



## ASX Announcement

13 June 2019

### **Presentation by Dr Andrew Blattman to the Morgan Stanley Australian Emerging Companies Conference 2019**

Attached is a presentation to be given today by IPH's CEO & Managing Director, Dr Andrew Blattman, to the Morgan Stanley Australian Emerging Companies Conference 2019.

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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, Gold Coast, 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 was the first IP services group to list on the Australian Securities Exchange.



# IPH Limited

2019 Morgan Stanley Australian  
Emerging Companies Conference  
13 June 2019

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Presented by:

Dr. Andrew Blattman Managing Director / CEO, IPH Limited

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# Introduction

What we'll be covering today



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# Business snapshot

Leading intellectual property group in Asia-Pacific



**630**  
Employees (FY18)

80 Principals  
167 Professional Staff  
383 Support Staff

**15**  
Offices

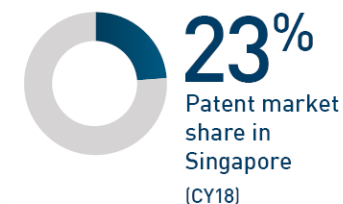
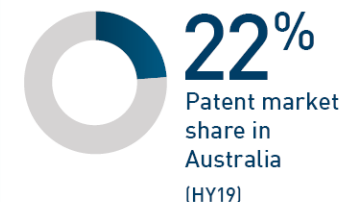
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IP jurisdictions

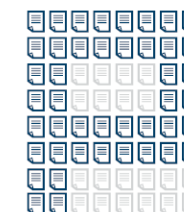
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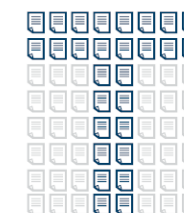
**PIZZEYS**  
Patent and Trade Mark Attorneys



**Nº1**  
Patent group in Australia, New Zealand and Singapore



**19K+**  
Patent filings (FY18)



**8.5K+**  
Trademark filings (FY18)

# Realising our vision

To be the leading IP group in **secondary** IP markets



## ● What are primary IP markets?

The primary IP markets, which include **USA**, **Japan**, **Western Europe**, and **South Korea** generate the majority of IP rights and clients by value

## Secondary IP markets

- Countries outside of the primary IP markets
- IPH operates in eight secondary IP markets: Australia, New Zealand, Singapore, Thailand, Malaysia, Indonesia, China and Hong Kong

# Patent lifecycle

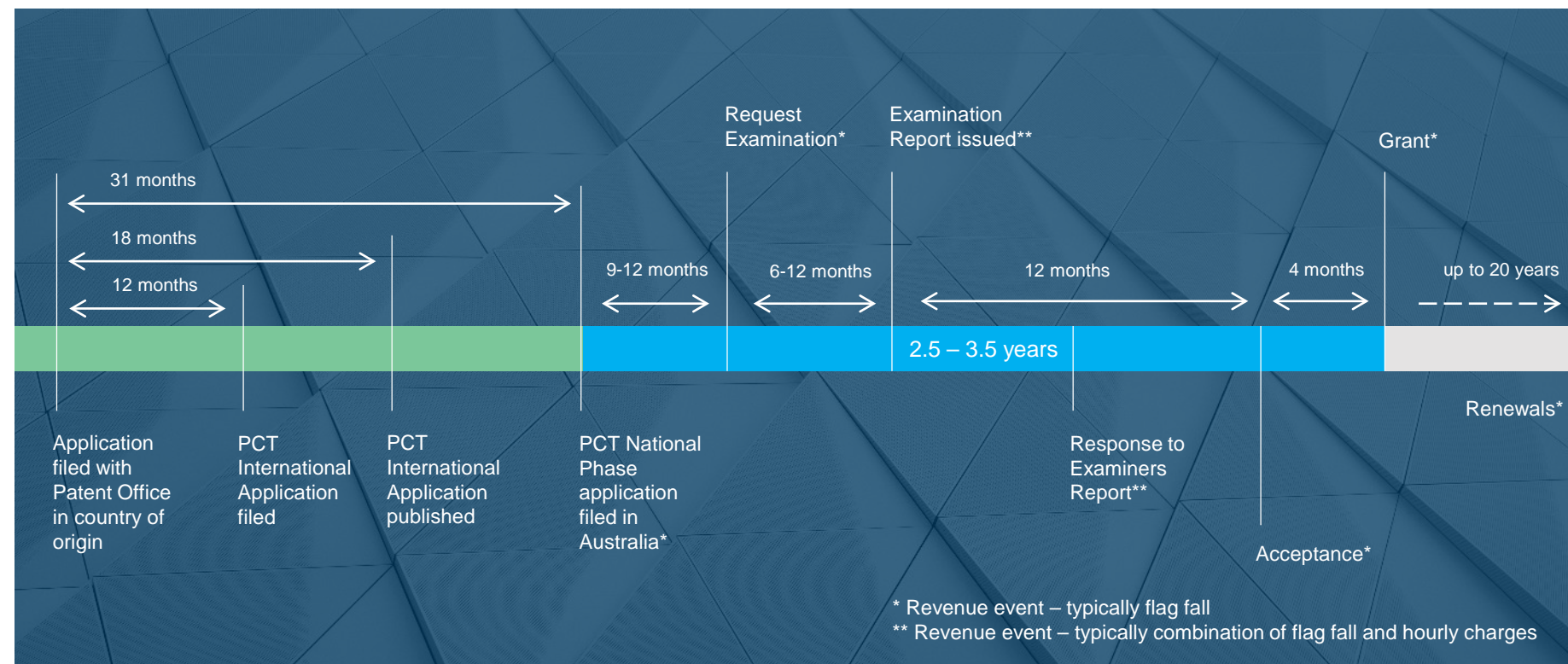
Long-life IP cycle supports consistent revenues and earnings



