ASX Announcement

23 November 2018

AGM – Chairman & CEO Addresses

In accordance with the ASX Listing Rules and the Corporations Act 2001, attached are the addresses to be given at today's Annual General Meeting.

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About IPH Limited

IPH Limited ("IPH", ASX:IPH), the holding company of Spruson & Ferguson, Practice Insight, Pizzeys 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, Beijing, Hong Kong and Bangkok. The group comprises a multidisciplinary team of approximately 630 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.

Chairman's Address

Ladies and Gentlemen,

I am pleased to report that IPH continued to make significant progress in strengthening our business in FY18.

This was reflected both in our financial results for the year and also in the strong strategic platform we continue to build for the company.

Let me address these two points.

Financial Results

In terms of our financial results, the first half was impacted by a slight decline in Australian patent filings and a significant appreciation in the Australian dollar.

However, we delivered a strong second half performance from increased earnings in our Asian business, out-performance in the Australian patent market and earnings ahead of expectations in our AJ Park business.

As a result of this stronger second half performance, your Directors declared a final dividend of 11 cents per share, 50 per cent franked, bringing the full year dividend to 22.5 cents per share, which was an increase of 2.3 per cent on the prior year.

IPH remains in a very strong financial position and we continue to generate strong cashflow to underpin investment to grow our business both organically and through potential acquisitions to provide enhanced returns to our shareholders.

Building our strategic platform

We continued to progress strategic initiatives to create a stronger competitive platform for the Group.

A major initiative was the acquisition of AJ Park in New Zealand in October 2017. AJ Park is the premier IP firm in New Zealand and the acquisition also supports our Asian growth objectives by extending our Asian service offering to AJ Park's local and international clients.

In Australia, we successfully completed the merger of Fisher Adams Kelly Callinans (FAKC), Cullens and Spruson & Ferguson. All three firms are now fully integrated and operating as Spruson & Ferguson. This merger deepens Spruson & Ferguson's expertise and geographic reach in the Australian market and also provides an enhanced platform to support our continued growth in the Asia-Pacific region.

Meanwhile in China, the Spruson & Ferguson business successfully established an exclusive arrangement with an independent Chinese patent agency to provide all regulated patent services in China exclusively for Spruson & Ferguson clients.

Andrew will share some further details on our strategy in his Managing Director's presentation.

Sustainable value for shareholders

I would also like to speak to the sustainability of our business. IPH is committed to delivering sustainable value to our shareholders through a combination of organic growth, margin improvement initiatives and business efficiencies and potential strategic acquisitions.

However, we also recognise the importance of ensuring our business operates in a sustainable manner. We believe that a sustainable business is one that provides a safe, rewarding and diverse environment for our people whilst operating in an environmentally and socially responsible manner.

Over the course of this year, we will look to increase the level of reporting and disclosure around our sustainability metrics to provide shareholders and the market some further insight into our progress in this area.

Conclusion

In conclusion, I would like to thank David Griffith for his contribution as Managing Director and CEO of IPH until November 2017 and acknowledge his contribution to the FY18 results.

I would also like to thank IPH's CEO Dr Andrew Blattman, his leadership team, and all our people across the IPH Group for their hard work in FY18, and their continued efforts to provide outstanding service to our clients.

On behalf of the Board of Directors, I would like to thank our shareholders for your ongoing support of the Company.

Managing Director's Address

Good morning Ladies and Gentlemen,

I am pleased to provide my first AGM address to shareholders as Managing Director and CEO of IPH Limited. I am honoured to serve in this position.

Today, I would like to provide shareholders an overview of our financial result for the year ended 30 June 2018, including market conditions. I will then provide some further context to our strategy and the initiatives we are implementing to continue to generate sustainable value for shareholders.

I will conclude with an update on market and trading conditions for the year-to-date and further commentary for this financial year – FY19.

Financial Results FY18

As Richard said, during FY18, we were able to strengthen our leading position and this was reflected in an improved second half performance.

