



ASX Announcement

2 May 2019

Presentation by Dr Andrew Blattman to the Macquarie Australia Conference 2019

Attached is a presentation to be given today by IPH's CEO & Managing Director, Dr Andrew Blattman, to the Macquarie Australia Conference.

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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

Macquarie Australia Conference

2nd May 2019

Presented by:

Dr. Andrew Blattman Managing Director / CEO, IPH Limited

www.iphltd.com.au

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Introduction

What we'll be covering today



01

Business snapshot

02

Realising our vision

03

Patent lifecycle

04

Patent market trends

05

Strategic direction

06

Established Asia platform

07

Proposed acquisition
of Xenith IP

08

Acquisitions timeline

09

AJ Park case study

10

In summary

Business snapshot

Leading intellectual property group in Asia-Pacific



630
Employees (FY18)

80 Principals
167 Professional Staff
383 Support Staff

15
Offices

8
IP jurisdictions

4 BRANDS



22%
Patent market share in Australia (HY19)

23%
Patent market share in Singapore (CY18)

Nº1
Patent group in Australia, New Zealand and Singapore



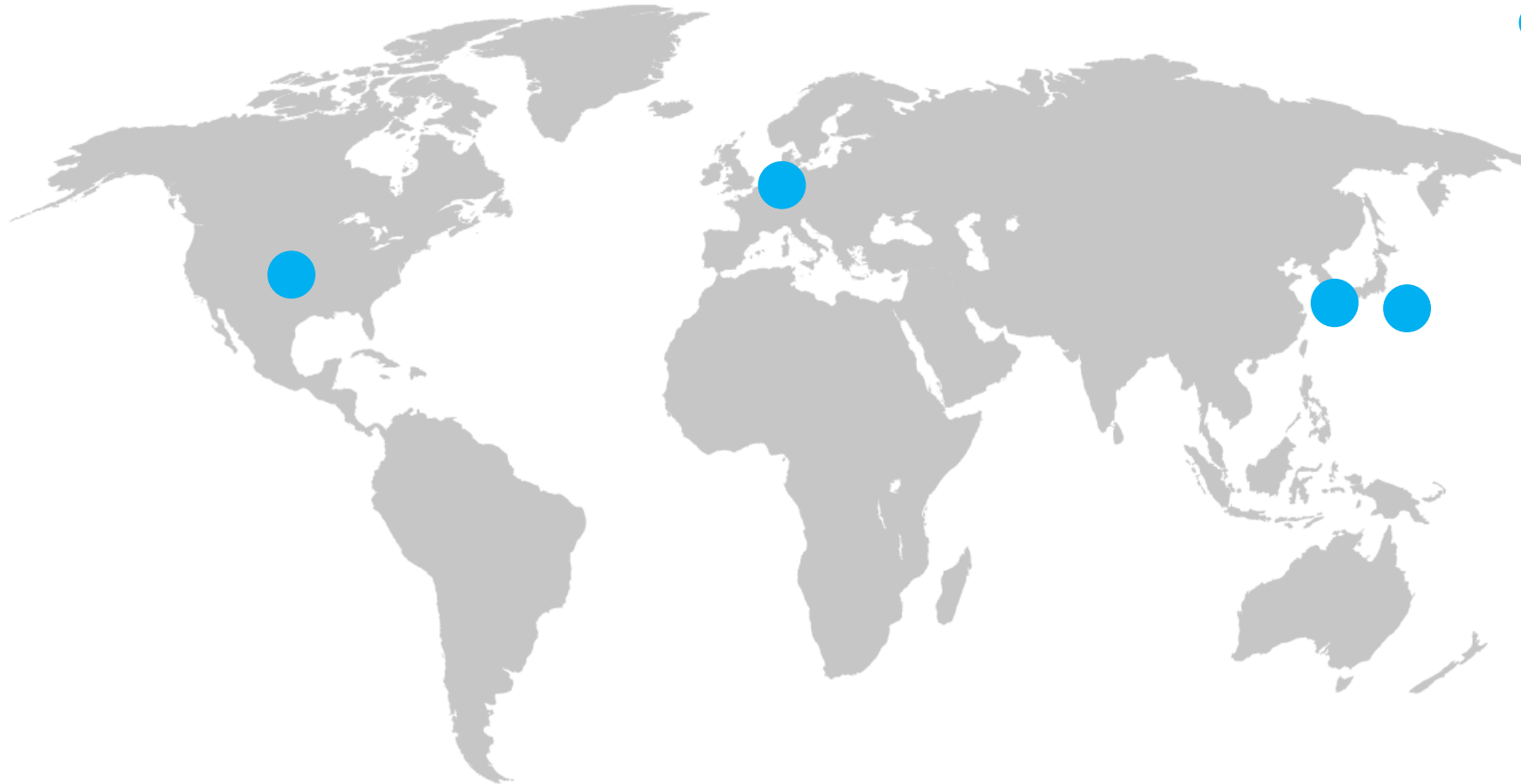
19K+
Patent filings (FY18)



