ASX Announcement

20 February 2025

Financial Results for the half year ended 31 December 2024 (“HY25”)

IPH delivers 20% increase in Underlying NPAT to $61.0m

Continued organic growth in Australia/NZ; recovery in Asia filings with IPH first half patent filings up 10%

HY25 Summary

- Underlying NPAT $61.0m, up 20%; equating to Underlying Diluted EPS of 22.8 cents (HY24: 21.2 cents)
- Statutory NPAT $37.3m, up 78%; equating to Diluted EPS of 13.9 cents per share (HY24: 8.8 cents)
- Underlying EBITDA $100.5m, up 11%; reflects organic growth in Australia/NZ, acquisitions in Canada
- Improving signs in Asia – IPH patent filings up 10% for HY25 compared to pcp
- Continued focus on capital management – cash conversion ratio 100%; interim dividend up 6%
- On–market share buyback implemented in December 2024

$'m	Statutory Results HY25	Statutory Results HY24	Change %	Underlying Results HY25	Underlying Results HY24	Change %
Revenue[1]	344.3	274.4	25.5%	344.3	274.4	25.5%
EBITDA	95.0	74.8	27.0%	100.5	90.4	11.2%
EBITDA %	27.6%	27.3%	0.3ppts	29.2%	32.9%	(3.7ppts)
NPAT	37.3	21.0	77.6%	61.0	50.8	20.1%
Diluted EPS	13.9c	8.8c	58.0%	22.8c	21.2c	7.5%
Interim Dividend	17.0c	16.0c	6%			

1) Revenue and other income excluding interest

Underlying NPAT up 20%: continued organic growth in ANZ; IPH Asian filings up 10% in first half

IPH Limited (ASX:IPH), a leading international intellectual property (IP) services group, today announced a 20% increase in Group Underlying Net Profit After Tax (NPAT) to $61.0 million for the half year ended 31 December 2024.

Statutory NPAT increased by 78% to $37.3 million, equating to Diluted Earnings Per Share (EPS) of 13.9 cents compared to 8.8 cents in HY24. The HY25 result reflects a reduction in non-underlying costs compared to the prior corresponding period.

HY25 Underlying results include an incremental 5.5 months' contribution from the ROBIC business (acquired 15 December 2023), incremental 3 months' contribution from Ridout & Maybee (acquired 29 September 2023) and also includes 3 months' contribution of Bereskin & Parr (acquired 28 September 2024) compared to the prior corresponding period.

Group Underlying EBITDA increased by 11% to $100.5 million (HY24: $90.4 million) reflecting continued organic growth in Australia/New Zealand and increased earnings in Canada from acquisitions, partially offset by the previously announced increase in corporate costs from the implementation of the new operating model related to the increased geographic scale and scope of the Company and transformation strategy.

Group Underlying EBITDA margin was impacted by this increase in corporate costs and also a 32% increase in patent processing fees charged by the Canadian Intellectual Property Office (CIPO). IPH recovers this increased cost from clients which inflates revenue but does not contribute to EBITDA.

Underlying earnings were negatively impacted by an average AUD/USD exchange rate of 66.1 cents in HY25 compared to 65.3 cents for the prior corresponding period.

The weakening of the AUD at 31 December 2024 and the revaluation of USD denominated cash and receivables resulted in a net foreign exchange gain of $1.3 million in HY25 compared to a loss of $1.0 million in the prior corresponding period.

Capital management and dividend – cash conversion 100%; on-market share buyback commenced

IPH continues to generate strong cashflow with a cash conversion ratio of 100%.

The Group successfully completed a capital raising of $125 million (before costs) during the period to fund the cash consideration of the Bereskin & Parr acquisition and retain balance sheet flexibility.

Excess cash retained from the capital raising was used to repay debt and further reduce gearing during the period.

Net debt at 31 December 2024 was $300 million; 16% lower than 30 June 2024, with a leverage ratio[2] (net debt/underlying EBITDA) of 1.6 times which is well within the Company's target ratio of up to 2 times.

The Company commenced an on-market buyback of its ordinary shares on 12 December 2024 and subsequently bought back 2.07 million shares up to 31 December 2024. The Board of IPH believes the buy-back of up to $75 million is an efficient use of capital and is consistent with the Company's focus on ensuring an effective mix of continued investment in the business to support earnings growth while returning excess cash to shareholders.

2) Leverage ratio calculated as Net Debt: EBITDA (LTM) in accordance with the Bank Facility Agreement (BFA), including a proforma adjustment to EBITDA (LTM) to include full year earnings for businesses acquired during the Last 12 months (LTM), in addition to other adjustments permitted under the BFA.

