



# 2018 Full Year Results Investor Presentation

Year ended 30<sup>th</sup> June 2018

16<sup>th</sup> August 2018

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# Financial year 2018 highlights

# 01

# Operational highlights

Delivering results in key areas of focus in the second half



## Key focus areas for 2<sup>nd</sup> half FY18

**01** Australian market and IPH patent filings

**02** Asian revenue and earnings growth


**03** Strategic clarity on Data and Analytics Software


**04** AJ Park contribution


**05** Merger of FAKC / Cullens and Spruson & Ferguson


**06** Retention of Vendor Principals


## Results for FY18


 IPH companies out-perform patent filing market

 Strong second half performance of Asian business

 Successful divestment of IP data products and re-focus on WiseTime business

 AJ Park outperformance due to margin expansion

 Businesses successfully integrated with expected synergies of \$1m in FY19

 Overwhelming majority of Pizzeyes and FAKC Vendor Principals coming off employment periods re-commit for further periods with IPH

# Financial highlights

Strong second half with scope for further improvement



Revenue  
**\$226m**

21.5% ↑

EBITDA  
**\$70.1m**

2.1% ↑

NPAT  
**\$40.7m**

5.2% ↓

Diluted EPS  
**20.7 cents per share**

7.3% ↓

FY Dividend  
**22.5 cents per share**

2.3% ↑

Underlying EBITDA  
**\$74.0m**

3.3% ↑

Underlying NPAT  
**\$51.9m**

1.4% ↑

Underlying Diluted EPS  
**26.4 cents per share**

1.1% ↓

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# Market overview

# 02



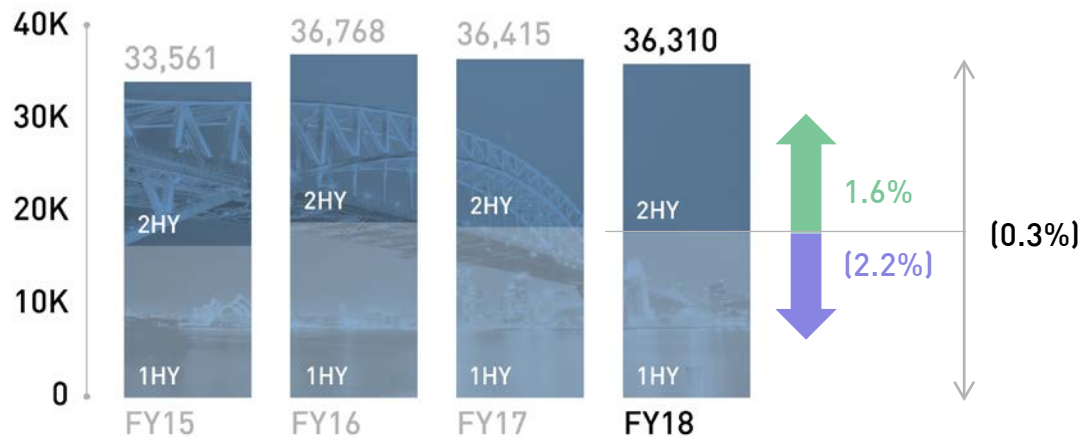
# Patent market - Australia

IPH Group filings grew by 5.2% in 2H vs PcP



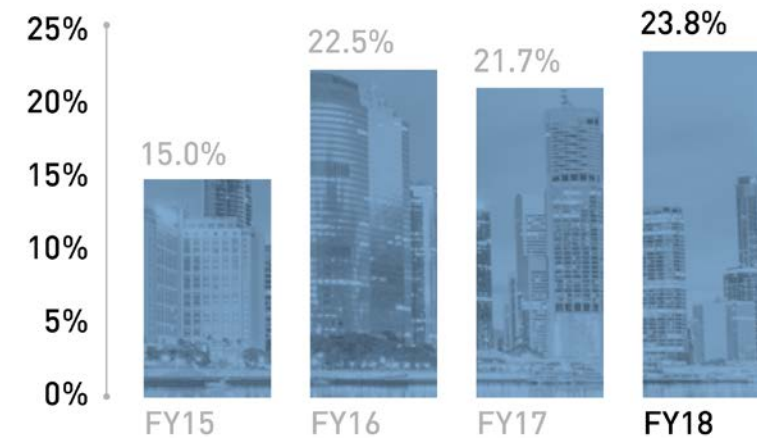
## Australian patent market filings<sup>1</sup>

- Annual decline in market of 0.3% (105 cases), however, the second half growth of 1.6% is in line with the medium trend
- Review of US PCT filings (a key lead metric) indicates stability
- Similarly, the percentage of these filings into Australia is also stable



## IPH filings and Group market share<sup>2</sup>

- IPH Group filings grew by 1.7% in FY18
- In 2H, IPH Group filings grew by 5.2%
- Combined, the IPH group continues to hold the No.1 patent market position in Australia with 23.8% of patents filed
- The AJ Park group (filing into Australia) made up of 1.6% of filings in FY18<sup>3</sup>
- Organic market share growth of 0.5% (2.3% growth in market share year on year)



1. IPH Management estimate based on filing information as recorded on IP Australia as at 3 Aug 2018. Includes all types of patent applications.  
 2. IPH Management estimate based on share of agents recorded with IP Australia as at 3 Aug 2018 for FY18 and 6 Jul 2018 for FY15 - FY17 and may not reflect any change of agent recorded since filing. IPH Group market share includes filings by the following entities: FY15 - SF & FAKC, FY16 and FY17 - SF, FAKC, Pizzeys, Cullens, FY18 - SF, FAKC, Pizzeys, Cullens and AJ Park.  
 3. Acquired companies filings are included from the first day of the relevant period.

