

ASX Announcement

17 February 2022

HY22 Investor Presentation

Attached is a copy of the IPH Limited HY22 Investor Presentation.

An analyst/shareholder briefing will be held at 10.30am (AEDT). The briefing will be webcast and accessible on the IPH website at www.iphltd.com.au.

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Authorised for release to ASX by:

The Board of Directors

IPH Limited

About IPH Limited

IPH is the Asia Pacific's leading intellectual property services group, comprising a network of member firms working in eight IP jurisdictions and servicing more than 25 countries. The group includes leading IP firms AJ Park, Applied Marks, Griffith Hack, Pizzeyes and Spruson & Ferguson, and the autonomous timekeeping business, WiseTime, and employs more than 900 people working in Australia, China, Hong Kong SAR, Indonesia, Malaysia, New Zealand, Singapore and Thailand.



2022 Half Year Results Investor Presentation

Half year ended 31 December 2021

17 February 2022

Presented by:

Dr. Andrew Blattman
Managing Director & CEO, IPH Limited

John Wadley
Chief Financial Officer, IPH Limited

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Contents

1	HY22 highlights	05
2	HY22 results	07
3	Market update	14
4	Delivering on our strategy	19
5	Looking ahead for FY22	22
6	Appendix	26



About the IPH Group

Asia-Pacific's leading IP professional services group

6 brands

AJPark



GRIFFITH—HACK

PIZZEYS
Patent and Trade Mark Attorneys



WiseTime
TIME FOR MORE



Nº 1
Patent group
in Australia,
New Zealand
and Singapore²

Nº 1
Trade mark group
in Australia and
New Zealand³

8

IP jurisdictions

900+

Employees¹

25+

Countries serviced

1) Approximate employee numbers across the Group.
2) Management estimated market share based on patent filing data: Australia (IP Australia) – 1H FY22 as at 18/1/22; Singapore (IPOS) – CY21 (preliminary) as at 2/2/22; New Zealand (IPONZ) – 1H FY22 as at 8/2/22.
3) Management estimated market share based on trade mark filing data: Australia (IP Australia) share of top 50 agents – 1H FY22 as at 13/01/22; New Zealand (IPONZ) – 1H FY22 as at 8/2/22.



01

HY22 highlights



Strong financial performance enhances platform for growth

Asian filing growth buoyant


Underlying EBITDA¹
\$68.3m

11% 

Continued growth in client referrals into IPH Asian hubs⁴

17% 


Like for like EBITDA²

5% 


Growth in filings in key Asian jurisdictions⁵

16% 

Interim Dividend³
14.5 cents per share (40% franked)

4% 

Successfully completed Spruson & Ferguson and Shelston IP integration⁶

Nº 1 

1) Underlying EBITDA excludes costs incurred in pursuit of acquisitions, accounting charges for share-based payments, restructuring costs, impairment and IT SaaS implementation costs.
2) Like for like Underlying EBITDA adjusted for the impact of acquisitions, movements in realised and unrealised foreign exchange and performance had the prior year's exchange rates applied.
3) Represents 90% of cash NPAT
4) New case referrals from acquired ANZ businesses to IPH Singapore & China/Hong Kong based on internal filing statistics.
5) Total patent cases lodged in key jurisdictions in Asia (outside of Singapore) by IPH entities (or external agents in the case of the Philippines and Vietnam). Data based on internal filing statistics.
6) Spruson & Ferguson no.1 agent by market share of Australian patent filings (IP Australia data for 1H FY22).



02


HY22 results



Double-digit underlying growth

Organic growth and synergy capture drives earnings improvement


Revenue
\$191.4m

6% 

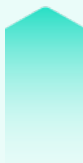
Cash Conversion – 1H22
\$47.3m operating cashflow

111%


EBITDA
\$54.9m

3% 

Underlying EBITDA¹
\$68.3m

11% 


Statutory NPAT
\$24.6m

8% 

Underlying NPAT¹
\$43.2m

15% 

Diluted EPS
11.2 cents per share

9% 

Underlying Diluted EPS
19.7 cents per share

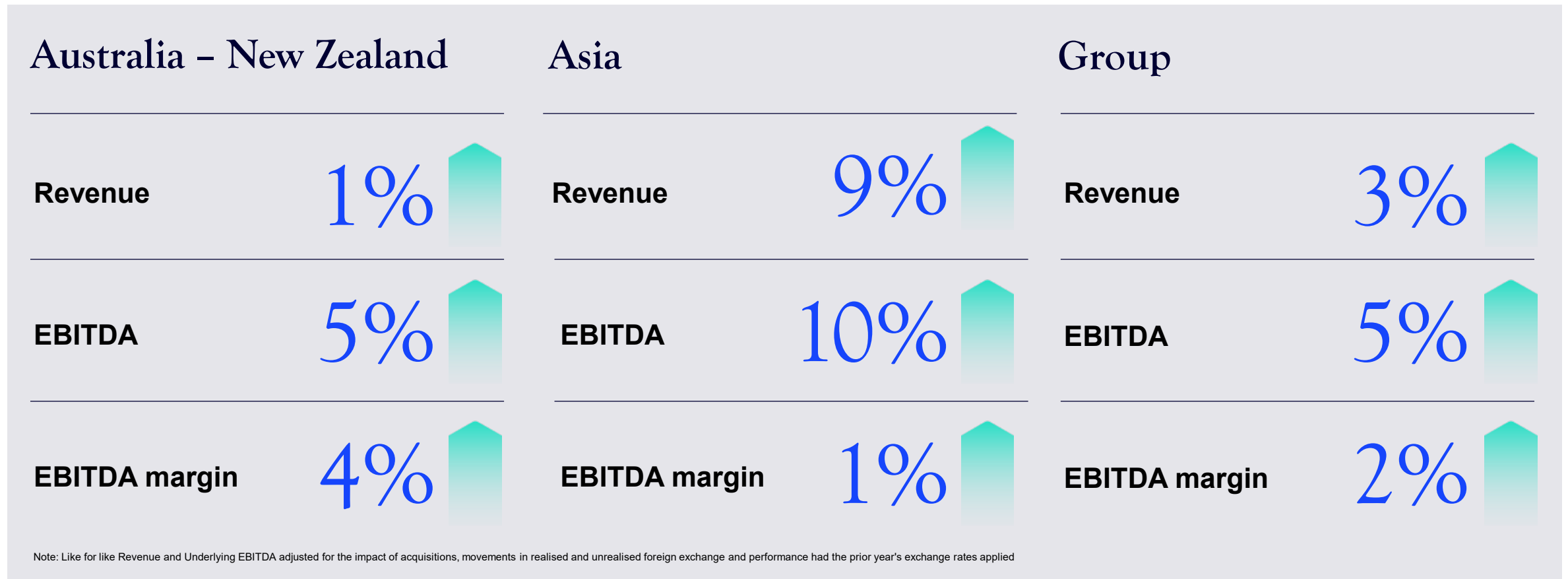
13% 

1) HY22 Underlying EBITDA and NPAT excludes costs incurred in pursuit of acquisitions, accounting charges for share-based payments, restructuring costs, impairment, IT SaaS implementation costs and amortisation of acquired intangibles