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

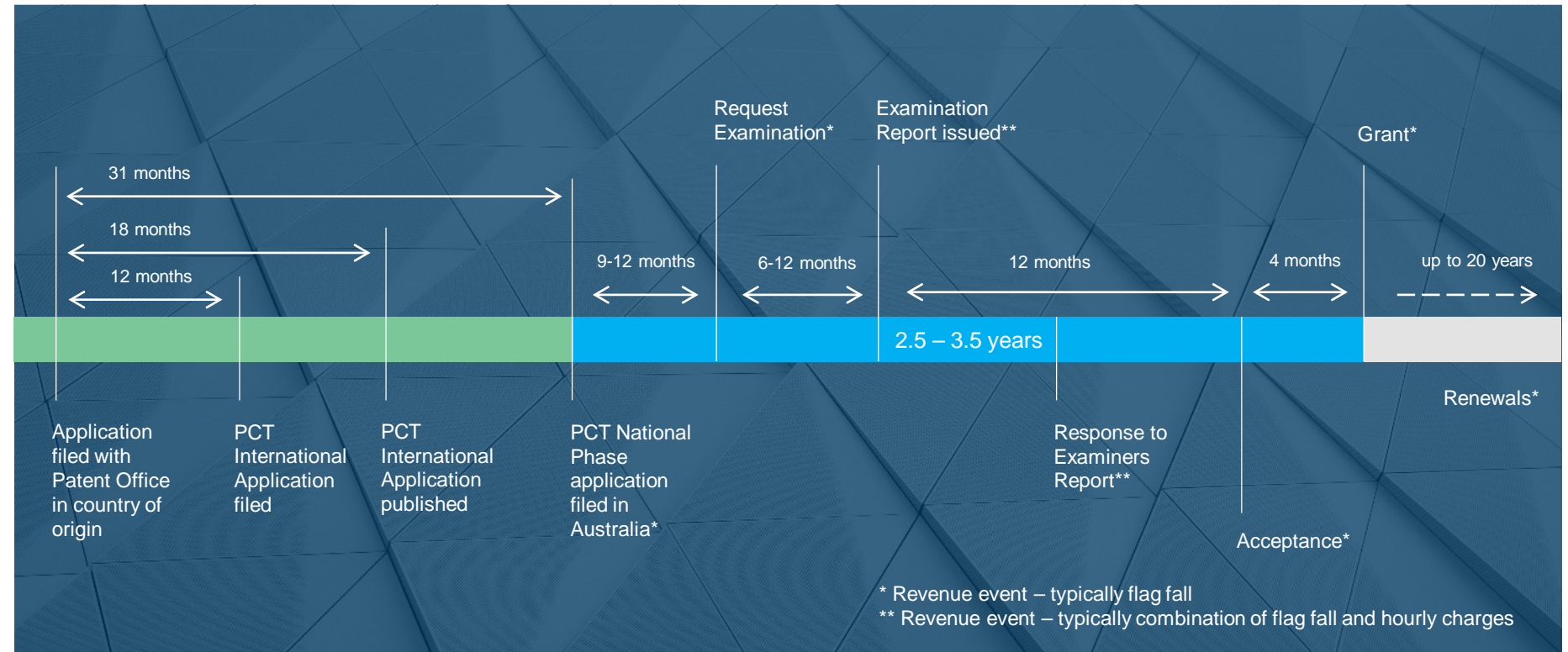
Long-life IP cycle supports consistent revenues and earnings



