

ASX Announcement

7 May 2020

Presentation by Dr Andrew Blattman to the Macquarie Australia Conference 2020

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

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About IPH Limited

IPH Limited ("IPH", ASX:IPH), the holding company of AJ Park, Glasshouse Advisory, Griffith Hack, Pizeys, Practice Insight, Shelston IP and Spruson & Ferguson, 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.



IPH Limited

Macquarie Australia Conference

7 May 2020

Presented by:

Dr. Andrew Blattman Managing Director / CEO, IPH Limited

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Introduction

What we'll be covering today



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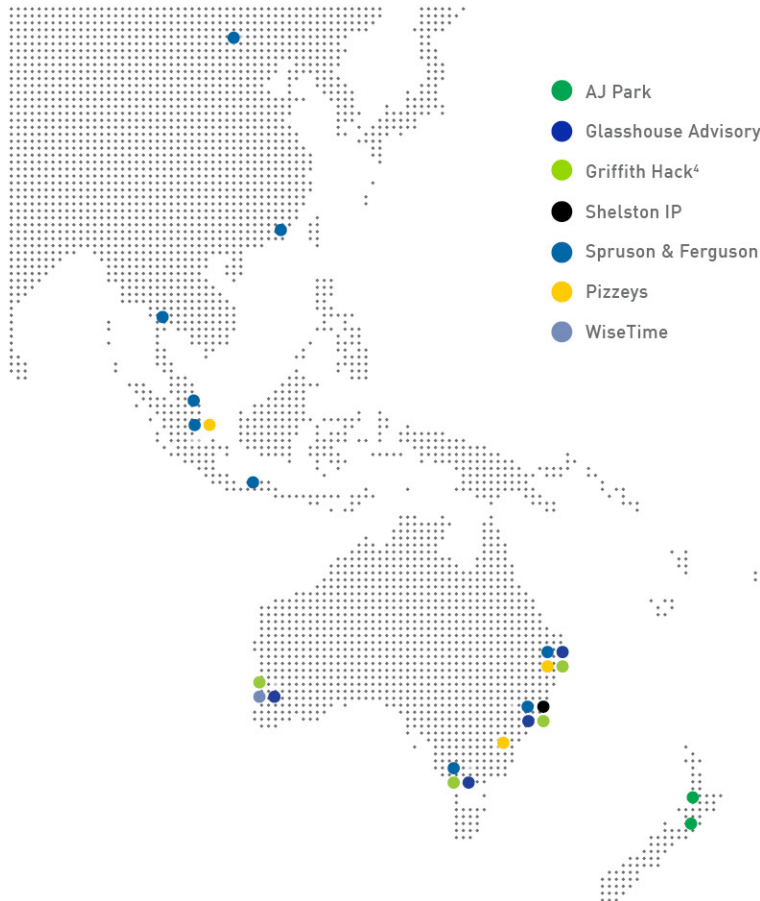
Strategic priorities

The IPH group

01

About IPH Limited

Asia-Pacific's leading IP professional services group



1000
Employees¹

8
IP jurisdictions

No 1
Patent group
in Australia,
New Zealand
and Singapore²

No 1
Trade Mark
Group in
Australia and
New Zealand³

7 BRANDS



PIZZEYS
Patent and Trade Mark Attorneys

1. Approximate employee numbers across the Group.
 2. IPH Management estimate based on IP office filing information: Australia (IP Australia) – FY20 YTD Mar as at 15/04/20; Singapore (IPOS) – CY19 as at approx. 28/03/20; New Zealand (IPONZ) – FY20 YTD Mar as at 14/04/20.
 3. IPH Management estimate based on IP office filing information: Australia (IP Australia) – FY20 YTD Mar as at 16/04/20, based on market share of the top 50 agents; New Zealand (IPONZ) – FY20 YTD Mar as at 14/04/20.
 4. Former Watermark offices in Perth, Melbourne and Sydney will integrate with Griffith Hack commencing 4 May 2020.

