



2019 Half Year Results Investor Presentation

Half year ended 31st December 2018

14th February 2019

Presented by:

Dr. Andrew Blattman Managing Director / CEO, IPH Limited

John Wadley Chief Financial Officer, IPH Limited

www.iphltd.com.au

Disclaimer



This document has been prepared by IPH Limited (IPH) and comprises written materials/slides for a presentation concerning IPH.

This presentation is for information purposes only and does not constitute or form part of any offer or invitation to acquire, sell or otherwise dispose of, or issue, or any solicitation of any offer to sell or otherwise dispose of, purchase or subscribe for, any securities, nor does it constitute investment advice, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any or contract or investment decision.

Certain statements in this presentation are forward looking statements. You can identify these statements by the fact that they use words such as “anticipate”, “estimate”, “expect”, “project”, “intend”, “plan”, “believe”, “target”, “may”, “assume” and words of similar import.

These forward looking statements speak only as at the date of this presentation. These statements are based on current expectations and beliefs and, by their nature, are subject to a number of known and unknown risks and uncertainties that could cause the actual results, performances and achievements to differ materially from any expected future results, performance or achievements expressed or implied by such forward looking statements.

No representation, warranty or assurance (express or implied) is given or made by IPH that the forward looking statements contained in this presentation are accurate, complete, reliable or adequate or that they will be achieved or prove to be correct. Except for any statutory liability which cannot be excluded, IPH and its respective officers, employees and advisers expressly disclaim any responsibility for the accuracy or completeness of the forward looking statements and exclude all liability whatsoever (including negligence) for any direct or indirect loss or damage which may be suffered by any person as a consequence of any information in this presentation or any error or omission therefrom.

Subject to any continuing obligation under applicable law or relevant listing rules of the ASX, IPH disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in these materials to reflect any change in expectations in relation to any forward looking statements or any change in events, conditions or circumstances on which any statement is based. Nothing in these materials shall under any circumstances create an implication that there has been no change in the affairs of IPH since the date of the presentation.

Table of contents



01

HY19 highlights

02

HY19 results

03

Market overview

04

Operations review

05

Acquisitions update

06

Strategic direction

07

Appendix

Half year 2019 highlights

01



Operational highlights

Continued momentum from prior year delivers strong first half result across the IPH Group



Strategic priorities for FY19

- 01** Leverage market leading position in Australia/NZ
- 02** Margin expansion through AJ Park and merger of FAKC and Cullens into Spruson & Ferguson
- 03** Leverage existing network to grow internal filings and case transfers into Asia
- 04** Focus on attract, motivate and retain key talent
- 05** Practice Insight refocused post sale of products to CPA Global
- 06** Continue to evaluate acquisition and expansion opportunities

Results in HY19

- ✓ Successful merger of QLD businesses; improved performance in AJ Park
- ✓ Margin expansion delivers increased like-for-like EBITDA
- ✓ Increased internal filings supporting strong first half performance in Asia
- ✓ Delivered on incentive plan implementation commitments
- ✓ Now building momentum with WiseTime
- ✓ Stake acquired in Xenith IP Group Limited, evaluating strategic options

Financial highlights

Strong growth across all financial metrics



Revenue
\$124.9m

23.4% ↑

EBITDA
\$40.6m

27.7% ↑

NPAT
\$24.2m

22.8% ↑

Diluted EPS
12.2 cents per share

21.4% ↑

HY Dividend
12.0 cents per share

4.3% ↑

Underlying EBITDA¹
\$40.4m

21.7% ↑

Underlying NPAT¹
\$27.9m

14.7% ↑

Underlying Diluted EPS
14.1 cents per share

13.8% ↑

1. Underlying EBITDA excludes costs incurred in pursuit of acquisitions, revaluations of deferred settlements & earn outs, new business establishment costs and accounting charges for share based payments. Underlying NPAT excludes amortisation expense on intangible assets arising from acquisitions and the profit on sale of the Practice Insight businesses.

