

ASX Announcement

15 November 2023

2023 Annual General Meeting Chairman and 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 Board of Directors of IPH

About IPH Limited

IPH is an international intellectual property services group, comprising a network of member firms working in ten IP jurisdictions and servicing more than 25 countries. The group includes leading IP firms AJ Park, Griffith Hack, Pizzeys, Smart & Biggar, Spruson & Ferguson and online IP services provider Applied Marks. IPH employs more than 1,400 people working in Australia, Canada, China, Hong Kong SAR, Indonesia, Malaysia, New Zealand, Philippines, Singapore and Thailand.

IPH Chairman's Address

For my Chairman's address today, I will provide a brief overview of our financial results for FY23, together with some commentary on our strategic progress during the year as we continue to work towards our vision to be the leading IP services group in secondary IP markets

I will also make some comments in reference to our remuneration framework and the cyber security incident we experienced during the year.

I will conclude with some further details about Board renewal.

FY23 Results

IPH reported a Statutory Net Profit After Tax of \$64.5 million for FY23 compared to \$52.6 million for the prior year. Diluted Earnings Per Share increased by 19% to 28.4 cents per share.

On an Underlying basis, we reported a significant increase in earnings with Underlying NPAT increasing by 20% to \$99.0 million and Underlying EBITDA increasing 28% to \$170.0 million.

Group Underlying results in FY23 were assisted by the inclusion of earnings from Smart & Biggar in Canada which we acquired with effect from 6 October 2022 and from a foreign exchange currency benefit.

The metric we like to focus on is underlying diluted earnings per share which increased by 16% from 37.7 cents to 43.6 cents per share.

Andrew will provide further context to our financial results in his address.

Progress on Growth Strategy

The IPH Group strategy has been consistent since our listing in 2014 which supports our vision to be the leading IP services group in secondary IP markets and adjacent areas of IP.

We successfully acquired two Canadian IP firms over the past 12 months which is consistent with this strategy.

The acquisitions of Smart & Biggar in October 2022 and Ridout & Maybee in September 2023 have enabled IPH to broaden our reach beyond Asia Pacific into another significant secondary IP market.

The Smart & Biggar business has continued to perform well in its first year as a member of the IPH group.

We continue to assess other attractive acquisition opportunities both in Canada and elsewhere.

Dividend and Capital Management

IPH remains in a strong financial position.

For FY23, your Board declared a final dividend of 17.5 cents per share, 35% franked, bringing the full year dividend to 33.0 cents per share, compared to 30.5 cents per share for the prior year. The FY23 full year dividend is in line with the Board's dividend policy to pay 80 to 90% of cash NPAT as dividends.

IPH maintains a target leverage ratio (net debt / Underlying EBITDA) of 1.5 to 2 times which we believe is appropriate for a company of our size and business profile. The Board is comfortable for the Company to temporarily exceed this target range in an acquisition scenario given the earnings accretive nature of these acquisitions, together with the fact that our business is highly cash generative with minimal capital expenditure requirements. This enables the Company to return to the target range within a relatively short period.

Remuneration

Our remuneration framework continues to align with shareholder value creation.

Remuneration outcomes for FY23 reflected the Company's financial performance and also the impact of the cyber security incident we experienced during the year.



The FY23 financial result, while satisfactory, did not reach the level at which the financial component of the short-term incentive payment was achieved. The CEO and CFO received a portion of their potential short term bonus related to the achievement of their strategic KPIs.

For the FY23 long-term Incentive, the 3-year EPS CAGR for FY21-23 was 6.8% which resulted in a partial payout ratio of 42.4%.

We continue to review our remuneration framework to ensure our ongoing ability to attract, motivate and retain the talent necessary to run the business and drive behaviour that aligns with the creation of sustainable shareholder value. With this in mind, we intend to carry out a thorough review of our executive remuneration framework during FY24.

Cyber Security Incident

As shareholders will be aware, we experienced a cyber security incident during the year.

On 13 March 2023, we detected that a portion of our IT environment had been subject to unauthorised access.