Covid-19 update

02



COVID-19 update

A resilient business in an uncertain time



Overall

- IPH is a resilient business and our business units have experience navigating previous economic downturns
- We have seen some disruption as a result of the pandemic
- IPH maintains a significant schedule of work as a result of previous filings and our businesses continue to receive instructions from clients
- Comprehensive COVID-19 response plans have been activated across all offices in response to the pandemic focused on the safety and wellbeing of our people, clients and communities
- Robust IT systems are supporting a remote workforce of 1000 people across 8 IP jurisdictions
- IPH offices in Beijing, Hong Kong and Singapore have been working remotely and very productively for many months

Observations and potential impacts

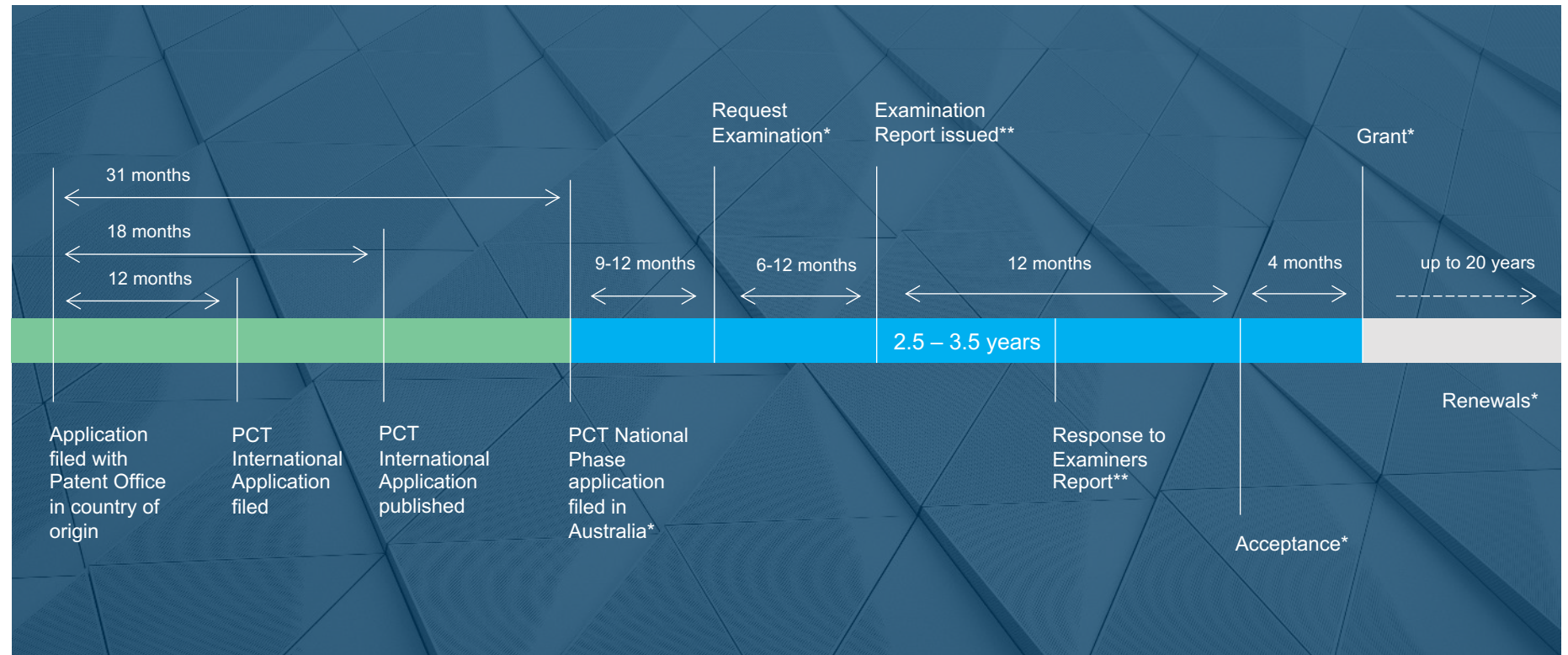
- IP offices remain open. In some of the smaller IP offices in SE Asia we anticipate a somewhat larger reduction in office activity, however we expect very little change to the larger IP offices e.g. IP Australia, IPONZ, IPOS. We continue to monitor
- Some slowdown in instructions from clients, particularly local clients, whose operations have been impacted by the pandemic
- We have observed some short-term decline in filings however activity is expected to recover as markets stabilise
- Trade marks are likely to be more affected as they are closely aligned to the economic cycle
- Court closures will bring about some aspects of disruption to legal revenue
- As previously noted, trade marks and legal comprise a smaller part of our business.