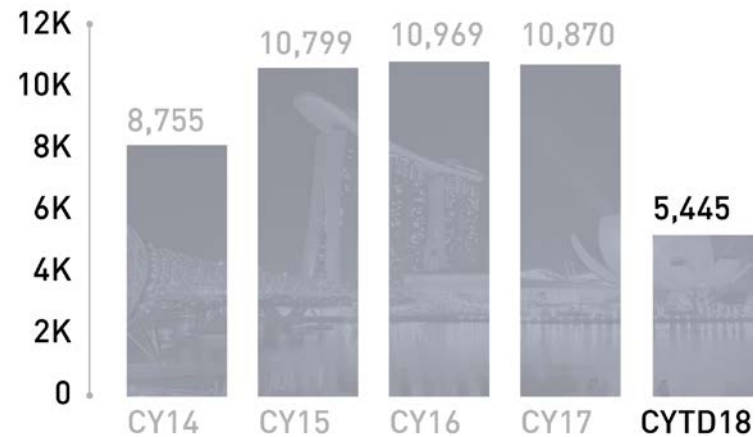
# Patent market - Singapore

IPH Group continues to hold number 1 patent market position



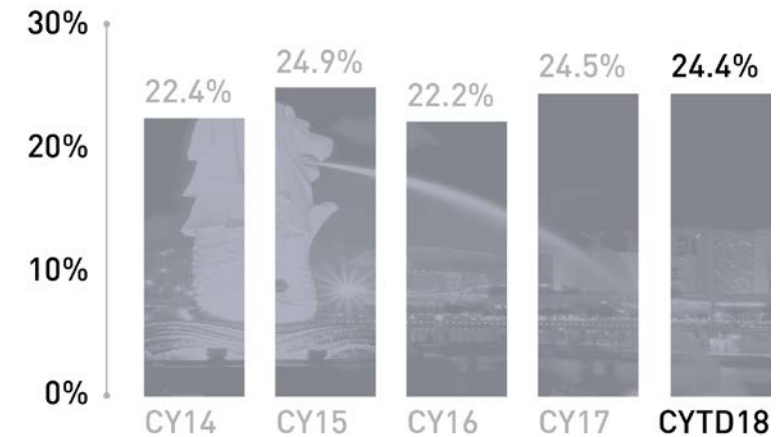
## Singapore patent market filings<sup>1</sup>

- Overall Singapore market down 1% (99 cases), from CY16 to CY17
- In CYTD18 (30 June 2018), the overall market was flat, however IPH Singapore filings have grown by 1.5%



## IPH filings and Group market share<sup>2</sup>

- IPH Group filings up 9.7% in CY17 over CY16
- Combined, IPH Group continues to hold the No.1 patent market position in Singapore with 24.4% of patents filed
- Pizzeys Singapore filings tripled in CY17 to 124 cases and in the current calendar year has already filed 133 cases



1. CY14-CY17 - IPOS reported filing statistics - IPOS statistics. CYTD18 - IPH management estimates based on filings data records at IPOS as at approx. 2 Aug 18.

2. IPH management estimates based on share of agents recorded with IPOS on 2 Aug 18. CYTD18 as at approx. 2 Aug 18, 9 Jul 18 (CY17 patent filing), 10 Aug 17 (CY16 patent filing), 4 Feb 16 (CY15 patent filings) & 6 Aug 15 (CY14 patent filings) and may not reflect any change of agent recorded since filing. In CY16, CY17 and CYTD18 IPH's percentage of market share represents patent filing by SF (Asia) and Pizzeys over total number of applications filed in Singapore.