Continued momentum in like-for-like earnings growth

Double digit growth in Asia with continued margin accretion



Underlying Results

Underlying EBITDA \$68.3m up 11%

Half Year ended 31 December 2021	HY22 Statutory Income Statement	Adjustments	Underlying Earnings HY22 ²	HY21 Statutory Income Statement	Adjustments	Underlying Earnings HY21
Total revenue	191.4		191.4	179.8		179.8
Recoverable expenses	(51.0)		(51.0)	(52.3)		(52.3)
Compensation	(64.8)	3.8	(61.0)	(57.3)	2.7	(54.6)
Occupancy	(0.9)		(0.9)	(1.0)		(1.0)
Restructuring / acquisition related expenses	(3.7)	3.7	0.0	(2.4)	2.4	0.0
Other	(16.1)	6.0	(10.1)	(10.1)		(10.1)
Total expenses	(136.5)		(123.0)	(123.1)		(118.0)
EBITDA	54.9		68.3	56.7		61.7
EBITDA %	28.7%		35.7%	31.5%		34.3%
Depreciation & Amortisation	(19.8)	11.6	(8.2)	(18.8)	10.8	(8.0)
EBIT	35.1		60.1	37.9		53.7
Net Finance Costs	(2.3)		(2.3)	(2.8)		(2.8)
NPBT	32.9		57.9	35.1		50.9
Tax (expense)/benefit	(8.3)	(6.4)	(14.7)	(8.3)	(5.0)	(13.3)
NPAT	24.6	18.7	43.2	26.8	10.9	37.6
Diluted EPS (cents)¹	11.2c		19.7c	12.4c		17.4c

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

2) HY22 Underlying EBITDA and NPAT excludes costs incurred in pursuit of acquisitions, accounting charges for share-based payments, restructuring costs, impairment, IT SaaS implementation costs and amortisation of intangibles.



Cash flow statement

Excellent cashflow generation with cash conversion of >100%

- Cash conversion of greater than 100% reflects strong collection of FY21 receipts.
- Cash flow supports high dividend payout.
- Strong balance sheet with leverage ratio of 0.4 times.

Key Metrics at 31 December 2021	
Cash on hand	\$76m
Drawn debt	\$117m
Net debt	\$41m
Leverage ratio (Net debt / 12 month EBITDA)	0.4 times
Debt maturity	July 2024
Cash conversion for half year ended 31 December 2021	111%

Half Year ended 31 December 2021	HY22 Cash Flow Statement	HY21 Cash Flow Statement
Statutory EBITDA	54.9	56.7
Non-cash movements		
Change in working capital	10.3	6.2
Operating capital expenditure	(4.2)	(3.4)
Cash flow before acquisitions, financing activities and tax	61.0	59.5
Cash conversion ratio	111%	105%
Income taxes paid	(15.6)	(8.9)
Net interest paid	(2.3)	(2.9)
Free cash flow	43.1	47.7
Dividends paid (net DRP)	(28.7)	(25.7)
Undistributed free cash flow	14.4	22.0
Acquisitions, investments & intangibles	(5.0)	(4.7)
Lease payments	(5.3)	(5.5)
Net borrowing proceeds/(repayments)		(32.7)
Net cash flow	4.1	(20.9)



Balance sheet

Strong financial position provides capacity for growth investments

- Cash movement includes dividend (\$28.7m).
- Movements in intangibles includes:
 - > Acquisition of Applied Marks (\$7m)
 - > Write down of Shelston IP brand (\$4.6m).

	Balance Sheet as at 31 Dec 2021	Balance Sheet as at 30 Jun 2021
Cash and cash equivalents	76.0	71.2
Trade and other receivables	70.3	83.4
Other current assets	25.3	10.4
Total current assets	171.6	165.0
Property, plant and equipment	10.3	10.2
Right-of-use assets	28.7	30.6
Acquisition intangibles and goodwill	461.1	468.1
Other non-current assets	1.5	0.9
Total assets	673.2	674.8
Trade and other payables	21.7	24.0
Lease Liabilities	41.2	43.2
Deferred tax liability	33.5	36.3
Borrowings	117.0	116.2
Other liabilities	30.7	28.3
Total liabilities	244.1	248.0
Net assets	429.1	426.8
Issued capital	422.1	417.1
Reserves	5.0	(1.5)
Retained profits	2.0	11.2
Total equity	429.1	426.8



Foreign currency sensitivity

Earnings currency sensitivity

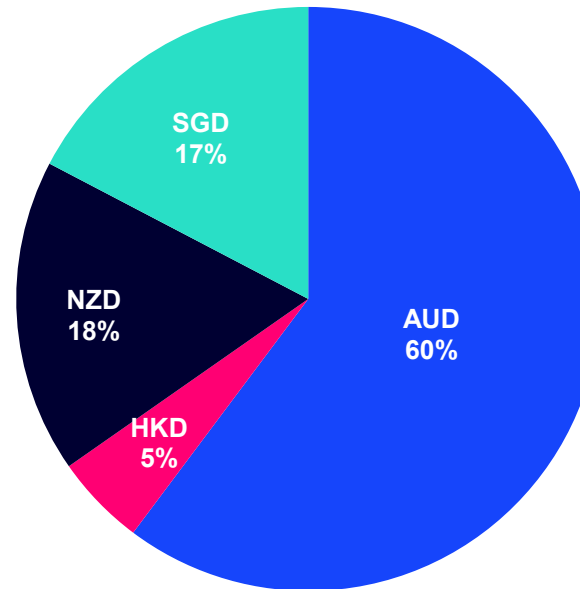
- Based on the USD profile in FY21 in the IPH Group, a 1c movement in the AUD/USD exchange rate equates to approximately \$1.9m of revenue on services charges on an annualised basis.
- This sensitivity fluctuates on the basis of acquisitions, their timing and their mix of currencies.
- The Group currently does not undertake foreign currency hedging as it is explicit about the impact of the US dollar and due to costs associated with hedging. The Group continues to monitor this position.

