

ASX Announcement

17 August 2023

Financial Results for year ended 30 June 2023 (“FY23”)

IPH delivers 28% increase in Underlying EBITDA to \$170.0m

Earnings assisted by Smart & Biggar acquisition and currency benefit

FY23 Summary

- Statutory NPAT \$64.5m, up 23%; equating to Diluted EPS of 28.4 cents per share (FY22: 24.0 cents)
- Underlying NPAT \$99.0m, up 20%; equating to Underlying Diluted EPS of 43.6 cents (FY22: 37.7 cents)
- Underlying EBITDA \$170.0m, up 28%; includes Smart & Biggar contribution and currency benefit
- Underlying ‘like-for-like’ EBITDA down 3%; continued growth in Singapore hub offset by client exiting China; lower patent / trade mark revenue; although improvement in A/NZ in 2H
- Final dividend 17.5 cents per share 35% franked, up 9%

\$'m	Statutory	Statutory	Change	Underlying	Underlying	Change
	Results	Results		Results	Results	
	FY23	FY22	%	FY23	FY22	%
Revenue¹	\$496.2	\$385.1	29%	\$490.1	\$385.1	27%
EBITDA	\$159.0	\$115.9	37%	\$170.0	\$132.6	28%
EBITDA %	32.1%	30.1%	7%	34.7%	34.4%	1%
NPAT	\$64.5	\$52.6	23%	\$99.0	\$82.6	20%
Diluted EPS	28.4c	24.0c	19%	43.6c	37.7c	16%
Final Dividend	17.5c	16.0c	9%			

¹⁾ Revenue and other income excluding interest

Strong Underlying FY23 result - Underlying EBITDA up 28%

IPH Limited (ASX:IPH), a leading international intellectual property (IP) services group, today announced a 23% increase in Statutory Net Profit After Tax (NPAT) of \$64.5 million for the year ended 30 June 2023.

Diluted Earnings Per Share (EPS) were 28.4 cents compared to 24.0 cents in FY22.

Group Underlying NPAT increased by 20% to \$99.0 million and Underlying EBITDA lifted by 28% to \$170.0 million.

Underlying EBITDA margin increased from 34.4% to 34.7%.

Underlying results in FY23 included the EBITDA contribution of the Smart & Biggar business which delivered marginally ahead of expectations with \$31.4 million in Underlying EBITDA since acquisition (6 October 2022).

Underlying earnings were also supported by an average AUD/USD exchange rate of 67.3 cents in FY23 compared to 72.6 cents for the prior year. The FY23 P&L also included a net foreign exchange gain of \$3.3 million compared to net foreign exchange gain of \$6.0 million for the prior period.

As previously disclosed, consistent with market practice, from FY23 IPH includes share based payments expense in Underlying EBITDA, unless specifically relating to a non-underlying item. For FY23 share based payments expense was \$6.1 million (of which \$1.6 million was included in non-underlying business acquisition costs). Underlying EBITDA in FY22 has been re-stated to include \$4.8 million in share based payments expense which was previously excluded from Underlying results. This change had no impact on the Group's statutory results.

The difference between the Group's Statutory and Underlying EBITDA in FY23 of \$11.0 million relates to changes in deferred consideration, costs associated with acquisitions, costs associated with managing the cyber security incident, restructuring expenses and IT SaaS implementation costs.

The Company's improved Underlying result and continuing strong financial position enabled a 9% increase in the final dividend to 17.5 cents per share, (35% franked), bringing the full year dividend to 33.0 cents per share, compared to 30.5 cents per share for the prior year.

The record date for determining entitlements to the final dividend is 23 August 2023 with scheduled payment on 15 September 2023.

The IPH Dividend Reinvestment Plan (DRP) will operate in respect of the final dividend with a 1.5% discount.

Cyber Incident

IPH announced on 13 March 2023 that it detected a portion of its IT environment had been subject to unauthorised access. The Company immediately enacted its cyber response and business continuity plans to address this incident including establishing new network infrastructure, restoring system functionality and implementing enhanced cyber security measures.

A forensic investigation identified that a limited set of data was downloaded by an unauthorised third-party during the incident. The downloaded dataset originated from the Spruson & Ferguson Australia business and primarily contained data relating to a small number of clients of Spruson & Ferguson Lawyers and certain historical financial and corporate information.

The Company has conducted a comprehensive post incident review into the incident and has identified further learnings and opportunities which will be incorporated into strengthening our cyber security measures and ensuring the strengthening of controls.

IPH has not experienced any known loss of client relationships as a result of this incident and the Company has also completed a review of regulatory requirements.

The financial impact of the incident is consistent with the Company's previous announcements. For the month of March 2023, business disruption contributed to a service charge budget shortfall of approximately \$4.4 million (in aggregate) for the impacted businesses of Spruson & Ferguson Australia and Griffith Hack. In the subsequent months, Griffith Hack and Spruson & Ferguson Australia collectively exceeded budget by approximately \$1.5 million. No further backlog of filings is expected for either firm. IPH incurred \$2.8 million (pre-tax) in non-underlying costs in FY23 including costs for specialist third parties as part of management and remediation of IT systems, legal and other costs.

Results Commentary

Chief Executive Officer, Dr Andrew Blattman, said: "IPH continued to execute its growth strategy successfully during FY23, demonstrated by the acquisition and subsequent integration of Smart & Biggar which assisted in delivering a significant increase in underlying Group profitability and enhanced returns to shareholders for the year.