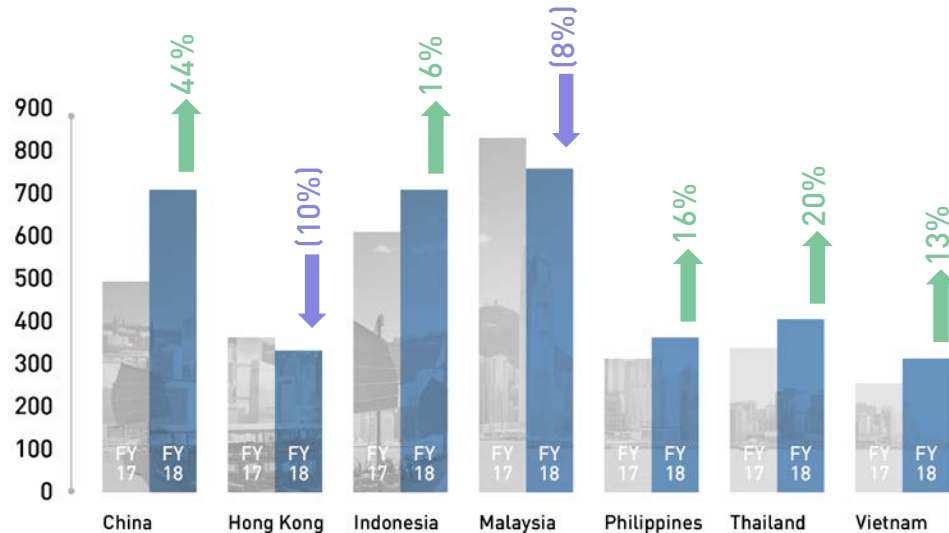
# Patent market - Asia

IPH growth driver



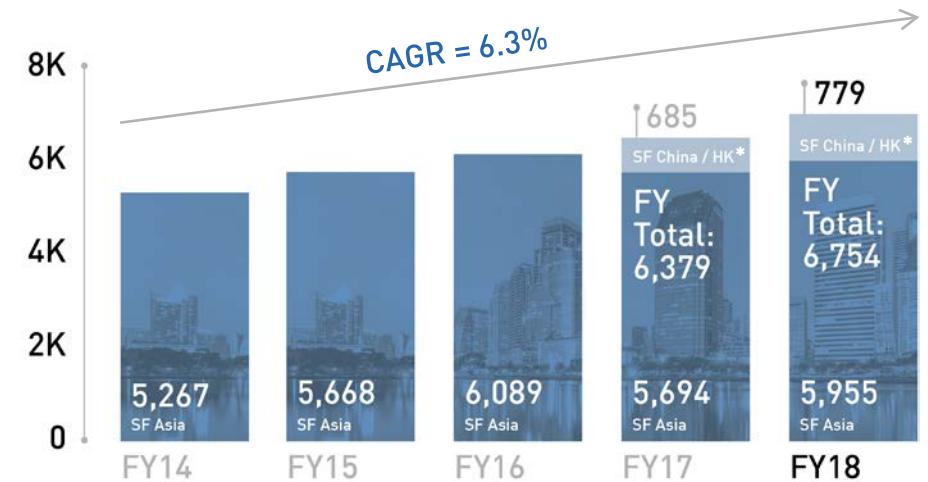
## IPH Group filings in key jurisdictions in Asia<sup>1</sup>

- Strong growth exhibited in China (44%) and Indonesia (16%) in FY18
- Total growth in these jurisdictions in FY18 was 12.5%



## Total patent filings by IPH Asian entities (all countries)<sup>2</sup>

- Filings by IPH Asian entities have grown by 5.6% in FY18 (all locations)
- Solid long term historical growth profile for the region



1. IPH management analysis based on total incoming/outgoing patent applications filed by IPH Group entities in key jurisdictions in Asia.  
 2. IPH management analysis based on total incoming/outgoing patent applications filed by SF (Asia) in FY14-FY18; excludes applications referred by IPH's Australian entities and applications filed by SF Thailand and Indonesian offices.  
 \*In FY17-18 total incoming/outgoing patent filings by SF (China/HK) exclude applications referred by IPH's Australian entities. Applications filed by SF (China/HK) are those filed by the firm across the entire financial year.

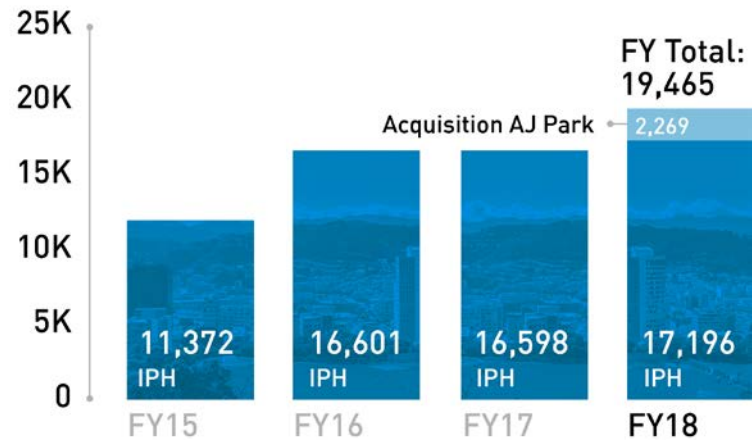
# Filings by IPH companies

Underpins future earnings and growth



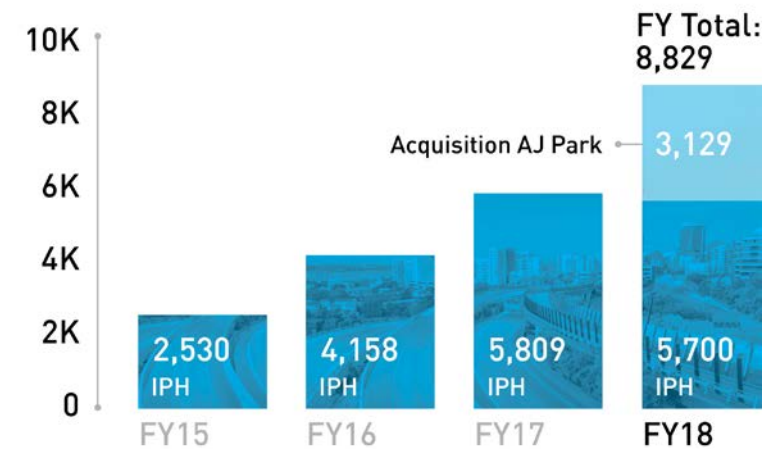
## Patent filings by IPH Group<sup>1</sup>

- Total patent filings by IPH companies increased by approximately 17% in FY18 (combination of organic and acquisition growth)



## Trade mark filings by IPH Group<sup>1</sup>

- Significant increase in trade mark filings due to the acquisition of substantial trade mark practices of Spruson & Ferguson (HK/China) in FY17 and AJ Park in FY18



1. IPH management estimate based on internal filing information. FY16 and FY17 include SF (Australia), SF (Asia), FAKC, Pizeys and Cullens. Additionally FY17 also includes filings by SF (China/HK) entity. FY18 includes filings by AJ Park (acquired in FY18). All incoming/outgoing patent/trademark applications filed either directly or indirectly (through an agent) by IPH companies, including where incoming / outgoing agent is IPH entity. Applications filed by SF (China/HK) and AJ Park are those filed by the firm across the entire financial year.

