

ASX Announcement

13 February 2020

Financial Results for half year ended 31 December 2019 (“HY20”)

IPH delivers 36% increase in Underlying EBITDA to \$54.9m¹

Double-digit ‘like-for-like’ earnings growth and enhanced Xenith IP contribution

HY20 Highlights

- Statutory NPAT of \$27.2m, up 12%, equating to Diluted EPS of 12.9 cents per share, up 6%
- Underlying EBITDA¹ up 36% to \$54.9m
- Continued strong ‘like-for-like’ revenue and earnings growth
 - Ongoing momentum in Asia delivers double-digit organic growth in revenue and earnings
 - Australia/NZ ‘like-for-like’ revenue up 4% with margin expansion and enhanced Xenith IP performance
- Xenith IP acquired and being successfully integrated – synergies on track
- Interim dividend of 13.5 cents per share, 100% franked representing 83% of cash adjusted NPAT²; up 13%

Results in the table below reflect the adoption of the new Accounting Standard, AASB16. Financial results for the prior corresponding period do not include the adoption of this accounting standard as any transition impact has been taken through retained earnings as permitted by the Accounting Standard. The second table provides for results pre AASB 16.

\$'m	Statutory Results	Statutory Results	Change %	Underlying Results	Underlying Results	Change %
	HY20	HY19		HY20	HY19	
Revenue	\$179.8	\$124.9	44%	\$179.3	\$122.8	46%
EBITDA	\$57.4	\$40.6	41%	\$60.4	\$40.4	49%
EBITDA %	32.0%	32.5%	(2%)	33.7%	32.9%	2%
NPAT	\$27.2	\$24.2	12%	\$36.3	\$27.9	30%
Diluted EPS	12.9c	12.2c	6%	17.3c	14.1c	23%
Interim Dividend	13.5c	12.0c	13%			

Pre- AASB 16

EBITDA	\$52.0	\$40.6	28%	\$54.9	\$40.4	36%
EBITDA %	28.9%	32.5%	(11%)	30.6%	32.9%	(7%)

¹ Pre adoption of new accounting standard AASB16

² NPAT adjusted for net acquisition intangibles amortisation, net share-based payment expense and cash rent paid.

IPH Limited (ASX:IPH), the leading intellectual property (IP) services group in the Asia Pacific region, today announced a 12 per cent increase in Statutory Net Profit After Tax (NPAT) to \$27.2 million for the half year ended 31 December 2019.

Diluted Earnings Per Share increased by 6 per cent to 12.9 cents.

The result reflects ongoing improvement from IPH's pre-existing business and a solid performance from the Xenith IP businesses, which were acquired by IPH effective 15 August 2019.

IPH delivered continued double-digit organic revenue and earnings growth in its Asian operations and ongoing improved margins in its pre-existing Australian/NZ business. Since acquisition, the Xenith businesses have performed in line with Company expectations, with improved margins as a result of the successful integration of the businesses into the group.

Underlying EBITDA was \$60.4 million. 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 46 per cent to \$179.3 million while Underlying NPAT increased by 30 per cent to \$36.3 million.

The Directors declared an interim dividend of 13.5 cents per share, 100 per cent franked, up 13 per cent on the prior corresponding period.

The record date for determining entitlements to the interim dividend is 19 February 2020 with payment to be made on 13 March 2020.

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

Pre Adoption of AASB16

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (Underlying EBITDA) increased by 36 per cent to \$54.9 million. This is pre adoption of the accounting standard, AASB16.

Growth in 'like-for-like' revenue and earnings pre AASB16

IPH continued to deliver growth in revenue and earnings on a 'like-for-like' basis. This basis is before adoption of the new accounting standard, AASB16, and adjusts for the impact of foreign exchange movements. The like-for-like basis also excludes the results of Xenith for 4.5 months of the prior comparative period.

Like-for-like revenue increased by 6 per cent and like-for-like EBITDA increased by 14 per cent.

	Underlying Revenue Dec 19	New Businesses ¹	Accounting FX Movements	Currency Adjustment	Adjusted Revenue Dec 19	Underlying Revenue Dec 18	Chg%
Australia & NZ IP	133.8	(43.6)	0.6	(2.6)	88.2	84.7	4%
Asian IP	50.6		0.7	(2.1)	49.2	42.9	15%
Wisetime	0.1				0.1	0.3	
Glasshouse	1.2	(1.7)			(0.5)		
Corporate	0.9	0.2	(1.5)		(0.4)	(1.1)	
Eliminations	(7.3)		1.0		(6.3)	(4.0)	
	179.3	(45.1)	0.8	(4.7)	130.3	122.8	6%