HY19 Results

02

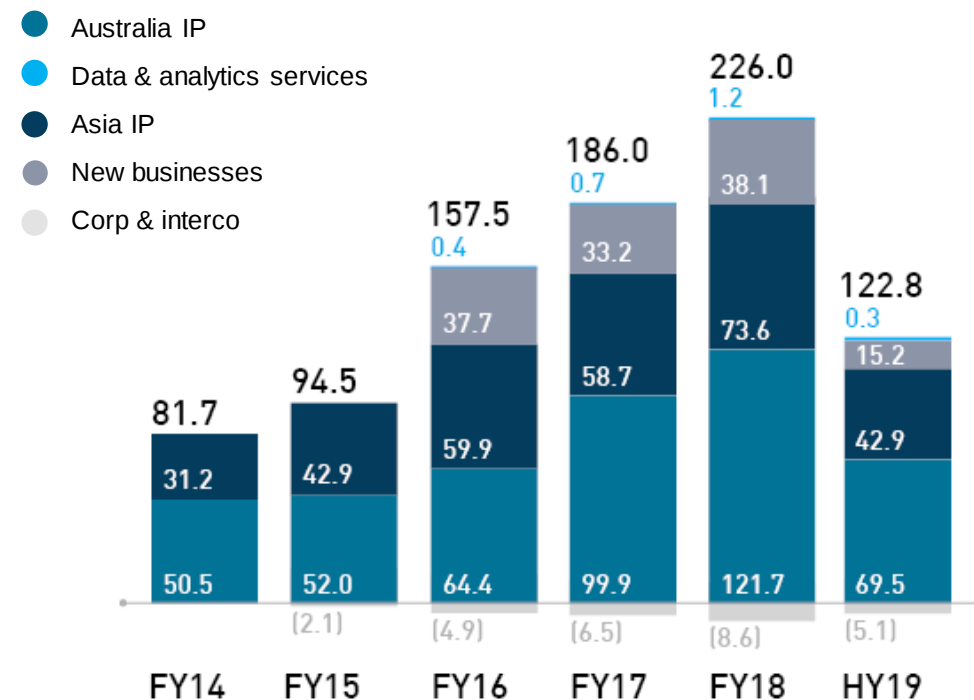


Revenue and EBITDA

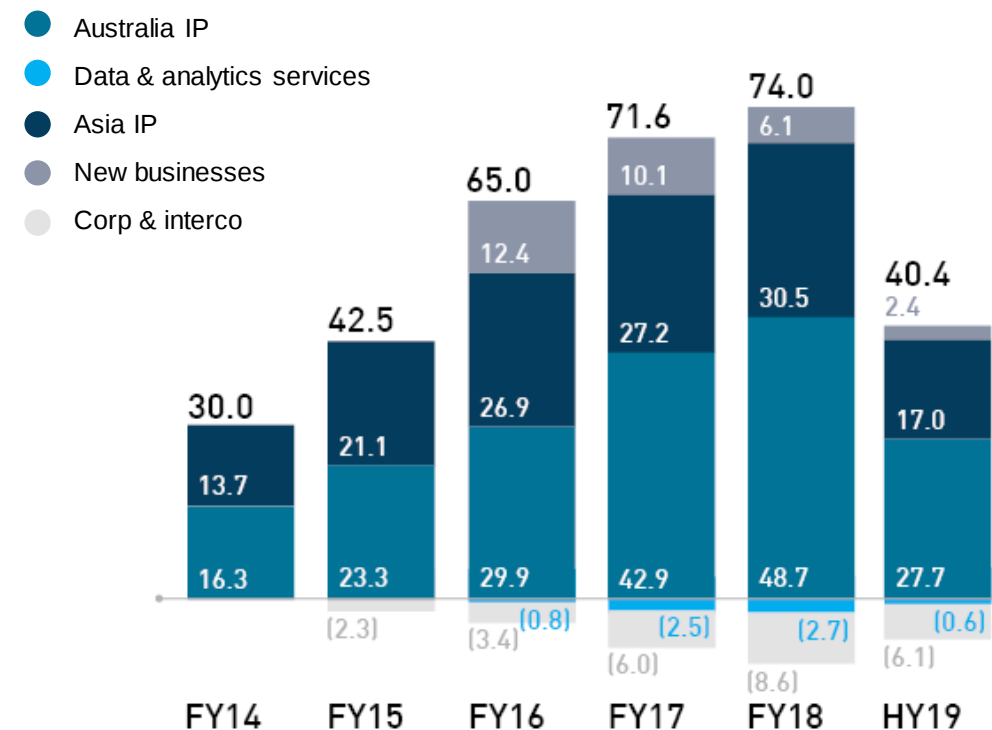
Strong revenue and earnings growth – organically and by acquisition



Underlying Revenue \$'m



Underlying EBITDA \$'m



1. Revenue from FY16 onwards includes the gross amount of the reimbursement by clients of official filing fees paid to national bodies. Previously these fees were recorded on a net basis. Previous periods have not been amended.
2. Underlying EBITDA excludes costs incurred in pursuit of acquisitions, revaluations of deferred settlements & earn outs, new business establishment costs and accounting charges for share based payments.
3. New Businesses HY19 represents 4 months of AJ Park.

Like for Like revenue and EBITDA

Momentum building in HY19



Commentary

- IPH Group revenue up 3% and EBITDA up 8%
- Asia double-digit growth for both revenue and EBITDA
- Strong underlying AJ Park performance with a contribution of A\$4.8m EBITDA for the half year

	Underlying Revenue ¹ Dec 18	New Businesses ²	Accounting FX Movements ³	Currency Adjustment ⁴	Adjusted Revenue Dec18	Underlying Revenue Dec 17	Chg %
Australia & NZ IP	84.7	(15.2)	(1.3)	(1.5)	66.7	67.7	(1%)
Asian IP	42.9		(0.1)	(2.2)	40.6	35.7	14%
Data Services	0.3				0.3	0.6	
Corporate	(1.1)		2.0		0.9	0.6	
Eliminations	(4.0)		(0.4)		(4.4)	(3.2)	
	122.8	(15.2)	0.3	(3.7)	104.3	101.2	3%

	Underlying EBITDA ¹ Dec 18	New Businesses	Accounting FX Movements	Currency Adjustment	Adjusted EBITDA Dec18	Underlying EBITDA Dec 17	Chg %
Australia & NZ IP	30.1	(2.4)	(1.3)	(1.3)	25.1	24.2	4%
Asian IP	17.1		(0.1)	(1.1)	15.8	13.6	17%
Data Services	(0.6)				(0.6)	(1.3)	
Corporate	(6.4)		2.0		(4.4)	(3.1)	
Eliminations	0.3		(0.4)		(0.1)	(0.1)	
	40.4	(2.4)	0.3	(2.4)	35.9	33.2	8%

1. Underlying revenue and EBITDA excludes profit on sale of the Practice Insight businesses and underlying EBITDA excludes costs incurred in pursuit of acquisitions, revaluations of deferred settlements & earn outs, new business establishment costs and accounting charges for share based payments.
2. New business represents 4 months of AJ Park. Excludes additional contribution generated under IPH ownership.
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.

