

ASX Announcement

Full Year Financial Results to 30 June 2017 (“FY17”)

Strong Earnings and Dividend Growth

\$'m	Statutory Results	Statutory Results	Change %	Underlying Results	Underlying Results	Change %
	FY17	FY16		FY17	FY16	
Revenue¹⁾	\$186.0	\$157.5	+18%	\$186.0	\$157.5	+18%
EBITDA	\$68.7	\$59.5	+15%	\$71.6	\$65.0	+10%
EBITDA %	36.9%	37.8%	(2%)	38.5%	41.3%	(7%)
NPAT	\$42.9	\$38.8	+11%	\$51.2	\$46.9	+9%
Diluted EPS	22.3c	21.7c	+3%	26.7c	26.2c	+2%
Final Dividend	10.5c	10.0c	+5%			

1) Refer below regarding details to a change in accounting policy

The Directors of IPH Limited announce the full year financial results for the year ended 30 June 2017. The Company’s Statutory Net Profit after Tax (“NPAT”) for the year was \$42.9m, which equates to diluted earnings of 22.3c/share and compares to \$38.8m in the previous corresponding period. The Underlying NPAT for the year was \$51.2m, being a 9% increase over the previous corresponding period. Excluding the impact of the further investment in the Data and Analytics software division, the diluted EPS grew by 8% on a statutory basis and 6% on an underlying basis.

Underlying EBITDA was \$71.6M (an increase of 10% on the corresponding period). The strengthening of the AUD relative to the USD in June led to the recognising of unrealised exchange losses on the revaluation of USD dominated cash and receivables balances of approximately \$700k. Applying an AUD/USD exchange rate of 76.2c as provided with the Company’s EBITDA guidance of \$72M-\$74M in November, the reported underlying EBITDA would have been in excess of \$72m and within guidance range.

The Directors have declared a final dividend of 10.5 cents per share, of which 100% will be a franked dividend. The record date for determining entitlements to the dividend is 23 August 2017, and the dividend will be payable on 13 September 2017. The IPH Dividend Reinvestment Plan (DRP) will operate in respect of the dividend. All shareholders who have previously elected to participate will participate in the DRP. Shareholders who wish to change their election or make an election to participate should do so by 24 August.

Commenting on the results Managing Director, David Griffith said “these results represent a solid performance in light of the extremely strong comparative year of FY16 where the America Invents Act caused a spike in patent filings in the regions in which we operate. As expected we have seen a slight decline in filings from US clients in the current year however, pleasingly, this has been offset by growth in filings received from the rest of the world. We expect filing trends to normalise in FY18.”

Mr Griffith added “we are very pleased with the performance of the Ella Cheong (Hong Kong & Beijing) businesses since their acquisition which have been rebranded under the Spruson & Ferguson banner. These new businesses represent a key step in our strategy of building an intellectual property network in secondary markets, and strengthen our footprint in the important Chinese market.”

“The Company continues to evaluate acquisition opportunities in secondary markets, with a number of transactions at different stages of progression. The Company's existing debt facilities and operating cash flows will strongly position us to continue with our acquisition strategy over the next twelve months. We also continue to be focused on ensuring the success of our new established offices in Thailand and Indonesia and newly acquired offices in Hong Kong and Beijing, and will continue to review and assess appropriate non-organic growth opportunities by additions to our network.”

As announced on 2 May 2017, David Griffith will step down as Managing Director and CEO towards the end of 2017 after 43 years in the IP profession with Spruson & Ferguson and the Company. Chairman, Mr Richard Grellman said, “David has made an enormous contribution to the Spruson & Ferguson business and has transformed the IP industry in Australia through the listing of IPH Limited. This has led to the creation of an IP listed sector where in excess of 50% of patents filed in Australia are filed by firms within listed groups. David has also developed excellent professional and executive talent within the company that has enabled the Board to manage an orderly transition upon his retirement.

The Board is extremely pleased that Dr Andrew Blattman has accepted the role as CEO. Dr Blattman has more than twenty years' experience in IP and is currently CEO of Spruson & Ferguson, the largest entity within the IPH Limited group. Dr Blattman has a deep knowledge of the IPH business as well as the knowledge, skills and business acumen to drive IPH's strategy into the future.”

Further Commentary

Underlying earnings

The FY17 underlying earnings of the Group have been determined by adding back to statutory earnings amounts eliminating the effect of business acquisition adjustments, business acquisition costs, new business establishment costs and non-cash share based payments expenses. The adjustments are summarised in the following table:

Underlying / Statutory Results Reconciliations	FY17	FY16
	\$'m	\$'m
Underlying Revenue	186.0	157.5
Statutory Revenue	186.0	157.5
Underlying Net Profit after Tax (“NPAT”)	51.2	46.9
less: business acquisition adjustments (net)	1.2	(2.4)
less: amortisation of intangible assets arising from acquisitions	(7.7)	(5.0)
less: new business establishment costs	(0.2)	(1.1)
less: business acquisition costs	(2.6)	-
less: restructuring expenses	-	(1.2)
less: share based payments expenses	(1.3)	(0.8)
add: tax effect of adjustments	2.3	2.4
Statutory NPAT	42.9	38.8

The Appendix 4E, the FY17 Financial Statements and Results Presentation have been lodged with the ASX and can also be found on IPH's website – www.iphltd.com.au

1) Change in accounting policy

From 1 July 2016, the Group has changed its revenue recognition policy in relation to the treatment of filing fees paid to National IP bodies and recovered from clients. Under the new policy both payment and reimbursement of filing fees are recorded as gross revenue and expense in the Statement of Profit or Loss; previously they were netted off. The Group believes that recording filing fee transactions as gross provides information that is more relevant to the Group's business acting as principal for clients in preparing and lodging intellectual property applications with the relevant national bodies.

The 30 June 2016 comparative information has been amended to reflect the payment and receipt of filing fees which were paid by the Group and subsequently reimbursed by clients. During the prior year, filing fees totalling \$14.4m were shown as a net value rather being grossed up in the Statement of Profit or Loss. As a result, revenue disclosed for 30 June 2016 has been amended to \$157.5m (reported: \$143.1m) and agents fees expense has been amended to \$41.7m (\$27.3m). There has been no change to reported net profit, earnings per share or equity and reserve balances.

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About IPH Limited

IPH Limited ("IPH", ASX:IPH), the holding company of Spruson & Ferguson, Practice Insight, Fisher Adams Kelly Callinans, Pizeys and Cullens, 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, Jakarta, Shanghai, Beijing, Hong Kong and Bangkok. The group comprises a multidisciplinary team of approximately 450 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.