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# FY18 Results

# 03

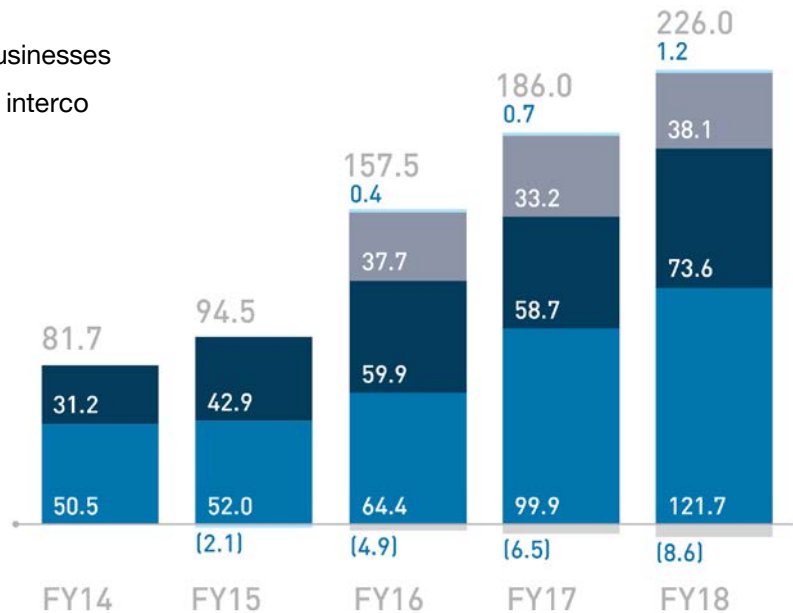
# Revenue and EBITDA

Strong revenue and earnings growth – organically and by acquisition



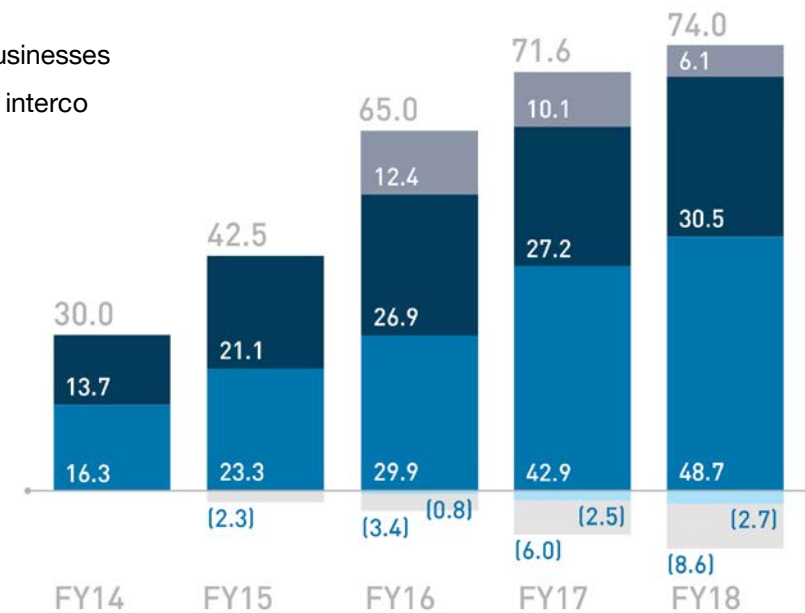
## Underlying Revenue \$'m

- Australia IP
- Data & analytics services
- Asia IP
- New businesses
- Corp & interco



## Underlying EBITDA \$'m

- Australia IP
- Data & analytics services
- Asia IP
- New businesses
- Corp & interco



1. Revenue from FY16 onwards includes the gross amount of the reimbursement by clients of official filing fees paid to national bodies. Previously these fees were recorded on a net basis. Previous periods have not been amended.  
 2. Underlying EBITDA excludes costs incurred in pursuit of acquisitions, revaluations of deferred settlements & earn outs, new business establishment costs and accounting charges for share based payments.  
 3. New Businesses FY18 includes the following: 4 months of Ella Cheong and 8 months of AJ Park.

# Like for Like revenue and EBITDA

Asia delivers strong 2<sup>nd</sup> half



	Underlying Revenue FY18	New Businesses	Accounting FX Movements	Currency Adjustment	Like for Like Revenue Jun 18	Underlying Revenue Jun 17	YoY Chg %	H1	H2
Australia & NZ IP	155.4	(33.7)	(0.9)	1.1	121.9	123.2	(1%)	(5%)	5%
Asian IP	78.0	(4.4)	(0.5)	0.9	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)	(0.5)	1.9	189.4	186.0	2%	(1%)	8%

	Underlying EBITDA FY18	New Businesses	Accounting FX Movements	Currency Adjustment	Like for Like EBITDA Jun 18	Underlying EBITDA Jun 17	YoY Chg %	H1	H2
Australia & NZ IP	54.1	(5.5)	(0.9)	1.1	48.8	50.6	(3%)	(2%)	3%
Asian IP	31.1	(0.7)	(0.5)	1.0	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)	(0.5)	2.1	69.5	71.6	(3%)	(3%)	5%

1. Underlying EBITDA excludes costs incurred in pursuit of acquisitions, revaluations of deferred settlements & earn outs, new business establishment costs and accounting charges for share based payments.
2. New Businesses FY18 includes the following: 4 months of Ella Cheong and 8 months of AJ Park.

# Underlying NPAT and EPS



Year ended 30 June 2018 \$'m	FY18 Statutory Income Statement	Adjustments	Underlying Earnings FY18 <sup>2</sup>	FY17 Statutory Income Statement	Adjustments	Underlying Earnings FY17
Total revenue	226.0		226.0	186.0		186.0
Recoverable expenses	(66.0)		(66.0)	(51.0)		(51.0)
	160.0		160.0	135.0		135.0
Compensation	(65.3)	0.7	(64.6)	(49.0)	1.3	(47.7)
Occupancy	(9.0)		(9.0)	(5.4)		(5.4)
New businesses / acquisitions related net expenses	(3.3)	3.3	0.0	(1.6)	1.6	0.0
Other	(12.4)		(12.4)	(10.3)	1.2	(10.3)
<b>Total expenses</b>	<b>(89.9)</b>		<b>(86.0)</b>	<b>(66.3)</b>		<b>(63.4)</b>
EBITDA	70.1		74.0	68.7		71.6
EBITDA %	31.0%		32.8%	36.9%		38.5%
Depreciation & Amortisation	(13.1)	9.4	(3.7)	(10.4)	7.7	(2.7)
Impairment of intangibles	(2.2)	2.2	0.0	0.0		0.0
EBIT	54.9		70.3	58.3		68.9
Net Finance Costs	(1.5)		(1.5)	(1.1)		(1.1)
NPBT	53.4		68.8	57.2		67.8
Tax (expense) / benefit	(12.6)	(4.3)	(16.9)	(14.3)	(2.3)	(16.6)
NPAT	40.7	11.2	51.9	42.9	8.3	51.2
Diluted EPS (cents) <sup>1</sup>	20.7c		26.4c	22.3c		26.7c