The Company declared an interim dividend of 17.0 cents per share, (20% franked), up 6% on HY24, with the record date of 26 February 2025 and scheduled payment date of 21 March 2025.

The IPH Dividend Reinvestment Plan (DRP) will operate in respect of the interim dividend.

Results commentary

Chief Executive Officer, Dr Andrew Blattman, said:

"IPH delivered a solid result within challenging market conditions, including lower market filings and a significant disruption to the Canadian market from the Canadian Intellectual Property Office (CIPO) systems issue.

"We continued to deliver organic growth in our Australia/New Zealand business with like-for-like revenue and earnings growth despite the decline in overall market patent filings during the period. That reflects the long-term, annuity style nature of the business where current period filings represent just one of a number of elements contributing to our ongoing financial performance.

"In Asia, while like for like earnings declined slightly, this represents a substantial improvement from previous reporting periods and I am encouraged by our strong patent filing performance which increased by 10 per cent across the region for the first half compared to the prior corresponding half. We are starting to see some further signs of improvement in Asia and I am confident that we remain well-placed to return to sustainable growth rates across the region.

"As we foreshadowed at the AGM in November 2024, our Canadian business was significantly disrupted by the CIPO experiencing systems issues following the launch of its new patent filing system, MyCIPO Patents, in July 2024. The backlog of workflow linked to these systems issues caused delays in revenue in the first half, partially mitigated by improved trade marks revenue. As we also indicated previously, litigation earnings in the first half were lower due to a number of cases being settled.

"We continue to leverage our market-leading position in Canada with the integration of Bereskin & Parr proceeding as planned with synergies above target and a continued increase in client referrals from our Canada business to the IPH network.

"Meanwhile, we remain focused on capital management and improving returns to shareholders. Our strong financial position and cash generation have enabled a further increase in the interim dividend while we also commenced the on-market share buyback during the period."

Segment Like-for-Like performance

Performance on a like-for-like basis excludes the impact of foreign exchange movements and new business acquisitions.

Australia/NZ: continued organic growth

The Australia/NZ business continued to deliver growth in revenue and earnings despite an overall decline in market patent filings for the period.

Like-for-like revenue increased by 4% with an increase in like-for-like EBITDA of 2%.

Total Australian market patent filings declined by 4.4% for HY25 compared to the prior corresponding period with IPH Group filings declining by 7.6% for the same period. IPH has a significant proportion of US clients and continues to be impacted by a decrease in market filings from US applicants.

Notwithstanding this decline, IPH remains the market leader in Australia with combined group patent market share of 30.4% for HY25.

Asia: strong recovery in IPH patent filings – up 10% in first half

The Asian segment is continuing to recover. Like-for-like revenue in Asia was steady while like-for-like EBITDA decreased by 1% compared to the prior corresponding period. This represents a significant trend improvement from HY24 where revenue declined 3% and EBITDA was down 9%.

Patent filings recovered strongly towards the end of the first half with IPH patent filings increasing by 10% across Asia for HY25 compared to the corresponding period with growth in key sectors including 6G telecommunications, mining services and AI and machine learning software.

Translation revenue also increased associated with improved filings.

Canada: Disruption from CIPO system issues delays revenue into 2H FY25

Canadian like-for-like revenue increased by 8% with like-for-like EBITDA declining 2%.

The Canadian Intellectual Property Office (CIPO) increased fees for patent processing by 32% with effect from 1 January 2024. IPH recovers this increased cost from clients and therefore while this inflates revenue, it has no impact on EBITDA but does reduce reported margins. Like-for-like revenue (excluding disbursements recoveries) remained steady.

The Canadian business was disrupted by a delay in revenue associated with systems issues experienced by the CIPO in launching its new patent filing system, MyCIPO Patents, in July 2024.These systems issues caused a backlog in workflow which impacted revenue during the half year period.

Litigation revenue (which is variable and dependent on case flow) was lower in HY25 due to cases being settled.

The Canadian business recorded strong growth in trade marks with revenue increasing 27%[3]. The trade marks business was impacted by CIPO processing issues in a prior period. IPH expects a similar recovery in patents as the CIPO systems issues are resolved.

The integration of Bereskin & Parr (acquired on 28 September 2024) is proceeding as planned with synergies above target.

Transformation function established

As noted at the FY24 year-end, the Group has made a significant investment in its Transformation function. An initial project has been to review the IPH Way programme - a business process re-engineering initiative across the Group's Australia/New Zealand member firms, which anticipated ongoing benefits of between $5m-$6m. That review also assessed the best way of achieving improvements in operating efficiencies across the different practices in our expanded group.