	Underlying EBITDA Dec 19	New Businesses ¹	Accounting FX Movements	Currency Adjustment	Adjusted EBITDA Dec 19	Underlying EBITDA Dec 18	Chg%
Australia & NZ IP	42.6	(8.8)	0.6	(2.4)	32.0	30.1	6%
Asian IP	20.4		0.7	(1.0)	20.1	17.0	18%
Wisetime	(0.7)				(0.7)	(0.6)	
Glasshouse	(0.6)	0.6					
Corporate	(6.2)	1.9	(1.5)		(5.8)	(6.4)	
Eliminations	(0.6)		1.0		0.4	0.3	
	54.9	(6.3)	0.8	(3.5)	45.9	40.4	14%

¹ New business represents 4.5 months of Xenith as it traded in FY19. Excludes additional contribution under IPH ownership

Results commentary

Chief Executive Officer, Dr Andrew Blattman, said:

“IPH has delivered another strong result which reflects the continued growth of our pre-existing business and our ability to successfully integrate and generate further value through acquisitions.

“The acquisition of Xenith IP has strengthened our domestic business and the integration process continues to progress in line with our expectations. We have seen enhanced performance from the Xenith businesses compared to the prior corresponding period, and we expect to see further earnings accretion over time.

“Our **Asian** IP business continued its momentum from the prior year and delivered double-digit organic growth with like-for-like revenue increasing by 15 per cent and like-for-like EBITDA up by 18 per cent.

“Our strategy to leverage our network across the region continues to result in more clients filing in multiple jurisdictions through IPH offices.

“In Singapore, IPH Group patent filings for the calendar year ended 31 December 2019 increased by 1.8 per cent with the IPH Group maintaining its number one patent market share of 22.3 per cent.

“The increase in the number of cases transferred from new and existing clients continues to deliver margin accretion. IPH Group filing activity increased across other key Asian jurisdictions during the period, with total patent filing growth of 27.5 per cent for the half year on the prior corresponding period.

“We continue to monitor developments in relation to the novel coronavirus outbreak in China with our primary focus remaining on the health and safety of our people. While we expect there will be some disruption to the business, we do not anticipate any significant loss of revenue but there may be impact on revenue timing.

“In our **Australia and NZ IP** business like-for-like revenue increased by 4 per cent.

“Revenue in the pre-existing IPH business was flat on the prior period. This reflected an increase in patents revenue partially offset by lower trade mark revenue (reflective of the broader decline in trade mark filings) and fewer legal cases compared to the prior period.

“Xenith businesses’ revenue increased on the prior period, including as a result of a significant litigation matter. Revenue of this type is of a different nature to the annuity-style revenue from our patent and trade mark business.

“The integration of the Xenith IP businesses into the IPH Group has progressed well with synergy benefits of \$1.8m achieved through corporate cost savings of \$1.3m and margin improvement of \$0.5m. For the full year, IPH expects net cost and revenue synergies (after the implementation of the staff incentive plan) of approximately \$3.4m, in line with the previous announcement.

“In addition, IPH expects to generate further efficiencies from the integration of Watermark into Griffith Hack to create one firm operating under the Griffith Hack brand from April 2020. IPH anticipates annualised net financial benefits of between \$2m and \$2.5m from FY21 onwards, primarily through the consolidation of leased office space and corporate, administrative and operational efficiencies and improvements.

“Total Australian market patent filings decreased by 1.2 per cent for the period. IPH Group’s filings (including Xenith on a pro-forma basis) in Australia declined by 3.5 per cent. The reduction in filings reflect IPH’s group client mix and filing activity compared to the prior period. There were no major client losses during the period and IPH businesses’ won two new major clients towards the end of the calendar year 2019 in Australia.”

“IPH remains the market leader in Australia with combined group patent market share (including Xenith on a pro-forma basis) of 36.9 per cent in the six months to 31 December 2019 .”

Dr Blattman concluded: “I am pleased with the Company’s performance this half. We have delivered a strong financial result, while successfully integrating into the Group the Xenith IP business, the largest acquisition since IPH’s listing.”

“We are continuing to create a stronger and more diverse platform to deliver revenue and earnings growth and increased returns for shareholders”, he said.

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	HY20 \$'m	HY19 \$'m
Underlying Revenue	179.3	122.8
Statutory Revenue	179.8	124.9
Underlying Net Profit after Tax ("NPAT")	36.3	27.9
less: amortisation of intangible assets arising from acquisitions	(9.1)	(4.7)
less: business acquisition costs	(0.5)	(0.2)
less: restructuring expenses	(0.8)	(0.6)
less: share based payments expenses	(1.7)	(1.1)
add: Disposal of Practice Insight Products	0.0	2.1
add: tax effect of adjustments	2.9	0.7
Statutory NPAT	27.2	24.2

For more information, please contact:

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Authorised for release to ASX by the IPH Board

About IPH Limited

IPH Limited ("IPH", ASX:IPH), the holding company of AJ Park, Glasshouse Advisory, Griffith Hack, Pizzey's, 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.