

ASX Announcement

17 November 2022

2022 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

About IPH Limited

IPH is an international intellectual property services group, comprising a network of member firms working in nine 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 1,200 people working in Australia, Canada, China, Hong Kong SAR, Indonesia, Malaysia, New Zealand, Singapore and Thailand.

IPH Chairman's Address

Shareholders,

I am pleased to present my first AGM address as Chairman of IPH. It is a privilege to serve as Chairman of your company.

For today's address, I will provide a brief overview of our financial results for FY22, noting that our CEO, Andrew Blattman, will provide a more comprehensive review of the results in his address.

I will also make a few comments about our strategy, focusing on how we continue to strengthen the group as the leading Intellectual Property Group in secondary markets.

I will conclude with some comments about Board renewal and our ongoing focus on sustainability throughout our organisation.

Our People at IPH

Before commenting specifically on our results, I would first like to acknowledge and thank the team across IPH for their collective efforts over the past year.

Since joining the Board one year ago, I have been greatly impressed by the calibre of our people and their ongoing commitment to deliver results for our clients which, in turn, continues to create greater value for our shareholders.

We are a people business and we are fortunate at IPH to have a committed and talented team that drives results for all our stakeholders.

FY22 Financial Results

Looking at our financial results for FY22.

IPH reported a Statutory Net Profit After Tax of \$52.6 million compared to \$53.6 million for the prior year.

Statutory results include the impact of various one-off items which are not considered as recurring or being core to the operations of the Group.

On an Underlying basis (which excludes these one-off items) Net Profit After Tax increased by 14% to \$86.7 million and Underlying EBITDA grew by 11% to \$137.4 million.

Your Board declared a final dividend of 16 cents per share, 50 per cent franked, bringing the full year dividend to 30.5 cents per share, compared to 29.5 cents per share for the prior year.

The full year dividend is in line with the Board's dividend policy to pay 80 to 90 per cent of cash NPAT as dividends.

Strategy execution

We have a clear and consistent strategy at IPH which is to be the leading IP services group in secondary IP markets and adjacent areas of IP.

We made good progress on this strategy during the year.

We continued to leverage our network across the Asia Pacific region to deliver organic growth, while extracting synergies from business integrations, including the successful integration of Spruson & Ferguson Australia and Shelston IP in December 2021.

We further enhanced our client offering and increased referrals from our member firms to expand our reach.

This resulted in an increase in new case referrals into our Asian hubs which increased by 4.5% for the year.

Shareholders will recall IPH's acquisition of Applied Marks in July 2021.

This acquisition and subsequent integration have enabled the creation of our Digital Services function which is focused on harnessing digital expertise and software tools to generate growth and efficiencies for our teams and clients in each of the regions in which we operate.

We are continuing our investments in technology systems and technology infrastructure.



Recently we announced the IPH Way. This is a new programme to standardise and improve processes across the group with a focus on increasing case management efficiency and increasing the productivity of administrative teams across IPH.

These process improvements will generate efficiencies across the group but will also enhance our clients' experience from a more consistent and simplified approach.

Shareholders will also be aware that a significant component of our strategy has included acquisitions.

Since listing we have completed eleven acquisitions which have been successfully integrated into the Group to deliver accretive value over time.

The acquisition of Smart & Biggar, which completed in October, is consistent with that strategy.

Smart & Biggar is one of Canada's preeminent IP firms, with more than 300 employees located in multiple offices across Canada. Smart & Biggar is a full service IP firm with a client base including Fortune 500 companies and large multinational corporations, research institutions, SMEs, start-ups and Canadian entrepreneurs.

Acquiring Smart & Biggar extends our international network beyond Asia Pacific into an additional significant secondary IP market. It also provides a platform for IPH to participate in further growth opportunities.

Andrew will provide further detail and an update on Smart & Biggar in his address.

Board Renewal

Since listing in 2014, IPH has maintained an experienced and stable board which has successfully guided the Company and supported management in growing the company from a market capitalisation of approximately \$330 million at listing to over \$2 billion today.

Some 8 years since listing, and consistent with governance protocols, it is appropriate for the Company to maintain a focus on Board renewal.

IPH's inaugural Chairman, Richard Grellman AM, retired from the Board in February this year after almost 8 years of service.

Richard presided over the initial establishment of IPH as a listed public company and a period of substantial growth and significant value creation for shareholders and on behalf of the Board and shareholders, I wish to acknowledge and thank Richard for his tremendous contribution and wish him every continued success.