As noted at the AGM in November 2024, sustainable change is complex. We remain optimistic regarding the financial opportunity and resultant improvement in group margin from operational efficiencies. However, as a result of this review, it has been decided not to implement the IPH Way in its current form to the remaining Australia/New Zealand member firms. Instead, the investment in Transformation is expected to provide a return in terms of its management on an ongoing basis of earnings accretive projects across the entire group (including those aspects of our functions which were originally part of the IPH Way). An update will be provided at the full year results.

3) Trade mark revenue increase of 27% is calculated after removing 3 months of Ridout & Maybee service charge from HY25

Strategic progress and FY25 priorities

Dr Blattman said IPH continued to focus on organic growth across its regions and improving returns to shareholders.

"Our domestic focus remains on narrowing the gap relative to market patent filings with a number of initiatives targeting further organic growth.

"We have seen a strong return to patent filing growth in our Asian business in the first half which is creating positive momentum for improved performance in the second half and beyond.

"In Canada we are now seeing an encouraging recovery in patent workflow following the CIPO systems issues experienced in the first half. Our focus in Canada continues to be on the successful integration of our acquired businesses to deliver synergies while continuing to build our platform to drive further opportunities for clients and staff as part of the wider IPH network.

"Underpinning these activities, we maintain a strong balance sheet with continued high cash generation and our focus remains on delivering improved returns to shareholders."

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Authorised for release to ASX by: The Board of Directors

Appendix 1 – Like-for-like earnings

The like-for-like basis excludes the impact of foreign exchange movements and new business acquisitions.

	Underlying Revenue Dec 2024 YTD	New Businesses	Accounting FX Movements	Currency Adjustment	Adjusted Revenue Dec 2024 YTD	Underlying Revenue Dec 2023 YTD	Change % YoY
Australia & NZ IP	158.5	-	(4.5)	1.1	155.0	148.6	4%
Asia	60.5	-	(0.5)	0.4	60.4	60.4	0%
Canada	134.8	(60.4)	(0.3)	2.7	76.9	71.3	8%
Corporate	6.5	-	4.6	-	11.0	8.4	
Eliminations	(16.0)	-	(1.5)	-	(17.4)	(14.3)	
	344.3	**(60.4)**	**(2.2)**	**4.2**	**285.8**	**274.4**	**4%**

	Underlying EBITDA Dec 2024 YTD	New Businesses	Accounting FX Movements	Currency Adjustment	Adjusted EBITDA Dec 2024 YTD	Underlying EBITDA Dec 2023 YTD	Change % YoY
Australia & NZ IP	57.8	-	(4.5)	0.6	53.9	53.0	2%
Asia	26.2	-	(0.5)	0.5	26.1	26.4	-1%
Canada	33.5	(12.2)	(0.3)	0.8	21.9	22.4	-2%
Corporate	(17.2)	-	4.6	-	(12.7)	(10.3)	
Eliminations	0.3	-	(1.5)	-	(1.2)	(1.1)	
	100.5	**(12.2)**	**(2.2)**	**1.9**	**88.0**	**90.4**	**-3%**

Appendix 2 – Underlying earnings

The internal reporting that is regularly provided to the chief operating decision makers includes financial information prepared on both a statutory and underlying basis. It is considered important to include the financial information on an underlying basis as this reflects the ongoing or underlying activities of the Group and excludes items that are not expected to occur frequently and do not form part of the core activities of the Group. The adjustments to statutory earnings in order to calculate underlying earnings are summarised in the following table:

Underlying / Statutory Results Reconciliation	HY25 $'m	HY24 $'m
Underlying revenue	344.3	274.4
Statutory revenue[1]	344.3	274.4
Underlying net profit after tax ("NPAT")	61.0	50.8
Less: amortisation of intangible assets arising from acquisitions	(26.2)	(22.3)
Less: business acquisition costs	(3.2)	(10.7)
less: restructuring costs	(1.4)	(3.8)
Less: impairment of ROU assets	-	(1.1)
Less: Cyber Upgrade project costs	(0.5)	-
Less: IT implementation costs	(0.4)	-
Add: tax effect of adjustments	8.0	8.1
Statutory NPAT	37.3	21.0

1) Revenue and other income excluding interest

About IPH Limited

IPH is the leading intellectual property services group, comprising a network of member firms operating out of 27 offices and servicing more than 25 IP jurisdictions. The group includes leading IP firms AJ Park, Applied Marks, Griffith Hack, Pizzeys, ROBIC, Smart & Biggar and Spruson & Ferguson. IPH employs more than 1,800 employees working in Australia, Canada, China, Hong Kong SAR, Indonesia, Malaysia, New Zealand, The Philippines, Singapore and Thailand.