Resilient business model

Recurring revenue and earnings stream

- A large proportion of the IPH group's revenue in Australia comes from 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.
- Many of the 'new' filings received in IPH group jurisdictions are as a result of filings lodged in primary markets (US, Europe, Japan, South Korea) up to 31 months before.
- Therefore a reduction in filings in the primary market at present, (assuming they aren't just delayed, and all other things being equal) is likely to impact earnings in future periods.

Typical (indicative) foreign patent application route in Australia



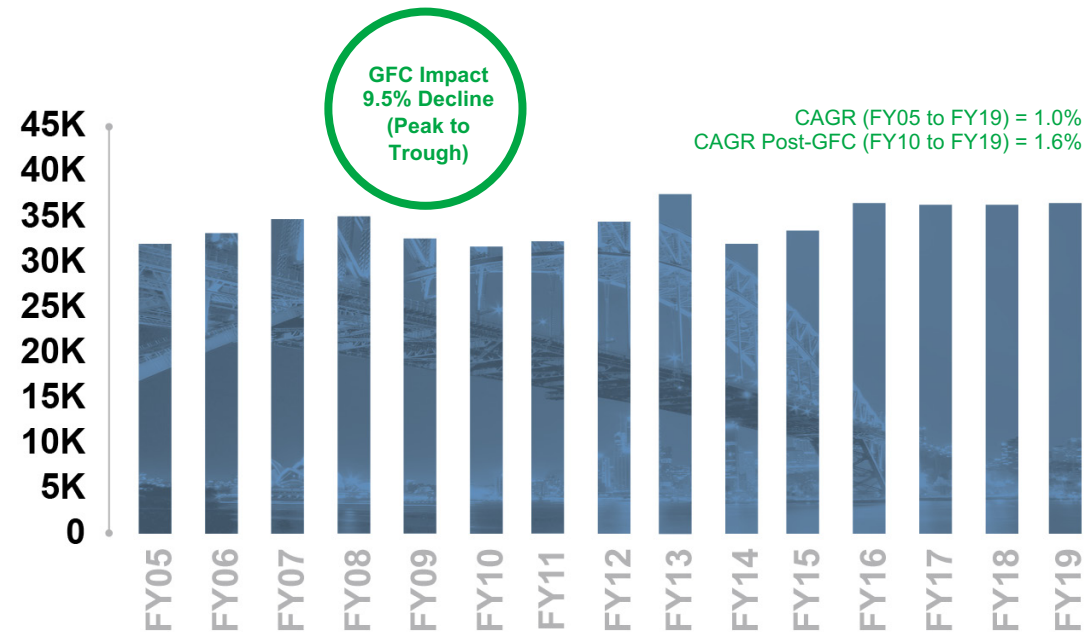
* Revenue event – typically flag fall.
 ** Revenue event – typically combination of flag fall and hourly charges