A common point of entry for an Australian patent application is via the PCT system in the form of PCT National Phase patent applications.

- The process from filing the Australian application (or entering the Australian national phase) to grant of a patent typically takes 2.5-3.5 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.

## Typical (indicative) foreign patent application route in Australia



Source: IP Australia. The IPH management estimate based on patent applications filed in Australia in CY18.

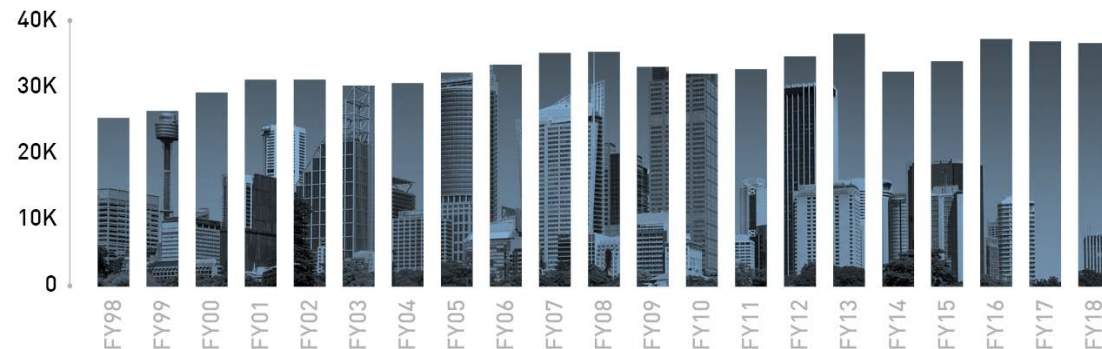
# Patent market trends

Steady domestic market with strong growth in Asia

## Australian patent filings

- Steady growth – long term filing growth rate of 1.9%
- IPH revenue growth higher from market share initiatives

**FY98 - FY18 | CAGR = 1.9%**



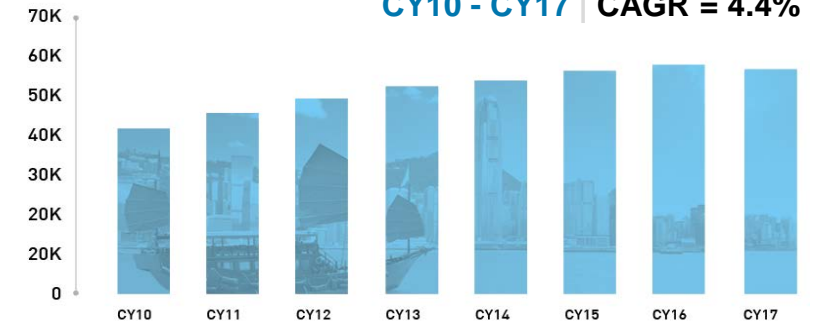
Based on filing information recorded by IP Australia at 17 Apr 18 (FY98-FY14) and 3 Aug 18 (FY15-FY18). Includes all types of patent applications.



