

ASX Announcement

Full Year Financial Results to 30 June 2018 (“FY18”)

Strong 2nd half performance drives growth in FY18 underlying EBITDA to \$74M

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FY18 Highlights

- Statutory NPAT of \$40.7m equating to Diluted EPS of 20.7 cents per
- Revenue up 21% to \$226.0m
- Underlying EBITDA up 3% to \$74.0m
- Underlying NPAT up 1% to \$51.9m
- Strong 2H performance from Asia - 16% revenue growth v PcP, supporting annualised revenue growth of 8%
- Recovery of Australian patent market in 2H; and outperformance of IPH Australian patent filings with 5.2% growth in 2H v PcP
- IPH subsidiary Practice Insight completes sale of Filing Analytics and Citation Eagle to CPA Global for \$10 million as separately announced
- Final Dividend of 11 cents per share, 50% franked; up 5% on FY17

\$m	Statutory Results	Statutory Results	Change %	Underlying Results	Underlying Results	Change %
	FY18	FY17		FY18	FY17	
Revenue	\$226.0	\$186.0	+21%	\$226.0	\$186.0	+21%
EBITDA	\$70.1	\$68.7	+2%	\$74.0	\$71.6	+3%
EBITDA %	31.0%	36.9%	(16%)	32.7%	38.5%	(15%)
NPAT	\$40.7	\$42.9	(5%)	\$51.9	\$51.2	+1%
Diluted EPS	20.7c	22.3c	(7%)	26.4c	26.7c	(1%)
Final Dividend	11.0c	10.5c	+5%			

IPH Limited (ASX:IPH), the leading intellectual property (IP) services group in the Asia Pacific region, today announced Statutory Net Profit After Tax (NPAT) of \$40.7 million, equating to diluted earnings per share (EPS) of 20.7 cents for the year ended 30 June 2018, compared to NPAT of \$42.9 million and diluted EPS of 22.3 cents in the prior year.

Underlying earnings before interest tax depreciation and amortisation (Underlying EBITDA) increased to \$74.0 million from \$71.6 million in the prior year. The basis for calculation of underlying earnings is contained in the table at the end of this announcement.

The Group delivered a strong second half result from increased earnings in its Asian business, out-performance in the Australian patent market, and earnings ahead of expectations from the AJ Park business in New Zealand acquired in October 2017.

Revenue for the full year increased by 21 per cent to \$226.0 million while Underlying NPAT increased by 1 per cent to \$51.9 million.

The Directors declared a final dividend of 11 cents per share, 50% franked, bringing the full year dividend to 22.5 cents per share. The full year dividend (91% of cash NPAT) is marginally above the Board's dividend policy to pay 80-90 per cent of cash NPAT as dividends. The record date for determining entitlements to the final dividend is 22 August 2018 with scheduled payment on 12 September 2018. The IPH Dividend Reinvestment Plan (DRP) will not operate in respect of the final dividend.

Like -for-Like Comparison – Improvement in second half performance

On a 'like-for-like' basis, revenue increased by 2 per cent on the prior year. On the same like-for like basis, EBITDA declined by 3 per cent on an annualised basis, however increased by 5 per cent in the 2H against the prior comparative period.

The like-for-like comparison reflects adjustments for the impact of new acquisitions during the year and foreign exchange movement.

Revenue \$'m	Underlying Revenue FY18	New Businesses	FX	Like-for-like Revenue Jun18	Underlying Revenue Jun17	YoY Chg%	1H Chg%	2H Chg%
Australia & NZ IP	155.4	(33.7)	0.2	121.9	123.2	(1%)	(5%)	5%
Asian IP	78.0	(4.4)	0.3	73.9	68.6	8%	4%	16%
Data Services	1.2			1.2	0.7			
Corporate	(1.2)		0.9	(0.3)	(0.2)			
Eliminations	(7.3)			(7.3)	(6.3)			
	226.0	(38.1)	1.4	189.4	186.0	2%	(1%)	8%

EBITDA \$'m	Underlying EBITDA FY18	New Businesses	FX	Like-for-like EBITDA Jun18	Underlying EBITDA Jun17	YoY Chg%	1H Chg%	2H Chg%
Australia & NZ IP	54.1	(5.5)	0.2	48.8	50.6	(3%)	(2%)	3%
Asian IP	31.1	(0.7)	0.5	31.0	29.6	5%	3%	18%
Data Services	(2.7)			(2.7)	(2.5)			
Corporate	(8.4)		0.9	(7.4)	(5.6)			
Eliminations	(0.2)			(0.2)	(0.4)			
	74.0	(6.1)	1.6	69.5	71.6	(3%)	(3%)	5%

Results Commentary

Commenting on the results, Chief Executive Officer, Dr Andrew Blattman, said the Company had delivered a strong second half performance while continuing to implement its strategy to enhance its competitive platform for future growth.