1. Diluted EPS includes performance and retention rights that are yet to vest.

2. Underlying EBITDA excludes costs incurred in pursuit of acquisitions, revaluations of deferred settlements & earn outs, new business establishment costs and accounting charges for share based payments. Underlying NPAT excludes amortisation expense on intangible assets arising from acquisitions.

# Cash flow statement

Cash conversion remains strong despite short term impacts in FY18



## Commentary

- High proportion of earnings are converted to cash
- Strong cash flows support a high dividend pay-out (91% of cash NPAT in FY18)
- Cash conversion in FY18 has shown a marginal decline due to the impact of the strong final quarter sales, particularly in Asia, which will be collected in the first quarter, and the impact of acquisitions with a slower cash conversion cycle. None of these factors represent a permanent structural decline.

Year ended 30 Jun 2018 \$'m	FY18 Cash Flow Statement	FY17 Cash Flow Statement
Statutory EBITDA	70.1	68.7
Non-cash movements	(0.0)	0.1
Change in working capital	(5.1)	(0.1)
Operating capital expenditure	(4.0)	(3.3)
<b>Cash flow before acquisitions, financing activities and tax</b>	<b>61.0</b>	<b>65.4</b>
<i>Cash conversion ratio</i>	<i>87%</i>	<i>95%</i>
Income taxes paid	(17.0)	(17.7)
Net interest paid	(1.5)	(1.1)
<b>Free cash flow</b>	<b>42.2</b>	<b>46.6</b>
Dividends paid (net DRP)	(38.0)	(40.4)
<b>Undistributed free cash flow</b>	<b>4.2</b>	<b>6.2</b>
Acquisitions, investments & intangibles	(38.6)	(39.1)
Share buy back	(2.7)	-
Net borrowing proceeds/(repayments)	39.0	-
<b>Net cash flow</b>	<b>1.8</b>	<b>(32.9)</b>

# Balance sheet

Strong balance sheet



## Commentary

- \$26.2m cash
- \$40.1m of bank borrowings
- Undrawn bank facilities of \$48.0m available
- Intangibles increase from acquisition of AJ Park
- Deferred tax liabilities related to acquisition intangibles
- Proceeds of the Data Analytics sale will be used to pay down debt. Expected net interest expense of \$1.2-1.5m in FY19.

\$'m	Balance Sheet as at 30 Jun 2018	Balance Sheet as at 30 Jun 2017
Cash and cash equivalents	26.2	24.4
Trade and other receivables	57.1	38.0
Other current assets	5.3	3.4
<b>Total current assets</b>	<b>88.6</b>	<b>65.8</b>
PP&E	6.2	3.0
Acquisition intangibles & other goodwill	266.3	212.9
Deferred tax asset	6.6	5.1
<b>Total assets</b>	<b>367.9</b>	<b>287.0</b>
Trade and other payables	16.7	11.2
Tax provisions	6.3	6.9
Deferred tax liability	22.9	18.7
Borrowings	40.1	-
Other liabilities	14.3	10.5
<b>Total liabilities</b>	<b>100.3</b>	<b>47.3</b>
<b>Net assets</b>	<b>267.6</b>	<b>239.7</b>
<b>Equity</b>		
Issued capital	262.8	233.6
Reserves	(11.5)	(12.3)
Retained profits	16.3	18.4
<b>Total Equity</b>	<b>267.6</b>	<b>239.7</b>



