

ASX Announcement

20 August 2019

Financial Results for year ended 30 June 2019 (“FY19”)

Asia growth supports 21% increase in Underlying EBITDA to \$89.7m

FY19 Highlights

- Statutory NPAT of \$53.1m, up 31% equating to Diluted EPS of 26.7 cents per share, up 29%
- Underlying EBITDA up 21% to \$89.7m
- Strong increase in earnings on ‘like-for-like’ basis:
 - Asian business gains from ongoing network effect and short-term impact of client filing activity
 - Margin accretion in Australia/NZ from AJ Park improved performance
- Final dividend of 13 cents per share, 60% franked; up 13%; DRP activated
- Interim dividend received from investment in Xenith IP Limited of \$576k included in underlying earnings
- Successful completion of Xenith IP Group acquisition enhances competitive platform for growth, with compelling benefits for people, clients and shareholders

\$'m	Statutory Results		Change %	Underlying Results		Change %
	FY19	FY18		FY19	FY18	
Revenue	\$259.5	\$226.0	15%	\$256.6	\$226.0	13%
EBITDA	\$85.9	\$70.1	23%	\$89.7	\$74.0	21%
EBITDA %	33.1%	31.0%	7%	34.8%	32.7%	6%
NPAT	\$53.1	\$40.7	31%	\$62.3	\$51.9	20%
Diluted EPS	26.7c	20.7c	29%	31.7c	26.4c	20%
Final Dividend	13.0c	11.5c	13%			

IPH Limited (ASX:IPH), the leading intellectual property (IP) services group in the Asia Pacific region, today announced a 31% increase in Statutory Net Profit After Tax (NPAT) to \$53.1 million for the year ended 30 June 2019.

Diluted Earnings Per Share increased by 29% to 26.7 cents.

IPH delivered continued double-digit revenue and earnings growth in its Asian operations and improved margins in its Australian/NZ business.

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (Underlying EBITDA) increased by 21% to \$89.7 million. Underlying earnings includes the \$576k interim dividend from Xenith. The basis for calculation of underlying earnings is contained in the table at the end of this announcement.

Underlying revenue for the period increased by 13% to \$256.6 million while Underlying NPAT increased by 21% to \$62.9 million.

The Directors declared a final dividend of 13 cents per share, 60% franked, bringing the full year dividend to 25 cents per share, up 11% on the prior year.

The full year dividend is in line with the Board's dividend policy to pay 80-90% of cash NPAT as dividends. The record date for determining entitlements to the final dividend is 26 August 2019 with scheduled payment on 18 September 2019.

The IPH Dividend Reinvestment Plan (DRP) will operate in respect of the final dividend. All shareholders who have previously elected to participate will participate in the DRP. Shareholders who wish to change their election or make an election should do so prior to 27 August 2019.

Continued growth in like-for-like earnings

IPH continued to deliver growth in earnings and revenue on a 'like-for-like' basis which adjusts for the impact of acquisitions and foreign exchange movements.

Like-for-like revenue increased by 2% to \$231.4 million and like-for-like EBITDA increased by 9% to \$80.4 million.

	Underlying Revenue June 19	New Businesses	Accounting FX Movements	Currency Adjustment	Adjusted Revenue June 19	Underlying Revenue June 18	Chg%
Australia & NZ IP	171.6	(15.2)	0.0	(4.1)	152.4	155.4	(2%)
Asian IP	93.4		(0.3)	(5.2)	87.9	78.0	13%
Data Services	0.5				0.5	1.2	
Corporate	(0.0)		0.1		0.1	(1.2)	
Eliminations	(8.9)		(0.6)		(9.5)	(7.3)	
	256.6	(15.2)	(0.8)	(9.2)	231.4	226.0	2%

	Underlying EBITDA June 19	New Businesses ¹	Accounting FX Movements	Currency Adjustment	Adjusted EBITDA June 19	Underlying EBITDA June 18	Chg%
Australia & NZ IP	61.8	(2.4)	0.0	(3.8)	55.7	54.1	3%
Asian IP	38.6		(0.3)	(2.3)	36.0	31.1	16%
Data Services	(1.4)				(1.4)	(2.7)	
Corporate	(10.0)		0.1		(9.9)	(8.4)	
Eliminations	0.7		(0.6)		0.1	(0.2)	
	89.7	(2.4)	(0.8)	(6.1)	80.4	74.0	9%

Results commentary

Chief Executive Officer, Dr Andrew Blattman, said:

“This result demonstrates IPH’s continued ability to leverage our extensive network across Asia to deliver double-digit growth in that region while successfully integrating our domestic acquisitions to further strengthen our operations.

“We are continuing to deliver margin improvement to post a 9% increase in Group like-for-like earnings for the year. Importantly, this improved like for like measure of performance excludes any benefit from the lower Australian dollar compared to the prior year.

“Our **Asian** IP business remains a core focus of IPH’s growth strategy. We continue to leverage our strong network across the region and have observed increasing numbers of clients file with the group in multiple jurisdictions. In the last quarter of the year, the business benefited from a significant client filing across several jurisdictions which may not occur to the same extent in future years.

“IPH Group filing activity increased across most Asian jurisdictions, particularly in Thailand, Indonesia, Malaysia and Vietnam. Total patent filing growth across key Asian jurisdictions excluding Singapore was 15.4% for the year.

“In Singapore, IPH Group patent filings for the calendar year to 30 June 2019 were in line with the market growth and the IPH Group continues to hold the number one patent market share of 24.0%.

