



ASX Announcement

19 November 2020

Annual General Meeting – Chairman & Managing Director addresses

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

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Authorised for release to ASX by:
The Company Secretary

About IPH Limited

IPH Limited ("IPH", ASX:IPH), the holding company of AJ Park, 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 900 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,

In my address today I will provide an overview of our financial results for FY20 and outline the manner in which we continue to implement our growth strategy to deliver value creation for shareholders.

Our performance in FY20 demonstrated the ongoing resilience of our business despite the difficult environment in the second half of the year due to the global COVID-19 pandemic.

We retain a solid balance sheet and continue to generate strong cash flows. As a result, we remain well-placed to manage the short term business disruption, while delivering sustainable returns to our shareholders over the medium term.

Overview of FY20 results

For FY20, Statutory Net Profit After Tax (NPAT) increased by 3% to \$54.8 million, equating to Diluted Earnings Per Share of 25.8 cents, down 3 per cent on the prior year.

While many Australian companies have suspended dividends, our strong financial position and consistent cash flow generation enabled the continuation of dividends to IPH shareholders. That included a final dividend of 15 cents per share, 100 per cent franked, bringing the full year dividend to 28.5 cents per share, up 14 per cent on the prior year.

The full year dividend is in line with the Board's dividend policy to pay 80-90 per cent of cash NPAT as dividends.

As I mentioned IPH retains a strong balance sheet to manage through the current environment while undertaking investment which supports our strategy for medium term growth. The Company's net debt at 30 June 2020 was \$68.3 million with a conservative leverage ratio (Net Debt / EBITDA) of 0.6 times.

We have no refinancing commitments until February 2022.

Implementing our Growth Strategy

In FY20 we continued to implement our acquisition strategy.

As shareholders will recall, we successfully acquired Xenith IP Group on 15 August 2019.

This was the largest acquisition in IPH's history since our listing in 2014 and it marked 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.

We have successfully integrated Xenith IP into IPH with the delivery of net cost and revenue synergies of \$3.5 million which was in line with the guidance we provided at the time of the acquisition.

A key initiative of this integration was bringing together the firms of Watermark and Griffith Hack to create one firm operating under the Griffith Hack brand. This integration was undertaken during the course of the second half, and notwithstanding the challenges of the pandemic, was successfully completed in July 2020.

More recently, in June 2020 we also announced that AJ Park had reached agreement to acquire the New Zealand intellectual property firm Baldwins Intellectual Property. Baldwins is a well-known New Zealand IP firm, with high quality IP professional staff, and this acquisition strengthens AJ Park's client service offering in New Zealand. The transaction completed in October 2020. Again, we were pleased to be able to continue to execute on our strategy notwithstanding the escalation of the pandemic and the impositions that resulted.

Our CEO, Dr Andrew Blattman will provide more details of our growth strategy in his address shortly.

Sustainability

In a challenging year, IPH continued to progress our stated sustainability focus areas of good governance, our people, supporting our communities and minimising our impact on the environment.

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.

This has obviously been a particular focus during the COVID-19 pandemic; ensuring the safety of our people, our clients and communities.

We continue to engage with our stakeholders in developing our sustainability agenda and I encourage shareholders to read our second stand-alone Sustainability Report which details our progress in this area and which is available on the Company's website.

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 FY20.

In particular, I want to thank our employees for their ongoing efforts during the COVID-19 pandemic in supporting each other and continuing to provide outstanding service to their clients.

I would also like to extend a warm welcome to Baldwins' employees who are now part of AJ Park and the IPH group.

On behalf of the Board of Directors, I would like to thank our 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 and good morning ladies and gentlemen.

I want to commence my address by acknowledging and thanking shareholders for your continuing support of IPH.

Today, I will provide additional detail on our financial results for FY20 and further context on our growth strategy. I will also provide an update on current trading for the year to date.