Patent market trends

Patent market historically has shown resilience

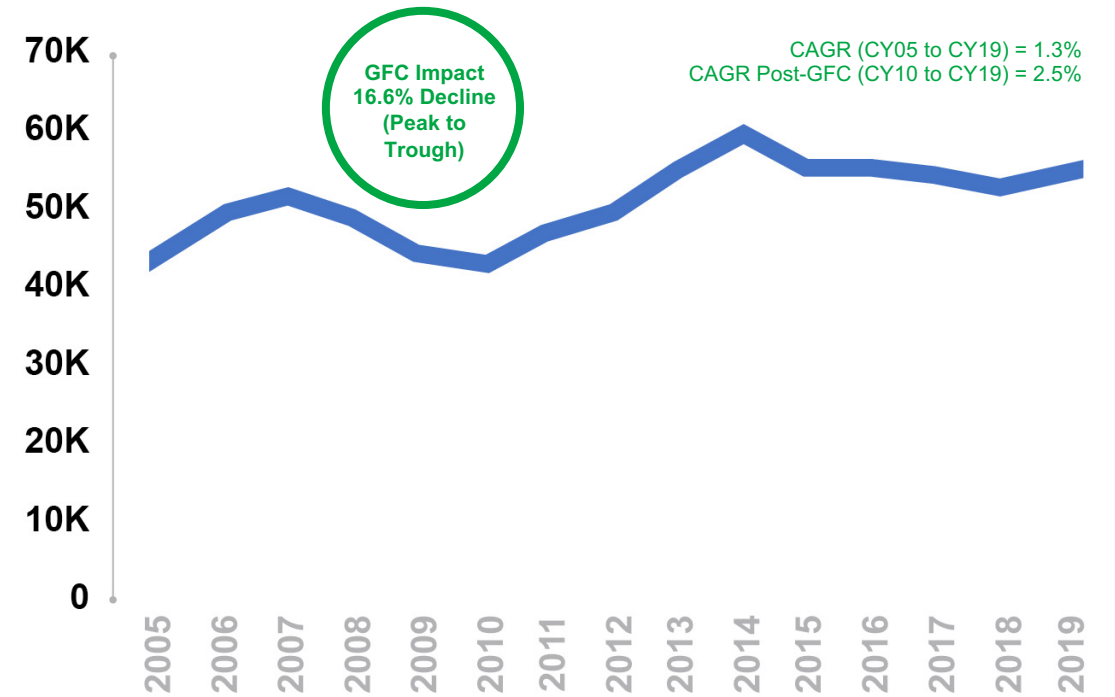
Australian patent filings¹

- GFC is the most relevant comparison to the current economic downturn
- Based upon observations to date, we have not seen the impact of COVID-19 matching the breadth or depth of the GFC. We will continue to monitor.
- This picture in Australia is broadly similar to that across our Asia patent markets



US PCT applications²

- Best lead indicator for filings in secondary markets – continues to be stable to the end of CY19



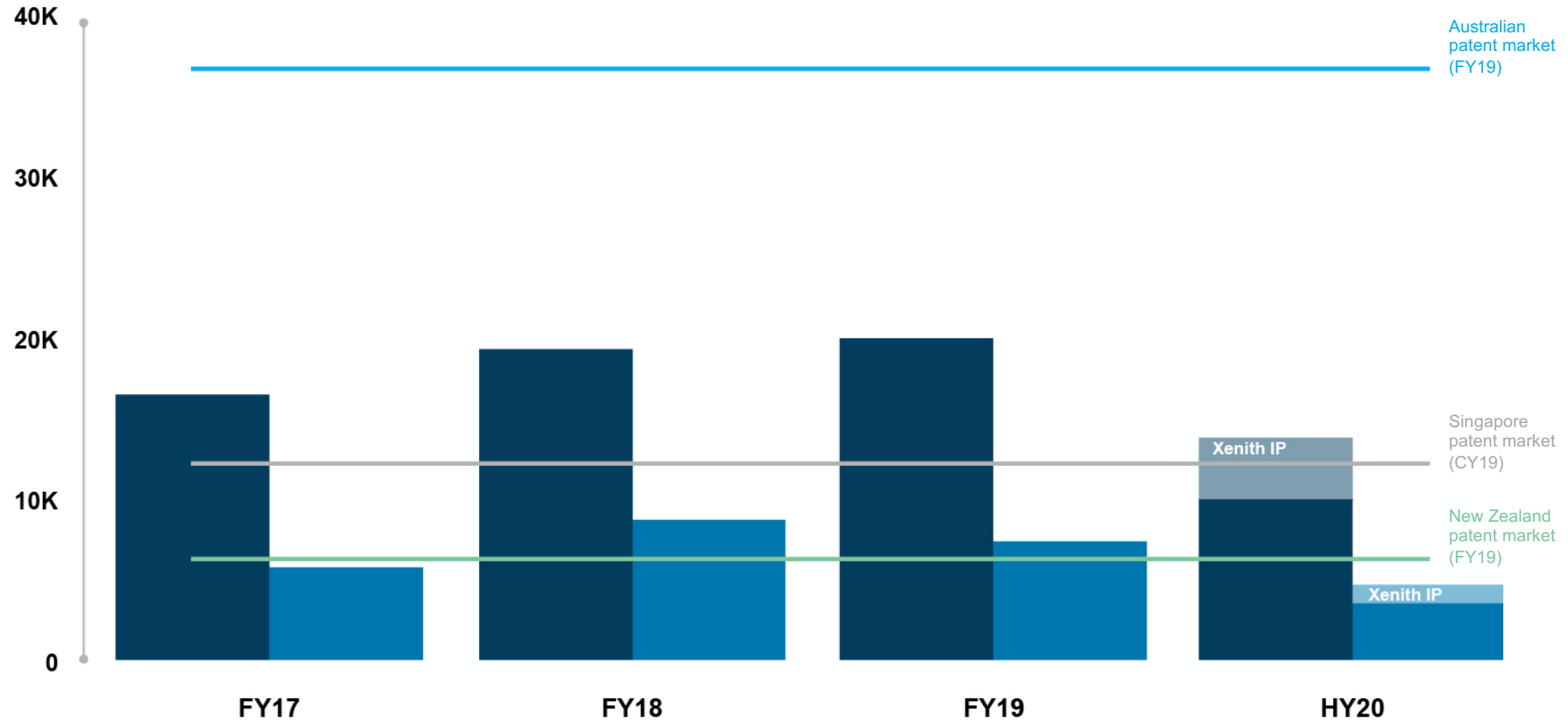
1. IPH Management estimate based on filing information recorded on IP Australia as at 7/07/19 (FY19), 3/08/2018 (FY15-FY18) and 17/04/18 (FY98-FY14). Includes all types of patent applications. Note: FY13/FY14 filing numbers influenced by introduction of 'Raising the Bar' in April 2013. FY16 Filing numbers influenced by surge in US originating PCT applications following the introduction of the America Invents Act.
2. US PCT applications by filing date from WIPO IP Statistics Data Center as at 28/04/20. Note: 2014 US PCT application numbers influenced by significant provisions of the America Invents Act coming into effect in March 2013.