Like-for-like revenue increased by 13% with like-for-like EBITDA increasing by 16%.

“In our **Australia and NZ IP** business like-for-like revenue declined slightly (2%), however, cost efficiencies as a result of the merger of Fisher Adams Kelly Callinans (FAKC) and Cullens into Spruson & Ferguson, and also from the continued strong performance and margin improvement in our AJ Park business drove an increase in like-for-like EBITDA of 3%. As a result, the EBITDA margin of this region improved from 34.8% to 36.5%.

“The ongoing improvement in AJ Park’s result illustrates IPH’s ability to successfully integrate acquisitions to strengthen our operating platform and deliver accretive earnings for the Group.

“The slight decline in Australian like-for-like revenue reflects lower trade mark revenue in line with the overall decline in total Australian trade mark filing activity of 8% for the year.

Revenue was also impacted by the decline in the number of Spruson & Ferguson Lawyers legal cases for the year.

“Total Australian market patent filings increased by 0.8% for the period. IPH Group’s filings (including AJ Park since November 2017) declined by 3.5%. The reduction in filings reflect IPH’s client mix and filing activity.

IPH in Australia have not experienced any major client losses during the year and maintained its number one position with IPH combined group market share (excluding Xenith) of 22.1% in Australia at 30 June 2019.

Sale of Practice Insight products – focus on WiseTime

As reported at last year's full year results, IPH's wholly-owned subsidiary, Practice Insight Pty Limited, sold two of its products, Filing Analytics and Citation Eagle, to CPA Global for \$10 million in August 2018. Net proceeds from the sale were used to repay debt.

In May 2019, Practice Insight also sold its DMS document management system product suite to German IP software provider PACE IP GmbH, a sister company of Serviva GmbH, for €900k (c.A\$1.4m) payable in installments over 2 years.

Net profit on the sale from both transactions of \$2.9 million has been excluded from Underlying results.

These divestments have enabled Practice Insight now to focus solely on its autonomous time-keeping tool, WiseTime.

Successful completion of acquisition of Xenith IP Group Ltd

On 15 August 2019, the Scheme of Arrangement under which IPH has acquired all of the shares in the capital of Xenith IP Group Limited ("Xenith") not already held by IPH was implemented successfully. This is the largest acquisition since IPH's listing.

The expanded IPH group including the Xenith businesses will have a broadened Australian business and be able to leverage the existing significant experience and geographic reach in the Asian region, providing clients with a comprehensive IP service offering across the region, and strong career development opportunities for people in the Group's businesses.

For the year ended 30 June 2019, Xenith reported revenue of \$125.5 million, down 1% on the prior year, however, Underlying EBITDA of \$19.7 million increased by 15% from \$17.1 million for the prior year¹.

Underlying NPAT² was \$11.2 million compared to \$9.8 million in the prior year¹.

1. Prior year figures for Xenith are after application of a the transition adjustment from implementation of AASB 9

2. Underlying NPAT excludes amortisation on acquired intangibles

Strategic Priorities

IPH's strategic priorities include maintaining its leading positions in Australia/New Zealand and Singapore, and seeking to expand in other higher growth jurisdictions.

The immediate focus is to integrate Xenith successfully into the IPH group and harness the collective experience and expertise of member firms to provide clients with an even more comprehensive IP service offering.

IPH has commenced the work to identify and leverage cost synergies and revenue opportunities arising from the Xenith transaction to deliver further margin improvement across the combined business over the next three years. IPH expects to provide an update on these activities at the Annual General Meeting on 21 November 2019.

IPH will continue to leverage its Asian network to expand organic revenue opportunities and market share in high growth markets across the region. In Australia/New Zealand, the Group's strategy also includes continuing to focus on expanding its service provision with existing foreign associate firms, and attracting new corporate clients.

IPH continues to evaluate potential international acquisition opportunities in core secondary IP markets.

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 underlying result includes an interim dividend received from Xenith IP Limited of \$576k.

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

Underlying / Statutory Results Reconciliations	FY19 \$'m	FY18 \$'m
Underlying Revenue	256.6	226.0
Statutory Revenue	259.5	226.0
Underlying Net Profit after Tax ("NPAT")	62.9	51.9
less: business acquisition adjustments (net)	0.0	0.6
less: amortisation of intangible assets arising from acquisitions	(9.2)	(11.5)
less: new business establishment costs	(0.0)	(0.8)
less: business acquisition costs	(3.5)	(1.0)
less: restructuring expenses	(1.0)	(2.1)
less: share based payments expenses	(2.2)	(0.7)
add: Disposal of Practice Insight Products	2.9	0.0
add: tax effect of adjustments	3.3	4.3
Statutory NPAT	53.1	40.7

For more information, please contact:

Dr Andrew Blattman

Managing Director & CEO, IPH Limited

John Wadley

Chief Financial Officer, IPH Limited

P: +61 2 9393 0301

About IPH Limited

IPH Limited (“IPH”, ASX:IPH), the holding company of AJ Park, Glasshouse Advisory, Griffith Hack, Pizzeys, Practice Insight, Shelston IP, Spruson & Ferguson and Watermark, 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, Perth, Auckland, Wellington, Singapore, Kuala Lumpur, Jakarta, Beijing, Hong Kong and Bangkok. The group comprises a multidisciplinary team of approximately 1000 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 was the first IP services group to list on the Australian Securities Exchange.