We immediately enacted our cyber response plan and implemented our business continuity plan to resolve the cyber incident.

A forensic investigation identified that a limited set of data was downloaded by an unauthorised third-party during the incident. The downloaded dataset originated from the Spruson & Ferguson Australia business and primarily contained data relating to a small number of clients of Spruson & Ferguson Lawyers and certain historical financial and corporate information.

We have completed a forensic investigation and review of regulatory requirements associated with the issue. We have not experienced any known loss of client relationships as a result of this incident.

We have since conducted a comprehensive post incident review into the incident and further learnings and opportunities have and continue to be incorporated into strengthening our cyber security measures and controls.

Board Renewal

We continued our Board renewal process during the year and shareholders will recall that Vicki Carter was appointed as a Non-executive Director to the Board in October 2022 and was subsequently elected by shareholders to the Board at last year's Annual General Meeting.

Today, subject to shareholder support, we will be pleased to welcome David Wiadrowski to the Board.

David has over 25 years' experience as a partner of PwC, including 5 years as the Chief Operating Officer of PwC Assurance where he was responsible for managing the firm's largest business unit, and 5 years practicing in the firm's Indonesian office, where in addition to his responsibility as an audit partner he was responsible for the firm's IT platform.

David has extensive experience working with companies in the technology, infocoms and entertainment and media industries. David is also an experienced ASX listed non-executive director across international M&A work, strategy development and transformation.

David is standing for election to the Board at today's meeting, and subject to shareholders' support of his nomination, the Board looks forward to his contribution to the continued growth and success of IPH.

It is anticipated that David will become chair of the Board Audit Committee following Robin Low's retirement from the board next year.

You will hear from David directly later in the meeting.

Our Board renewal process will continue throughout this year and the Company will update shareholders as appropriate.

Conclusion

I would like to acknowledge Andrew, his leadership team, and all our people across the IPH Group for their hard work over the past year.



In particular, I want to extend a warm welcome to our Canadian-based staff who have joined the IPH Group over the past year.

We are fortunate to have such a highly talented group of people who consistently deliver results for our clients which in turn provides increased returns for our shareholders.

Let me conclude by thanking you, our shareholders, for your continued support of IPH Group.

IPH Managing Director's Address

Ladies and Gentlemen,

I am pleased to present my Managing Director address today.

Let me say at the outset that IPH made considerable progress over the past year.

Our financial results reflect the resilience in our business which comes from having exposure to an increasing number of IP jurisdictions. The ongoing consolidation of the Canadian IP market from the acquisitions of Smart & Biggar and Ridout & Maybee also highlights the increased scale and diversity of the IPH group.

Our journey as a listed entity to support our strategy to be the world's leading IP group in secondary IP markets commenced some 9 years ago when we listed on ASX with a market capitalisation of approximately \$330 million.

Today, we have a market capitalisation of approximately \$1.6 billion with an international network of member firms working in ten IP jurisdictions, servicing more than 25 countries. In that time IPH has delivered total shareholder return (share price growth and reinvestment of dividends) of approximately 212% compared to 87% for the S&P ASX 200 accumulation index.

With that backdrop, I will today provide some further context to our FY23 results; an update on our strategy, and an update on current trading for FY24.

Y23 Results

Let me start with a summary of our FY23 results.

On an Underlying basis, IPH delivered a 20% increase in Underlying NPAT to \$99.0 million with Underlying EBITDA improving by 28% to \$170.0 million. As Peter indicated, the Underlying Group result included the contribution from Smart & Biggar acquired during the year and was also assisted by the lower average AU\$ / US\$ exchange rate compared to the prior year.

On a like-for-like basis (which removes the impact of acquisitions and the effect of foreign exchange movements) revenue was steady with Underlying EBITDA declining by 3% on the prior year.

In Asia, a continuing solid performance in our Singapore hub was offset by a decline in our Hong Kong / China business. One of our larger clients exited China which reflects a wider industry trend where some corporates are diversifying their supply chain reliance in China and in doing so are seeking alternative manufacturing locations.