## Asian patent filings (excl. China)

- Asian market growth at faster rate – 4.4%
- Significant opportunity for IPH

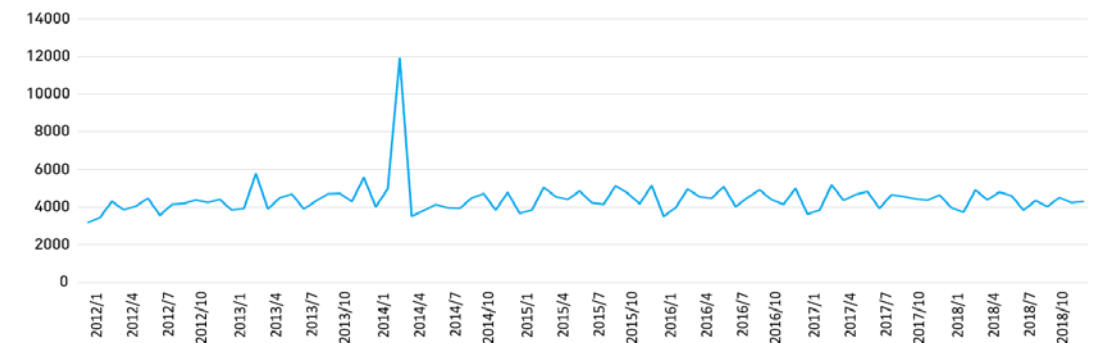
**CY10 - CY17 | CAGR = 4.4%**



Based on filing information as recorded by WIPO at Dec 18. Incl. Hong Kong, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. CY12 patent filing numbers for Indonesia are not available from WIPO; an average of CY11 and CY13 filing numbers used for Indonesia.