IPH group global filings

Filings through IPH entities or through external agents in all markets¹

- IPH (as a group) is a significant global patent filer, both in our home markets as well as outgoing filings from 'local' clients into other global IP jurisdictions.
- Annualised aggregate IPH group patent filings in all markets are more than the total combined markets of New Zealand and Singapore, and represent more than half the entire Australian market.
- This scale helps to mitigate the minor, periodic fluctuations in filings in certain markets.

- Patents – IPH
- Trade marks – IPH



1. Total patent / trade mark cases filed or instructed to be filed by IPH entities into any jurisdiction in the world. Includes cases filed by any agent (IPH and non-IPH). Data based on internal filing statistics. IPH includes filings by the following entities: FY17 - Spruson & Ferguson, FAKC, Pizzeys, Cullens; FY18 and FY19 - Spruson & Ferguson, FAKC, Pizzeys, Cullens and AJ Park; FY20 - Spruson & Ferguson, FAKC, Pizzeys, Cullens, AJ Park and Xenith IP acquired businesses (Griffith Hack, Shelston IP and Watermark). Filings from acquired companies are included from 1 Jul of the acquisition year.

IPH financial position

03



IPH remains in a strong financial position

Consistent cash generation and low capex



- Strong financial position with liquidity maintained
- IPH's debt facilities do not mature until February 2022. As a prudent measure, the Company drew \$20 million from existing facilities in April. As a result, cash reserves as at 20 April were \$62 million with drawn debt of \$166 million.
- IPH business model continues to deliver high cash flow conversion
- Strong balance sheet with a leverage ratio of 0.9 times
- Well equipped in the event of slow down in customer receipts

Summary key financial metrics

Key Metric

Cash on hand ¹	\$62m
Drawn debt ¹	\$166m
Net Debt ¹	\$104m
Leverage Ratio (Net Debt / FY19 EBITDA) ³	0.9
Debt Maturity	Feb 2022
Cash Conversion at 31 December 2019 ²	94%

1. As at 20 Apr 2020.
2. For half year 31 Dec 2019.
3. Net Debt: EBITDA. Net Debt at 20 Apr 20. EBITDA is the pro-forma FY19 underlying EBITDA of IPH and XIP combined.