Underlying NPAT and EPS



Half year ended 31 December 2018 \$'m	HY19 Statutory Income Statement	Adjustments	Underlying Earnings HY19 ^{2,3}	HY18 Statutory Income Statement	Adjustments	Underlying Earnings HY18
Total revenue	125.0	(2.1)	122.8	101.2		101.2
Recoverable expenses	(35.7)		(35.7)	(28.9)		(28.9)
	89.3		87.1	72.3		72.3
Compensation	(34.9)	1.1	(33.8)	(29.7)	0.7	(29.0)
Occupancy	(4.1)		(4.1)	(3.5)		(3.5)
New businesses / acquisitions related net expenses	(0.8)	0.8	0.0	(0.7)	0.7	0.0
Other	(8.9)		(8.9)	(6.6)		(6.6)
Total expenses	(48.7)		(46.8)	(40.5)		(39.1)
EBITDA	40.6		40.3	31.8		33.2
EBITDA %	32.5%		32.8%	31.4%		32.8%
Depreciation & Amortisation	(6.3)	4.7	(1.6)	(6.0)	4.4	(1.6)
EBIT	34.4		38.8	25.8		31.6
Net Finance Costs	(1.1)		(1.1)	(0.8)		(0.8)
NPBT	33.3		37.7	25.1		30.7
Tax (expense) / benefit	(9.1)	(0.7)	(9.8)	(5.3)	(1.1)	(6.4)
NPAT	24.2	3.9	27.9	19.7	4.7	24.3
Diluted EPS (cents) ¹	12.2c		14.1c	10.1c		12.4c

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

2. Underlying EBITDA excludes costs incurred in pursuit of acquisitions, revaluations of deferred settlements & earn outs, new business establishment costs and accounting charges for share based payments. Underlying NPAT excludes amortisation expense on intangible assets arising from acquisitions.

3. The profit on sale of the Practice Insight businesses has been excluded from underlying results.

Cash flow statement

Strong cash conversion



Commentary

- High proportion of earnings are converted to cash
- Strong cash flows support a high dividend pay-out (86% of cash NPAT in HY19)
- Cash conversion has improved from year end as collection of the strong final quarter sales of FY18 came through. Outstanding debtors at 31 Dec have decreased as a result

Half year ended 31 Dec 2018 \$'m

HY19 Cash Flow Statement

HY18 Cash Flow Statement

Statutory EBITDA	40.6	31.8
Non-cash movements	(0.1)	0.1
Change in working capital	(2.1)	(2.9)
Operating capital expenditure	(2.0)	(1.8)
Cash flow before acquisitions, financing activities and tax	36.4	27.2
Cash conversion ratio	90%	86%
Income taxes paid	(10.5)	(9.9)
Net interest paid	(1.1)	(0.8)
Free cash flow	24.8	16.5
Dividends paid (net DRP)	(21.7)	(17.7)
Undistributed free cash flow	3.1	1.2
Acquisitions, investments & intangibles	0.0	(38.6)
Proceeds from sale of Practice Insight products	10.0	0.0
Net borrowing proceeds/(repayments)	(9.1)	34.0
Net cash flow	4.0	(5.8)

Balance sheet

Balance sheet strength provides flexibility



Commentary

- \$29.4m cash
- \$32.6m of bank borrowings. US\$6.5m of debt (A\$9m) repaid from proceeds of sale of Practice Insight
- Intangibles decrease due to the application of goodwill and other intangibles of Practice Insight applied to the sale
- Deferred tax liabilities related to acquisition intangibles
- Movement in reserves is due to a large increase in FCTR due to significant movement in exchange rates

\$'m	Balance Sheet as at 31 Dec 2018	Balance Sheet as at 30 Jun 2018
Cash and cash equivalents	29.4	26.2
Trade and other receivables	56.0	57.1
Other current assets	7.5	5.3
Total current assets	92.9	88.6
PP&E	6.1	6.2
Acquisition intangibles & other goodwill	258.1	266.3
Deferred tax asset	5.8	6.6
Other non-current assets	0.2	0.2
Total assets	363.1	367.9
Trade and other payables	17.7	16.7
Tax provisions	5.5	6.3
Deferred tax liability	21.6	22.9
Borrowings	32.6	40.1
Other liabilities	11.9	14.3
Total liabilities	89.3	100.3
Net assets	273.8	267.6
Equity		
Issued capital	262.8	262.8
Reserves	(7.7)	(11.5)
Retained profits	18.7	16.3
Total Equity	273.8	267.6

Impact of foreign currency

Increased significance of SGD

Earnings currency sensitivity

Service charges

- Based on the USD profile in HY19, a 1c movement in the AUD/USD exchange rate equates to approximately \$1.3m of revenue on services charges on an annualised basis
- This sensitivity fluctuates on the basis of acquisitions, their timing and their mix of currencies

Operating expenses

- EBITDA is exposed to movement of AUD against SGD, NZD and HKD as the operating expenses in foreign subsidiaries are translated to AUD