Balance sheet sensitivity

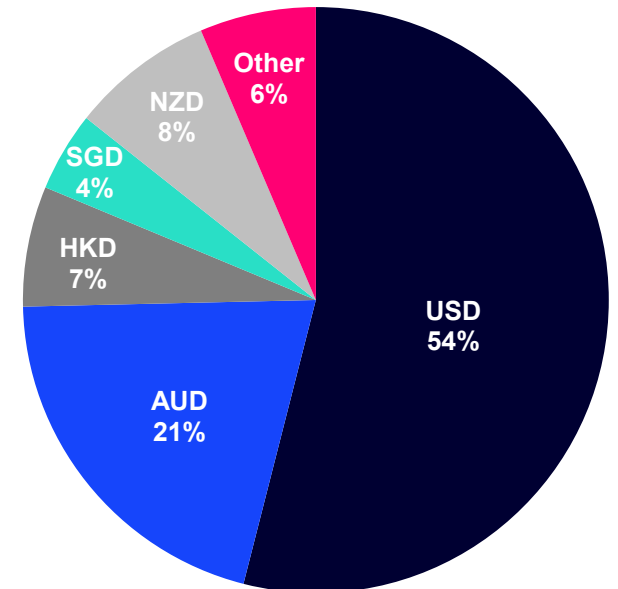
- The Group is also exposed to FX on the level of its USD denominated cash and receivables in the balance sheet, balances of which fluctuate.
- 54% of the Group's invoicing is denominated in USD.¹
- Average USD cash² held US\$29m.
- Average USD net assets (including cash)³ US\$36m.

FX Rates (average)	USD	SGD
HY22	0.7316	0.9913
HY21	0.7232	0.9836
Variance	1.2%	0.8%

Operating expenses



Service Charges



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.



03

Market update

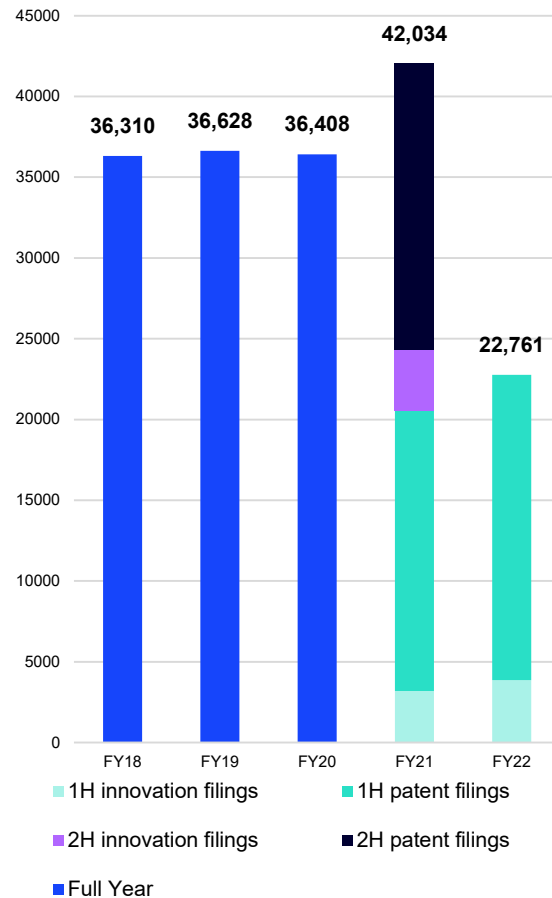


Patent market – Australia

Australian patent market rebounds with strong growth

Australian patent filings – market¹

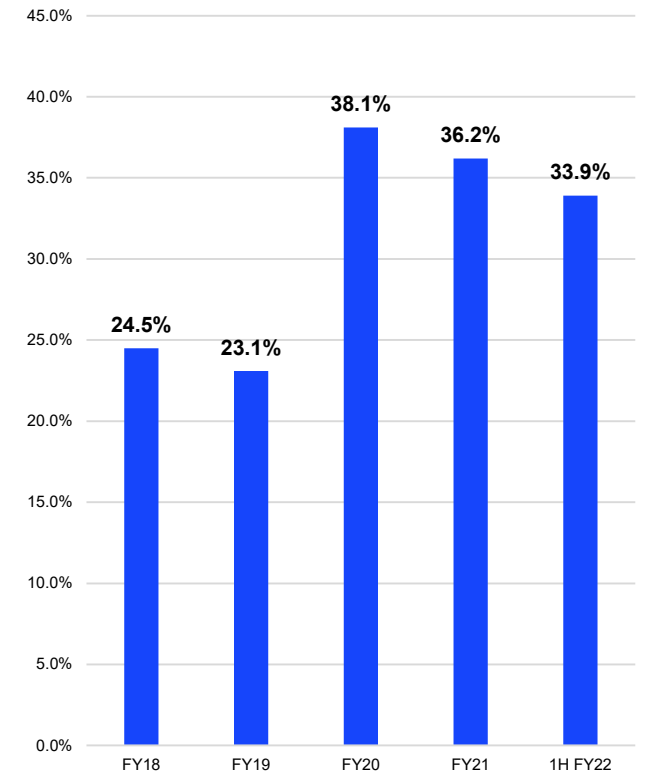
- Australian patent market increased by 10.8% in 1H FY22 compared with the previous corresponding period.
- Removing all innovation patent filings, the market increased by 8.9%.



¹ Management estimate based on IP Australia filing data as at 18/1/22 (1H FY22), 13/7/21 (FY21), 14/7/20 (FY20), 1/8/19 (FY19) and 3/8/2018 (FY18). Includes all types of patent applications.

IPH Group market share (excluding innovation patents)²

- IPH Group's filings increased by 1.4%.³
- Excluding newly combined Spruson & Ferguson, IPH filings increased by 8.3%, broadly inline with the market.
- S&F impacted by decline in filings from the largest filer in the market. If filings from this client were removed from IPH and the market, IPH filings increased by 4.3% and the market increased by 10.5%.
- S&F performance also affected by the anticipated short-term disruption of the integration.
- Our past experience shows that the impact on filings due to an integration is short-term.



² Management estimates of Group market share based on IP Australia filing data excl. innovation patents (which ceased Aug 21). Data captured at end of each financial period and may not reflect subsequent changes of agent. Chart includes IPH acquired entities from 1 Jul of the acquisition year.
³ Any IPH acquired entities are included in both periods on a pro-forma basis for filings comparison.

