

ASX Announcement

18 November 2021

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.

For more information, please contact:

Martin Cole

Managing Director
Capital Markets Communications
T. +61 403 332 977

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.

Chairman's Address:

Ladies and Gentlemen,

In my address today I will provide an overview of our financial results for FY21 which demonstrate the resilience of our business in the current environment.

I will also provide an update on the continued progress of our growth strategy to deliver value creation for shareholders.

FY21 results

IPH reported a Statutory Net Profit After Tax (NPAT) of \$53.6 million for FY21 compared to \$54.8 million for the prior year. Diluted Earnings Per Share were 24.7 cents, down 4 per cent on the prior year.

Our Statutory earnings included the negative impact of the higher Australian dollar compared to the prior year.

On a like for like basis, (which removes the impact of currency impacts and new business acquisitions) Group Underlying EBITDA increased by 10 per cent.

Your Board declared a final dividend of 15.5 cents per share, 40 per cent franked, bringing the full year dividend to 29.5 cents per share, compared to 28.5 cents per share for 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.

Strong financial position maintained

The Company remains in a strong financial position with a strong balance sheet to manage through the current environment while maintaining scope for investments which support our strategies for medium term growth.

Net debt at 30 June 2021 was \$45 million, down 34 per cent on the prior year and we maintain a conservative leverage ratio (Net Debt / EBITDA) of 0.4 times.

Strategic progress

We made good progress during the year on our strategy to be the leading IP services group in secondary IP markets and adjacent areas of IP.

We further strengthened our presence and client service offering in New Zealand through AJ Park's acquisition of intellectual property firm, Baldwins Intellectual Property (Baldwins) in October 2020.

The successful integration of Baldwins into AJ Park provides the integrated firm with greater depth of expertise, enhanced career opportunities for our people and provides clients with access to a complementary team of experienced IP professionals in other jurisdictions.

On 1 July 2021, we also announced the acquisition of Applied Marks Pty Ltd.

Applied Marks is a leading Australian online automated trade mark application platform, also providing automated registration and intelligence services relating to companies and domain names, both directly to customers and through channel partners. This acquisition strengthens our position in automated IP services and accelerates our digital strategy with the resources and technology contributing to a new digital services function within the group.

Sustainability

IPH remains committed to operating as a sustainable business.

We recognise that a sustainable business is one that provides a safe, rewarding and diverse working environment for our people, in an environmentally and socially responsible manner.

In FY21 we enhanced our reporting with the inclusion of a number of GRI Sustainability Reporting Standards and UN Sustainable Development Goals, highlighting the Group's contribution to sustainability in a global context.

Shareholders can find more information about our continued progress on sustainability in our 2021 Sustainability Report which is available on the IPH website.

Conclusion

I would like to acknowledge IPH's Managing Director and CEO, Dr Andrew Blattman, his leadership team, and all our people across the IPH Group for their dedication and efforts in FY21.

The Company once again delivered a strong result, while continuing to make significant progress in our strategy. IPH continues to develop its network and strong platform for further growth to generate enhanced shareholder value.

On a personal note, this will be my last AGM as Chairman of IPH.

Having served as Chairman for 7 years, I advised the Board of my intention earlier this year to retire as Chairman and from the board.

It has been a privilege to have served as Chairman of your company during its formative years including listing on the ASX in November 2014 to the present day.

Shortly, shareholders will have the opportunity to approve the election of Peter Warne to the Board and it is intended that Peter will take over as Chairman in 2022.

Peter is a highly experienced executive and director, and together with the other board members, IPH remains in very safe hands.

In closing, I want to thank my fellow directors for their contribution and support over the past 7 years and also thank our shareholders for your ongoing support of IPH Limited.

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 start my address today by acknowledging and thanking shareholders for your ongoing support of IPH.

In challenging conditions during FY21 we delivered a strong financial result, including increased returns to shareholders.

At the same time, we continue to build a stronger business as the leading IP services group in this region.

Today, I will provide additional detail on our FY21 financial results, further information on how we are progressing our strategy, and an update on current trading for FY22.

FY21 Results

Let me start with FY21 results.

As Richard said, our statutory results were down slightly from the prior year. Of course that includes the negative impact of the much higher Australian dollar during the year.

On a like-for-like basis (which removes the impact of acquisitions and FX) we reported a strong result.

Underlying like-for-like EBITDA increased by 10 per cent as a result of our ongoing successful strategy to integrate acquisitions and capture synergies to deliver margin accretion, together with the continued leverage of our leading network of IP operations across the region.

Group Underlying like-for-like EBITDA margin increased by 12 per cent.

In our *Asian* IP business, like-for-like revenue increased by 3 per cent and like-for-like EBITDA improved by 8 per cent. EBITDA margin increased by 5 per cent.

Like-for-like revenue in our *Australian and New Zealand* businesses declined by 3 per cent. However, the delivery of cost synergies from the successful Xenith IP integration and other measures resulted in a 7 per cent lift in like-for-like EBITDA and an 11 per cent improvement in Underlying EBITDA margin. The main contribution to this increase was the 39 per cent improvement in Underlying EBITDA margin of the former Xenith IP business to 28 per cent compared to 20 per cent when we acquired the business in 2019.

Once again this demonstrates the success of our acquisition and integration strategy which has been fundamental to IPH's growth over the years.

Strategic progress

Our strategy is focused on organic growth, consolidating acquisitions and pursuing growth step-out opportunities.

During the year we made good progress in each of these areas.

We continued to leverage our leading network in IP jurisdictions across the Asia Pacific region with an increase in client referrals leading to organic growth.

The consolidation of the Xenith IP and Baldwins IP acquisitions is generating synergies which are driving earnings growth and margin accretion, whilst enhancing our full service offering to clients.

