

ASX Announcement

18 April 2018

Presentation by Andrew Blattman to Goldman Sachs Small & Mid-Cap Conference

Attached is a presentation to be given today by IPH's CEO & Managing Director, Andrew Blattman, to the Goldman Sachs Ninth Annual Small & Mid-Cap Conference 2018.

For more information, please contact:

Dr Andrew Blattman, Managing Director & CEO

John Wadley, 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, Pizzeys, Cullens and AJ Park, 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, Auckland, Wellington, Singapore, Kuala Lumpur, Jakarta, Shanghai, Beijing, Hong Kong and Bangkok. The group comprises a multidisciplinary team of approximately 635 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 Securities Exchange.

A grayscale photograph of a person in traditional Chinese attire holding two large red fans. The person is standing on a balcony with a metal railing, overlooking a city skyline. The Oriental Pearl Tower is prominent on the left, and other skyscrapers are visible in the background. The image is partially obscured by a white diagonal line that separates the header from the main text area.

Goldman Sachs Ninth Annual Small & Mid-Cap Conference

18 April 2018

Dr. Andrew Blattman | Managing Director / CEO, IPH Limited

John Wadley | Chief Financial Officer, IPH Limited

A decorative blue geometric pattern consisting of various triangles and polygons, located in the bottom-left corner of the slide.

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Agenda

1. Company Snapshot
2. Industry Overview
3. IPH Position
4. IPH Growth Strategy

A photograph of two white wind turbines against a clear blue sky. The turbines are positioned on a white, sloping horizon line. The larger turbine is on the right, and a smaller one is on the left.

01

COMPANY SNAPSHOT

Summary

Asia-Pacific's leading intellectual property group

- IPH Limited (“IPH”) is the holding company for intellectual property (“IP”) and associated companies, Spruson & Ferguson (incorporating Fisher Adams Kelly Callinans and Cullens), AJ Park, Pizzeys and Practice Insight.
- IPH companies provide a wide range of specialist services for protection, commercialisation, enforcement and management of all types of IP.
- IPH companies employ a highly skilled multidisciplinary team of approximately 650 people in Australia, New Zealand, Singapore, Malaysia, China, Indonesia, Thailand and Hong Kong.
- IPH companies service a diverse client base of Fortune Global 500 companies, multinationals, public sector research organisations, SMEs and professional services firms worldwide.
- IPH was listed on the Australian Securities Exchange (“ASX”) in November 2014. On 11 March 2016 IPH was included in the S&P/ASX 200 index.

Key facts

- » Exchange: ASX
- » Ticker: IPH
- » Issued shares: 197.3m (incl escrow)
- » Market Cap: \$680m
- » Employees: 650
- » Offices: 17 in 7 countries
- » Patent Filings: 16,000+
- » Trade Mark filings: 5,000+
- » Patent market share AU/SG: 24%
- » Patent market position AU/NZ/SG: No.1



IPH – first listed IP group in Australia

Innovative leader

- The changes to the Australian Patent Act introduced in April 2013 enabled patent and trademark attorney firms to practice through a corporate structure.
- Demonstrating innovation and leadership across the sector IPH became the first IP services group to list on the Australian Securities Exchange (ASX) in 2014. A number of Australian IP firms/groups followed IPH.
- The public listing allowed IPH to:
 - access capital to unlock opportunities for growth;
 - increase operational flexibility - greater flexibility in day-to-day operations, management and focus on delivering an outstanding client service; and
 - create opportunities for career progression and professional development for staff.
- In Feb 2018, the corporate operating model was validated by the Trans-Tasman IP Attorneys Board by its issuing of a new code of conduct and associated guidelines;
 - represents a new paradigm for the IP profession - approx. half of patent applications filed in Australia are filed by member firms of one of the IP groups listed on the ASX;
 - the new code reaffirms the systems and processes IPH already has in place; and
 - the higher standards of governance and transparency required of a publicly listed company were welcomed by clients.
- First Australian IP firm in Asia – in 1997 and 18 years before any other Australian IP firm, Spruson & Ferguson became the first Australian IP firm to enter the Asian IP market with the opening of the firm's Singapore office.



02

INDUSTRY OVERVIEW

What is IP?

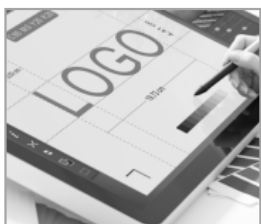
80% of IPH's service charges are derived from services related to patents

Types of IP



Patents (80% of service charges)

A monopoly right that is granted for a device, substance, method or process that is new, inventive, and useful.



Trademarks (17% of service charges)

May consist of any stylised letter, word, name, signature, numeral, device, brand, heading, label, ticket, aspect of packaging, shape, colour, sound or scent, or a combination of any of those things.



Other IP

Designs, Copyright, Domain Names, Circuit Layout Protection, Plant Breeder's Rights.

Types of IP services



Drafting & Filing

Preparation and filing application with the relevant country's IP office.



Prosecution

A prosecution phase which leads to grant or registration of the IP right and involves the IP office examining various criteria to ensure IP rights are applicable.