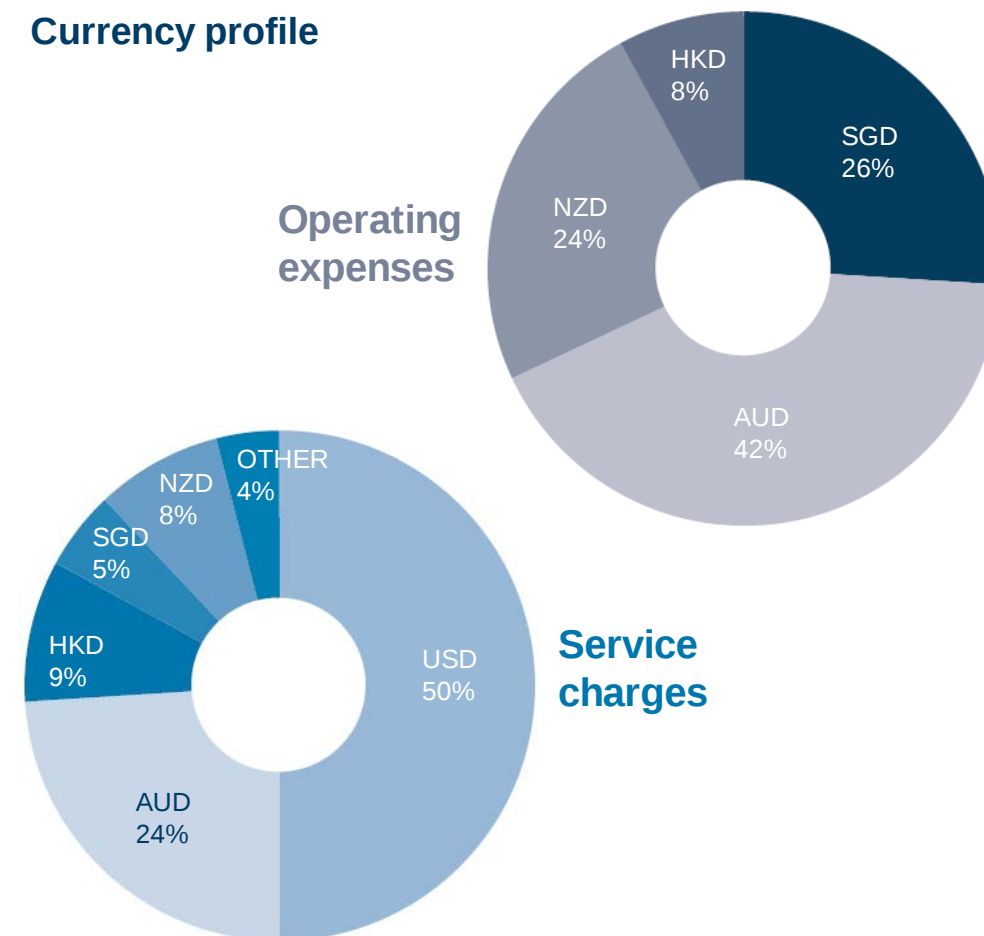
Balance sheet sensitivity

- 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
- 50% of the Group's invoicing is denominated in USD¹
- Average USD cash² held US\$8m
- Average USD monetary assets (including cash)³ US\$27m
- USD debt drawn of US\$19.5m

FX rates

HY19	AUD/USD	AUD/SGD
Average	0.7241	0.9931
Year End	0.7054	0.9618
HY18	AUD/USD	AUD/SGD
Average	0.7792	1.0576
Year End	0.7806	1.0434

Currency profile



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.