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

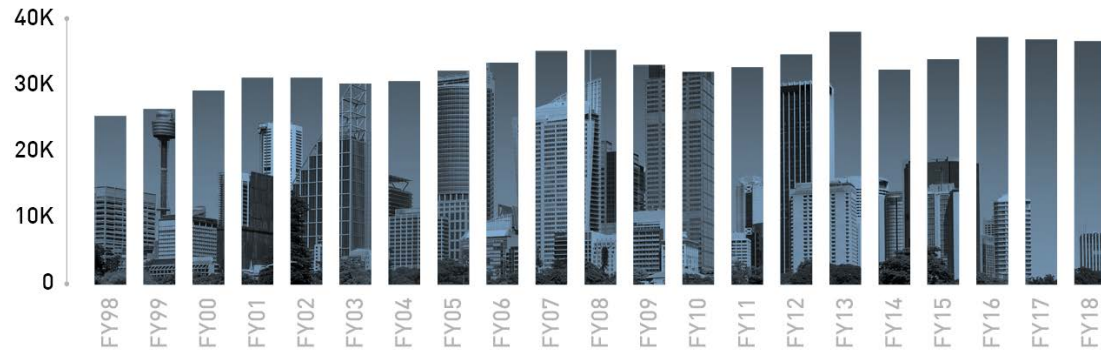
Steady domestic market with strong growth in Asia



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%

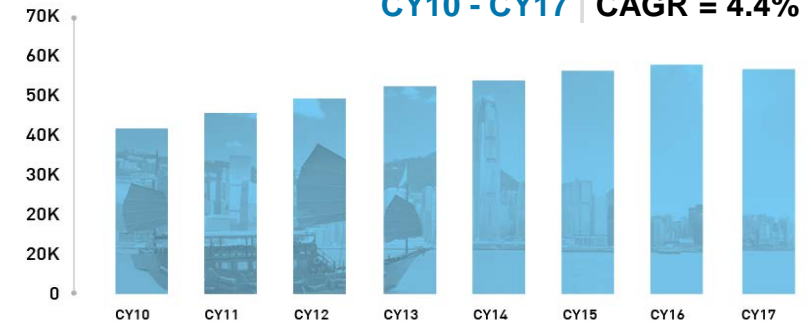


Based on filing information recorded by IP Australia at 17 Apr 18 (FY98-FY14) and 3 Aug 18 (FY15-FY18). Includes all types of patent applications.

Asian patent filings (excl. China)

