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ASX Announcement

Half Year Financial Results to 31 December 2015 ("HY16")

	Adjusted Earnings HY16	Adjusted Earnings HY15	Change %	Reported Earnings HY16	Reported Earnings HY15
Revenue	$69.0	$43.2	+60%	$69.0	$42.5
EBITDA	$32.1	$18.3	+75%	$29.3	$14.7
EBITDA %	46.5%	42.4%	+10%	42.5%	34.6%
NPAT	$23.4	$13.4	+75%	$18.5	$13.2
Diluted EPS	13.8c	8.3c	+66%	10.9c	8.2c
Dividend	11.0c	3.5c			

The Directors of IPH Limited announce the half year financial results for the six months ended 31 December 2015. The Company's adjusted Net Profit after Tax ("NPAT") for the half year was $23.4m, which equates to diluted earnings of 13.8c/share and compares to $13.4m in the previous corresponding period.

Managing Director, David Griffith said "the group has traded strongly over the last six months benefiting from the incremental earnings from the recent acquisitions, the continuing appreciation of the US$ and from the growth of the Spruson & Ferguson business."

Mr Griffith added "we are very pleased with the recent acquisitions of Pizzeys and Callinans. The new businesses the group has acquired over the last year are meeting our performance expectations. The institutional share placement and share purchase plan undertaken by the Company before Christmas received overwhelming support from shareholders, allowing the Company to raise net $108.5m. This new capital along with the Company's existing debt facilities will allow us to continue with the acquisition strategy over the next twelve months. We have a strong pipeline of acquisition opportunities both in Asia and Australia."

The Directors have considered the earnings of the group in the light of the non-cash adjustments affecting the reported results, and as a consequence have revised the Company's dividend policy to distribute 80-90% of earnings based on liquidity (adjusted NPAT). Based on this policy the Directors have declared an interim dividend of 11.0 cents per share (80% franked), with a record date of 2 March 2016 and payable on 23 March 2016. This dividend represents 87% payout of adjusted NPAT. The IPH Dividend Reinvestment Plan will not operate in respect of the interim dividend.

The Appendix 4D, the Half Year Report and results presentation have been lodged with the ASX and can also be found on IPH's website – www.iphltd.com.au

23 February 2016

Further Commentary

Adjusted earnings

HY16 adjusted earnings of the Group have been determined by adding back to reported earnings amounts eliminating the effect of acquisition balances adjustments and non-cash share based payments adjustments and in the previous corresponding period to also eliminate the effects of the IPO and restructuring of the Group. The Directors believe these adjustments show the adjusted operational results of the Group on the basis of how it has been constituted since the restructuring in late 2014. The adjustments are summarised in the following table:

Reported / Adjusted Results Reconciliation	HY16 $'m	HY15 $'m
Reported revenue	**69.0**	**42.5**
add: Spruson & Ferguson Lawyers pre-restructuring revenue	-	0.7
Adjusted revenue	**69.0**	**43.2**
Reported NPAT	**18.5**	**13.2**
add: deferred acquisition consideration net adjustments	1.4	-
add: impairment adjustment	0.9	-
add: amortisation of intangibles arising from business combinations	2.1	-
add: share based payments expenses	0.5	0.6
add: leave balances recognition arising from restructuring	-	0.4
add: IPO expenses	-	3.4
add: Spruson & Ferguson Lawyers earnings (net of distributions)	-	0.1
less: notional annualising of salaries and public company expenses	-	(0.9)
less: recognition of tax balances arising from the restructuring	-	(2.0)
less: notional tax charges	-	(1.4)
Adjusted NPAT	**23.4**	**13.4**