## US PCT applications

- Best lead indicator for filings in secondary markets – continues to be stable

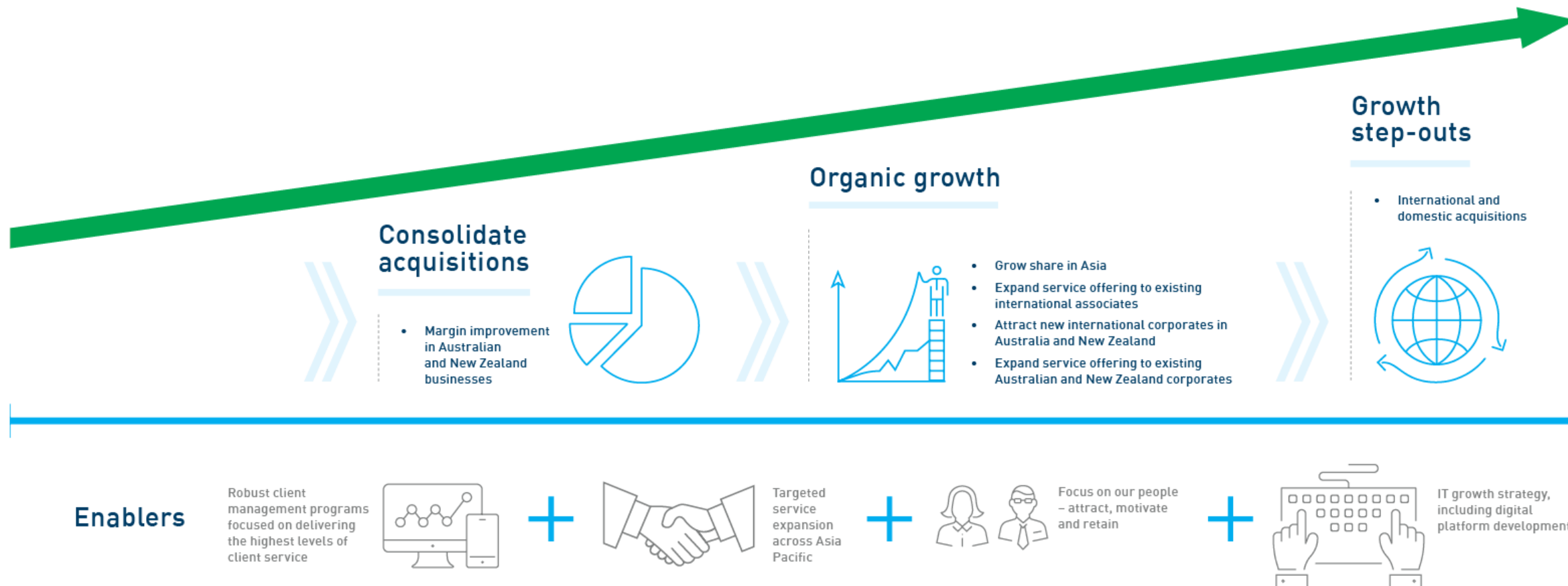


Based on US PCT patent applications filed as recorded by WIPO IP Statistics Data Center at Mar 19.



# Strategic direction

IPH growth strategy



# Leverage IPH's established Asia Pacific platform

Existing platform across the Asia Pacific region providing significant opportunities



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IPH has an established and substantial Asia Pacific geographic platform with 20 years' experience in Asia

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IPH Asia underlying 1H2019 revenue of \$43m and EBITDA of \$17m

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IPH provides an unparalleled service offering for clients into Asian markets

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"Network effect" of servicing clients in multiple jurisdictions

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# Proposed acquisition of Xenith IP



## Overview

- IPH and Xenith have entered into a Scheme Implementation Deed under which it is proposed IPH will acquire all of the shares in Xenith that it does not own by way of a scheme of arrangement (**Scheme**)
- The Xenith Directors recommend that Xenith shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert's Report concluding that the Scheme is in the best interests of Xenith shareholders
- The proposed combination of IPH and Xenith will draw on the strengths of each group's longstanding member firms and highly regarded IP attorneys, as a leading IP services provider in secondary IP markets

## Proposed Scheme

- Under the proposed Scheme, Xenith shareholders will receive for each Xenith share Standard Consideration of:
  - \$1.28 cash; and
  - 0.1261 IPH shares
- Represents a total value of \$2.15 per Xenith share based on IPH's closing price on 5 April 2019
- A 'Mix and Match' facility whereby Xenith shareholders can elect to receive up to 100% scrip consideration or 100% cash consideration subject to scale-back<sup>1</sup>

## Offer terms

- Conditions include termination of the QANTM scheme implementation deed, the Independent Expert's Report concluding that the Scheme is in the best interests of Xenith shareholders, Xenith shareholder approval, court approval, no material adverse change in either Xenith or IPH, no prescribed occurrences for either Xenith or IPH and other customary conditions
- Break fee of \$1.9m, no shop, no talk and other customary exclusivity provisions
- The ACCC announced on 28 March that it would not object to an acquisition of Xenith by IPH

## Indicative timetable

Dispatch of Scheme Booklet to Xenith shareholders	Week commencing 17 June 2019
Scheme Meeting for Xenith shareholders	Week commencing 22 July 2019
Second Court Date	Week commencing 29 July 2019
Effective Date	Next business day after Second Court Date
Implementation Date	Week commencing 12 August 2019

1. Allocation will be subject to scale-back (if necessary) on a pro rata basis to ensure that, for all of the Xenith shares to be acquired by IPH under the Scheme (which excludes any already owned by IPH), the maximum cash consideration payable by IPH is ~\$91.4m and maximum shares to be issued by IPH is ~15.6m

# Benefits for IPH shareholders

Consistent with IPH's strategy to pursue acquisitions with strategic and financial merit



## Strategic rationale

✓ **Unique domestic acquisition opportunity** to acquire leading domestic brands with over 100 years of history and strong reputation in the global IP industry

✓ **Top tier clients** both international and domestic

✓ **Complementary combination** of Australian IP firms in terms of their key service offerings, heritage and client focussed cultures

✓ **Leveraging IPH's Asia platform** to service Xenith's top tier client base providing significant opportunities

✓ **Participating in market consolidation** with IPH well positioned to pursue further growth opportunities