FX shock absorber

Decline in the A\$/US\$ exchange rate continues to benefit IPH



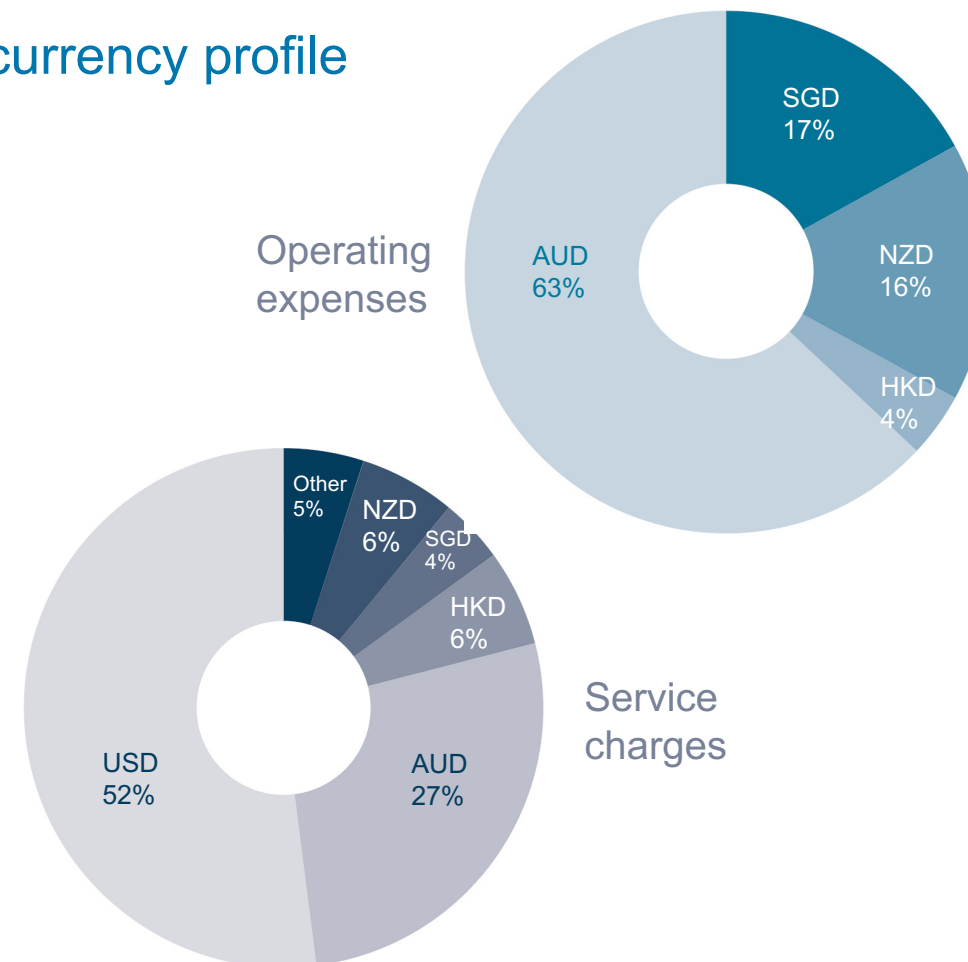
Earnings currency sensitivity

- Based on the USD profile to 31 March 2020 in the IPH Group, a 1c movement in the AUD/USD exchange rate equates to approximately \$1.8m of revenue from services charges on an annualised basis
- This sensitivity fluctuates on the basis of acquisitions, their timing and their mix of currencies
- Average AUD/USD exchange rate during HY20 was 68.5c. The YTD average AUD/USD exchange rate to 31 March 2020 was 67.6c
- EBITDA is exposed to movement of AUD against SGD, NZD and HKD expenses in foreign subsidiaries

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
- 52% of the Group's invoicing is denominated in USD¹
- Average USD cash² held US\$12m
- Average USD monetary assets (including cash)³ US\$42m
- USD debt drawn of US\$19.5m

IPH 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 from July 19 to December 19. Includes XIP from 15 August 2019.
3. Average of opening and closing USD denominated assets. Includes XIP from 15 August 2019.