Renewals

An ongoing renewal process, involving the payment of fees at defined times over the life of the IP rights.



Commercial legal advice & IP litigation

Enforcement of IP rights and providing IP related legal and commercial advice.

Business of patent and trademark attorneys

Annuity-style business with consistent revenues and earnings

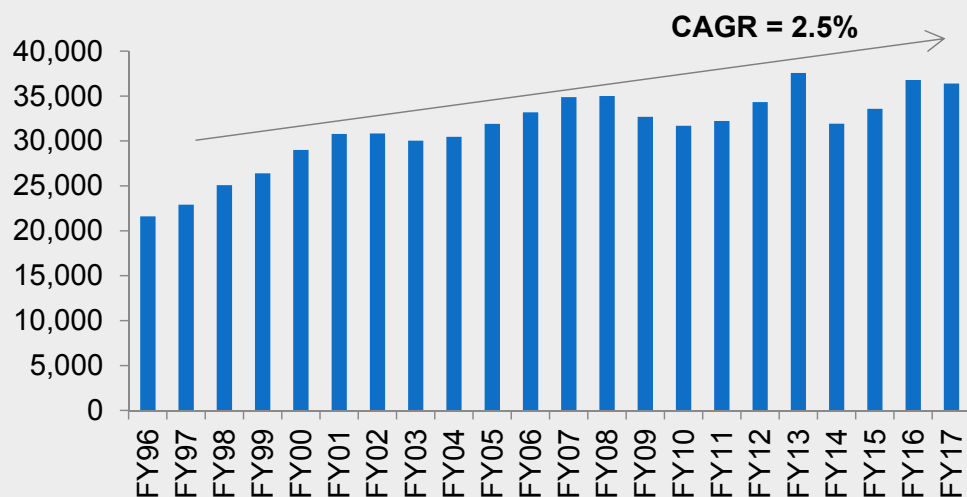
Core business: prosecution of IP rights before the relevant National IP Office (not to be confused with the legal or any other profession)

- IP services are typically provided by specialist patent and trade mark firms, or large legal firms with an IP division.
- In Australia, registration as a patent attorney requires a degree qualification in science or engineering, IP courses at university, in practice for two year minimum period and a statement of skills from experienced attorney.
- Clients typically include Fortune Global 500 companies, multinationals, public sector research organisations, SMEs and professional services firms worldwide.
- Majority of clients are from “primary” IP markets: USA, Japan and Europe.
- Clients are “sticky” to the business, not to the individuals.
- Long life IP cycle which supports consistent revenues and earnings.
- Low WIP and short cash conversion cycle.

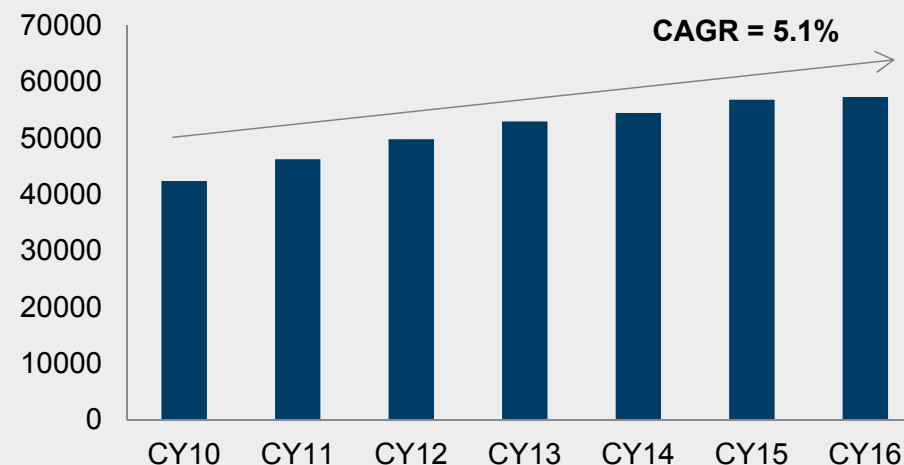
Patent market trends

Asian growth engine

Australian Patent Filings*
FY96 - FY17



Asian Patent Filings (excl. China)**
CY10 - CY16



- In Australia, the long-term filing growth rate of 2.5% (and slightly lower over the shorter-term) reflects maturity of the market.
- IPH targets slightly higher revenue growth through pricing and market share improvement.
- IPH's focus is on further margin improvements.

- Asia – 20 year growth engine.
- Bigger market, faster growth.

