

ASX Announcement

21 November 2019

AGM – Chairman & CEO Addresses

In accordance with the ASX Listing Rules and the *Corporations Act 2001*, attached are the addresses to be given at today's Annual General Meeting.

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About IPH Limited

IPH Limited ("IPH", ASX:IPH), the holding company of AJ Park, Glasshouse Advisory, Griffith Hack, Pizzey's, Practice Insight, Shelston IP, Spruson & Ferguson and Watermark, 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, Perth, Auckland, Wellington, Singapore, Kuala Lumpur, Jakarta, Beijing, Hong Kong and Bangkok. The group comprises a multidisciplinary team of approximately 1000 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.

Chairman's Address

Ladies and Gentlemen,

2019 was a successful and significant year for IPH.

We delivered a strong financial result, while the acquisition of Xenith IP Group was an important step forward in our growth strategy.

Today I would like to provide a summary of our FY19 financial results and an update on the progress of our strategy during the year.

This month also marks the 5-year anniversary of the successful listing of IPH on the Australian Securities Exchange. Therefore, I would like to conclude today's address with some reflections on how our company has evolved over that time and the strong platform we have created for future growth.

Overview of Financial results FY19

As we reported in August, IPH delivered continued double-digit revenue and earnings growth in our Asian operations and improved margins in our Australian and New Zealand businesses.

Statutory Net Profit After Tax (NPAT) increased by 31 per cent to \$53.1 million, equating to an increase in diluted earnings per share of 29 per cent to 26.7 cents.

As a result of our improved financial performance, Directors declared a final dividend of 13 cents per share, 60 per cent franked, which brought the full year dividend to 25 cents per share, up 11 per cent on the prior year.

Executing our strategy

One of the key highlights for the year was the successful agreement to acquire Xenith IP Group.

We announced this transaction during the financial year and the acquisition was successfully implemented on 15 August 2019.

This acquisition marks a major milestone in the continued implementation of our vision to be the leading IP group in secondary IP markets and adjacent areas of IP.

Andrew will provide further details on the Xenith transaction, including an update on integration and the benefits we will derive from this acquisition.

Sustainability

At IPH we recognise that a sustainable business is one that provides a safe, rewarding and diverse environment for our people, while operating in an environmentally and socially responsible manner.

As part of that commitment, this year we have produced our inaugural stand-alone Sustainability Report to provide our stakeholders with information about our approach to operating as a sustainable business.

Recognising the scope of our business and our operations, that approach is focused on good governance, rewarding futures for our people, supporting the communities in which we operate and minimising our impact on the environment.

The release of our inaugural Sustainability Report is an important first step in our sustainability reporting and we look forward to building on this in future years. The report is available on the IPH website and I encourage shareholders to read it.

Board appointment

In April we strengthened our Board with the appointment of Jingmin Qian as a Non-executive Director.

Jingmin brings a broad range of industry experience to IPH, including strategy, mergers and acquisitions, capital planning and Asian expansion, gained in senior roles with L.E.K. Consulting, Boral Limited, Leighton Holdings and her advisory practice.

Jingmin is standing for election to the Board at today's meeting and we look forward to shareholders' support of Jingmin's ongoing contribution to IPH.

Celebrating 5 years of IPH Ltd

This month IPH celebrates 5 years as a listed entity on the ASX – the first IP services group to do so.

The change to our corporate structure and subsequent public-listing has been fundamental in enabling the group to access capital to harness opportunities for further growth by investment in our existing businesses and through acquisitions.

By any measure, the past 5 years have been successful for IPH – for our shareholders, our clients and of course, our people.

The Company has delivered a total shareholder return of 370 per cent over the past 5 years which includes the increase in the share price and dividends paid to shareholders over that period.

We have expanded our footprint across the Asia-Pacific to provide our clients with access to the most comprehensive group of high quality and trusted specialist IP professional services in the region.

The change to corporate structure has also enabled IPH to deliver enhanced career progression opportunities and professional development for our staff.

Since listing, we have awarded more than 35 promotions to Principal positions across the group and we have successfully introduced an employee incentive plan for our people, with approximately 120 employees across the group taking part in the plan in FY19.

We can be proud of our achievements over the past five years and look forward to the path ahead for our business.