FY18 revenue increased by 21.5 per cent to $226.0 million, driven by organic growth and the acquisition of AJ Park in October 2017. This was offset by the impact of a stronger Australian dollar in FY18 compared to the prior year.

Statutory Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") increased by 2.1 per cent to $70.1 million while Underlying EBITDA of $74.0 million increased by 3.3 per cent on the prior year.

Our reported Net Profit After Tax ("NPAT") declined by 5.2 per cent to $40.7 million. NPAT was impacted by increased amortisation charges of acquired assets, restructuring charges and the one-off write-down of intangibles related to the Cullens and Fisher Adams Kelly Callinans (FAKC) brands.

Underlying NPAT, which excludes these one-off items, increased by 1.4 per cent to $51.9 million.

Market conditions

Let me provide some brief comments about market conditions in FY18.

While the Australian overall market for patent filings was broadly steady in FY18, the second half grew by 1.6 per cent, which is in line with the medium-term growth rate of approximately 1.5 per cent. IPH group businesses outperformed the market for both the year (1.7 per cent) and the second half (5.2 per cent) in terms of patent filing growth. Combined, the IPH group maintained our number one patent market position in Australia with 23.8 per cent market share.

In Singapore, for the calendar year to 30 June 2018, the overall patent filing market was flat, however, IPH Singapore filings increased by 1.5 per cent. Combined, the IPH Group continues to hold the number one patent market position in Singapore with 24.4 per cent of patents filed for the same period.

The Asian patent market continued to be a significant area of growth, representing a strong opportunity for IPH. Patent filings by IPH Asian entities increased by 5.6 per cent in FY18.

Total patent filings by IPH companies increased by approximately 17 per cent in FY18 from a combination of organic and acquisition growth. Trade mark filings increased significantly due to the full year contribution from the substantial trade mark practices of the Ella Cheong Hong Kong and China businesses, acquired in FY17, and AJ Park, which we acquired in FY18.

IPH Strategy

Our strategy is informed by our core ambition to be the leading intellectual property group in secondary IP markets.

Fundamentally, it's a strategy focused on three levels; consolidating our acquisitions, organic growth and growth step-out opportunities, including potential domestic and international acquisitions.

This strategy is underpinned by key enablers to drive our success, including: robust client management programs focused on delivering the highest levels of client service; targeted service expansion across Asia Pacific; a focus on our people and an IT growth strategy, including digital platform development.

As Richard said in his Chairman's address, we made substantial progress in implementing our strategy in FY18 which will support future growth across our business.

We acquired the AJ Park business in October 2017 and its earnings contribution for FY18 was ahead of expectations, due to a focus on margin expansion initiatives. We have also made good progress in capturing referral synergies into Asia, and this remains another key area of opportunity for the Group.

We successfully integrated Fisher Adams Kelly Callinans (FAKC) and Cullens into the Spruson & Ferguson business. Clients of FAKC and Cullens can now benefit from direct access to Spruson & Ferguson's service offering across Asia Pacific, and Spruson & Ferguson clients now have access to an expanded team in Australia.

Our Asian IP business continues to be a strong focus of our growth strategy and more specifically, China is an important growth market for us.

China represents an addressable market of around 130,000 annual patent filings – which is significantly more than the Australia/New Zealand and Singapore markets combined.

In FY18 Spruson & Ferguson successfully established an exclusive arrangement with an independent Chinese patent agency (Beijing Pat SF Intellectual Property Agency Co Ltd) to undertake all regulated patent work in China exclusively for Spruson & Ferguson clients. This arrangement enables a more streamlined offering for clients, backed by Spruson & Ferguson's quality, service, reliability and communication standards.

Meanwhile, in our Data and Analytics business, we successfully sold the Filing Analytics and Citation Eagle products to CPA Global for $10 million. That sale provides strategic clarity for this business and will enable us to focus on WiseTime, which is an autonomous activity monitoring tool.

IPH was the first Intellectual Property group to list on the ASX and other firms have since followed our lead. We believe the listed corporate model continues to provide us the ability to invest and develop our people which is an integral part of attracting, motivating and retaining key talent across IPH.