"Smart & Biggar contributed \$31.4 million in Underlying EBITDA which marginally exceeded our expectations at the time of acquisition. We are pleased with the progress of Smart and Biggar's integration into the IPH network and the additional scale and opportunity this acquisition affords the Group.

"In our **Asian** business, our Singaporean hub continued to deliver improved results with like-for-like revenue up by 8% and underlying earnings growth of 7%. However, this was offset by a significant decline in patent and trade mark revenue in Hong Kong/China. One of our larger clients exited operations in China which reflects recent industry supply chain de-risking as some corporates seek alternative manufacturing locations to China. Continued geopolitical impacts in the region caused a decline in patent and trade mark revenue in Hong Kong with a decline in translation revenue.

"As a result, total like-for-like revenue in Asia increased by 4% while like-for-like EBITDA was steady on the prior year.

“IPH experienced patent filing decline of 2% across its Asian jurisdictions (outside of Singapore) in FY23 which compared to a strong prior year. Filing growth in Indonesia and Malaysia was offset by a decline in China.

“In Singapore, IPH Group maintained our number one patent market share of 23.1% for the period CY22 YTD December 2022.

“Like-for-like revenue in IPH’s **Australian and New Zealand** IP businesses declined by 1% with like-for-like EBITDA declining by 5%. This represented an improvement from the first half (where revenue had declined 3% and EBITDA down 6%) notwithstanding some disruption from managing the response to the cyber incident during March/April.

“Australian patent market filings (ex innovation patents, which were phased out in Australia in August 2021) declined by 3.3% in FY23 compared to FY22 while IPH Group filings (ex innovation patents) declined by 7.8% for the same period.

“The relative decline in IPH Group filings in Australia reflects a full year of the integration of Spruson & Ferguson Australia and Shelston IP in FY23, compared to seven months in FY22. We have previously noted the disruptive impact of member firm integrations on filing activity.

“IPH Group filings began to stabilise in 2HFY23 while both Spruson & Ferguson Australia and Griffith Hack recorded improved filing performance in 2HFY23.

“IPH remains the market leader in Australia with combined group patent market share (excluding innovation patents) of 32.4% for the year to 30 June 2023,” he said.

FY24 Priorities

Dr Blattman said IPH continues to focus on complementary growth step-out opportunities in Canada and other core secondary IP markets, and organic growth opportunities across its leading IP network.

“We continue to progress complementary acquisition opportunities in Canada. We believe there are a number of further consolidation opportunities to expand our patent market share in a material manner, each in the region of approximately 4-7% of the Canadian patent market.”

In line with its previously announced strategy, IPH is in discussions with parties regarding potential acquisition opportunities, with one potential opportunity expected to be announced immediately post publication of FY23 results, and another opportunity being actively pursued.

IPH is also continuing to pursue other acquisition opportunities and is involved in discussions.

“We are also implementing specific business development initiatives targeting organic growth in Australia/New Zealand while focusing on restoring growth in Asia.

“Separately we are reviewing our operating model to ensure our future state capability, in terms of the management of the expanding IPH group,” Dr Blattman said.

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Authorised for release to ASX by:

The Board of Directors of IPH

About IPH Limited

IPH is an international intellectual property services group, comprising a network of member firms working in ten IP jurisdictions and servicing more than 25 countries. The group includes leading IP firms AJ Park, Griffith Hack, Pizeys, Smart & Biggar, Spruson & Ferguson and online IP services provider Applied Marks. IPH employs more than 1,300 people working in Australia, Canada, China, Hong Kong SAR, Indonesia, Malaysia, New Zealand, Philippines, 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 Jun 23	New Businesses & Disposals	Accounting FX Movements	Currency Adjustment	Adjusted Revenue Jun 23	Underlying Revenue Jun 22
Australia & NZ IP	289.8		0.7	(7.2)	283.3	286.0
Asian IP	118.9		2.0	(5.8)	115.0	110.2
Canada IP	93.8	(93.8)				
Wisetime	0.1	0.6			0.6	0.6
Corporate	12.5		(1.2)		11.3	9.6
Eliminations	(24.9)		1.1		(23.7)	(21.3)
	490.1	(93.2)	2.6	(13.0)	386.6	385.1

	Underlying EBITDA Jun 23	New Businesses & Disposals	Accounting FX Movements	Currency Adjustment	Adjusted EBITDA Jun 23	Underlying EBITDA Jun 22
Australia & NZ IP	103.3		0.7	(7.8)	96.1	101.6
Asian IP	54.3		2.0	(3.8)	52.4	52.2
Canada IP	31.4	(31.4)				
Wisetime	(0.0)	(0.5)			(0.5)	(0.5)
Corporate	(17.8)		(1.2)		(19.0)	(19.6)
Eliminations	(1.1)		1.1		0.1	(1.1)
	170.0	(31.9)	2.6	(11.7)	129.1	132.6

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 Reconciliation	FY23 \$'m	FY22 \$'m
Underlying Revenue	490.1	385.1
Statutory Revenue	496.2	385.1
Underlying Net Profit after Tax ("NPAT")	99.0	82.5
less: amortisation of intangible assets arising from acquisitions	(36.9)	(22.8)
less: changes in deferred consideration	6.3	-
less: business acquisition costs	(10.8)	(3.7)
less: restructuring expenses	(2.8)	(4.2)
less: divestment of Practice Insight	-	(2.2)
less: impairment of intangible assets	-	(4.6)
less: costs associated with cyber incident	(2.8)	-
less: IT implementation costs	(0.9)	(1.9)
add: tax effect of adjustments	13.4	9.5
Statutory NPAT	64.5	52.6