Market overview

03



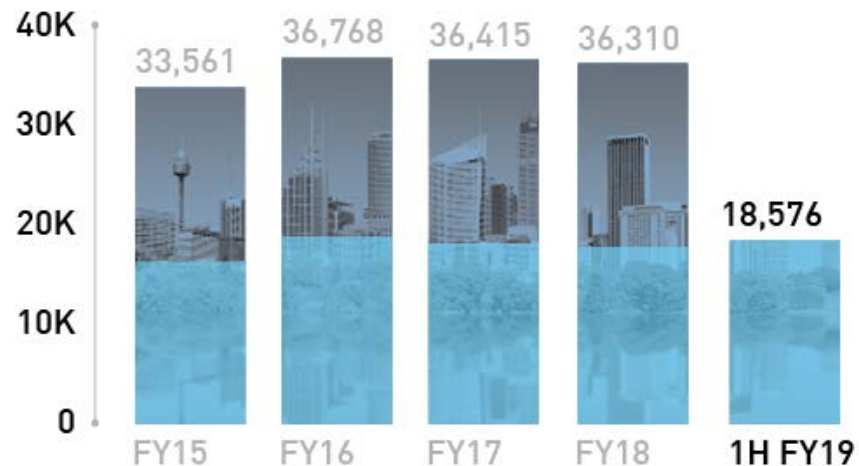
Patent market - Australia

IPH Group continues to hold No.1 patent market position



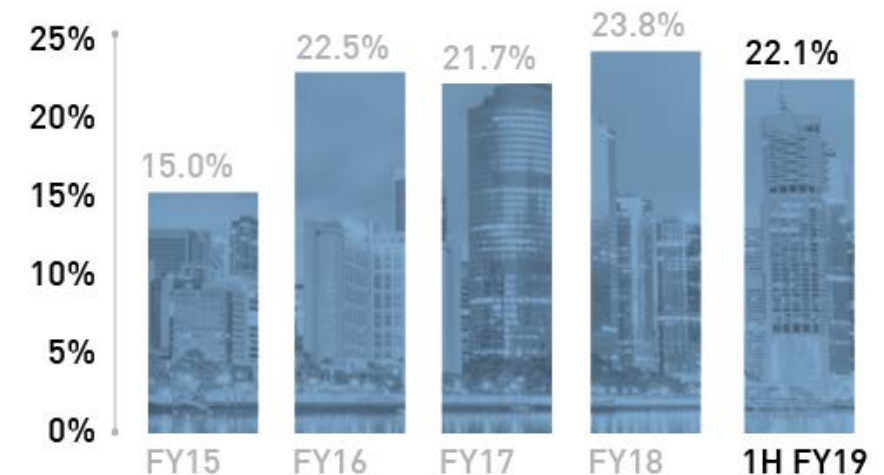
Australian patent market filings¹

- The Australian patent market has grown 3.9% from 1H FY18 to 1H FY19
- If inbound Chinese innovation filings lodged by the top 15 Australian patent agents are excluded, market growth reduces to 2.1%, which is in line with the medium term trend



IPH market share²

- IPH Group (inclusive of AJ Park) grew by 1.8% in 1H FY19, compared with 1H FY18³
- Combined, the IPH Group continues to hold the No.1 patent market position in Australia with 22.1% of patents filed in 1H FY19, compared with 22.5% in 1H FY18³
- PCT applications for IPH Group have increased by 4.4% from 1H FY18 to 1H FY19 – the IPH Group is the No.1 filer of PCTs in Australia²



1. IPH Management estimate based on filing information recorded on IP Australia as at 28 Jan 2019 (FY19) and 3 Aug 2018 (FY15-FY18). Includes all types of patent applications.
2. IPH Management estimate based on agent recorded with IP Australia as at 28 Jan 2019 for FY19, 3 Aug 2018 for FY18 and 6 Jul 2018 for FY15 - FY17 and may not reflect any change of agent recorded since filing. IPH Group market share includes filings by the following entities: FY15 - SF & FAKC; FY16 and FY17 - SF, FAKC, Pizeys, Cullens; FY18 and FY19 - SF, FAKC, Pizeys, Cullens and AJ Park.
3. 1H FY18 market share adjusted to reflect AJ Park filings from time of acquisition (Nov 17), based on 3 Aug 2018 data.

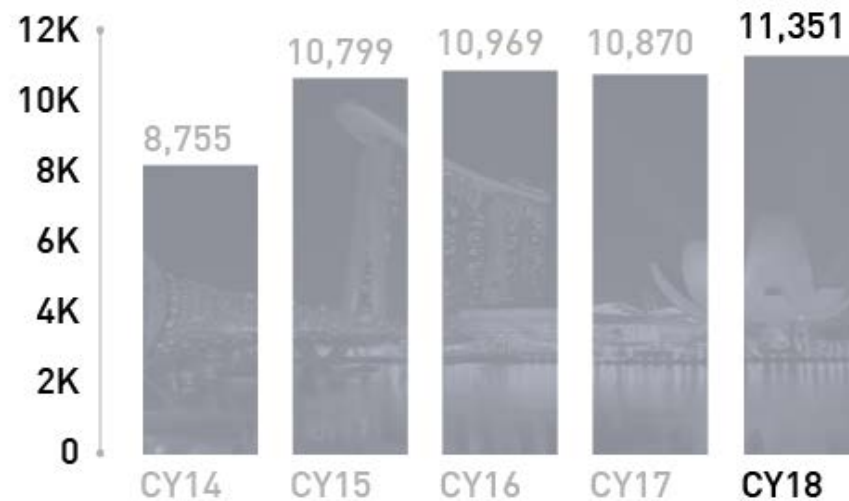
Patent market - Singapore

IPH Group continues to hold No.1 patent market position



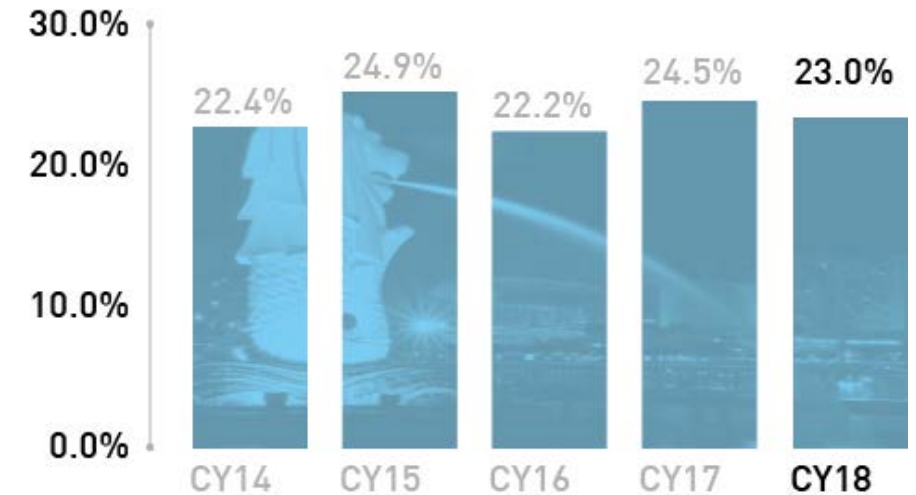
Singapore patent market filings¹

- Overall Singapore market up 4.4%, from CY17 to CY18



IPH filings and Group market share²

- Combined, the IPH Group continues to hold the No.1 patent market position in Singapore with 23% of patents filed
- Strong growth from Pizzeys Singapore