Like-for-like revenue in our Australian and New Zealand IP businesses declined by 1% with like-for-like EBITDA declining by 5%. This represented an improvement from the first half (where revenue had declined 3% and EBITDA down 6%) notwithstanding some disruption from managing the response to the cyber incident during March/April.

Strategy Update

A major focus during the year was continuing to successfully integrate Smart & Biggar into the IPH network. The acquisition of the patent market leader, Smart & Biggar, extended our reach beyond Asia Pacific and enabled an initial strong presence in Canada which is a major secondary IP market.

Smart & Biggar's financial performance for the year was marginally ahead of our expectations and recorded \$31.4 million in Underlying EBITDA from the date of acquisition (6 October 2022).



In September 2023, we consolidated our initial presence in Canada with the acquisition of IP services firm, Ridout & Maybee.

Ridout & Maybee is a well-known Canadian IP firm, with more than 30 high quality IP professional staff working from Toronto, Ottawa and Burlington offices. Their clients include large multi-national corporations, universities, government agencies, start-ups and individual inventors. Ridout & Maybee will operate under the Smart & Biggar brand.

The acquisitions of Smart & Biggar and Ridout & Maybee provide further diversity and resilience to our earnings base, whilst also enabling us to enhance our international service offering to clients.

As we outlined at our results in August, we are continuing to pursue other acquisition opportunities and we remain involved in active discussions with one particular opportunity.

We also continue to assess further opportunities in Canada and elsewhere.

Given the increased size and scope of the IPH Group, we are also enhancing our organisational structure.

This is designed to ensure we can manage and fully leverage the network opportunities which come from an expanded IPH network to service our clients and enhance our capability to support our people across multiple time zones.

Focus on organic growth

In addition to acquisitions, another core aspect of our strategy is to drive organic growth across our business.

In Asia, we have established a new team and office in Manila which expands our presence to 7 offices in the region.

In Australia, we have commenced a number of specific business development initiatives to drive new revenue, including specific business development plans for Practice Groups and individual fee earners; a specific program with incentive plans to reward fee-earner sales activity; and a new Client Relationship Management System to enhance client interactions.

We are seeing some encouraging early signs from these initiatives.

Over the past year over 1,000 patent cases have been transferred to Spruson & Ferguson Australia and Griffith Hack from Australian clients. While these cases aren't reflected in IPH filing numbers (as they have already been filed), they include a multitude of pending applications filed across multiple jurisdictions, and of course new filings in our markets going forward will be under the address for service of these firms within the group.

Sustainability

IPH remains committed to sustainability and we continue to work closely with our stakeholders as part of our commitment to drive positive change and sustainable outcomes.

During the year, we refreshed our sustainability strategy which has led to the identification of core strategic priorities which remain the focus of our sustainability agenda.

We also enhanced our greenhouse gas reporting which now comprises direct and indirect emissions sources (Scope 1, 2 and 3) of our international operations, including our member firms.

Details of our progress are contained within our Sustainability Report in our 2023 Annual Report available on our website.

Artificial Intelligence

Artificial Intelligence is becoming a significant area of interest in the corporate environment.

While businesses are currently adapting to the potential impacts of AI, whenever there is change in technology, the one constant is the ongoing requirement for IP protection. Moreover whilst questions of inventorship remain to be fully dealt with by the Courts we can expect some increased patent filing activity as a result of generative AI and its role in innovation.



We can also expect AI will enhance and contribute to efficiencies in the administration of IP. For example, we are also assessing the impact of AI on the patent translation process.

We do expect AI translations will improve, however the technical nature of patent specifications will still require an expert review by a patent attorney. That is already the case.

AI is obviously an area we continue to monitor carefully.

Update on trading

I will now provide an update on trading for the financial year to date. I am pleased to report that IPH has made a solid start to the financial year.

Underlying performance

For the first 4 months of FY24, IPH's Group Underlying Revenue and EBITDA were ahead of the prior corresponding period. This includes the benefit of the higher US dollar in this period compared to last year and the inclusion of more than 3 months of Smart & Biggar.