More recently, the acquisition of Applied Marks accelerates our digital capability while allowing us to address the retail online trade mark market. It also bolsters our ability to participate in the online automated IP services space and will support our strategy to evolve our traditional trade mark offering in line with the changing market. Over time we expect to harness this digital expertise in related areas of IP across the regions in which we operate.

We maintain a solid financial position with low gearing and consistent cash generation which enables us to assess further growth opportunities, including potential international acquisition opportunities in core secondary IP markets.

Focus on our people

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

We were pleased to appoint a new Chief Commercial Officer for IPH in July 2021, while new Managing Directors were appointed in Spruson & Ferguson, Griffith Hack and AJ Park and a General Manager in Pizzey's during the year.

Another focus of our strategy is providing opportunities for continued career advancement. FY21 was a record year for promotions for the IPH group, with 35 promotions across member firms, including 11 Principal appointments.

Update on trading

I will now provide an update on trading for the financial year to date.

IPH's first four months of trading for FY22 has been in line with expectations, with an increase in Group underlying "like-for-like" EBITDA compared to the prior corresponding period. This growth has been driven by the performance of the Group's Asia business moderated partially by the short-term impacts of the Shelston IP and Spruson & Ferguson integration in Australia which has been occurring over the past few months.

The like-for-like basis excludes the impact of the Baldwins acquisition and the impact of foreign exchange. The average A\$/US\$ for the four months of FY22 was 73.6 cents compared to 71.5 cents for the same period of FY21 thus still representing a headwind against the prior year for the year to date. However, it is worth noting that the average FX rate in the second half of the prior year was 77.1 cents.

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 \$1.9 million in annual service charges, the majority of which falls to the EBITDA line.

Asia

Our Asian business continues to perform well and delivered like-for-like EBITDA growth against the prior comparative period and in line with expectations.

In Singapore, the strong organic patent filing growth achieved by the IPH Group in the 2021 calendar year has improved further to 23.1 per cent to the end of August against a market growth of 11.5 per cent based on preliminary data for CY21. This not only maintains but strengthens our number one patent market share at 25.3 per cent.

IPH patent filings in key Asian jurisdictions (excluding Singapore) also increased by 20.2% based on internal data to 30 September against the prior corresponding period. Once again we experienced solid growth in China

filings. It is also pleasing to see a number of our clients with growth across multiple jurisdictions, highlighting the power of the network across the region.

Australia/New Zealand

The Australian patent filing market (excluding innovation patents) has made a positive start to the new financial year with growth of 11.9 per cent to the end of September. I'm pleased to report the IPH group has grown patent filings by 8.7 per cent.

While we don't typically call out individual businesses, given our prior commentary regarding Griffith Hack's loss of market share last year post its integration with Watermark, I'm especially pleased to report it has experienced patent filing growth of 29.7 per cent in the four month period.

The Group's position would have been further enhanced if not for the decline in filings of one of the Australian market's largest filers, reflecting the fluctuating nature of individual clients' filing patterns.

The Australian trade mark market decreased by 5.3 per cent to the end of September. Pleasingly, IPH has seen an increase in trade mark filings in the same period of 11.1 per cent, with our newly acquired business Applied Marks contributing the most of all IPH member firms to this growth. As the international economy continues its recovery we have seen an increase in agent-filed trade mark filings, particularly from "corporates", which is IPH's traditional market, and a reduction in self filers over the period.

We announced on 8 September 2021, that two of the Group's member firms, Shelston IP and Spruson & Ferguson Australia, would combine under the Spruson & Ferguson brand from 1 November. This has now occurred and full system integration will occur in December 2021.

Underlying like-for-like EBITDA in the *Australian/New Zealand* business is steady compared to the prior corresponding period, reflecting the short-term impacts of the Shelston IP and Spruson & Ferguson integration.

We anticipate annualised net synergies from this integration at the EBITDA line to be between \$2.0-\$2.5M, with a further saving of annualised rental costs of approximately \$1 million, on the basis that the Shelston premises will be subleased, which will be reflected as a reduction in interest and depreciation below the EBITDA line.

Approximately \$1.0M-\$1.25 million of the EBITDA savings, and around \$250,000 of rental costs are expected to be achieved in FY22.

To achieve these ongoing synergies, we expect to incur one-off operating costs of approximately \$1.1 million, and capex costs of \$1.3 million in FY22. In addition, as the Shelston IP brand has been retired, a non-cash write-down of its intangible value of \$4.6 million has been recorded.

Retirement of Chairman

As you just heard, Richard Grellman has announced his intention to retire as Chairman in 2022. On behalf of everyone at IPH I want to acknowledge and thank Richard for his outstanding leadership and guidance as Chair of the Company over the past 7 years.

Richard has led the business through its successful transition to the ASX-listing in 2014 and, since that time, to its current position as an ASX 200 company.

Richard has been instrumental in leading the business from a market capitalisation at listing of \$330 million to approximately \$1.9 billion today. Over the same period IPH has conducted 10 strategic acquisitions and our total staff numbers have grown from 300 to over 900.

Richard has led the Board with distinction and we are grateful for his significant contribution in helping to create the strong and sustainable business that IPH is today.

On a personal level, I want to record my particular thanks to Richard for his encouragement, support and guidance to me as CEO and I wish him every future success.

Conclusion

Ladies and Gentlemen, over the past year, IPH demonstrated its ability to continue to create enhanced value from acquisitions and the right-sizing of our acquired businesses to achieve a more efficient operating model.

We are also building a stronger platform with increased operational leverage to deliver enhanced shareholder value over the medium term.

I want to thank all our people across IPH for their hard work and dedication during the year.

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