Acquisitions

On 30 September 2015 IPH completed the acquisition of Pizzeys Patent & Trade Mark Attorneys Pty Ltd ("Pizzeys"). Pizzeys was established over 20 years ago and is one of the fastest growing intellectual property ("IP") firms in Australia (based on patent filings at IP Australia). This year Pizzeys has become the fourth largest filer of patent applications at the Australian Patent Office. Pizzeys business is predominantly focussed on in-bound work into Australia from overseas IP associates and direct corporate clients. Pizzeys has offices in Brisbane and Canberra. Purchase consideration for the acquisition was $72.1m, with a potential additional earn-out payment based on FY16 earnings growth. The purchase consideration was settled 50% in cash and 50% in IPH shares and any earn out will be settled on the same basis. The number of IPH shares issued as consideration was determined based on an IPH share price of $5.41, being the volume weighted average price ("VWAP") prior to signing the purchase contract. The investment was taken up in IPH's accounts on the date of completion based on the IPH share price of $6.90. The earn out amount was valued at completion as part of the investment at $14.0m. The earn out liability was repriced at the period end, which resulted in a charge to the profit and loss of $2.3m. This amount has been reversed in the calculation of adjusted earnings.

On 2 November 2015 IPH's subsidiary Fisher Adams Kelly Pty Ltd acquired Callinans Patent and Trade Mark Attorneys business ("Callinans"). Callinans is a long established patent and trade mark attorney firm predominantly focussed on corporate clients and is based in Melbourne. The combined firm, has been renamed Fisher Adams Kelly Callinans. Purchase consideration for the acquisition was $5.5m and there are potential further earn-out amounts payable based on certain performance criteria. The purchase consideration was settled 50% in cash and 50% in IPH shares. The number of IPH shares issued as consideration was determined based on an IPH share price of $6.98, being the VWAP prior to signing the business purchase contract. The investment was taken up in IPH's accounts on the date of completion based on the IPH share price of $7.56. The earn out amounts were valued at completion as part of the investment at $3.8m. Subsequent to completion IPH has recognised a $1.1m write-back of earn out liability and an impairment charge of $0.9m in relation to one of the earn out performance criteria having not been met. The remaining earn out liability was repriced at the period end, which resulted in a charge to the profit and loss of $0.2m. These amounts have been reversed in the calculation of adjusted earnings.

The new businesses acquired over the last year have contributed EBITDA of $4.0m (net of acquisition costs) to the Group's results in the period. It is anticipated the contribution from the new businesses in the second half will be greater as IPH derives the benefit of the earnings of the newly acquired businesses for the whole of the period.

Acquisition intangibles

In the period the Company undertook valuations of the intangibles acquired with the new businesses purchased over the last year. This has resulted in $55.1m of intangibles being recognised on the balance sheet and adjusted against goodwill. The intangibles recognised comprise customer relationships, software and trade marks. As a consequence of the recognition of these intangibles, IPH has adopted new accounting policies to amortise customer relationships over 10 years and software over 4 years and to determine the carrying value of trade marks each reporting period under the requirements of AASB 136 (Impairment of Assets). As a result of the adoption of these polices an amortisation charge of $2.1m was recognised in the period. This charge has been reversed in the calculation of adjusted earnings.

Share-based payments

During the period the Company issued 285,985 performance rights and 210,916 retention rights under the terms of the Company's long-term incentive plan. These rights have been valued at $2.7m and will be expensed as share-based payments over the next three years. A share-based payments charge of $0.5m was recognised in the period. This charge has been written back in the calculation of the adjusted earnings.

Investment funding capacity

The institutional share placement and share purchase plan undertaken by the Company in the period resulted in the issue of 15,197,330 new IPH shares at $7.30/share. The capital raised from these issues totalled $108.5m (net of costs). This has allowed the Company to retire all borrowings and retain $77m in cash balances at 31 December 2015. Further, the Company has available undrawn bank facilities of $97.6m. The total funding capacity is ear-marked for further acquisitions over the next year.

For more information, please contact:
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About IPH Limited

IPH Limited ("IPH", ASX:IPH), the holding company of Spruson & Ferguson, Practice Insight, Fisher Adams Kelly Callinans and Pizzeys, 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, Singapore, Kuala Lumpur and supported by a representative office in Shanghai. The group comprises a multidisciplinary team of approximately 380 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 Stock Exchange.