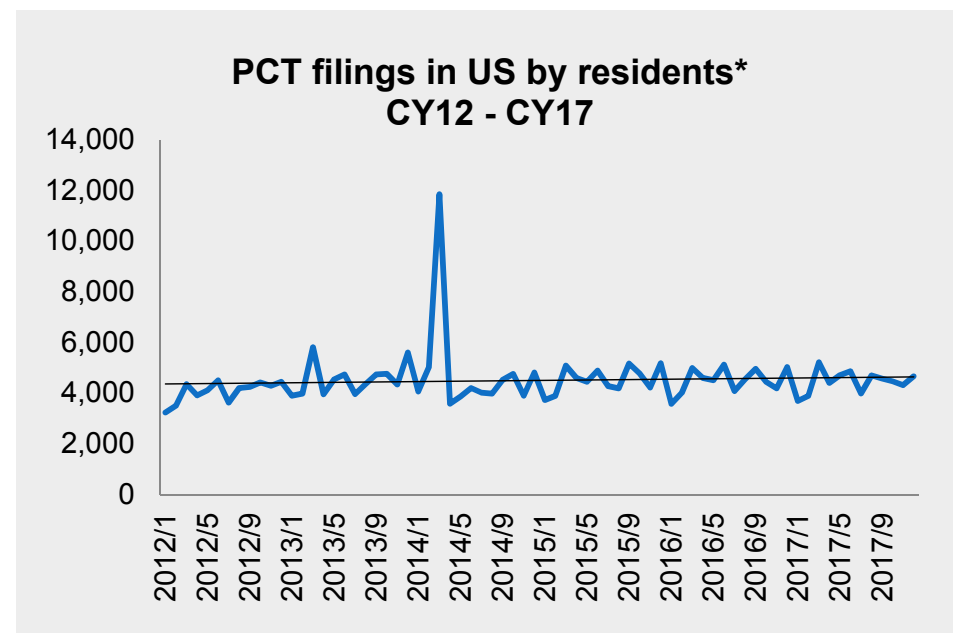
Industry growth drivers

Positive industry fundamentals supporting growth

- IP is often fundamental to the operations and value of many of the world's leading companies.
- IPH believes IP protection is becoming increasingly important in the higher growth Asian region.
- Industry growth drivers:
 - increased corporate spend on R&D and product innovation to drive competitive advantage;
 - legislation/Government policy supporting “knowledge industries” and innovation;
 - GDP growth driving increased economic activity;
 - taxation incentives for R&D, NPD;
 - increased product differentiation and branding requiring IP protection; and
 - regulation on a country by country basis requires local expertise in each jurisdiction.

Key Lead Indicator

PCT (Patent Cooperation Treaty) applications filed in the key jurisdictions (USA, JP and EU) is a leading indication for the number of PCT national phase patent applications to be filed in the subsequent 18-19 months in the countries serviced by IPH.

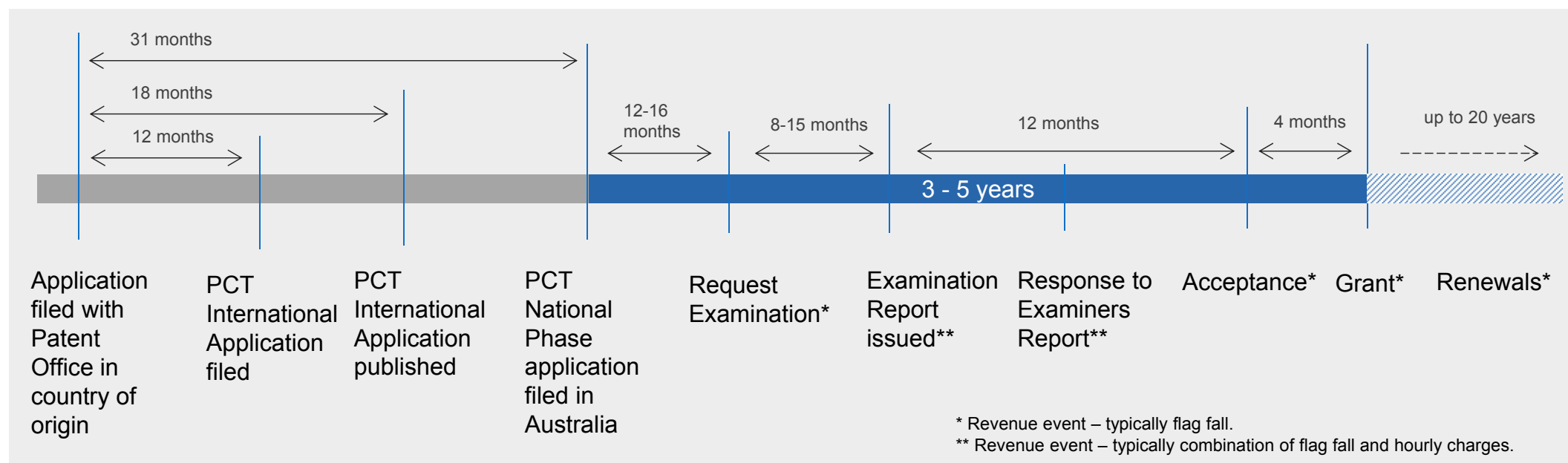


Patent lifecycle

Long-life IP cycle supports consistent revenues and earnings

Each year more than half* of the total patent applications filed in Australia come through the PCT system in the form of PCT National Phase patent applications.

Typical (indicative) patent application route in Australia



- The process from filing the Australian application (or entering the Australian national phase) to grant of a patent typically takes 3-5 years.
- Patents can be renewed by paying official renewal fee annually up until the expiry of the patent 20 years from the filing date of PCT International Application.