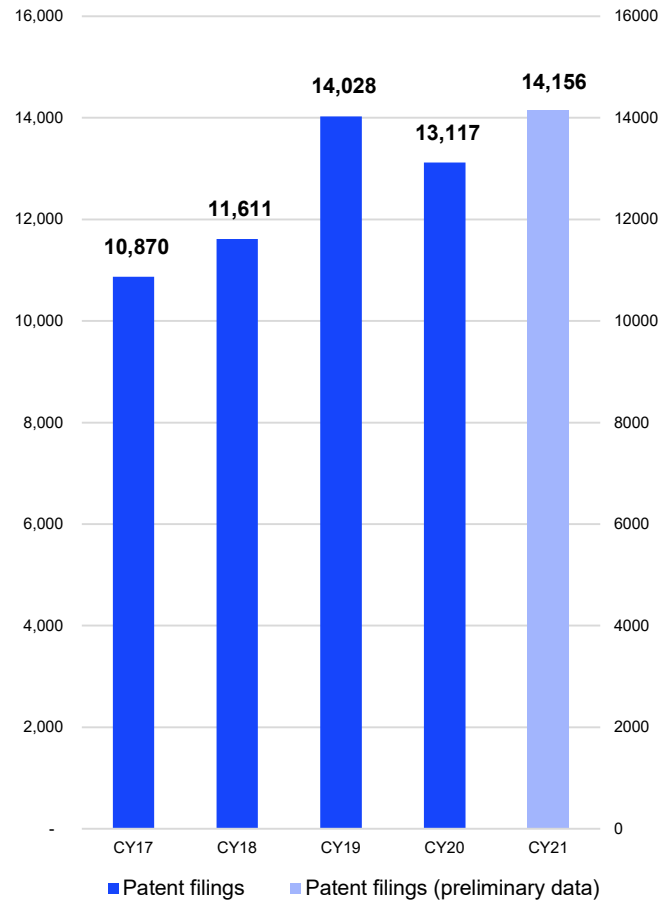


Patent market – Singapore

Maintains #1 position with growth in market share and filings

Singapore patent filings – market¹

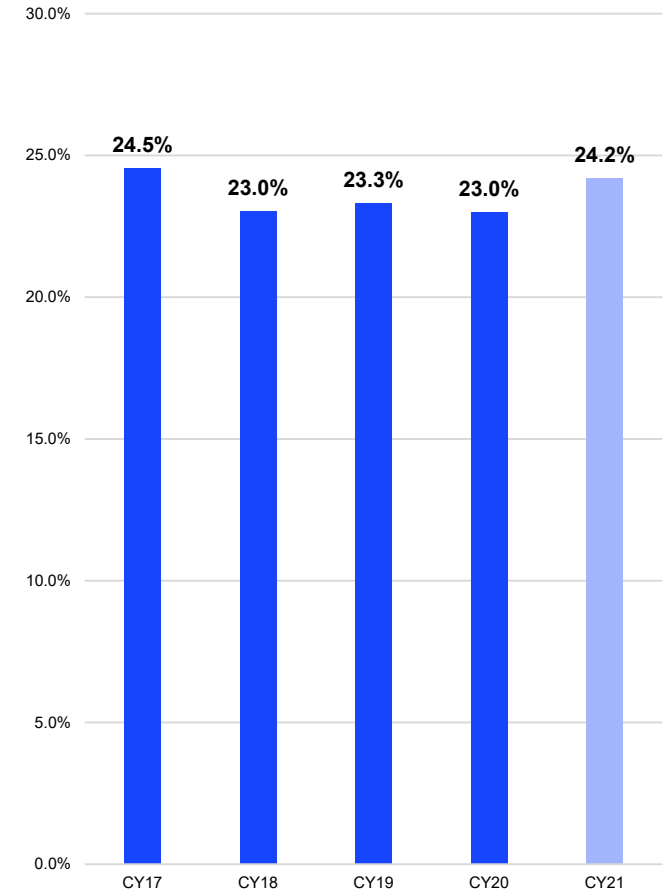
- Singapore patent market increased 7.9% in CY21 compared with CY20 (based on preliminary data).
- Market displays continued growth in each of the first 3 quarters of CY21 (up 11.1% on PCP).
- Q4 CY21 saw a market decline of 1.2% due to applicant filing patterns and a significant decline from one of the largest filers in the market (also a client of IPH).



¹) IPH Management estimate based on IPOS filing data as at 2/2/22 (CY21), 2/05/21 (CY20), 3/08/20 (CY19), 1/08/19 (CY18) and 2/08/18 (CY17). Note, data for recent months subject to change due to data release timings, and as such CY21 is a preliminary figure.

IPH Group market share²

- Based on preliminary data for CY21 - IPH market share has increased from 23.0% in CY20 to 24.2% in CY21 maintaining number one position.
- IPH filings increased by 13.4% compared with the previous corresponding period, reflecting organic growth.



²) Management estimates of Group market share based on IPOS filing data. Data captured at end of each financial period and may not reflect subsequent changes of agent. IPH share includes Singapore offices of Spruson & Ferguson and Pizzey's.