IPH's growth drivers

04



IPH's established Asia Pacific platform

Existing platform across the Asia Pacific region continues to provide significant opportunities



- China**
- Hong Kong**
- Indonesia**
- Malaysia**
- Singapore**
- Thailand**

Australia

New Zealand

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

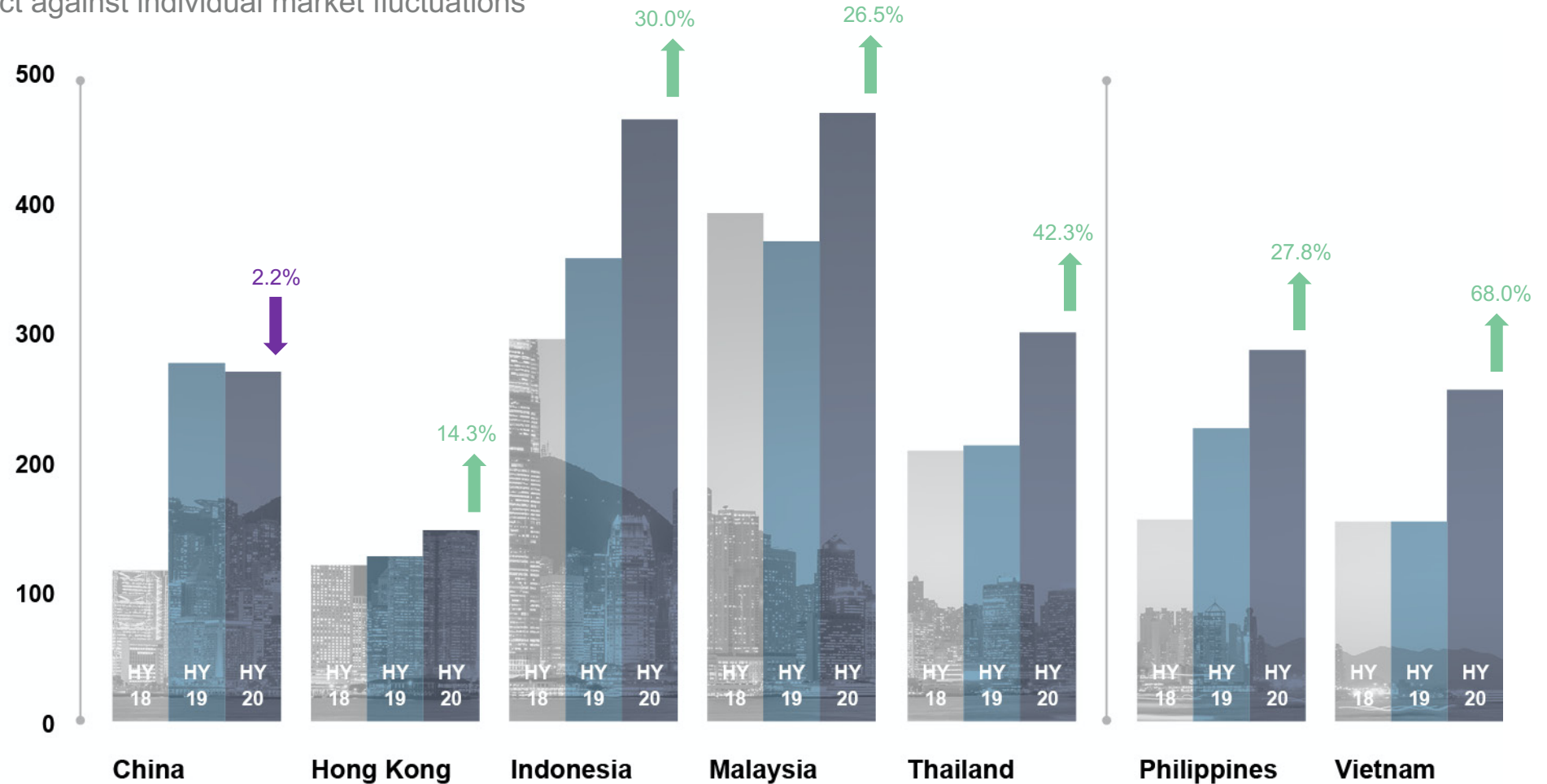
IPH provides a comprehensive and high quality service offering for clients into Asian markets

"Network effect" of servicing clients in multiple jurisdictions

Asia – growth engine of the business

Diversified portfolio helps protect against individual market fluctuations

- Excellent growth across most other Asian jurisdictions¹ for HY20
- While still maintaining excellent growth we would expect some moderation of these rates due to the strong second half comparative
- Graphic reflects filings made by an IPH entity as the agent in each jurisdiction (there may be additional cases filed with legacy agents on behalf of IPH clients)
- In Vietnam and the Philippines, whilst the work is primarily performed by an IPH entity, an external agent is used to file with the patent office



1. Total patent cases lodged in key jurisdictions in Asia (excl. Singapore) by IPH entities (or external agents in the case of the Philippines and Vietnam). Data based on internal filing statistics.