1. IPH management estimates based on IPOs reported filing statistics as at approx. 29 Jan 19 (CY18) and 2 Aug 18 (CY14-CY17).
2. IPH management estimates based on patent filings from agents recorded with IPOs on 29 Jan 19 (CY18), 2 Aug 18 (CY17), 10 Aug 17 (CY16), 4 Feb 16 (CY15) & 6 Aug 15 (CY14). Data may not reflect any change of agent recorded since filing. In CY16, CY17 and CY18 IPH's percentage of market share represents patent filing by SF (Asia) and Pizzeys over total number of applications filed in Singapore.

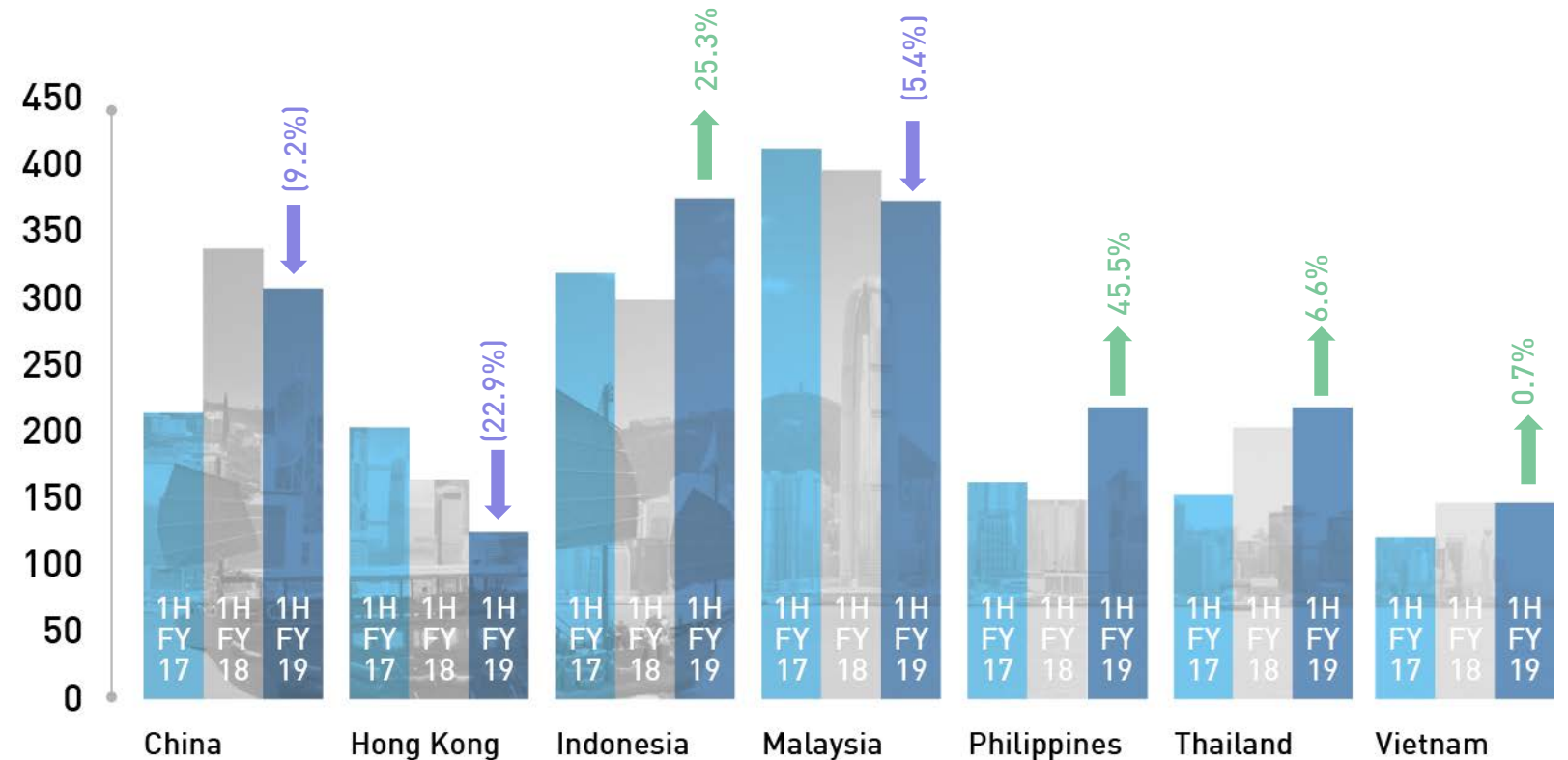
Patent market - Asia

IPH growth driver



IPH Group filings in key jurisdictions in Asia¹

- IPH Group's Asia-Pacific platform ensures earnings diversification and resilience
- Positive growth experienced in Indonesia and Thailand in 1H FY19 compared to 1H FY18 including new clients in the client mix
- China remains a significant opportunity and focus for the IPH Group with an addressable market of approximately 130,000 incoming Chinese patent applications filed annually



1. IPH management analysis based on total incoming/outgoing patent applications filed by IPH Group entities in key jurisdictions in Asia, excluding Singapore.