✓ **High quality people and businesses** driving the Xenith group are well known to IPH, with strong reputation in the IP industry

## Financial rationale

✓ **Immediately EPS accretive** to IPH earnings

✓ **Synergies** from the duplication of functions conservatively estimated to be achieved over three years

✓ **Maintain conservative gearing** position, with the offer funded from a combination of existing debt facilities and issuance of IPH shares

✓ **Combined pro forma impact**  
FY18 revenue in excess of \$350m (+56%)  
FY18 underlying EBITDA in excess of \$90m (excluding synergies) (+24%)

✓ **Opportunity to grow Asia filings** over time from Xenith's top tier client base

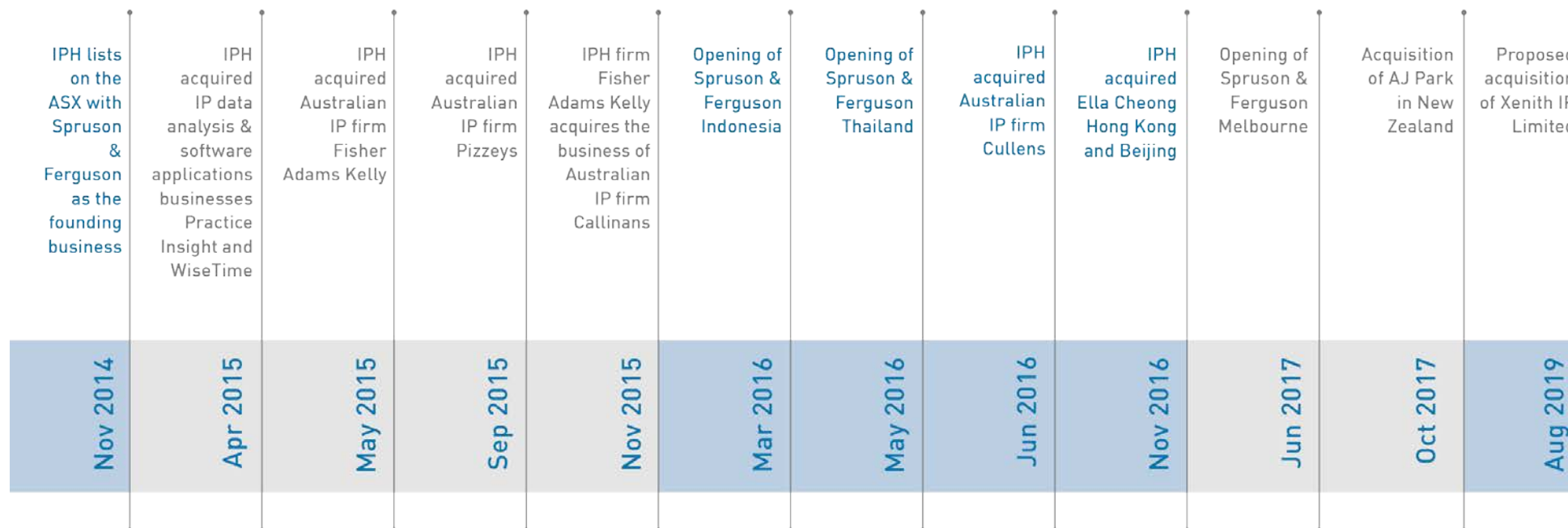


# Strong track record of acquisitions



IPH has a strong track record of successfully completing and integrating acquisitions

IPH has a strong track record of successfully completing acquisitions with a high rate of retention of ex-vendor Principals.



# In summary

Sustainable revenue and earnings with strong platform for further growth



## Positive industry and market fundamentals

IP long life cycle supports sustainable, long term revenue and earnings and strong cash generation

IPH has number one positions in core markets (Australia/NZ, Singapore) with scalable platform to drive further growth

Strong presence across the high growth Asian region provides significant opportunity to leverage network

## Strategy for growth

Leverage market leading positions in Australia/NZ and Singapore to increase market share

Further organic growth options through:

- Continuing to leverage existing network for growth in Asia/China
- Other market share initiatives
- Margin improvement

Potential inorganic growth through domestic and international acquisition opportunities



# Thank you

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professional services group

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