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

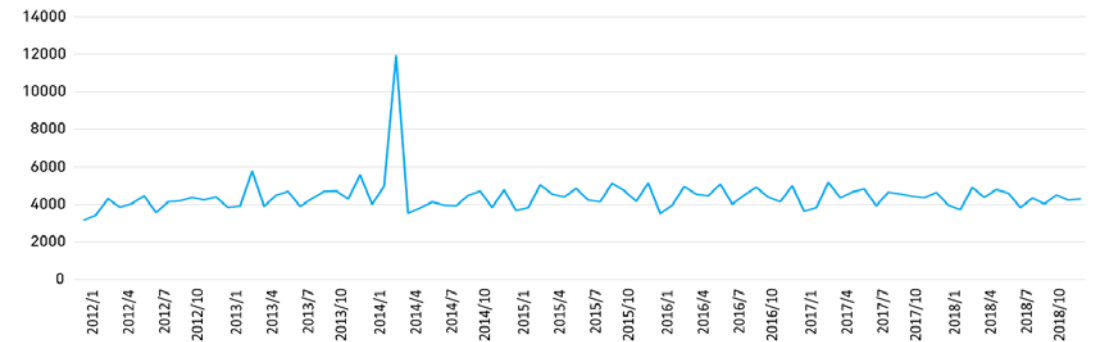
CY10 - CY17 | CAGR = 4.4%



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

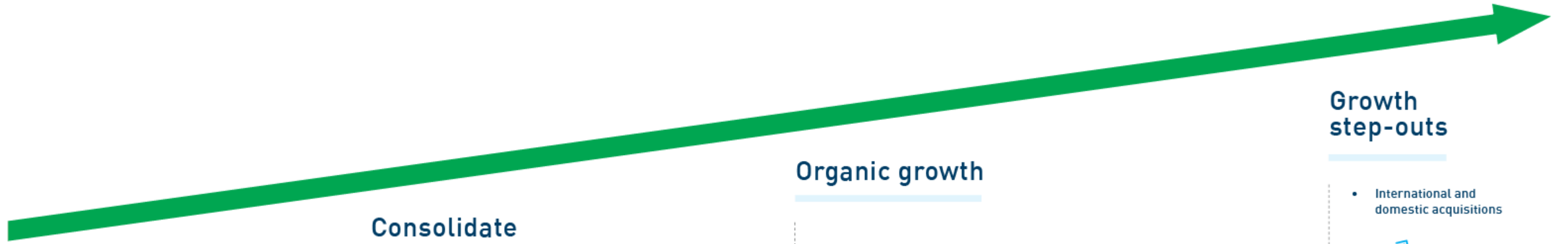
- Best lead indicator for filings in secondary markets – continues to be stable



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

Strategic direction

IPH growth strategy



Consolidate acquisitions

- Margin improvement in Australian and New Zealand businesses



Organic growth



- Grow share in Asia
- Expand service offering to existing international associates
- Attract new international corporates in Australia and New Zealand
- Expand service offering to existing Australian and New Zealand corporates

Growth step-outs

- International and domestic acquisitions



Enablers

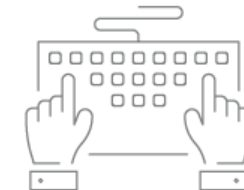
Robust client management programs focused on delivering the highest levels of client service



Targeted service expansion across Asia Pacific



Focus on our people – attract, motivate and retain



IT growth strategy, including digital platform development

Leverage IPH's established Asia Pacific platform

Existing platform across the Asia Pacific region providing significant opportunities



China

Hong Kong

Indonesia

Malaysia

Singapore

Thailand

Australia

New Zealand

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

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

IPH provides an unparalleled service offering for clients into Asian markets

"Network effect" of servicing clients in multiple jurisdictions

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 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

IPH Proposal

- Under the IPH Proposal, 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-back¹

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 15 July 2019
Second Court Date	Week commencing 22 July 2019
Effective Date	Next business day after second Court Date
Implementation Date	Week commencing 5 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

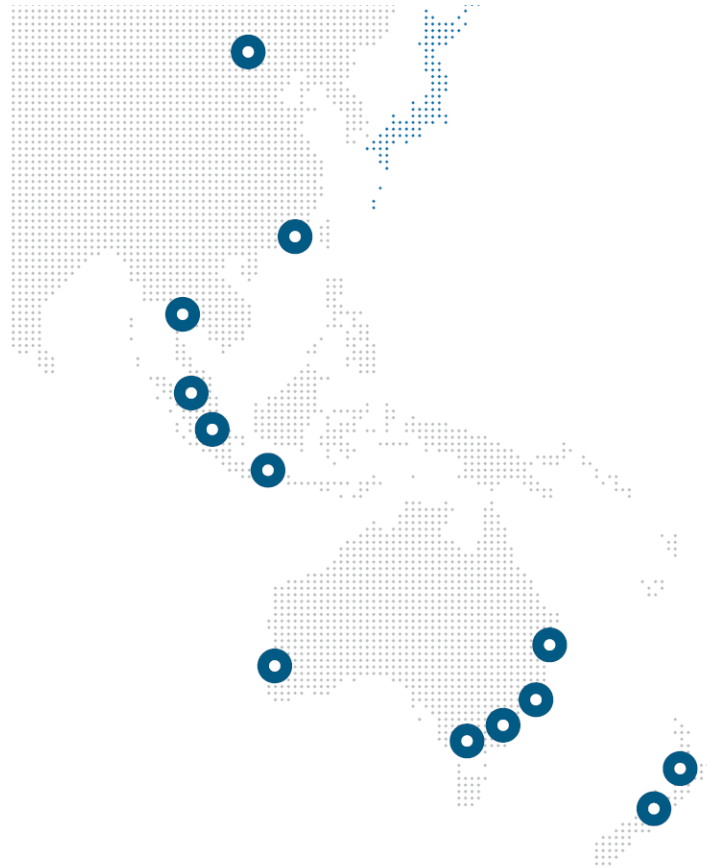
✓ **Maintain conservative gearing** position, with the offer funded from a combination of existing debt facilities and issuance of IPH shares