"It was pleasing to see the Group's second half performance improving in line with our comments provided at the interim result in February," he said.

"In the Australian IP business, the Australian patent market recovered in the second half with total 2H18 filings increasing by 1.6 per cent compared to 2H17. The IPH Group outperformed the market with filing growth of 5.2 per cent over the prior comparative half year period. The IPH combined group market share maintained its number one position with 23.8 per cent of filings for FY18. Like-for-like revenue for the Australian IP business increased by 5 per cent in 2H18 compared to 2H17.

“The earnings contribution of AJ Park in New Zealand exceeded expectations, and this acquisition has also extended our Asian service offering to AJ Park’s local and international clients.

“As foreshadowed at the interim result, we have now successfully completed the merger of Fisher Adams Kelly Callinans (FAKC), Cullens and Spruson & Ferguson under the Spruson & Ferguson brand. This deepens Spruson & Ferguson’s expertise and geographic reach in the Australian market. It also provides an enhanced platform to support our continued growth in the Asia-Pacific region. We expect to generate cost synergies from this merger of approximately \$1 million in FY19, having already derived a level of savings in FY18. One-off restructuring costs of \$1 million, as well as the non-cash write-off of the Cullens and FAKC brand names of \$2.1 million, were incurred in FY18 in order to enable the FY18 and forecast cost savings. This non-cash write-off has impacted statutory NPAT.

“Our Asian business delivered a very strong performance in the second half resulting in full year like-for-like revenue growth of 8 per cent and EBITDA growth of 5 per cent. The Asian business continues to leverage our expanded platform in the region with an increase in the number of cases transferred from new and existing clients.

“As separately announced, IPH’s wholly-owned subsidiary, Practice Insight Pty Limited, has sold two of its product suite, Filing Analytics and Citation Eagle, to CPA Global for \$10 million.”

Priorities for FY19

For FY19, IPH’s priorities remain focused on maintaining its leading position in Australia and Singapore and expanding market share in other higher growth Asian jurisdictions.

In **Australia/NZ**, IPH is focused on leveraging its number one position for patent filings while seeking to expand market share to deliver sustainable revenue and earnings growth. The Group will continue to focus on margin improvement initiatives in its AJ Park business and from efficiencies gained through the successful merger of FAKC and Cullens into Spruson & Ferguson.

In **Asia**, IPH will focus on maintaining its leading market share position in Singapore and expanding its share in other SE Asian higher growth markets, with a particular focus on building its position in China.

The Group will benefit from lower net costs in the **Data and Analytics Software** business following the sale of the Filing Analytics and Citation Eagle products. The sale also enables that business to focus on its autonomous activity monitoring tool Wise Time.

IPH continues to seek to attract, motivate and retain people across the business, including the retention of key Principals.

Underlying earnings

The internal reporting that is regularly provided to the chief operating decision makers includes financial information prepared on both a statutory and underlying basis. It is considered important to include the financial information on an underlying basis as this reflects the ongoing or underlying activities of the Group and excludes items that are not expected to occur frequently and do not form part of the core activities of the Group.

The adjustments to statutory earnings in order to calculate underlying earnings are summarised in the following table:

Underlying / Statutory Results Reconciliations	FY18 \$'m	FY17 \$'m
Underlying Revenue	226.0	186.1
Statutory Revenue	226.0	186.1
Underlying Net Profit after Tax ("NPAT")	51.9	51.2
less: business acquisition adjustments (net)	0.6	1.1
less: amortisation of intangible assets arising from acquisitions	(9.4)	(7.7)
less: new business establishment costs	(0.8)	(0.1)
less: business acquisition costs	(1.0)	(1.8)
less: restructuring expenses	(2.1)	-
less: impairment of intangibles	(2.1)	-
less: share based payments expenses	(0.7)	(1.3)
add: tax effect of adjustments	4.3	1.5
Statutory NPAT	40.7	42.9

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, Pizeys 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 more than 650 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.