Conclusion

In closing I would like to acknowledge IPH's CEO and Managing Director, Dr Andrew Blattman, his leadership team, and all our people across the IPH group for their hard work in FY19, and their continued efforts in providing outstanding service to their clients.

I would also like to extend a warm welcome to all Xenith employees who are now part of IPH. The combination of our two groups creates compelling opportunities and we look forward to drawing on the strengths of each business for the benefit of all our stakeholders.

On behalf of the Board of Directors, I would also like to welcome former Xenith shareholders who have now become shareholders in IPH and thank all IPH shareholders for your ongoing support of the Company.

I will now ask Andrew to present the Managing Director's address.

Managing Director's Address

Thank you Richard.

Good morning Ladies and Gentlemen.

I would like to start by also acknowledging and thanking shareholders for your continuing support of IPH and welcome former Xenith shareholders who are now shareholders in IPH.

Today, I will provide shareholders with some further detail on our financial results for the year ended 30 June 2019.

I will then provide some additional context around our strategy and the initiatives we are successfully implementing to generate sustainable value for shareholders.

As part of that discussion, I will provide an update on the integration of Xenith IP into the IPH group and will conclude with an update on current trading for the year to date.

Financial results

IPH delivered a strong result for the year ended 30 June 2019.

We achieved double-digit growth across our key financial metrics against the prior year and delivered underlying EBITDA of \$89.7 million – an increase of 21 per cent.

The main contributors to these results were four months of acquisitive growth from the AJ Park business in comparison to the prior year; foreign currency rate changes; and organic growth from our existing businesses, particularly in Asia.

Indeed, our Asian business continued its strong second half performance from FY18 due, in part, to follow-on activities arising from the filings in that period, and also from a significant client filing across several jurisdictions in the final quarter of the year.

We continued to deliver growth in earnings and revenue on a 'like-for-like' basis which adjusts for the impact of acquisitions and foreign exchange movements. Like-for-like revenue increased by 2 per cent to \$231.4 million and like-for-like EBITDA increased by 9 per cent to \$80.4 million.

Strategic Progress

IPH made substantial progress in implementing our strategy, which will support future growth across our business.

We continued to leverage our existing network to grow our Asian business. This contributed to double digit growth in our Asian business for the third consecutive half as more and more clients access our offering across the region.

We have continued to consolidate recent acquisitions to create further value for the Group.

AJ Park continued to perform well and in FY19 the business delivered EBITDA of A\$10.8 million. EBITDA margin improved from 17 per cent to 22 per cent, and referrals from AJ Park to other IPH group companies continued to increase during the year.

In the meantime, our largest IP business, Spruson & Ferguson, continued to evolve its Australian operations and the merger of FAKC and Cullens IP service businesses with Spruson & Ferguson was successfully completed in July 2018.

In May, our Practice Insight business sold its DMS document management system product suite to German IP software provider PACE IP GmbH, a sister company of Serviva GmbH, for €900k (c.A\$1.4m).

This divestment is aligned to Practice Insight's focus on its autonomous time-keeping tool, WiseTime.

This is a product with great potential and we are making steady progress with uptake – it's now being used by customers across Europe, the US, Canada, Korea and Asia Pacific.

Continued focus on our people

As a professional services business, our people are critical to our success. In FY19, we continued our focus on attracting, motivating and retaining key talent across IPH.

Our corporate structure continues to provide us the ability to further develop and invest in our people which is a key part of our competitive advantage. In FY19 we were pleased to implement the IPH incentive plan for all eligible staff within AJ Park and across the expanded Spruson & Ferguson business. We also appointed eight new Principals across the group.

Acquisition of Xenith IP

I would now like to spend a few minutes addressing the acquisition of Xenith IP group.

As Richard said earlier, this is IPH's largest acquisition since listing and we are excited about the opportunities this transaction creates for our shareholders, our clients and our people.

The acquisition reinforces the IPH group's leadership position in the Australian and New Zealand markets and provides an exceptional opportunity to harness our network across the Asia region.

The IPH group now includes approximately 1,000 employees working across 27 offices, throughout 8 IP jurisdictions across the Asia Pacific.

And, on a pro-forma basis, the combined business now generates over \$350 million in annual revenue and over \$100m in EBITDA.

