

ASX Announcement

18 August 2022

Financial Results for year ended 30 June 2022 (“FY22”)

IPH delivers strong result - Underlying EBITDA up 11% to \$137.4m

Earnings assisted by organic growth and currency benefit

Canada’s leading IP agency firm to join IPH for consideration of A\$387m¹

FY22 Highlights

- Statutory NPAT \$52.6m equating to Diluted EPS of 24.0 cents per share (FY21: 24.7 cents)
- Underlying NPAT \$86.7m, up 14% equating to Underlying Diluted EPS of 39.5 cents (FY21: 35.2 cents)
- Underlying EBITDA \$137.4m, up 11% from organic growth and assisted by currency benefit
- Underlying ‘like-for-like’ EBITDA up 2% with double-digit lift in revenue and earnings from Asian business
- Strong cash generation and balance sheet - FY dividend 16.0 cents per share 50% franked up 3%
- Growth strategy continued to be delivered with Canada’s leading IP agency firm, Smart and Biggar to join IPH for consideration of A\$387m¹

\$'m	Statutory Results	Statutory Results	Change	Underlying Results	Underlying Results	Change
	FY22	FY21	%	FY22	FY21	%
Revenue	\$385.1	\$363.5	6%	\$385.1	\$363.5	6%
EBITDA	\$115.9	\$113.3	2%	\$137.4	\$124.3	11%
EBITDA %	30.1%	31.2%	(3%)	35.7%	34.2%	4%
NPAT	\$52.6	\$53.6	(2%)	\$86.7	\$76.2	14%
Diluted EPS	24.0c	24.7c	(3%)	39.5c	35.2c	12%
Final Dividend	16.0c	15.5c	3%			

Continued growth across key metrics delivers strong FY22 result

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 \$52.6 million for the year ended 30 June 2022 compared to \$53.6 million for the prior year.

Diluted Earnings Per Share (EPS) were 24.0 cents compared to 24.7 cents in FY21.

On an Underlying basis, the Company reported a strong uplift in earnings with Underlying NPAT increasing by 14% to \$86.7 million and Underlying EBITDA up by 11% to \$137.4 million.

Underlying EBITDA margin increased from 34.2% to 35.7%.

¹ AUD:CAD as at 17 August 2022

Underlying earnings were assisted by organic growth, particularly in the Asian business, together with a currency benefit as a result of the stronger US\$ compared to the prior year.

The larger difference between the Group's Statutory and Underlying result in FY22 compared to the prior year is primarily due to the non-cash write-down of the intangible value of the Shelston IP brand of \$4.6 million following its integration with Spruson & Ferguson Australia and the \$2.2m write-down of the Practice Insight business which has been divested. Both of these initiatives are expected to deliver higher earnings in FY23 and beyond.

The Company's continuing strong financial position and ongoing cash generation enabled a 3% increase in the final dividend to 16 cents per share, (50% franked), bringing the full year dividend to 30.5 cents per share, compared to 29.5 cents per share for the prior year.

The record date for determining entitlements to the final dividend is 24 August 2022 with scheduled payment on 16 September 2022. The IPH Dividend Reinvestment Plan (DRP) will operate in respect of the final dividend.

Results Commentary

IPH Chief Executive Officer, Dr Andrew Blattman, said: "IPH continues to leverage its leading network across Asia Pacific to deliver a strong financial result.

Since listing we have successfully demonstrated how our strategy to combine organic growth with the acquisition and integration of businesses delivers earnings accretion for the wider group.

Our FY22 result reflects the continuation of that strategy with our **Asian** business once again delivering double-digit revenue and earnings growth on a like-for-like basis."

In Asia like-for-like revenue increased by 10% and like-for-like EBITDA improved by 10%.

IPH experienced patent filing growth of 9.4% across its Asian jurisdictions (outside Singapore) in FY22, with growth across all key jurisdictions (except Hong Kong). IPH continues to deliver double-digit filing growth in China with filings increasing by 15.3%.

"In Singapore, IPH Group maintained our number one patent market share of 21.9% for the period ending 31 March 2022.

Like-for-like revenue in IPH's **Australian and New Zealand** IP businesses decreased by 1%. However, the successful integration of Spruson & Ferguson Australia and Shelston IP in December 2021 and delivery of cost synergies assisted to deliver a 1% growth in Underlying like-for-like EBITDA with a corresponding increase in Underlying like-for-like EBITDA margin from 33.8% to 34.5%. The prior year's result in Australia/NZ also included revenue and earnings related to a significant litigation matter which was not repeated in FY22. Revenue of this type is of a different nature to the annuity-style revenue from our patent and trade mark business.