We announced the appointment of Vicki Carter to the Board as a Non-executive Director, effective 5 October. Vicki has over 30 years' experience in the financial and telecommunications sectors with executive roles in distribution, strategy and operations, human resources and digital transformation. She is a Non-executive Director of Bendigo and Adelaide Bank Limited and a Non-executive Director and Chair of Sandhurst Trustees Limited. We believe that Vicki's extensive background and experience will be of great benefit to the company as we look to continue to invest in the enhanced delivery and range and quality of services to our clients.

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

Our Board renewal process will continue throughout this year and the Company will keep shareholders informed of updates.

Sustainability

IPH remains committed to sustainability we continue to work closely with our stakeholders to ensure we drive positive change and sustainable outcomes.

During FY22 we reviewed how we articulate and communicate our ESG strategy and with the support of external sustainability specialists, we are working on a programme to update our commitments and action plans.

This work will provide a refreshed and aligned approach to sustainability across the group in FY23 and for our future.

This strategy will include measurable targets and programs against our identified material topics, including the ongoing assessment of climate change risk and opportunities across our business.



Conclusion

In closing, I would like to acknowledge Andrew, his leadership team, and all our people across the IPH Group for their dedication and efforts in FY22.

Our team can be justifiably proud of their achievements during the year in delivering a strong financial result while continuing the significant progress in implementing our strategic agenda.

I would also like to thank you, our shareholders, for your ongoing support of IPH.

IPH Managing Director's Address

Good morning ladies and gentlemen,

I want to start my address today by acknowledging and thanking shareholders for your ongoing support of IPH. I am pleased to say that from our listing in November 2014, IPH has delivered a total shareholder return (share price growth and reinvestment of dividends) of approximately 570% compared to 98% for the ASX 200 index. This value creation will continue to be our focus.

Today, I will provide additional detail on our FY22 financial results, further information on how we are progressing our strategy, including the acquisition of Smart & Biggar, and an update on current trading for FY23.

FY22 Results

Let me start with a summary of our FY22 results.

Our statutory results were down slightly from the prior year.

However, on an underlying basis, which excludes items that are not expected to occur frequently and do not form part of the core activities of the Group, the Company reported a strong uplift in earnings.

Underlying NPAT increased by 14% to \$86.7 million and Underlying EBITDA was up by 11% to \$137.4 million.

Our Underlying earnings were assisted by organic growth, particularly in our Asian business, together with a currency benefit as a result of the stronger US\$ compared to the prior year.

On a like-for-like basis (which removes the effect of foreign exchange movements and also acquisitions) IPH reported a 2% increase in both revenue and Underlying EBITDA.

In Asia, like-for-like revenue increased by 10% and like-for-like EBITDA improved by 10%.

Like-for-like revenue in our Australian and New Zealand IP businesses decreased by 1%. However, the successful integration of Spruson & Ferguson Australia and Shelston IP in December 2021 and the delivery of cost synergies assisted to deliver a 1% growth in Underlying like-for-like EBITDA.

IPH continues to generate strong cash flow with cash conversion at 100% for the year. This strong cash flow continues to support a high dividend payout which is reflected in a 3% lift in the full year dividend with the payout ratio of 87% of cash NPAT.

Our strong financial position also enabled IPH to fund the Smart & Biggar acquisition primarily through debt facilities and cash reserves.

Post this acquisition our leverage ratio remains at below 2 times.

Strategic Progress

Our strategy remains focused on organic growth, consolidating acquisitions and pursuing growth step-out opportunities. During FY22 we made considerable progress in each of these areas.

Let me start with the acquisition of Smart & Biggar, which we completed on 6 October.

The initial purchase price of approximately CAD\$282 million (A\$320m) was funded by cash of approximately CAD\$241 million.

As I just mentioned, this was funded by primarily by our debt facilities and cash reserves, and also the issue of approximately 5.3 million new IPH shares to the vendors at an issue price of A\$8.51 per share.

This is a significant acquisition for IPH – our largest since listing, and one which expands our presence beyond Asia Pacific.



Smart & Biggar is highly complementary to IPH. They have a leading market position in Canada, high quality professionals, an exceptional reputation and a rich heritage.

The Canadian IP market is very similar to Australia in terms of size, governance and its legal system. Indeed Smart & Biggar is very similar to current IPH member firms –again highlighting the complementary nature of the business.

The transaction also provides us a strong platform to participate in further potential growth opportunities in Canada.