Update on integration

Since acquiring Xenith on 15 August, a key focus has been on ensuring we successfully integrate the business into the group. During the first 100 days of the Xenith IP integration, we have spent time reviewing the Xenith businesses.

This week we announced that Watermark will be integrated into Griffith Hack to create one firm operating under the Griffith Hack brand from April 2020.

This integration will strengthen the combined business' service offering, providing Griffith Hack clients with access to a deeper pool of IP experts in Australia, while Watermark clients will benefit from access to Griffith Hack's larger IP team, established systems and processes and an extended geographic footprint in Australia.

The integration will also provide enhanced career and development opportunities for both Watermark and Griffith Hack employees as part of a larger Griffith Hack business.

As we announced, it is anticipated that this integration will provide annualised net financial benefits of between \$2m and \$2.5m from FY21 onwards, primarily through the consolidation of leased office space and corporate, administrative and operational efficiencies and improvements.

Update on trading conditions

I'm pleased to report a solid start to the financial year after the first four months of trading which has resulted in underlying, "like-for-like" revenue and EBITDA growth by the legacy IPH group.

For the 2.5 months under IPH ownership the legacy Xenith Group has also experienced like-for-like revenue and EBITDA growth.

In addition, the Group has benefited from the further strengthening of the USD against the AUD. The average AUD/USD for the first four months of FY20 was 68.4c compared to 72.6c for the first four months of FY19.

Based upon the currency profile of the first four months of this year of the newly expanded group, a 1c strengthening of the USD equals an additional \$1.8M in annual service charges, the majority of which falls to the EBITDA line.

Asia

The Asian business has continued its excellent performance from the second half of FY19 and has shown like-for-like double-digit revenue and EBITDA growth against the prior comparative period.

This is due partly to continued growth in patent filings in Asia, including outside of Singapore from client take-up of our network offering in the region.

Australia & New Zealand

In the 4 months to 31 October 2019, total patent filings in the Australian market have declined by 2.2% against the prior comparative period. The IPH Group's filings as a whole, including proforma filing activity for Xenith IP Group have declined by 2.4%. The decline in filings is a result of our client mix and filing activity for the period.

Notwithstanding this decline, revenue for the IPH legacy business in Australia and New Zealand on a like-for-like basis has increased compared to the prior corresponding 4 month period. Like-for-like EBITDA has increased at a higher rate than revenue, reflecting the prior operational integration of FAKC and Cullens with Spruson & Ferguson and also continued strong performance of AJ Park which has maintained its EBITDA margin from the prior year.

Together, this performance demonstrates IPH's continued ability to integrate businesses successfully into the Group to create additional value.

The performance of Xenith IP Group since acquisition on 15 August 2019 is in line with our expectations.

Update on Xenith IP Synergies

As we indicated at the time of the acquisition of Xenith IP and at the FY19 results, we expect to achieve cost synergies from the Xenith acquisition primarily from the removal of the duplication of functions and these are estimated to be achieved over a three-year period.

We also indicated that the level of synergies would be partially offset in FY20 by the implementation of our staff incentive plan. This is an important aspect of our continued focus on retaining and motivating our people which has contributed to the success of the IPH Group.

In FY20, we expect net cost and revenue synergies (after the implementation of the staff incentive plan) of approximately \$3.4 million. These synergies are separate to those arising from the integration of Watermark into Griffith Hack mentioned earlier.

We will provide a further update on synergies at the interim results in February 2020.

In summary, we are very pleased with IPH's start to the FY20 financial year, reflecting the progress we continue to make in integrating our businesses into the group, and in leveraging our network across the region to deliver for our clients.

Shareholders will recall in the FY19 results announcement we noted the benefit of a significant client filing across several jurisdictions across our Asia network in the last quarter of FY19. Therefore, observers should be reminded of a strong second half comparative to perform against in FY20.

Conclusion

Ladies and Gentlemen, IPH made significant progress during FY19. It was a successful year on many fronts and I want to thank all of our people across the businesses for their hard work in delivering a very strong financial result and creating a platform for further growth.

Once again let me acknowledge and thank our shareholders for your continuing support of IPH. I would like to also assure you of our continued focus and commitment to generating ongoing sustainable value for shareholders.