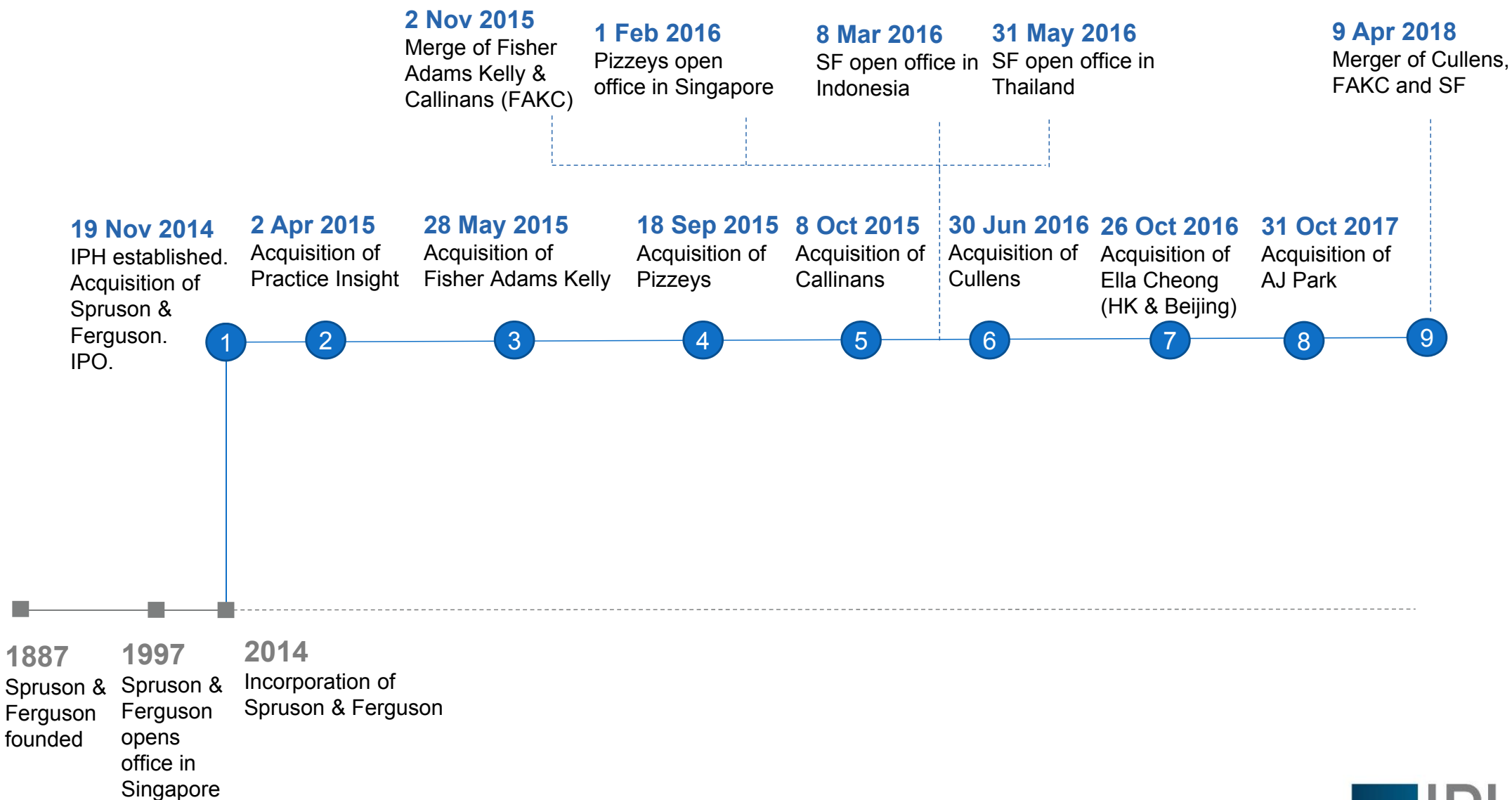


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IPH POSITION

Timeline of key milestones

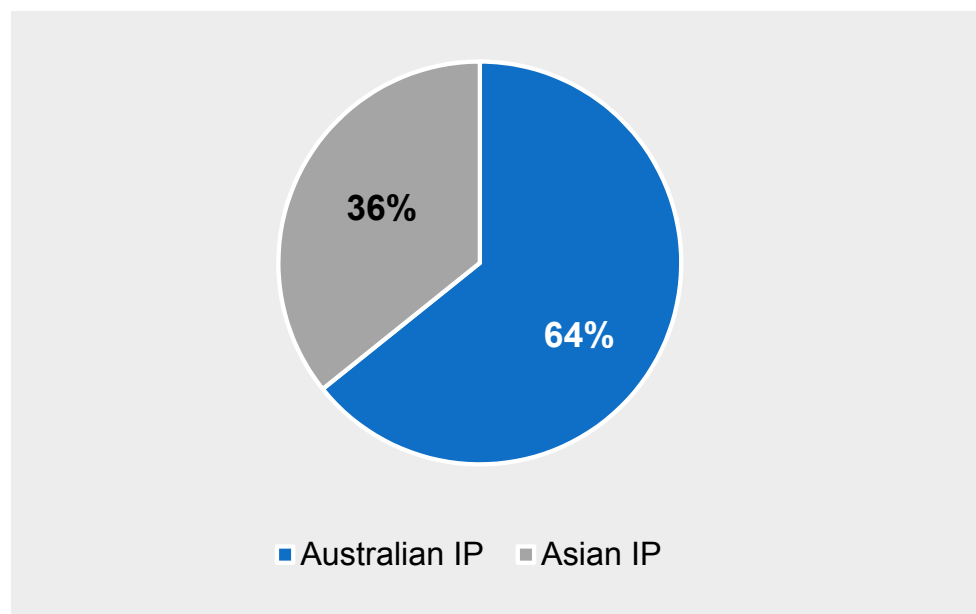
130-year history in Australia and 21 years in Asia