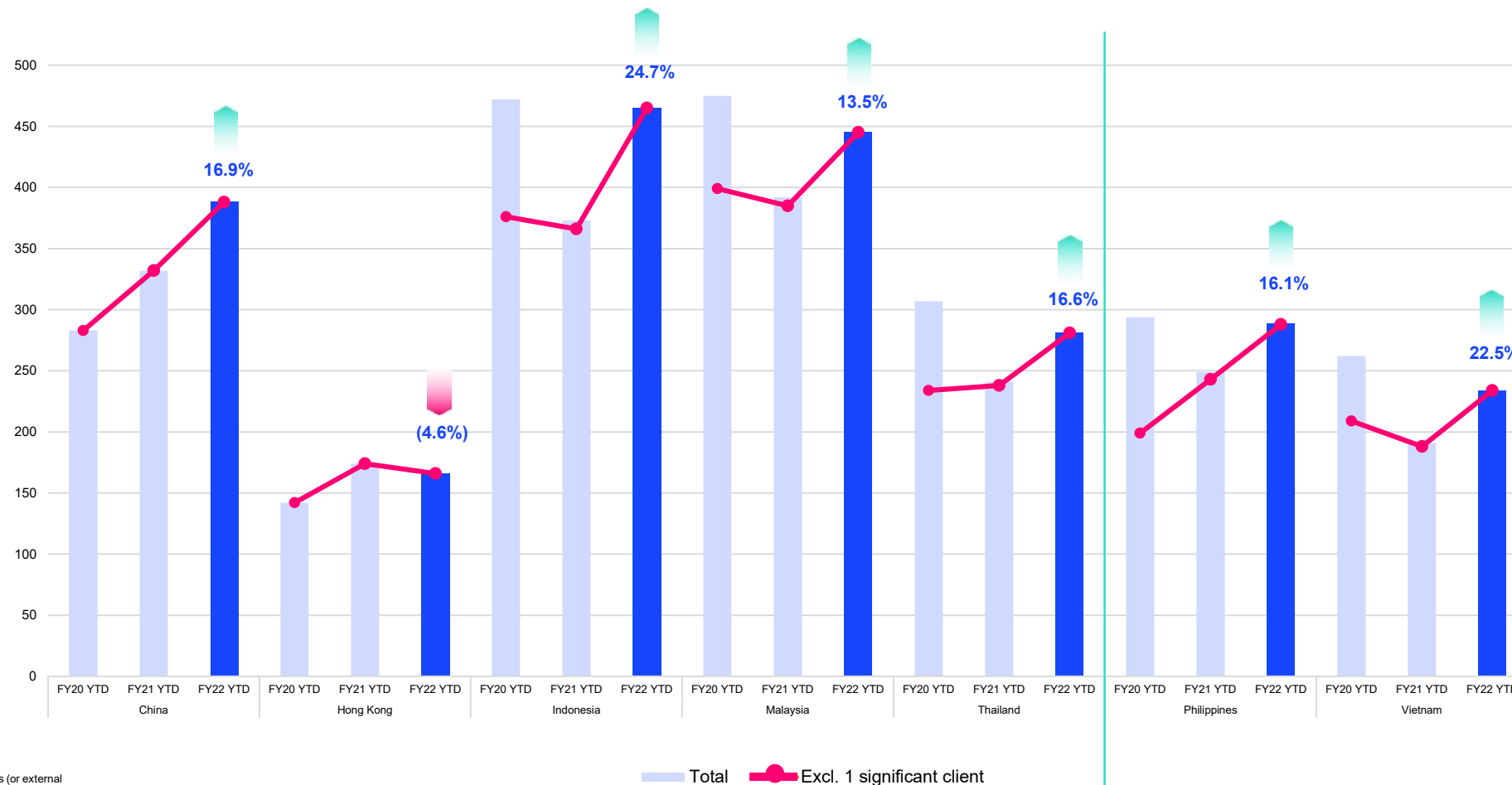
IPH patent filings – Asia¹

Growth in key jurisdictions in Asia up 16%

- IPH increased filings across these key jurisdictions (outside of Singapore) by 16.2%.
- IPH patent filings in China increased by 16.9%
- Network continues to be attractive to large clients. In 1H FY22 we have seen multiple large clients increasing filings across a number of jurisdictions.
- 17% year on year growth of high margin translation services across Asian markets - Indonesia, Vietnam, Thailand and China.

Note: strong FY20 due to significant filings from one client across multiple jurisdictions.

Continued increase in new case referrals (up 17% on 1H FY21) to IPH Asian hubs (Singapore, China/Hong Kong) from acquired IPH businesses.²



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.
2) New case referrals based on internal filing statistics.

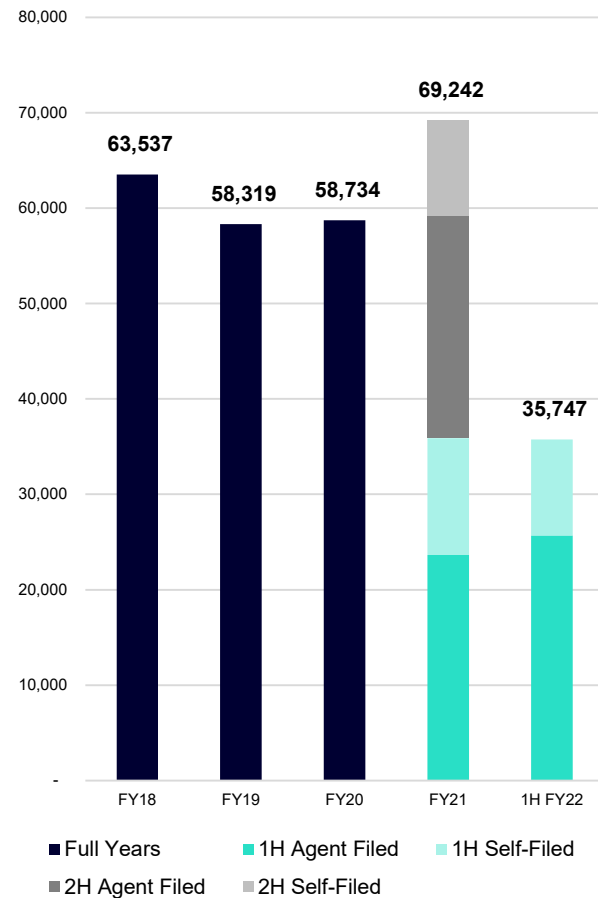


Trade mark market – Australia

Applied Marks shows strong growth

Australian trade mark filings – market (excl. Int’l Registrations)¹

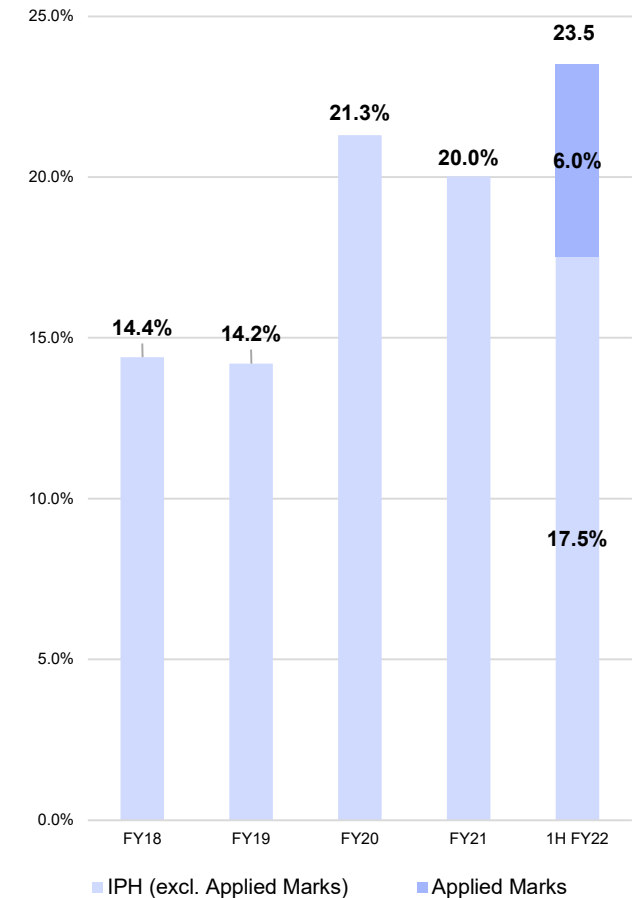
- In 1H FY22, Australian trade mark filings decreased by 0.4% on the previous corresponding period.
- Excluding self-filers, Australian trade mark filings through agents increased by 8.7% in 1H FY22.²
- The top 50 agents of 1H FY22 increased 13.7% vs PCP.
- Decline in self-filings of 17.8% in 1H FY22 due to strong prior period (1H FY21 up 25.5% on 1H FY20).



¹ Management estimate based on IP Australia filing data excl. International Registrations, as at 13/1/22 (1H FY22), 15/7/21 (FY21), 9/7/20 (FY20) and 1/08/19 (FY18-FY19).
² Applications determined as self-filed where no agent is listed at IP Australia, or agent is the same as trade mark owner.

IPH Group market share³

- IPH trade mark filings in Australia increased by 4.0% in 1H FY22 (incl. Applied Marks in both periods).⁴
- Applied Marks grew by 26.8% in 1H FY22.
- The IPH Group continues to be the leading Australian trade mark group by market share of the top 50 agents.