# Impact of foreign currency

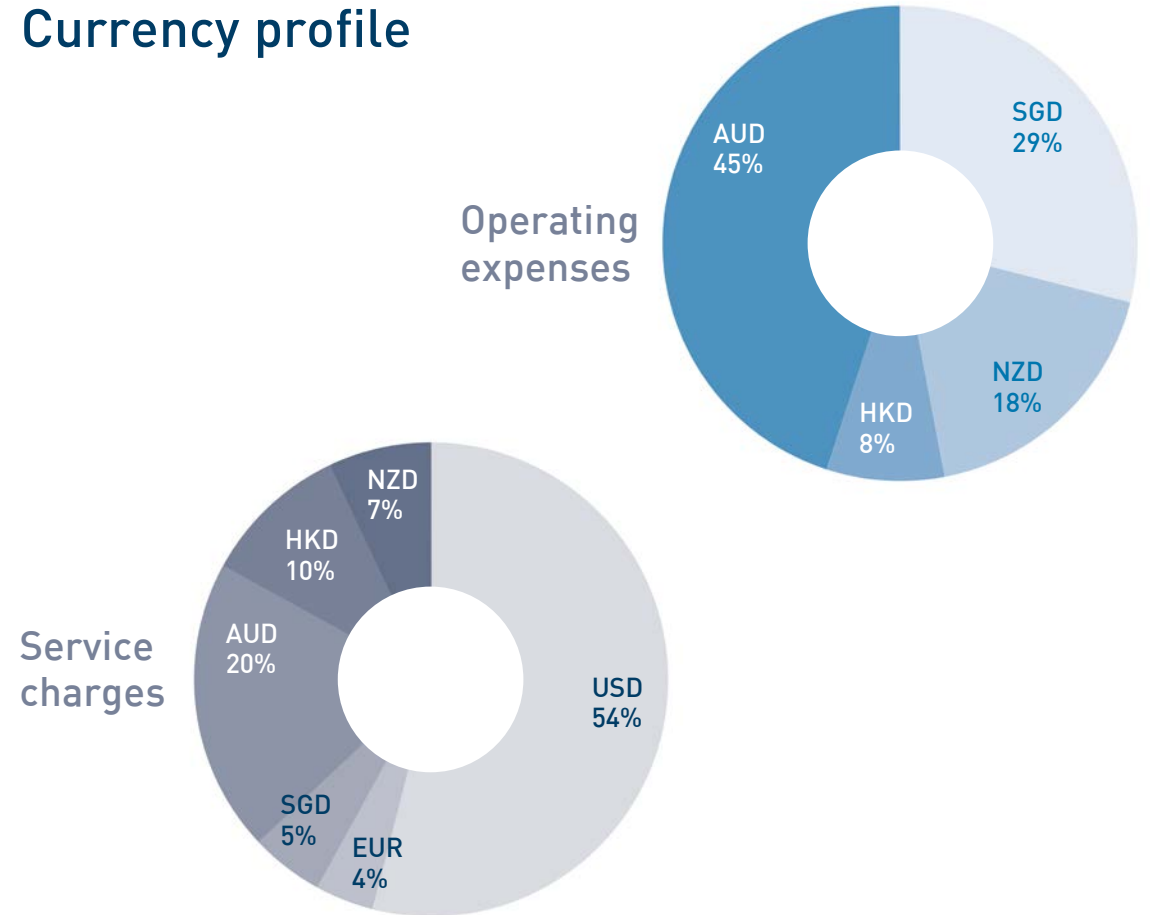
## Earnings currency sensitivity

- Based on the USD profile in FY18, a 1c movement in the AUD/USD exchange rate equates to approximately \$1.3m of revenue on services charges on an annualised basis.
- This sensitivity fluctuates on the basis of acquisitions, their timing and their mix of currencies.

## Balance sheet sensitivity

- The Group is also exposed to FX on the level of its USD denominated cash and receivables in the balance sheet, balances of which fluctuate.
- 54% of the Group's invoicing is denominated in USD.<sup>1</sup>
- Average USD cash<sup>2</sup> held US\$8m.
- Average USD monetary assets (including cash)<sup>3</sup> US\$15m.
- USD debt drawn of US\$26m.

## Currency profile



1. Excludes USD billing in SF Hong Kong where HKD is pegged to USD. IPH exposure is to HKD.  
2. Average of closing monthly USD cash balance.  
3. Average of opening and closing USD denominated assets.

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# Operations review

# 04



# Operational highlights

Strengthening and consolidating the IPH Group



## Three firms now operating as Spruson & Ferguson

- FAKC and Cullens are now fully integrated into the Spruson & Ferguson business and are operating as Spruson & Ferguson from 30 June 2018
- FAKC and Cullens offices have been consolidated to one primary office in Brisbane and a satellite office on the Gold Coast
- FY19 incentive plans are being rolled out to all eligible Queensland Spruson & Ferguson staff for FY19
- Clients of FAKC and Cullens now have direct access to Spruson & Ferguson's service offering across Asia Pacific
- Cost savings of approximately \$1m are expected in FY19

## AJ Park acquisition

- Outperformance through margin expansion EBITDA NZ\$6.25m vs forecast NZ\$5.5m
- Business Improvement program implemented post acquisition
  - Australian office closed
  - Process review underway
- Referral synergies to Asia have commenced
- Full 12 months EBITDA contribution for AJ Park ~NZ\$9.5-10m expected in FY19

## Streamlined patent filing capability in China

- S&F successfully established an exclusive arrangement with an independent Chinese patent agency (Beijing Pat SF Intellectual Property Agency Co Ltd) late FY18 for conduct of regulated patent services
- Undertakes regulated patent work in China exclusively for Spruson & Ferguson clients and enables a more streamlined offering for clients with Spruson & Ferguson quality, service, reliability and communication standards
- Strengthens the Group's footprint in an addressable market of approximately 130,000 incoming Chinese patent filings annually
- Spruson & Ferguson continues to act directly in China for trade mark prosecution services

# Focus on our people

Attract, Motivate and Retain



## Attract Talent + Diversity = Opportunity



**Principals**  
● 54% Australia  
● 46% Overseas



**Professionals**  
● 30% Australia  
● 70% Overseas



**Management**  
● 61% Australia  
● 39% Overseas



**Support**  
● 36% Australia  
● 64% Overseas



**Principals**  
● 21% Female  
● 79% Male



**Professionals**  
● 58% Female  
● 42% Male



**Management**  
● 39% Female  
● 61% Male



**Support**  
● 83% Female  
● 17% Male

Note: Figures approximate as at 4th quarter FY18.

## Motivate Talent + Promotion = Growth



Promotions  
to Principals  
(FY18)

5 Female

8 Male

5 Australia

8 Overseas

28

Promotions  
to Principals  
(since listing)



138

Incentive plan  
engagement  
(FY19)



## Retain Talent + Retention = Sustainability



80%

**Pizzeys\***  
Ex-vendor Principals  
recommitted to IPH this year  
(post initial employment agreement)

**Fisher Adams Kelly Callinans\***  
Ex-vendor Principals  
recommitted to IPH this year  
(post initial employment agreement)

86%

10%

Voluntary attrition  
amongst professional staff  
(to within the IP industry)  
FY18

\* Excludes retirements

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# Data & analytics software business update

# 05

# IP data products divestment

Focus on WiseTime



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Two IP Data products (“Filing Analytics” and “Citation Eagle”) have been sold to CPA Global on 15 August 2018 for A\$10m.