Unique Asian Positioning

Strong scalable platform to service multiple jurisdictions

Service Charges split – Australia vs Asia (FY17)



- Well positioned to grow through offering existing client base additional countries.
- Consistent service standard and reduced administration.

IPH's presence in Asia-Pacific

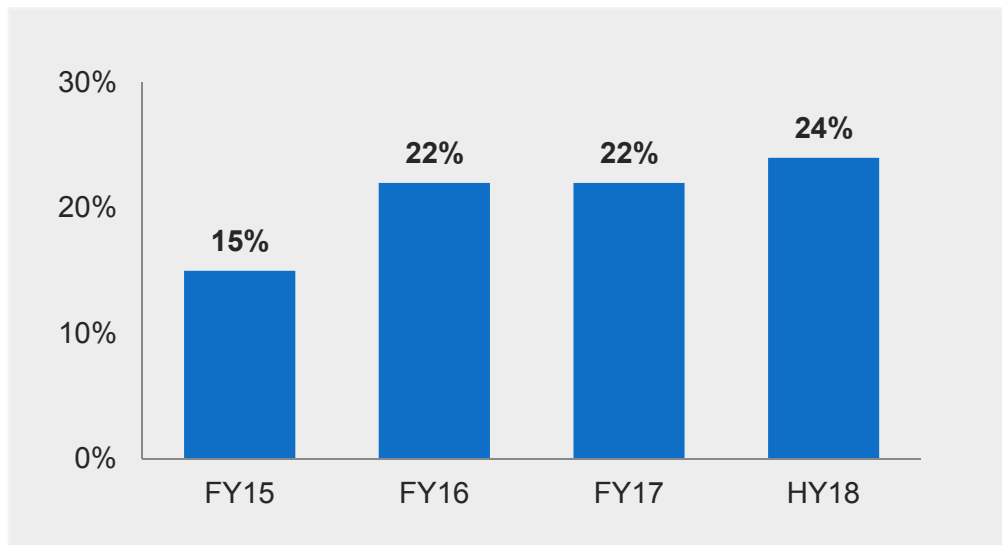


- 17 offices in 7 countries.
- Unparalleled regional service offering.

