at growing the Group organically and from delivering operational efficiencies, as was evidenced by our financial results. Furthermore, since the listing the Group has been able to look to add further to growth and increased value, through mergers and acquisitions.

We continue to actively look to acquire businesses which extend our capabilities beyond our traditional Intellectual Property ("IP") business but which have strategic links to our core business. The first step in that direction

was the acquisition in April 2015 of Practice Insight, a specialist IP software development company. Practice Insight was founded by Thomas Haines over 5 years ago. Tom with his brilliant team of IT developers have now joined the IPH Group. The acquisition of Practice Insight provides the Group with leading IP data analysis tools and software applications, which can be offered to clients and associates in the primary IP markets, helping us build deeper business relationships with these firms. In September Practice Insight opened a sales office in Munich to help accelerate the penetration of the products into the European IP market.

In May IPH acquired Fisher Adams Kelly, a long established Brisbane based firm of patent and trade mark attorneys. Fisher Adams Kelly has a very strong local client base as well as established relationships with foreign direct clients and attorney firms. The highly regarded industry journal 'Managing Intellectual Property' awarded them the coveted title of 'Australian IP Prosecution Firm of the Year' for 2015.

Two months ago IPH acquired Pizeys Patent and Trade Mark Attorneys, which has offices in Canberra and Brisbane. Pizeys was established over 20 years ago and is one of the fastest growing intellectual property firms in Australia (based on patent filings at IP Australia). Pizeys has now become the fourth largest filer of patent applications at the Australian Patent Office (as at 31 August 2015).

Last month we acquired the small Melbourne based firm of Callinans Patent and Trade Mark Attorneys. The Callinans business, which is predominantly focussed on a foreign corporate client base, has been merged with Fisher Adams Kelly.

The investment by the Group in acquisitions over the last year has totalled \$114m. We are proud of our track record to date, with each acquisition being earnings per share accretive and performing well under IPH's ownership. These strategic acquisitions have allowed us to strengthen our position in both the Australian and Asian markets and have extended and further enhanced our network of clients and associates.

Looking forward, we believe there are good near-term prospects of further acquisitions, particularly overseas where we will initially focus on adding to our

businesses in Asia. We are currently actively engaged in discussions with a number of potential acquisition targets and will also continue exploring opportunities to enter new markets and adjacent businesses. In the forthcoming year we anticipate continuing to invest in accretive acquisitions at a level similar to that we have achieved in FY15 and in the same disciplined manner that we have observed to date.

From an operational perspective, IPH companies maintained their number 1 market position in patents in Australia and Singapore throughout FY15.

We continue to grow in Asia where patent filings for the year were up 9.8% on FY14. This good result gives us visibility and confidence of future earnings growth in Asia. Spruson & Ferguson Asia has 24% market in Singapore where the overall market continues to grow with over 10,000 patent applications filed in CY14. Three weeks ago Spruson & Ferguson re-commenced its trade mark practice in Asia. We expect this to immediately start contributing to the Group's performance.

We have relatively low market share in Asian countries outside Singapore and Malaysia, however we are well positioned to increase our share in these markets, through a combination of opening new offices in regional capitals and acquisitions.

In Australia, IPH and Spruson & Ferguson maintained the number 1 position in patents and the number 2 position in trade marks throughout the 2015 financial year, however total patent filings in Australia in FY15 were slightly lower than we had expected. In the second half of the year we saw positive trends in our patent and trade mark filings, which have continued into the current financial year. The recent acquisitions of Fisher Adams Kelly, Pizeys and Callinans have strengthened the Group's market position in Australia to the point where today IPH firms file over 21% of patent cases at IP Australia.

The acquisitions also benefit IPH in that we now handle the Asian services for their clients. These are examples of how we are able to leverage our Australian businesses to increase the Group's filings and revenue into Asia.

The positive global trend we have seen in Patent Cooperation Treaty filings in the key primary markets provides us with confidence of increasing volume of

patent applications being filed in the countries serviced by IPH for the foreseeable future. Our IT efficiencies are gaining momentum allowing for rationalisation of administration and increased flexibility across the Group.

I am pleased to report that we have seen IPH's earnings growth maintained into the current financial year, with the first four months of the year's underlying performance ahead of our budgets, augmented by the boost to revenues we are deriving from the ongoing fall of the Australian dollar and the earnings of the new businesses. Based on the current levels of foreign exchange rates, the Board expects to report half year earnings before interest tax depreciation & amortisation (EBITDA) between \$32 –34m.

A significant outcome of the incorporation and public listing of IPH have been organisational changes throughout the Group. Notable amongst these changes was the appointment of Dr Andrew Blattman to succeed me as the CEO of Spruson & Ferguson in June 2015. Andrew has been with the firm for over 20 years and has contributed strongly to the business and professional development of Spruson & Ferguson. Andrew is perfectly equipped to lead Spruson & Ferguson through its next phase of growth.

In July 2015, Spruson & Ferguson announced the appointment of 10 new Principals across its Australian and Asian offices.

We have strengthened our corporate management team with the appointment of Malcolm Mitchell as CFO; John Woodhams of Pizzeys as our COO and Elliott Wong as Group Treasurer. These appointments reflect our commitment to build and maintain strong management and professional teams to guide our future growth.

Let me wrap up by saying that I believe, having established a first mover advantage by listing, IPH is well positioned to respond to and benefit from opportunities and changes affecting the IP profession globally. IPH's goal is to be the leading IP services group in secondary and emerging markets. Acquisitions in Asia, Australia and other secondary markets will continue to be a focus for IPH over the forthcoming year.

We will continue exploring opportunities to enter new IP markets and adjacent businesses. We also believe there are opportunities in allied professional areas

where IPH can capitalise by leveraging our unique understanding of efficient, reliable, low risk services.

Whilst we will remain focused on growth and delivering good financial results, we are committed to investing in our people, improved business processes and IT infrastructure. We see these as key investment priorities to help drive sustainable business performance over the medium and longer term.

I would like to conclude by thanking the principals, management and staff for their hard work & efforts, in what has been a very significant year for us all.

David Griffith  
Managing Director