In FY18, we appointed 13 new Principals across the Group, bringing the number of new Principal appointments to 28 since listing in November 2014. Excluding retirement, over 80 per cent of Pizzeys and FAKC ex-vendor Principals recommitted to the IPH group (post initial employment agreement minimum terms).

We previously outlined that a key pillar of our strategy is examining “Growth Step Out” acquisition opportunities for IPH, in both broader international secondary markets and domestically. As we have reinforced in our recent presentations, each of these is an increasing focus of the IPH management team.

We have been examining “Growth Step Out” acquisition initiatives in the domestic market to pursue in the near term. This has involved reviewing a number of businesses, some in detail, and believe there remain attractive opportunities.

These opportunities will continue to be pursued by management and the Board in a disciplined manner if they are compelling from both a financial and strategic sense and there is an available pathway to execution.

Trading Update

In our full year results presentation, we promised to provide a trading update at our AGM.

I am pleased to report a solid start to the financial year after the first four months of trading, reflecting a strong underlying, “like-for-like” performance by the group.

In addition, the Group has benefited from the strengthening of the USD against the AUD. The average AUD/USD for the first four months of FY19 was 72.6c compared to 78.7c for the first four months of FY18. Based upon the currency profile of the first four months of this year, a 1c strengthening of the USD equals an additional $1.1M in annual service charges, the great majority of which falls to the EBITDA line.

Asia

The Asian business has continued its excellent performance from the second half of FY18 and has shown like-for-like double-digit revenue and EBITDA growth against the prior comparative period. This is mainly due to the flow-on effects of the high level of activity in the second half of FY18, an expansion of translation revenue, and other margin expansion activities.

Additionally, our Pizzeys business in Singapore has filed more cases in the ten months to 31 October than it did in the whole of the prior calendar year. This is a great result, reflecting the efforts of the entire Pizzeys team.

This is a strong start and we will continue to focus our resources to achieve the best possible outcome.

Australia & New Zealand

In the 4 months to 31 October 2018, total patent filings in the Australian market have grown by 3.6% against the prior comparative period.

The IPH Group's filings as a whole, have grown in line with the market against the prior comparative period. This is after including the contribution of AJ Park's Australian filings in this year. The slight decline in the filings of the pre-existing business is a result of our client mix, and perhaps not unexpectedly, a small amount of disruption caused by the merger of FAKC and Cullens into Spruson & Ferguson from 1 July 2018 and the physical and operational restructuring the merger involved. We have not experienced any major client losses in that process.

Removing the positive tailwind of FX, revenue in Australia and New Zealand on a like-for-like basis has been relatively flat, reflecting the filing data as well as the focus on full operational integration of the three businesses in July and August. However, pleasingly we have still been able to achieve EBITDA growth against the prior comparative period reflecting the impact of continuing margin expansion programs, including flow-on benefits of the merger.

The AJ Park business has continued to trade in line with expectations, which includes an increase in EBITDA margin.

A reminder of the trend we have seen since listing, whereby the 2H has a slight weighting in terms of EBITDA contribution in comparison to the 1H. This percentage was 48%/52% in the prior year.

In summary, we are very pleased with the strong start to FY19, with like-for-like EBITDA growth for the Group and particularly strong growth from our Asian business. IPH's business model provides the potential for referral from our domestic filling clients into Asia and we continue to see this as a driver of potential growth into the future.

We would take the opportunity to remind shareholders that as we saw after the first half of FY18, there may be variations in monthly and even six-monthly filing activity from time to time, but that the driving forces for our market, including ongoing global innovation requiring IP protection, remain supportive.

Conclusion

Ladies and Gentlemen, IPH made significant progress during FY18 and I want to acknowledge and thank all of our people across the businesses for their hard work in delivering these results.

I also want to thank our shareholders for your continuing support of the Company and assure you of the Board's and my leadership team's continued focus and commitment to generating ongoing sustainable value for shareholders.