³ Management estimate of Group market share calculated on total filings from top 50 agents. Data captured at end of each financial period and may not reflect subsequent changes of agent. Chart includes IPH acquired entities from 1 Jul of the acquisition year.
⁴ Applied Marks and other IPH acquired entities included in both periods on a pro-forma basis for filings comparison.



04

Delivering on our strategy



Strong results in Asia show organic growth¹

Network referrals up 17%



Organic
growth

- IPH patent filings in China increased by 16.9%.
- IPH patent filings in Singapore increased by 13.4% and market share grew to 24.2%.²
- Growth in all key Asian jurisdictions, except Hong Kong, with patent filings (outside of Singapore) up 16.2%.
- 17% increase in client referrals to IPH Asian hubs (Singapore, China/Hong Kong) from acquired IPH businesses.
- The network offering continues to be attractive, with a number of large corporate clients increasing filing activity across key Asian jurisdictions (outside of Singapore).
- 17% year on year growth in high margin translation services in Asia.

1) 1H FY22 vs PCP.
2) Singapore growth based on IPOS preliminary data for CY21 vs PCP.



Largest IP firm in Australia positioned for growth

Integration of Spruson & Ferguson and Shelston IP completed in December 2021



**Consolidate
acquisitions**



- Spruson & Ferguson (Australia) and Shelston IP integration announced in September 2021.
- Integration completed in December 2021 and now operating as a fully integrated firm under the Spruson & Ferguson brand.
- Annualised net synergies at the EBITDA line to be between \$2.0-\$2.5M, with a further saving of annualised rental costs of approximately \$1 million.
- Remain on track to deliver expected \$1.0-\$1.25 million of the EBITDA savings, and around \$250,000 of rental costs in FY22. These savings contributed to the margin expansion in ANZ in the first half.

Business update

- Newly combined Spruson & Ferguson the largest IP firm in Australia¹ with 100+ IP professionals.
- New Managing Director appointed in September 2021 and renewed firm leadership team in place.
- Major investment in business development and marketing, with sales offices established in primary markets of Europe and the US in early 2022.

1) Spruson & Ferguson no.1 agent by market share of Australian patent filings (IP Australia data for 1H FY22).



05

Looking ahead for FY22



Summary and Priorities for FY22

Harnessing the network and enhancing our digital capability for future growth

- Demonstrated ability to drive integrated businesses to deliver margin accretion and earnings growth.
- Investment in business development focusing on international capability to support firms to achieve their growth objectives.
- Following successful expansion into NZ in 2021, Applied Marks to expand into key Asian markets.
- Newly created Digital Services function to harness digital expertise and software tools to generate growth and further efficiencies.
- Continued investment in growth initiatives to strengthen core business supported by solid financial position and consistent cash generation.
- Ongoing assessment of potential international acquisition opportunities in core secondary IP markets and IP adjacencies.



Q&A





Thank you

iphltd.com.au

06

Appendix



Like for Like Revenue and EBITDA

5% increase in like for like EBITDA from strong organic growth in Asia and synergies in Australia/NZ

	Underlying Revenue Dec 21	New Businesses	Accounting FX Movements	Currency Adjustment	Adjusted Revenue Dec 21	Underlying Revenue Dec 20	Chg%
Australia & NZ IP	144.1	(3.8)	(4.4)	0.7	136.6	135.6	1%
Asian IP	52.8		(1.7)	0.5	51.6	47.3	9%
Wisetime	0.2				0.2	0.2	
Corporate	5.3		2.0		7.3	3.3	
Eliminations	(10.9)		(0.1)		(11.0)	(6.6)	
	191.4	(3.8)	(4.1)	1.3	184.8	179.8	3%

	Underlying EBITDA Dec 21	New Businesses	Accounting FX Movements	Currency Adjustment	Adjusted EBITDA Dec 21	Underlying EBITDA Dec 20	Chg%
Australia & NZ IP	51.5	(0.8)	(4.4)	1.0	47.3	45.2	5%
Asian IP	24.4		(1.7)	0.4	23.1	21.0	10%
Wisetime	(0.3)				(0.3)	(0.0)	
Corporate	(7.2)		2.0		(5.2)	(4.4)	
Eliminations	(0.0)		(0.1)		(0.1)	(0.1)	
	68.3	(0.8)	(4.1)	1.4	64.8	61.7	5%

1) HY22 Underlying EBITDA excludes costs incurred in pursuit of acquisitions, accounting charges for share-based payments, restructuring costs, impairment and IT SaaS implementation costs.

2) New business represents 3.5 months of Baldwins and 6 months of Applied Marks.

3) Accounting FX movements represents change in realised and unrealised FX as reported in the financial statements.

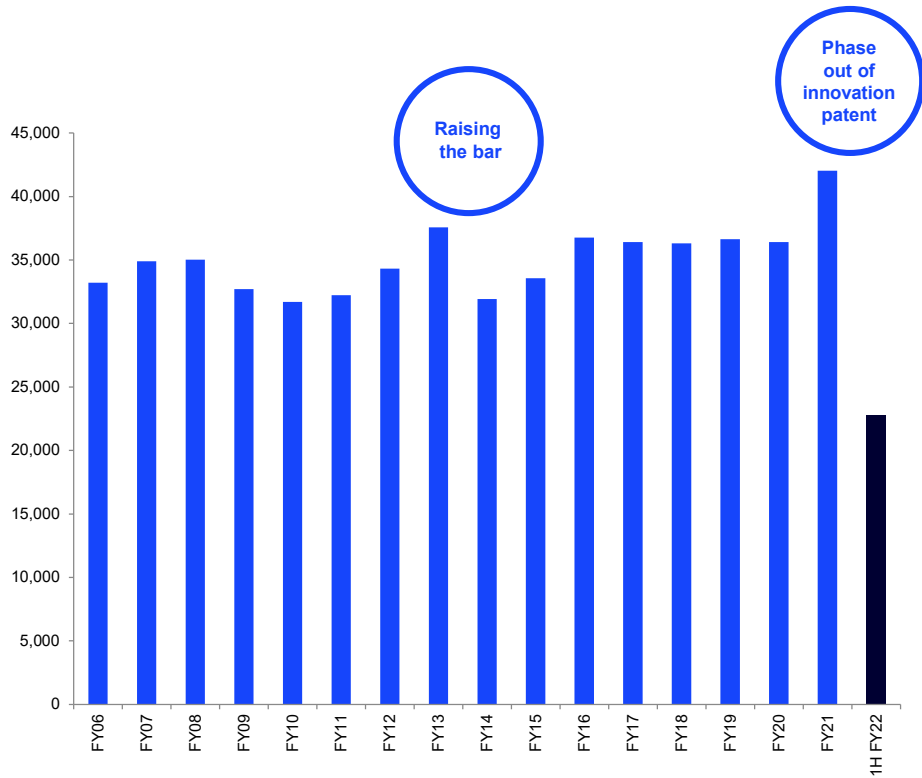
4) Currency adjustment represents the performance had the prior period exchange rates applied.