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Generates c\$2m in profit in FY19 (excluded from underlying results) taking into account asset carrying values, transaction costs and transition support costs.

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Funds received will be used to pay down existing debt.

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Strategically it was felt that a global organisation with established marketing and software distribution channels would be best placed to take these products to the next stage of their evolution.

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Data and Analytics Software business to focus on the final development and sales of its WiseTime product.

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Reduce the net costs in this segment by approximately \$1m in FY19.

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# WiseTime

Delivery of a new product offering



## About WiseTime

A new autonomous timekeeping platform that produces accurate records of an employee's time throughout their day, without needing their input.



## WiseTime's competitive advantage

Existing time keeping tools in the market tend to rely on a 'start/stop' timer or ledger that require the employee to spend time estimating and allocating time for their activities.

In contrast, WiseTime autonomously collects time spent on activities, resulting in:

- the client receiving more accurate and granular charge reporting; and
- the service professional improving their efficiency in providing their service.

WiseTime also provides (i) uncompromising user privacy (ii) integration to targeted existing case-management/billing systems in a manner that can replace or augment existing mechanisms, and (iii) is proven in the professional services environment.

## WiseTime pilot results positive

- A 1-year pilot of WiseTime with a group of ~10 attorneys completed July 2018.
- The most recent iteration produced observable time efficiency gains of ~10%.
- Recent firm-wide trial rollouts at law firms in Germany and Singapore have reported similar efficiency gains.

## Target market

The reshaped Practice Insight sales team is now focused solely on promoting WiseTime into the IP law firm market and progressing partnerships into the broader legal services software providers on the back of continued evidence of its efficacy.

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# Priorities for FY19

# 06



# FY19 strategic priorities

Leverage strong platform to further build position in core IP secondary markets



## Australia and New Zealand IP

- Leverage market leading position in Australia
- Continued focus on market share initiatives
- Margin expansion through AJ Park and successful merger of FAKC, Cullens into Spruson & Ferguson

## Asia

- Maintain leading market share in Singapore; expand share in other SE Asian markets
- Focus on building share in Chinese addressable market
- Continue to leverage existing network to grow internal filings and case transfers

## Data and analytics software

- Practice Insight Sales Team refocused on WiseTime into the IP Law firm market

## Corporate

- Continued focus on strategy to attract, motivate and retain key talent across the group
- Continue to evaluate acquisition and expansion opportunities

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# Appendix

# 07

# Business snapshot

Leading intellectual property group in Asia-Pacific



**630**  
Employees

80 Principals  
167 Professional Staff  
383 Support Staff

**14**  
Offices

**8**  
IP jurisdictions

**4 BRANDS**



**PIZZEYS**  
Patent and Trade Mark Attorneys

WiseTime

**10K+**  
Clients

**24%**  
Patent market share in Australia (FY18)

**24.5%**  
Patent market share in Singapore (CYTD18)

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



**19K+**  
Patent filings<sup>2</sup> (FY18)



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

# Patent lifecycle

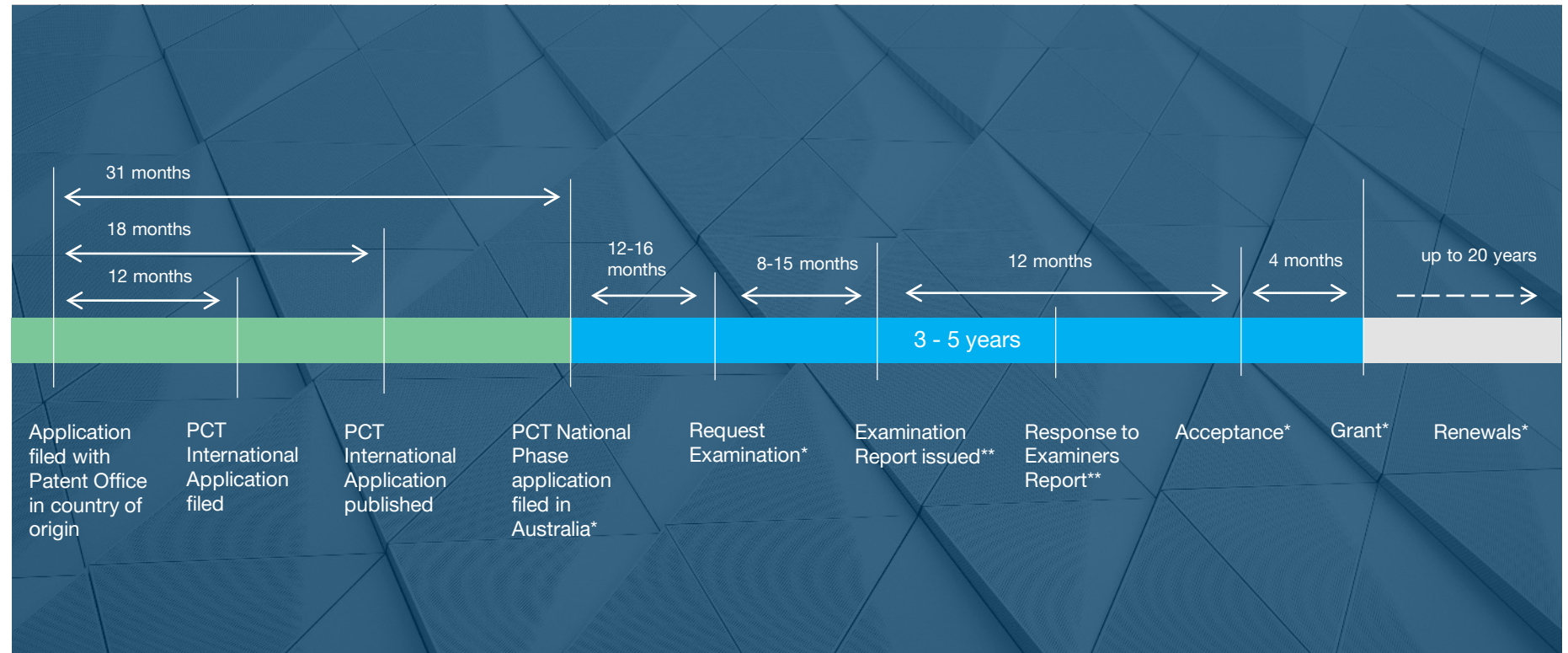
Long-life IP cycle supports consistent revenues and earnings



Each year more than half\* of the total patent applications filed in Australia come through 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 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 CY17.