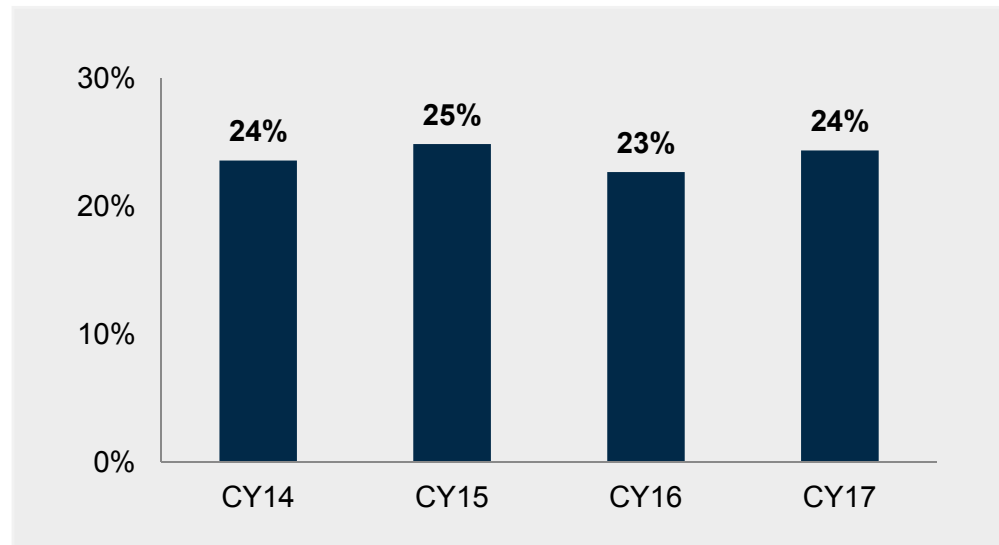
Leading market position

No.1 patent market position in Australia, New Zealand and Singapore

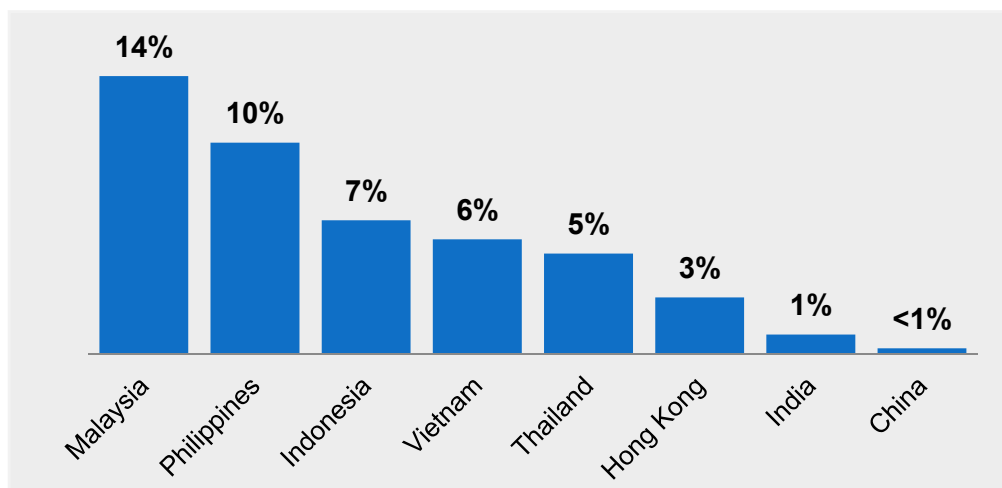
IPH Group combined market share in **Australia** (HY18)*



IPH Group market share in **Singapore** (CY17)**



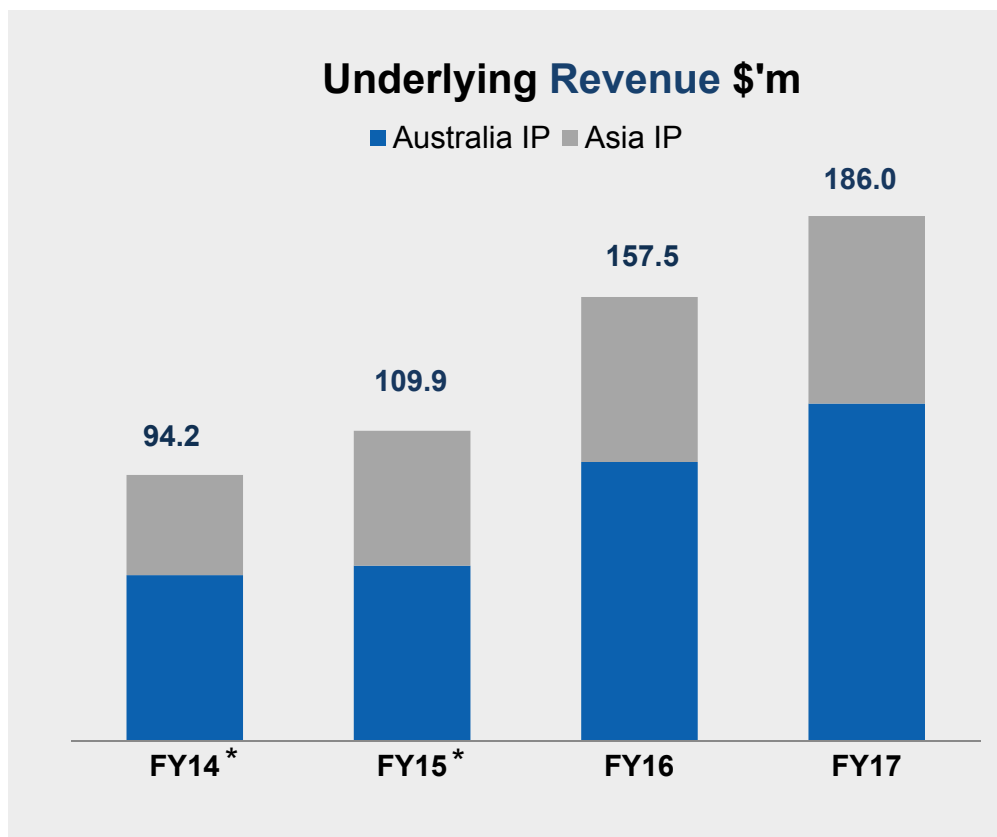
IPH Group market share in key jurisdictions in **Asia** (CY16)***