Patent market trends

Australian Patent Filings¹

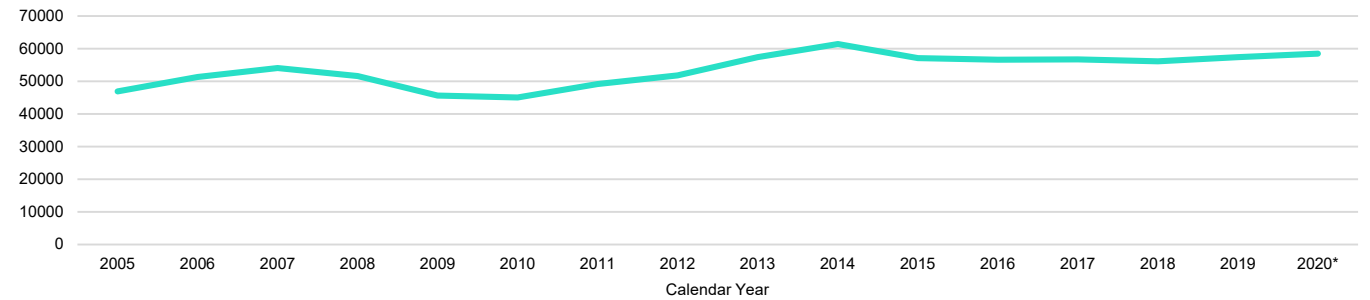
CAGR (FY06 to FY21) = 1.6%
CAGR Post-GFC (FY10 to FY21) = 2.6%



1) Management estimate based on IP Australia filing data as at 18/1/22 (1H FY22), 13/7/21 (FY21), 14/7/20 (FY20), 1/8/19 (FY19) and 3/8/2018 (FY18). All types of patent applications (incl. innovation).

US PCT Applications²

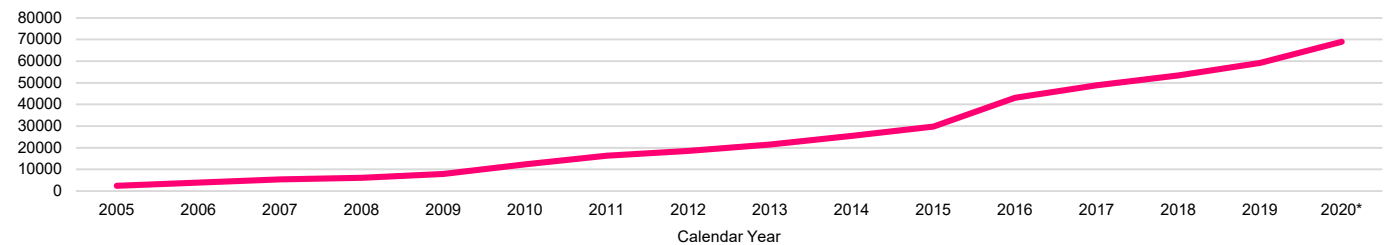
CAGR 15 Yr (CY05 to CY20) = 1.5%
CAGR Post-GFC (CY10 to CY20) = 2.6%



2) PCT applications originating from US filed at any receiving office by filing date from WIPO IP Statistics Data Center as at 7/2/22.
* CY20 is the latest complete year for which data is available at WIPO.

China PCT Applications³

CAGR 15 Yr (CY05 to CY20) = 24.7%
CAGR Post-GFC (CY10 to CY20) = 18.8%

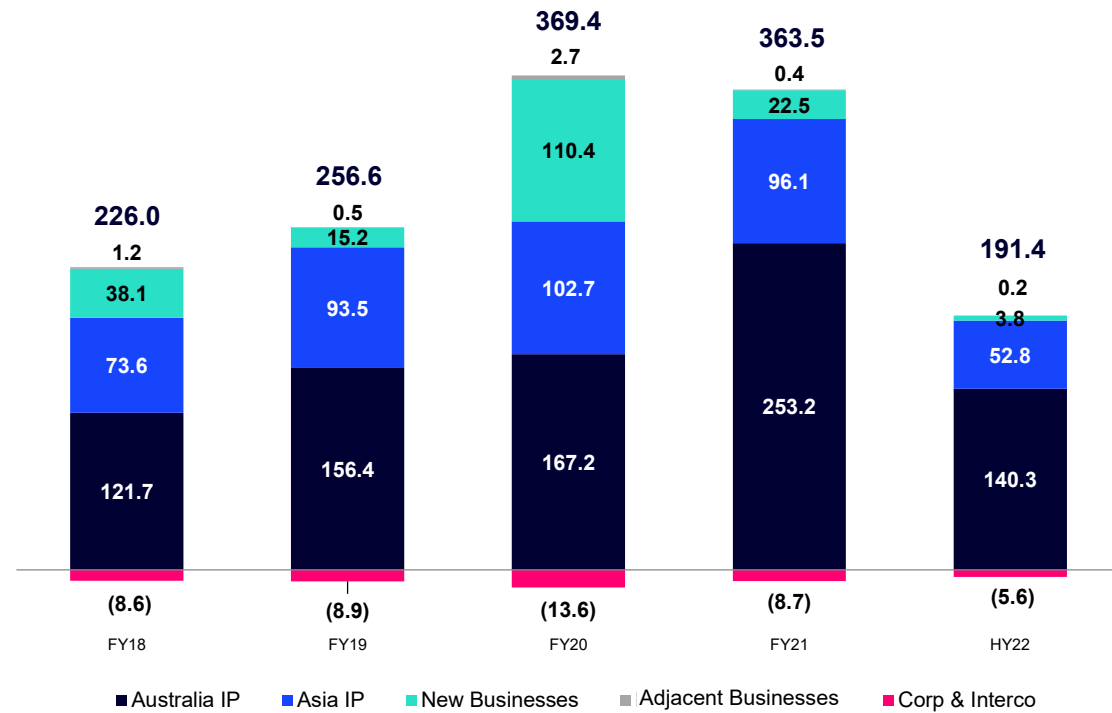


3) PCT applications originating from China filed at any receiving office by filing date from WIPO IP Statistics Data Center as at 7/2/22.
* CY20 is the latest complete year for which data is available at WIPO.