✓ **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

Combined Group overview

Asia Pacific's leading IP services group



1000+
Employees

440+
Professional staff ¹

\$350m+
Revenue (FY18)



25.5K+
Patent Filings²



9.5K+
Trade Mark Filings²

1. Inclusive of Principals.

2. Approximate. Total CY18 figures for Patents & Trade Marks respectively are based on IPH management estimate of internal filing information (all incoming/outgoing applications filed either directly or indirectly (through an agent) by IPH companies throughout the world, including where incoming/outgoing agent is IPH entity) combined with IP Australia data only for XIP entities as recorded on IP Australia on 28/01/19 for Patents and 31/01/19 for Trademarks. AU Trade Mark filings exclude International Registration.

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.



Successful integration of acquisitions

Case study: AJ Park



Rationale for acquisition

- ✓ Founded in 1891, New Zealand's premier IP firm, with highly qualified, expert IP teams
- ✓ Top clients – AJ Park advises a third of Fortune 500 companies and over half of New Zealand's top 200 companies
- ✓ Cultural fit with IPH's values
- ✓ Acquired by IPH in October 2017 with 200+ people joining the IPH group

Ability to leverage the strengths of a larger group

- Operating independently under AJ Park brand, with same team delivering high quality IP services, but with strengthened underlying business practices and more growth opportunities
- Separate AJ Park Board with representation from the Principal group and IPH executive
- AJ Park Principals and management team responsible for the day-to-day running of the business
- AJ Park representation on the IPH Group Leadership Team, with a direct channel to IPH CEO
- AJ Park and IPH corporate teams working together, drawing on strengths of each team, to grow the AJ Park business

Realising benefits

- Improved financial performance through increased business efficiencies
- Earnings from AJ Park in line with expectations (HY19)
- EBITDA margin improvement to 19% 1H19 from 16% in prior year
- Increased filings/referrals to IPH companies
- Growth in Asia by leveraging IPH's established Asia platform
- Access to the IPH group's highly experienced IP practitioners in Asia, who are experts in their respective jurisdictions
- Cost savings through economies of scale. For example insurance cover costs, software costs.

Successful integration of acquisitions

Case study: AJ Park



Valuing AJ Park's people and culture

AJ Park has, and maintains, its own culture which is closely aligned with the IPH vision and values

All eligible employees at AJ Park are now on the IPH incentive plan

IPH and AJ Park teams worked together to develop a KPI framework for the incentive plan which suits AJ Park's business and people

AJ Park has been able to make more promotions since joining the IPH group, including three Principal appointments in FY18

Enhancing systems and processes

IPH can provide the capital investment in software and systems to increase AJ Park's business efficiencies and ensure the business is ready for the technological changes ahead. A number of IT applications rolled out to AJ Park from IPH

Optimisation and automation of the current AJ Park business processes and IT systems to allow for better collaboration and efficiency

API link with IPONZ established allowing direct transfer of patent and trademark data and correspondence to and from AJ Park

Work has commenced on establishing AJ Park's B2B link with IP Australia

AJ Park can leverage strengths of the IPH group IT infrastructure design in terms of consistency, security and risk management

AJ Park clients will benefit from the IPH group IT strategy as new workflows and tools are developed for the group

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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