Smart & Biggar's leadership team has an outstanding international reputation and they are well known to us. We have appointed their managing director, Matt Zischka, to the IPH Group Leadership Team recognising the scale of their business.

One of the benefits of being a publicly listed group is how we can reward staff with equity ownership opportunities to align performance with shareholders.

As part of that, Smart & Biggar's eligible principals and professional staff will join the IPH group incentive plan providing opportunities for IPH equity ownership and alignment with all of Smart & Biggar's professional staff on an ongoing basis.

We believe the addition of Smart & Biggar to the IPH group will be a very positive outcome for all stakeholders – including clients, people and of course our shareholders.

The transaction is expected to be underlying EPS accretive of approximately 10% in the first full year of ownership.

Peter mentioned other areas of our digital and technology strategy to drive further efficiencies and improve client service across the group.

I would like to add some context to a recent initiative– the IPH Way.

As you can expect from a group that has acquired a number of different IP companies over time, we have a range of systems operating across the group which are unique to each member firm.

We see a significant opportunity to standardise these processes.

We call this the IPH way. The IPH Way brings a focus on increasing case management efficiency and increasing productivity of administrative teams, whilst also enhancing our clients' experience from a consistent and simplified approach.

We expect annual, ongoing net benefits between \$5 million and \$6 million from FY25 as a result of this programme.

There will be one-off costs of approximately \$3 million in both FY23 and FY24, and these costs will be treated as a non-underlying expense.

This is the next step in our ongoing margin improvement strategy and once again demonstrates the significant opportunity we have across the group.

Focus on people

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

FY22 was another record year for promotions for IPH with 31 promotions across all our member firms, including 14 Principal appointments (including a 50% increase in female Principal appointments from FY21).

We continue to invest in the future of the IP profession and have supported more than 40 trainees to complete their Master of IP and become registered attorneys.

Update on trading

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

Underlying Performance

For the first 4 months of FY23, 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, partially offset by the negative impact of share-based payments being included in Underlying results FY23 but not included in FY22.

While the acquisition of Smart and Biggar was completed on 6 October 2022, for comparison purposes we have not included any contribution from Smart & Biggar in Underlying results for FY23.



Like for Like Performance

Performance on a like-for-like basis excludes the impact of foreign exchange movements and acquisitions. The average AU\$/US\$ exchange rate for the first 4 months of FY23 was 67.2 cents compared to 73.6 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 equals an increase of \$1.9 million in annual service charges, the majority of which falls to the EBITDA line.

In the first 4 months of FY23, we have seen a continued strong increase in the Asian business like for like earnings which was offset by lower earnings in the Australian/New Zealand business, primarily due to lower patent filings in this period cycling strong growth in filings in the prior corresponding period.

As a result, overall group Underlying like for like EBITDA for this period has moderated compared to the prior corresponding period.

Asia

Our Asian business continues to perform well and delivered like-for-like revenue and underlying EBITDA growth against the prior corresponding period.

We continue to harness our network across the region to deliver organic growth in our key jurisdictions.

Australia and New Zealand

The Australian patent filing market (excluding innovation patents) declined by 6.0% for 1QFY23. This decline compares to a strong prior corresponding period, with total patent filing growth of 12.3% for 1QFY22 compared to 1QFY21.

IPH Group Australian filings (excluding innovation patents) decreased by 7.2% for 1QFY23. This also compares to a strong prior corresponding period where IPH Group filings increased by 8.7% for 1QFY22 compared to 1QFY21.

In addition to the overall market decline, there are two main factors contributing to lower IPH Group patent filings for 1QFY23.

As we have indicated previously, the integration of Spruson & Ferguson Australia and Shelston IP which was implemented on 1 November 2021 has resulted in a minor impact on filings. The first 4 months of FY23 represents a full period of this integration which had not yet commenced in the prior corresponding period.

Secondly, some shareholders might recall at last year's AGM, we referenced Griffith Hack's very strong patent filing growth for the first 4 months of FY22 which was more than double the market growth.

For 1QFY23 Griffith Hack's patent filings are down on the prior corresponding period, which is indicative of the overall market decline and also the fluctuating nature of individual client filing patterns.

Conclusion

IPH has made substantial progress on its growth strategy in FY22.

As a critical provider of IP services, it is well placed to continue its solid performance despite ongoing uncertainty and deteriorating economic conditions across international markets.

We are now 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 and dedication in the delivery of this strong platform for growth.

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.