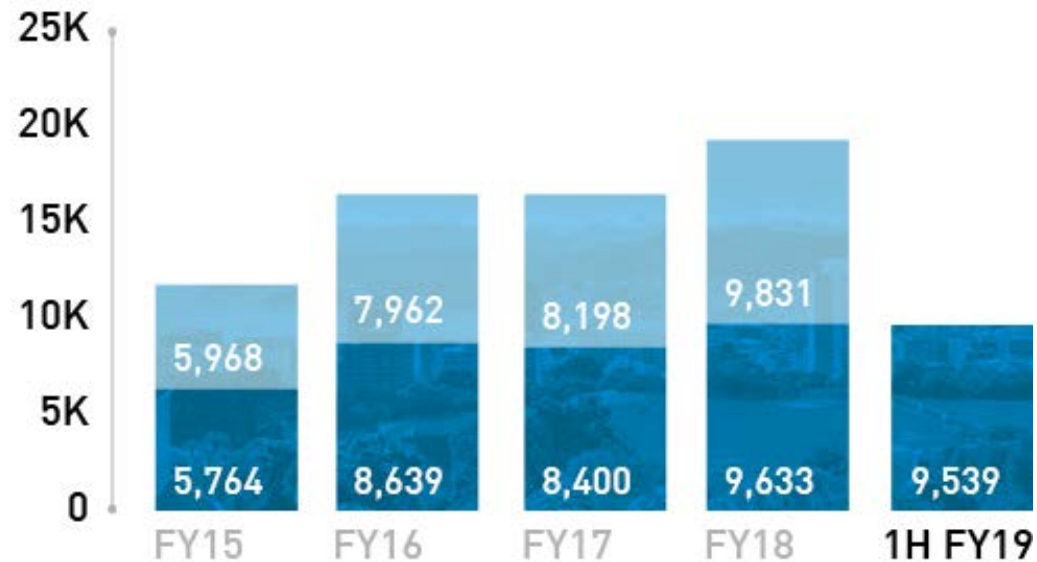
Filings by IPH companies

Underpins future earnings and growth



Patent filings by IPH Group¹

- Holding steady across the group in 1H FY19



Trade mark filings by IPH Group¹

- The trade mark business is 12% of Group revenue



1. IPH management estimate based on internal filing information for 1H for all financial years. FY15 includes SF (Australia) and SF (Asia) and FAK. FY16 and FY17 include SF (Australia), SF (Asia), FAKC, Pizeys and Cullens. Additionally FY17 also includes filings by SF(China/HK) entity. FY18 and FY19 include filings by AJ Park (acquired in FY18). All incoming/outgoing patent/trademark applications filed either directly or indirectly (through an agent) by IPH companies, including where incoming/outgoing agent is IPH entity.

Operations review

04



Operational highlights

Strengthening and consolidating the IPH Group



AJ Park

Performing to expectations A\$4.8m EBITDA

Improved margin to 19% (16% prior year)

Staff aligned with IPH incentive plan

Continued focus on costs

Increased referrals to IPH Group entities

FAKC / Cullens / Spruson & Ferguson merger

Merger successfully completed in July 2018

Queensland teams now fully integrated into Spruson & Ferguson

Queensland clients now have direct access to Spruson & Ferguson's high quality IP services across Asia

Strengthened Spruson & Ferguson's domestic market position, providing a deeper pool of talent with greater geographic reach and more choice for clients

Greater opportunities for staff mobility and connectivity

Margin improvement achieved through reduction of overheads

Operational highlights

Value realisation



Practice Insight

Sale of products to CPA Global

Practice Insight's Filing Analytics and Citation Eagle product businesses were sold to CPA Global Services Limited in August 2018 for \$10 million

Sale will help maximise the potential of these products due to CPA's global reach and established marketing and software distribution channels

\$2.1 million profit recognised in the HY19 financial report*

Transition agreement with CPA until 31 March 2019

Any adjustment to the profit will be published with FY19 results

* Excluded from underlying results.

Building momentum

Practice Insight's sales and development activities are now focused on its new autonomous time-keeping tool, WiseTime.

First WiseTime pilot completed

WiseTime paid trials now underway at several large European firms

Four new trials confirmed in Europe

Continuous product evolution – WiseTime managed connections now available for three key IP software management systems

Further managed connections planned in Q3, which will make WiseTime managed support available to the majority of established clients in private practice IP law firms

Acquisitions update

05

Acquisitions update



Acquisition of equity stake in Xenith IP Group Limited

On 13 February 2019 IPH announced it had acquired an equity interest in Xenith IP Group Limited ("Xenith") of approximately 19.9% at \$1.85 per share for a total of c.\$33m

IPH has entered into this transaction consistent with its strategy to pursue acquisitions in the domestic market which are compelling from a strategic and financial sense

IPH does not support the current QANTM Intellectual Property Group Limited scheme proposal to acquire Xenith

IPH intends to seek discussions in relation to an alternative transaction to the current scheme

Strategic direction

06

Strategic direction

Continued focus on IPH's growth strategy



Consolidate acquisitions

- Continuing to focus on margin expansion through AJ Park and successful merger of FAKC, Cullens into Spruson & Ferguson