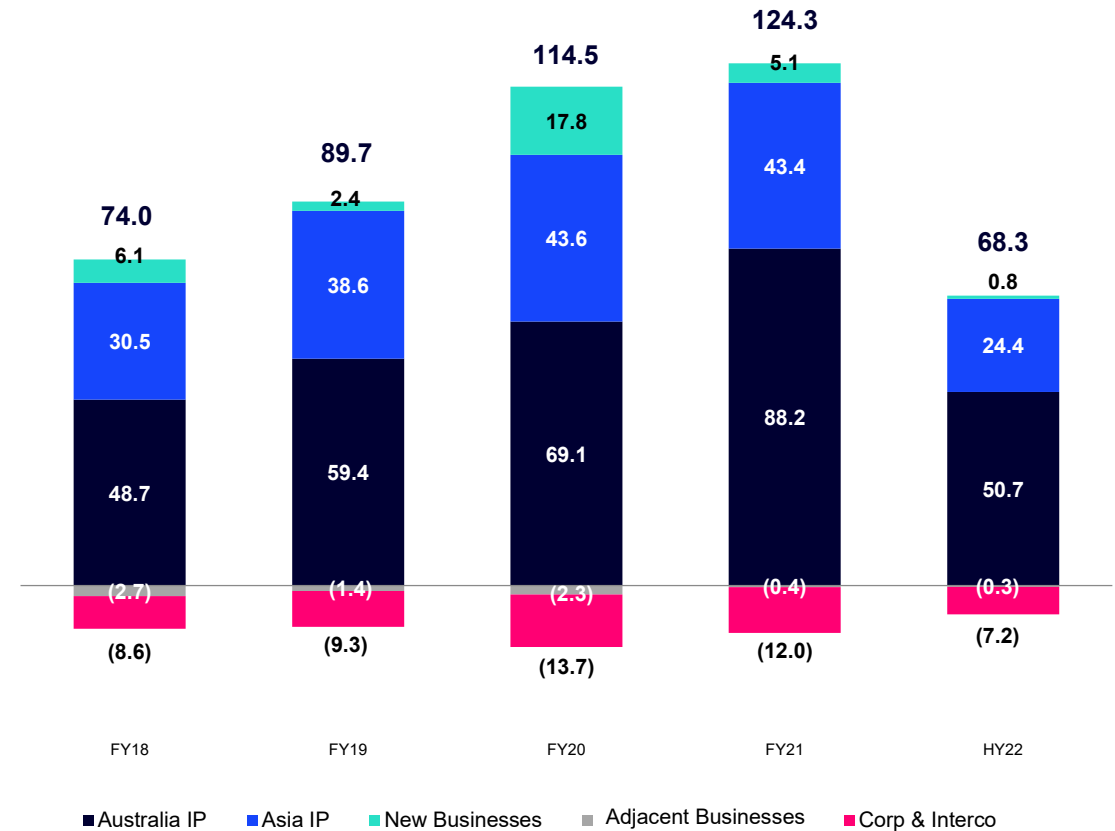
Revenue and EBITDA

Underlying Revenue \$'m



1) Underlying EBITDA from FY20 is post-AASB16. FY18-FY20 are pre-AASB16.
 2) Underlying EBITDA excludes costs incurred in pursuit of acquisitions, revaluations of deferred settlements & earn outs, new business establishment costs, accounting charges for share-based payments, restructuring expenses and IT SaaS implemented in costs.
 3) New Businesses HY22 represents 3.5 months of Baldwins and 6 months of Applied Marks.

Underlying EBITDA \$'m



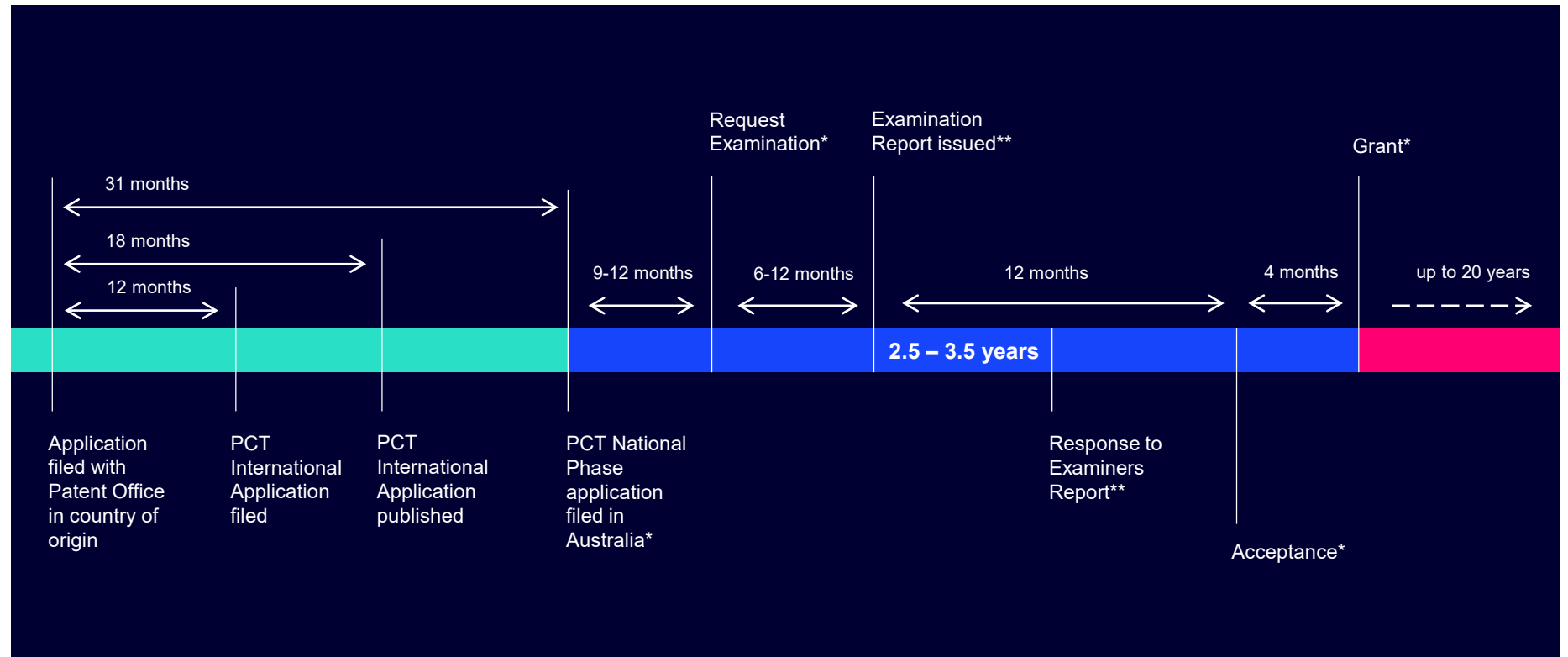
Patent lifecycle

Long-life 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 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 route in Australia



⁺ Management estimate based on PCT National Phase entries from IP Australia filing data FY19 to 1H FY22.

* Revenue event – typically flag fall.

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