FY20 Result

IPH delivered a solid result in FY20 despite some impact to our business due to the COVID-19 pandemic and the integration of the Xenith IP businesses into the IPH group.

On an underlying basis, Earnings Before Interest, Tax, Depreciation and Amortisation was \$126.0 million compared to \$89.7 million for the prior year. Underlying revenue for the year increased by 44 per cent to \$369.6 million while Underlying Net Profit After Tax (NPAT) lifted by 24 per cent to \$77.7 million.

In our *Asian* IP business, like-for-like revenue increased by 6 per cent and like-for-like EBITDA improved by 8 per cent. In *Australia/New Zealand*, like-for-like revenue declined by 5 per cent. The 'like-for-like' basis is before adoption of the accounting standard, AASB16, and adjusts for the impact of foreign exchange movements and also for the acquisition of the Xenith IP businesses, which was effective 15 August 2019.

Despite the weaker market conditions in the second half, the pre-existing IPH business delivered a solid result with revenue declining by 1 per cent and EBITDA down 2 per cent on the prior year.

As anticipated, the level of merger activity caused some disruption to the Xenith IP businesses during the second half of the year. Together with reduced client filing activity, like-for-like revenue for the previous Xenith IP business declined by 5 per cent. However, the delivery of corporate cost synergies resulted in like-for-like EBITDA increasing by 7 per cent.

Managing our response to COVID-19

Following the escalation of the pandemic, we implemented comprehensive COVID-19 response plans across all offices with our continued focus being on the safety and wellbeing of our people, our clients and our communities.

Our robust IT systems enabled all IPH employees to work remotely, while still delivering the high quality IP services that our clients know and expect from us.

We did experience some slowdown in workflow (new filings and instructions on existing matters) due to disruption amongst some clients and the general economic and market uncertainty. The temporary closure of IP Offices in some of the jurisdictions our group businesses service also impacted workflows.

However, the flow-on effect of previous filings, and the level of new filings, enabled IPH to avoid making any redundancies, stand-downs or pay reductions for our staff as a result of the pandemic itself.

We continue to closely monitor and adjust our business operations as required and to act in accordance with the latest Government and regulatory health and safety advice in each of our jurisdictions.

Implementing our strategy

We continued to implement our growth strategy successfully during the year.

As Richard just mentioned, the acquisition of Xenith IP was completed in August 2019.

We successfully integrated Xenith IP into IPH with the delivery of net cost and revenue synergies of \$3.5 million, which was in line with our initial guidance.

As part of this transaction, the integration of Watermark into Griffith Hack was achieved on schedule, as planned in July 2020.

Following a detailed review of the Glasshouse Advisory business, we divested the R&D tax and incentives business of Glasshouse to Grant Thornton in May 2020 and the remaining aspects of the business ceased operations on 30 June 2020.

In October 2020, our AJ Park business completed the acquisition of New Zealand IP firm, Baldwins for a total consideration, including deferred payment, of NZ\$7.9 million. This acquisition provides the expanded AJ Park business with greater depth of expertise, enhanced career opportunities for its people and will also provide clients with access to a complementary team of experienced IP professionals.

Evolving the IPH network

Since the formation of our business and subsequent listing on the ASX in 2014, IPH has undergone a period of rapid growth and change. As our business has grown and matured, we have recognised the need to review our brand and business proposition to reflect where our business is today; and to ensure we are best harnessing the combined power of our group businesses.

To implement this, IPH will evolve further into a more active network that supports its individual businesses through systems and service models that capture new commercial opportunities, help our firms to work smarter and ensure they are able to perform at their best. We call it the ‘network effect’.

In 2021 we will signal this renewed focus with a refreshed brand that represents the evolution of the group and its ambitions. Our new logo, previewed here, will be a cornerstone and we hope in time it will come to represent a standard of quality in IP services globally. We look forward to sharing more of this with our shareholders at our half year results.

Our People

We continue to focus on attracting, motivating, developing and retaining our people across the group.