Operations update

05



Xenith IP integration on track

First stage of Watermark integration into Griffith Hack completed



Watermark integration into Griffith Hack

Due to COVID-19 the businesses have undergone a virtual integration from 4 May with Watermark physical offices retained. Full integration, including IT systems, on schedule as planned for July 2020.

Both businesses now operating under the Griffith Hack brand.

Clients can benefit from access to a deeper pool of IP experts in Australia.

Integration will provide enhanced career and development opportunities for both Watermark and Griffith Hack employees.

Full year synergies of between \$2m and \$2.5m anticipated from FY21.

Remain on track for \$3.4m in synergies from Xenith IP integration in FY20.



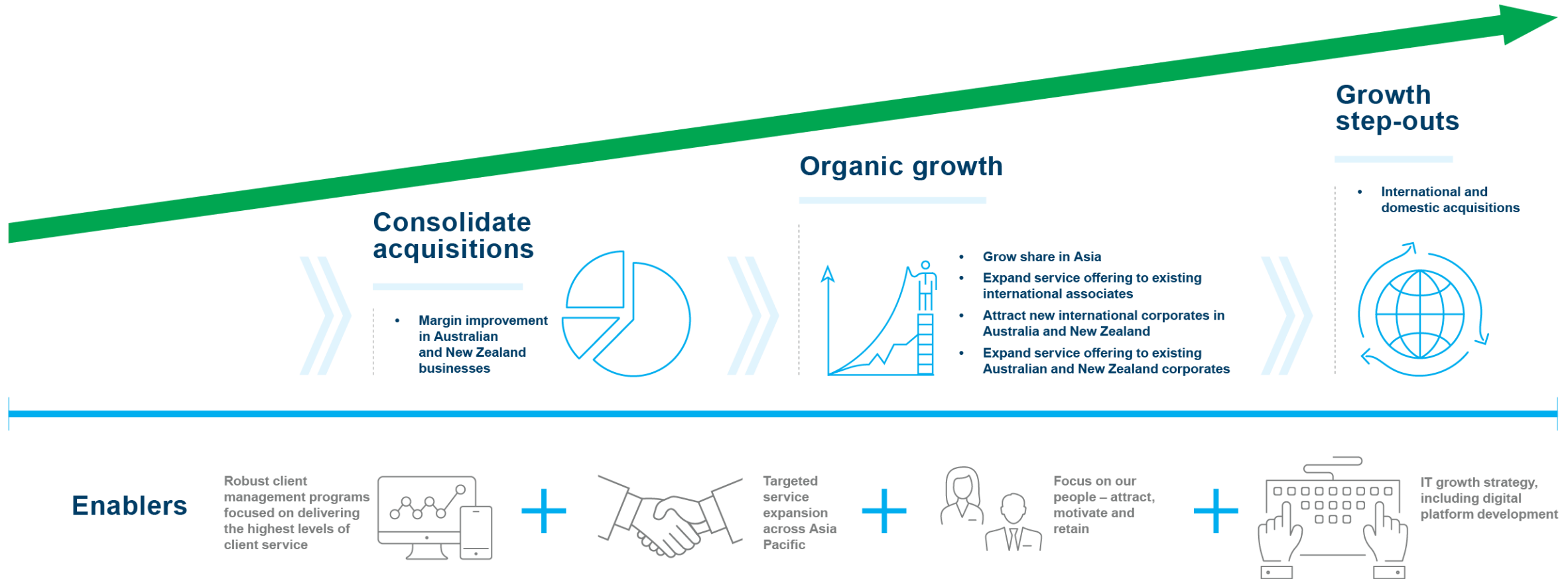
Strategic priorities

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Strategic direction

Continued focus on IPH's growth strategy



Thank you



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