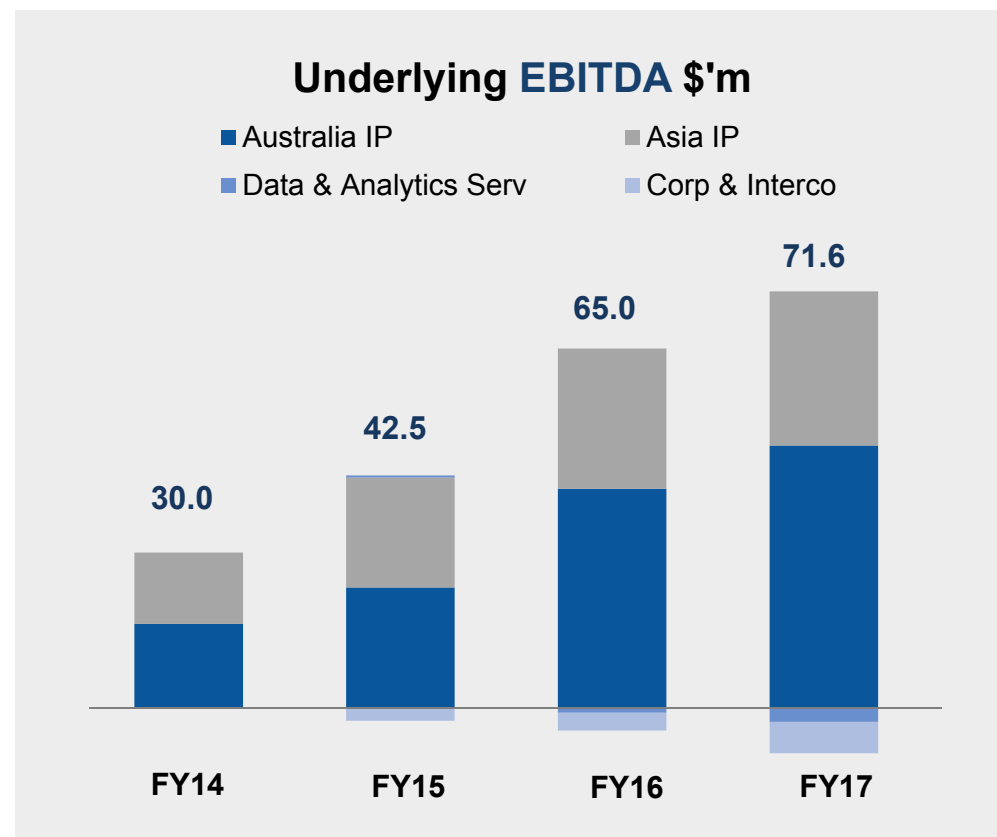
- IPH group continues to hold 24% market share in both Australia and Singapore and remains the patent market leader in both markets.
- Relatively small market shares in key Asian markets represent a significant opportunity for IPH's organic growth in Asia.

Financial performance history

Mix of organic and acquisitive growth



- Australia and New Zealand – GDP style growth.
- Higher growth in Asian markets, including China.



- Margin expansion in IP businesses.
- Investment in Data and Analytics Services.
- Maturing Corporate function reflecting listed international business.

Strong Balance Sheet and Cash Conversion

Consolidated Balance Sheet

	Balance Sheet as at 31 Dec 2017	Balance Sheet as at 30 Jun 2017
\$'m		
Cash and cash equivalents	18.3	24.4
Trade and other receivables	47.1	38.0
Acquisition intangibles & goodwill	272.4	213.1
Other assets	19.4	11.5
Total assets	357.2	287.0
Borrowings	33.3	0.0
Other liabilities	54.7	47.3
Total liabilities	88.0	47.3
Net assets	269.2	239.7
Total equity	269.2	239.7

- Large proportion of cash and receivables denominated in USD.
- Intangible assets predominantly goodwill and customer relationships on acquisition.
- Net debt of c\$15M (gearing ratio: 6%).
- Interim dividend of 11.5c franked to 40%. Expectation of future franking at between 40-60%.

Cash Flow Statement

	HY18 Cash Flow Statement	HY17 Cash Flow Statement
\$'m		
Statutory EBITDA	31.8	35.1
Non-cash movements	0.1	(0.5)
Change in working capital	(2.9)	(2.0)
Operating capital expenditure	(1.8)	(1.1)
Cash flow before acquisitions, financing activities and tax	27.2	31.5
<i>Cash conversion ratio</i>	<i>86%</i>	<i>90%</i>

- High proportion of earnings converted to cash.
- Minimal working capital requirements.
- Low CAPEX business.
- Strong cash flows support dividend payout and ability to service debt.



04

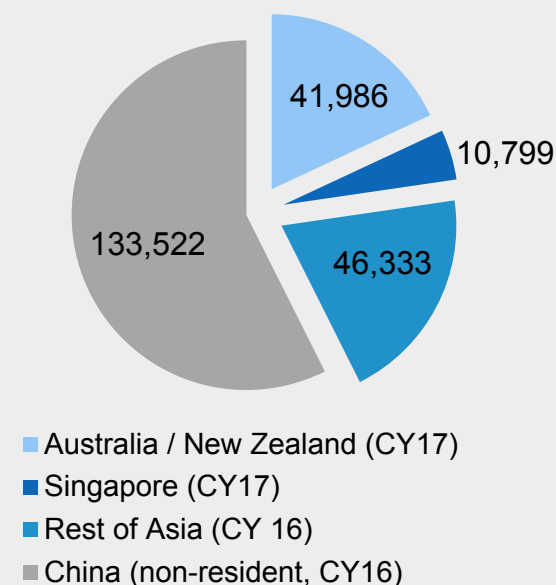
IPH STRATEGY

IPH Growth Strategy

To become the leading IP group in secondary IP markets

- Continue to maintain the leading position in Australia, New Zealand and Singapore.
- Expand market share in other Asian jurisdictions through:
 - “network effect” - building up flow of cases from Australian/New Zealand businesses into Asian operations;
 - organic growth through effective marketing and business development initiatives; and
 - strengthening and expanding existing infrastructure in Asia, including possible future acquisitions.
- In China and Hong Kong the focus is on strengthening patent capability of the offices and capturing market share of our addressable market.
- Margin improvement across all businesses through:
 - IT initiatives and business process improvements; and
 - brand consolidation.