A key component of this focus was delivery of the employee incentive plan for eligible staff across IPH. For FY20, 97 per cent of fee earning eligible employees received an award. We are pleased to deliver this opportunity for our people in a difficult business climate.

Despite the uncertain conditions, we were also pleased to provide continued career advancement in 2020 with client facing promotions made across the IPH group.

Leadership capability remains a priority for our business and we have appointed new Managing Directors in AJ Park, Spruson & Ferguson Australia and Griffith Hack over recent months. Pleasingly two of these appointments have been from within the IPH group and we are delighted that we have been able to support our people to grow and progress their career within the Group.

Update on Trading

In what has been a challenging economic climate for many businesses due to the global pandemic, IPH’s first four months of trading has resulted in Group underlying, “like-for-like” EBITDA growth against the prior corresponding period. This growth has been predominately driven by the synergies generated from the acquisition of the Xenith IP Group, in particular the integration of Watermark into Griffith Hack.

With AASB16 reflected in both the current and prior year, the like-for-like basis excludes the impact of the Xenith IP acquisition and the impact of foreign exchange. The average A\$/US\$ for the first four months of FY21 was 71.5c compared to 68.4c for the first four months of FY20.

Based upon the prior year currency profile and the year to date average exchange rate, a 1c weakening of the USD equals a reduction of \$1.9M in annual service charges, the majority of which falls to the EBITDA line.

Asia

The Asian business has continued its resilient performance in the current environment, delivering like-for-like EBITDA growth against the prior comparative period.

Singapore patent filings continue to be robust, reflecting the Group's leading position in that market, which continues to be a key hub for our network offering across the region. Preliminary data for CY20 YTD August indicates 4.7 per cent growth in IPH Singapore filings and 4 per cent growth in total Singapore patent market filings compared with CY19 YTD August.

We also continue to see strong growth in our China practice, which is further down the recovery path from the initial pandemic disruption, with 21.6 per cent patent filings growth, based on internal data for the first four months to 31 October against the prior corresponding period.

Australia and New Zealand

For the first four months to 31 October 2020, total Australian patent filings (excluding Innovation Patents which will no longer be available from August 2021) decreased by 1 per cent compared to the prior corresponding period. IPH Group's filings (excluding Innovation Patents) declined 8.1 per cent.

While we have not had any significant client losses over this period, we are seeing some large clients who are filing less at this time. Additionally, we have the local market's largest exposure to US clients, which as you would expect, has experienced some short-term disruption due to COVID.

As we stated at our full year results, the integration of Watermark into Griffith Hack has caused some disruption to Griffith Hack.

These business units appear to have been more greatly impacted by Covid-19 due to their greater local client exposure and larger Melbourne presence, where there has been an extended lockdown period.

As we have seen in previous integrations, some clients may not always go forward in a new, combined entity, however we expect this to settle as we move further into FY21.

Notwithstanding the decline in Australian filings, underlying like-for-like EBITDA in the *Australian/New Zealand* business has increased compared to the prior corresponding period, reflecting the continuing capture of synergies from the acquisition of the Xenith IP Group and the integration of Watermark into the Griffith Hack business.

We continue to expect to achieve corporate cost and Griffith Hack Watermark synergies of \$2.5m in FY21.

In New Zealand, AJ Park completed the acquisition of Baldwins on 16th October 2020. Based on the financial metrics outlined at the announcement of this transaction, and our initial assessment of expected synergies, the 8.5 month EBITDA contribution in FY21 is expected to be between A\$2-2.5M.

In summary, while the COVID pandemic means we continue to experience some level of market uncertainty in the short term, IPH remains a resilient business.

Conclusion

Ladies and Gentlemen, in a year with a number of challenges across our business, I want to thank all of our people for their hard work, adaptability and continued focus on client service as we have navigated through these unprecedented times.

Once again let me acknowledge and thank our shareholders for your continuing support of IPH.