The integration of Spruson & Ferguson Australia and Shelston IP, plus significantly reduced filings by the largest filer in the Australian market, impacted IPH group's total patent filings in FY22. IPH Group filings in Australia (ex innovation patents) declined by 0.6% for FY22. If filings from this client were removed from IPH and the market, IPH filings increased 1.7% compared to a market increase of 7.0%.

IPH remains the market leader in Australia with combined group patent market share (excluding innovation patents) of 34% for the year to 30 June 2022."

Strategic Progress

Dr Blattman said IPH continued to strengthen its growth platform.

Growth step-outs

Smart & Biggar to join IPH for consideration of A\$387m¹

"We have further delivered our growth strategy and extended our reach beyond this region with the transformational acquisition of Canada's leading IP agency firm, Smart & Biggar.

Smart & Biggar is a full service IP firm with a client base including Fortune 500 companies and large multinational corporations, research institutions, SMEs, start-ups and Canadian entrepreneurs. They will become the first Canadian IP firm to join a publicly listed IP group.

This transaction extends IPH's international network beyond Asia Pacific into an additional significant secondary market and will also provide a platform for IPH to participate in further growth opportunities.

The transaction is expected to be underlying² EPS accretive at approximately 10% in the first full year of ownership.

Further details of the transaction are contained in a separate announcement issued on ASX today.”

Organic growth and consolidating acquisitions

“We continued to harness the breadth of our network which resulted in an increase in case referrals of 4.5% across the Group to drive organic growth.

The integration of Spruson & Ferguson Australia and Shelston IP is delivering synergies as planned and following some short-term disruption is well placed to grow its position as a leading IP firm in this market.

The acquisition and integration of Applied Marks has 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.

Together, these initiatives have further strengthened IPH as the leading IP services group in the Asia Pacific region,” Dr Blattman said.

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Authorised for release to ASX by:

The Board of Directors of IPH

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, Pizzeys, Shelston IP and Spruson & Ferguson, and online IP services provider Applied Marks. IPH employs more than 900 people working in Australia, China, Hong Kong SAR, Indonesia, Malaysia, New Zealand, Singapore and Thailand.

² Consistent with the IPH group calculation of underlying EBITDA which excludes costs incurred in pursuit of acquisitions, restructuring, accounting charges for share-based payments, impairment and IT SaaS implementation costs

Appendix 1 - Like-for-Like earnings

This like-for-like basis adjusts for the impact of foreign exchange movements and new business acquisitions, including Baldwins IP (acquired on 16 October 2020) and Applied Marks (acquired on 1 July 2021).

	Underlying Revenue June 22	New Businesses	Accounting FX Movements	Currency Adjustment	Adjusted Revenue June 22	Underlying Revenue June 21	Chg%
Australia & NZ IP	286.0	(4.2)	(5.8)	(3.0)	273.0	275.6	(1%)
Asian IP	110.2		(2.3)	(2.2)	105.7	96.1	10%
Wisetime	0.6				0.6	0.4	
Corporate	9.7		2.3		12.1	5.6	
Eliminations	(21.5)		(0.3)		(21.8)	(14.3)	
	385.1	(4.2)	(6.1)	(5.2)	369.6	363.4	2%

	Underlying EBITDA June 22	New Businesses	Accounting FX Movements	Currency Adjustment	Adjusted EBITDA June 22	Underlying EBITDA June 21	Chg%
Australia & NZ IP	103.5	(0.8)	(5.8)	(2.8)	94.1	93.3	1%
Asian IP	51.5		(2.3)	(1.5)	47.7	43.4	10%
Wisetime	(0.5)				(0.5)	(0.4)	
Corporate	(17.1)		2.3		(14.8)	(11.8)	
Eliminations	0.0		(0.3)		(0.3)	(0.2)	
	137.4	(0.8)	(6.1)	(4.3)	126.2	124.3	2%

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	FY22	FY21
	\$'m	\$'m
Underlying Revenue	385.1	363.5
Statutory Revenue	385.1	363.5
Underlying Net Profit after Tax ("NPAT")	86.7	76.2
less: amortisation of intangible assets arising from acquisitions	(22.8)	(21.6)
less: business acquisition costs	(3.7)	(3.6)
less: restructuring expenses	(4.2)	(2.2)
less: divestment of Practice Insight	(2.2)	0.0
less: impairment of intangible assets	(4.6)	(0.5)
less: share based payments expenses	(4.9)	(3.6)
less: IT SaaS implementation costs	(1.9)	(1.2)
add: tax effect of adjustments	10.2	10.0
Statutory NPAT	52.6	53.6