Organic growth

- Leverage market leading position in Australia / New Zealand
- Continued focus on market share initiatives
- Maintain leading market share in Singapore; expand share in other Southeast Asian markets
- Continued focus on building share in Chinese addressable market
- Continue to leverage existing network to grow internal filings and case transfers

Growth step-outs

- Continue to evaluate acquisition and expansion opportunities

Enablers

- Robust client management programs focused on delivering the highest levels of client service
- Targeted service expansion across Asia-Pacific
- Focus on our people – attract, motivate and retain
- IT growth strategy, including digital platform development

Appendix

07

Business snapshot

Leading intellectual property group in Asia-Pacific



630

Employees (FY18)

80 Principals

167 Professional Staff

383 Support Staff

15

Offices

8

IP Jurisdictions

4 BRANDS



PIZZEYS
Patent and Trade Mark Attorneys



22%

Patent market share in Australia (FYTD19)



23%

Patent market share in Singapore (CY18)

Nº1

Patent group in Australia, New Zealand and Singapore



19K+

Patent filings (FY18)



8.5K+

Trademark filings (FY18)

Patent lifecycle

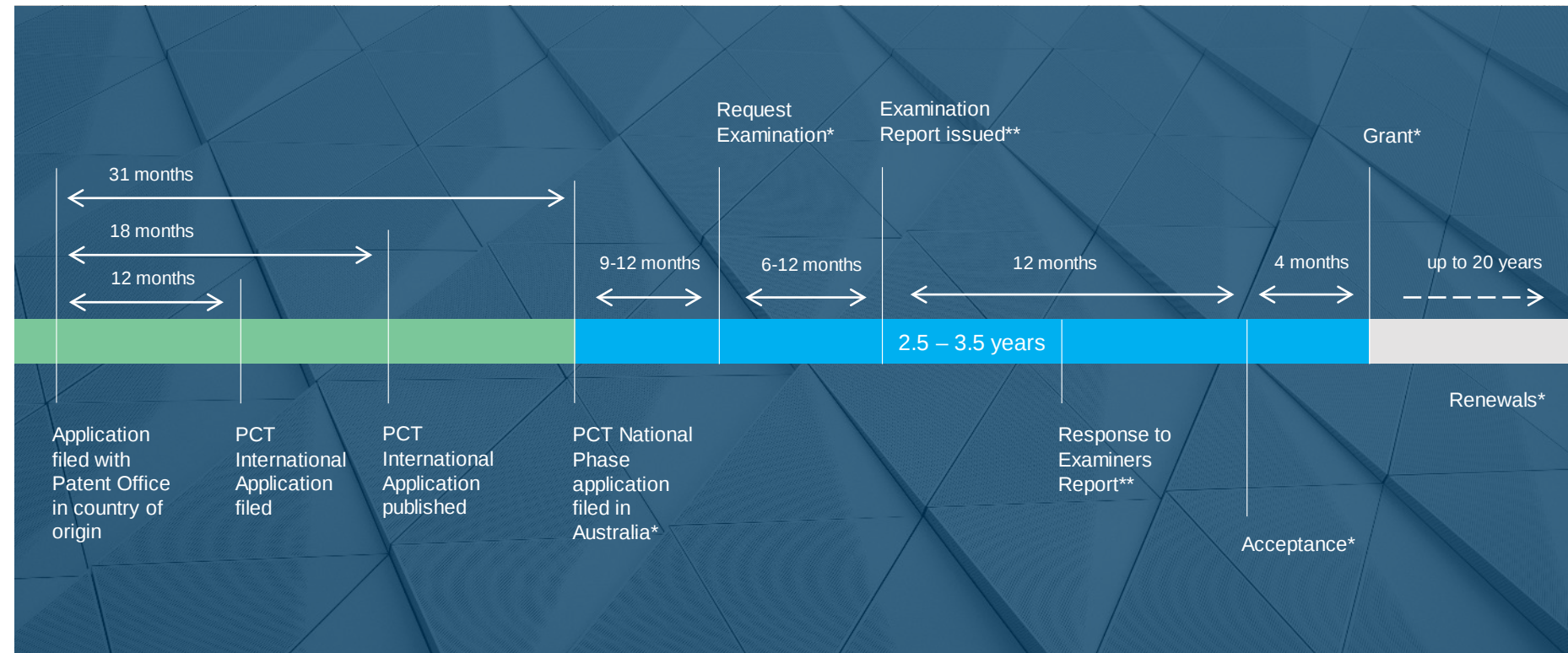
Long-life IP cycle supports consistent revenues and earnings



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 application route in Australia



Source: IP Australia. The IPH management estimate based on patent applications filed in Australia in CY18.

* Revenue event – typically flag fall.

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

IPH corporate information

Leading intellectual property group in Asia-Pacific



Directors

- Mr. Richard Grellman AM
Chairman
- Dr. Andrew Blattman
CEO and Managing Director
- Mr. John Atkin
- Ms. Robin Low

Company Secretary

- Mr. Philip Heuzenroeder
Group General Counsel

Ordinary Shares on Issue	Number	Holders	% ¹
Free float	192,720,019	9,526	97.7%
Escrowed			
• AJ Park (31 Oct 19)	4,621,547	18	2.3%
Total	197,341,566	9,544	100%

1. Percentage of ordinary shares on issue.



Thank you

Asia Pacific's leading IP
professional services group

www.iphltd.com.au