\* Revenue event – typically flag fall.

\*\* Revenue event – typically combination of flag fall and hourly charges.

# IPH corporate information

Leading intellectual property group in Asia-Pacific



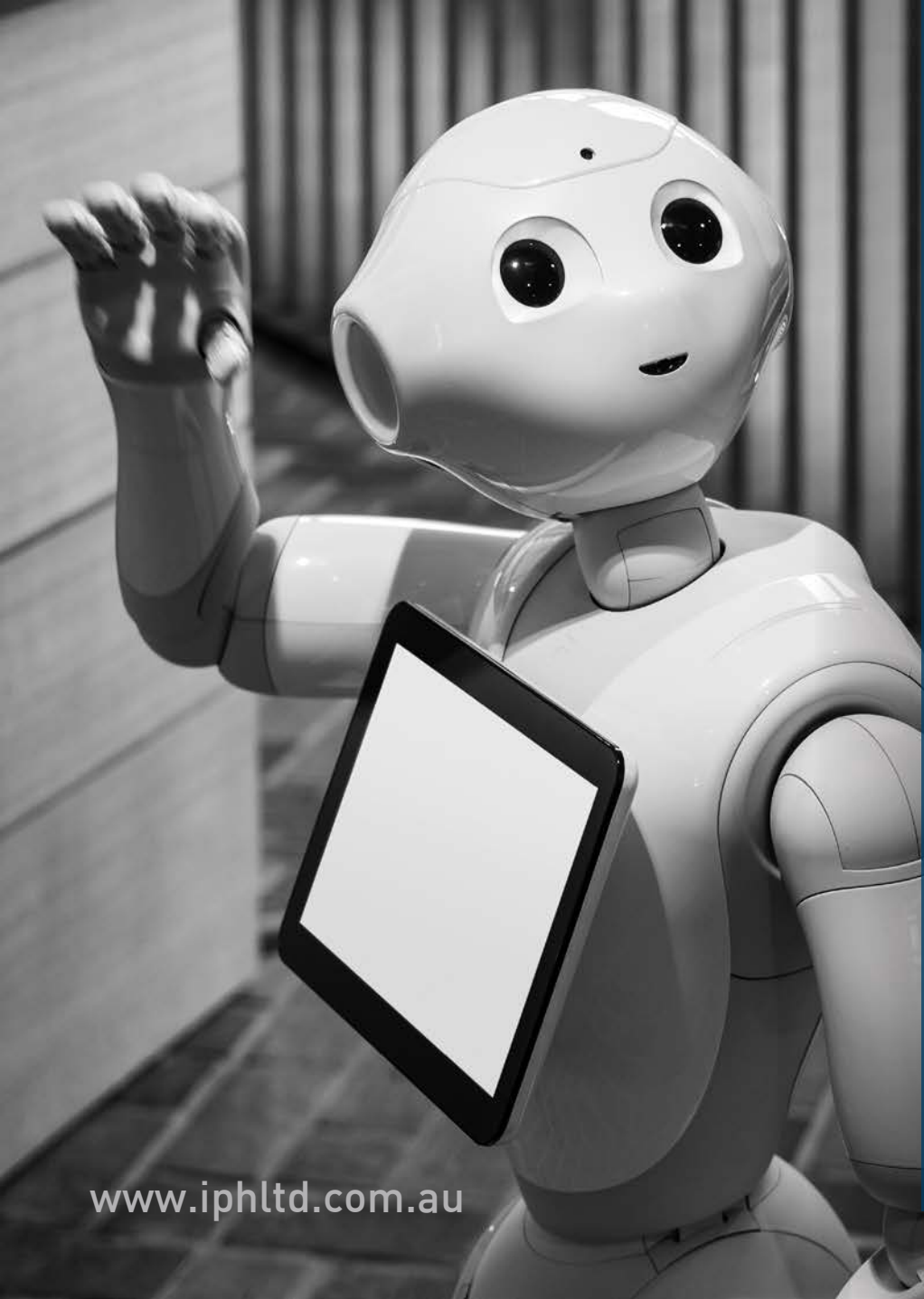
## Directors

- Mr. Richard Grellman AM  
Chairman
- Dr. Andrew Blattman  
CEO and Managing Director
- Ms. Robin Low
- Mr. John Atkin

## Company Secretary

- Mr. Philip Heuzenroeder  
General Counsel

Ordinary Shares on Issue	Number	Holders	%
Free float, including	190,362,898	11,274	99.5%
• Cullens (escrow released 30 Jun 18)	2,042,905	10	
Escrowed, including	6,978,668	52	0.5%
• Pizzeys (31 Aug 18)	1,229,545	22	
• Cullens (31 Aug 18)	390,315	10	
• SF HK (31 Oct 18)	737,261	2	
• AJ Park (31 Oct 19)	4,621,547	18	
<b>Total</b>	<b>197,341,566</b>	<b>11,326</b>	<b>100%</b>



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Thank you

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