IPH's addressable market in Asia-Pacific*
(patent applications filed annually in each jurisdiction)



Summary

IPH well positioned to harness positive industry dynamics for future growth opportunities

- **IP sector dynamics remain positive**
 - IP has long life cycle supporting long term revenue and earnings.
 - Industry growth drivers support stable growth in Australia with significant growth potential across Asia.
- **IPH is well positioned to harness industry growth potential**
 - Top-tier client base across many jurisdictions.
 - Number one market positions in key markets (Australia, New Zealand and Singapore) with scaleable platform.
- **Consistent revenue and earnings profile with growth opportunities**
 - Annuity-style revenue from long term IP portfolio.
 - Strong cash generation with low ongoing capital expenditure requirements.
- **IPH targeting further growth opportunities across core and adjacent businesses**
 - Leverage existing network in Asia and Australia/New Zealand.
 - Strengthen patent capability in China to increase market share.
 - Margin improvement from IT initiatives, business process improvements, merge of subsidiaries.



APPENDICIES

FX Sensitivity

Earnings Currency Sensitivity

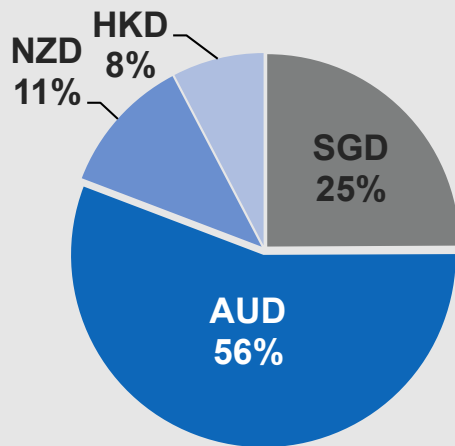
- Based on the USD profile in HY18, a 1c movement in the AUD/USD exchange rate equates to approximately \$1.3m of revenue on services charges on an annualised basis.
- This sensitivity fluctuates on the basis of acquisitions, their timing and their mix of currencies.

Balance Sheet Sensitivity

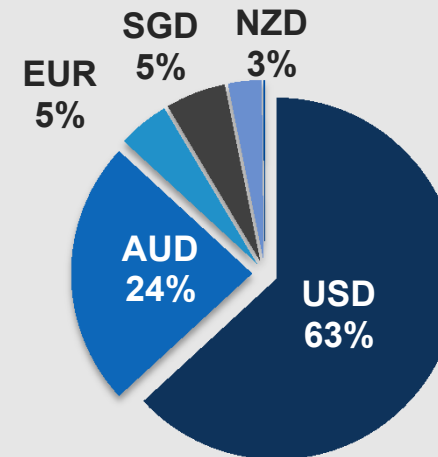
- The Group is also exposed to FX on the level of its USD denominated cash and receivables in the balance sheet, balances of which fluctuate.
- 63% of the Group's invoicing is denominated in USD.
- Average USD cash¹ held US\$15m.
- Average USD monetary assets (incl cash)² US\$30m.
- USD debt drawn of US\$26m.

Currency Profile

Operating Expenses



Revenue Net of Recoverable Expenses



Notes

1. Average of closing monthly USD cash balance
2. Average of opening & closing USD denominated net assets

Escrow Information

Ordinary Shares on Issue ¹	Number	Holders	%
Free float	188,941,809	12,659	95%
Escrowed, incl.	9,021,573	52	5%
- Pizzeys (31 Aug 18)	1,229,545	22	
- Cullens (30 Jun 18)	2,042,905	10	
- Cullens (31 Aug 18)	390,315		
- SF HK (31 Oct 18)	737,261	2	
- AJ Park (31 Oct 19)	4,621,547	18	
TOTAL	197,963,382	12,711	100%

1. As at 11 April 2018

America Invents Act (AIA) Overview

- The Leahy-Smith America Invents Act (AIA) was signed on 16 September 2011 introducing a number of significant reforms to US patent law.
- Some of the most significant provisions of AIA went into effect on 16 March 2013, including those converting the US patent system from a “first-to-invent” to a “first-inventor-to-file”. As a result, there was a spike in the US first filings from applicants wishing to file patent application under old provisions before the 16 March deadline.
- Under the PCT (Patent Cooperation Treaty) system, international PCT application must be filed up to 12 months after the filing of the original application (first filing). As a result, there was an increase in US originating PCT applications leading up to 15 March 2014.
- The deadline for entering National Phase of PCT application varies between 30 to 31 months from the date of the first filing - in Singapore, surge of US originating PCT national phase entry patent applications peaked on 15 September 2015 and in Australia - on 15 October 2015.
- Approximately 12 months (depending on technology of application) after entering National Phase of PCT application in Australia Direction to Request Examination may be issued by the Patent Office. The deadline for Requesting Examination is 2 months. This means that 1HY17 was a peak for requesting examination for US-originating PCT application filed as a result of introduction of AIA.