The average AU\$/US\$ exchange rate for the first 4 months of FY24 was 65.0 cents compared to 67.3 cents for the prior corresponding period.

Based upon the prior year currency profile, and the year to date average exchange rate, a 1c strengthening of the USD equates to an approximate increase of \$2 million in annual service charges, the majority of which falls to the EBITDA line.

Underlying like-for-like performance

Performance on a like-for-like basis excludes the impact of foreign exchange movements and acquisitions. The like-for-like comparison also excludes Canada as the acquisition of Smart & Biggar was completed on 6 October 2022 (only 3 weeks' contribution during the comparative period) and the Ridout & Maybee acquisition was completed 29 September 2023.

For the first 4 months of FY24, Group like-for-like revenue has increased while Group like-for-like Underlying EBITDA is broadly in line with the prior corresponding period. This represents an improvement from the FY23 result where Group like-for-like revenue was steady and Underlying EBITDA declined by 3% on the prior year.

Asia

In the first 4 months of FY24, we have seen a continued solid performance from our Singapore hub with improvement in both revenue and earnings. As I mentioned earlier, the Hong Kong/China business was impacted by a large IPH client exiting operations in China in FY23. This has impacted performance for the first two months of FY24 relative to the prior corresponding period which included this client.

Just putting the size of our Hong Kong/China business into context, it represents about 5% of revenue and 4% of EBITDA for the IPH group and about 20% of revenue and 10% of EBITDA for the Asian segment.

Like-for-like revenue for the Asian segment was ahead of the prior corresponding period while like for like Underlying EBITDA declined slightly. Excluding the impact of this one client, like for like Underlying EBITDA was ahead of the prior corresponding period.

Australia / NZ

Pleasingly, we saw a return to positive revenue and earnings growth in Australia / NZ. It was particularly encouraging to see a strong overall performance from our Australian member firms during the first 4 months, partially offset by a steady performance in New Zealand.

Like-for-like revenue and Underlying EBITDA for the first 4 months of FY24 were ahead of the prior corresponding period; an improvement from the FY23 result where revenue and Underlying EBITDA declined by 1% and 5% respectively.



At the FY23 result in August, I indicated that our primary objective was for our patent filing performance to track the overall market. While we are not quite there yet, I can report that we have narrowed the gap between our filings and the Australian patent market for the first four months of FY24.

The Australian patent filing market declined by 2.8% for FY24 year to date end October. For the same period, IPH Group Australian filings decreased by 5.3%. This compares to a market decline of 3.3% compared to IPH Group filing decline of 7.8% for FY23.

Recently, we have noticed an increased focus in the market on month to month patent filing data. While this is an important metric, we have always counselled against assessing the business in this way and it is certainly not the way we look at the business. For example, while IPH filings out-performed the market quite strongly in October, we were not crowing from the rooftops, just as we weren't crying in our cups in September when IPH filings were below market.

Of course, small numbers can make a big difference when looking at this data on a monthly basis. For example, while IPH Group's filings result in October was pleasing, being up approximately, 1.6%, this only represents an additional 16 cases compared to the prior corresponding month.

It's also important to recall that filings in Australia represent approximately 33% of total filings made by the IPH Group.

Conclusion

IPH made substantial progress on its growth strategy during the year.

The acquisitions of Smart & Biggar and Ridout & Maybee in Canada have further strengthened and diversified our earnings base while bolstering our client service offering.

At the same time, we maintain market leading positions in our existing businesses and we remain focused on leveraging our network to drive organic growth.

We are uniquely positioned as one of the largest IP services groups in secondary IP markets to consolidate and grow our business.

In closing, I want to acknowledge and thank the IPH board, the IPH executive team and all our people across IPH for their hard work this year. Let me also echo Peter's welcome to our people in Canada – we are delighted to have you as part of the wider IPH group.

I would also like to thank our shareholders for your ongoing support and assure you of the Company's continued focus on generating further shareholder value.

