

ASX Announcement

16 February 2023

HY23 Investor Presentation

Attached is a copy of the IPH Limited HY23 Investor Presentation.

An analyst/shareholder briefing will be held at 10.30am (AEDT). The briefing will be webcast and accessible on the IPH website at www.iphltd.com.au.

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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 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.



2023 Half Year Results Investor Presentation

Half year ended 31 December 2022

Presented by:

Dr. Andrew Blattman
Managing Director & CEO, IPH Limited

John Wadley
Chief Financial Officer, IPH Limited

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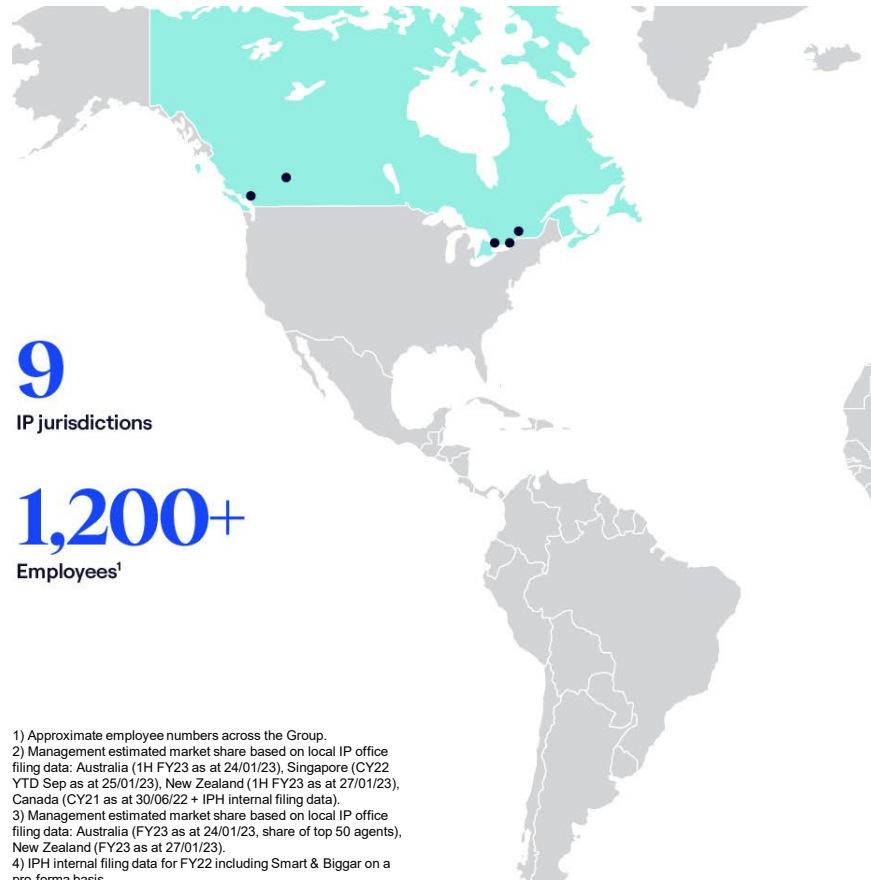
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About the IPH Group

A leading international IP services group



1) Approximate employee numbers across the Group.
2) Management estimated market share based on local IP office filing data: Australia (1H FY23 as at 24/01/23), Singapore (CY22 YTD Sep as at 25/01/23), New Zealand (1H FY23 as at 27/01/23), Canada (CY21 as at 30/06/22 + IPH internal filing data).
3) Management estimated market share based on local IP office filing data: Australia (FY23 as at 24/01/23, share of top 50 agents), New Zealand (FY23 as at 27/01/23).
4) IPH internal filing data for FY22 including Smart & Biggar on a pro-forma basis.



Nº 1

Patent group
in Australia, Canada, New Zealand and Singapore²

Trade mark group
in Australia and New Zealand³

33k+
Annual patent filings⁴

11k+
Annual trade mark filings⁴





01

HY23 highlights



Continued momentum in acquisition and integration strategy

Successful acquisition of Smart & Biggar assists in 24% increase in underlying EBITDA

Underlying EBITDA¹
\$80.4m

24% 



**Integrating Smart & Biggar
into the IPH network**

**Continued double-digit growth
in Asia like-for-like earnings²**

10% 



**Strengthening global client
expansion and client acquisition**

**Half year dividend
(15.5 cents per share)³**

7% 



**Digital transformation
including IPH Way**

1) Underlying EBITDA excludes costs incurred in pursuit of acquisitions, restructuring and IT SaaS implementation costs

2) Like-for-like Revenue and Underlying EBITDA adjusted for the impact of acquisitions, movements in realised and unrealised foreign exchange and performance had the prior period's exchange rates applied

3) Represents 87% of cash NPAT



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HY23 results

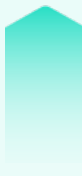


Financial highlights

Underlying Result assisted by Smart & Biggar contribution, currency benefit, and continued organic growth in Asia

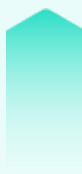
Revenue¹
\$226.9m

19%



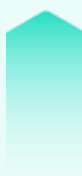
EBITDA
\$71.3m

30%



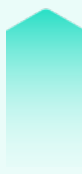
Statutory NPAT
\$28.5m

16%



Diluted EPS
12.6 cents per share

12%



Half year dividend
(15.5 cents per share)²

7%



Underlying EBITDA³
\$80.4m

24%



Underlying NPAT³
\$48.6m

21%



Underlying Diluted EPS
21.4 cents per share

16%



1) Total Revenue and other income excluding interest

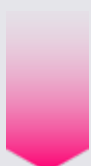
2) Represents 87% of cash NPAT

3) HY23 Underlying EBITDA and NPAT excludes costs incurred in pursuit of acquisitions, restructuring, IT SaaS implementation costs and amortisation of acquired intangibles



Like-for-like earnings

Double digit growth in Asia with continued margin accretion offset by AU/NZ

Australia – New Zealand		Asia		Group	
Revenue	3% 	Revenue	9% 	Revenue	Steady 
EBITDA	6% 	EBITDA	10% 	EBITDA	Steady 
EBITDA margin	3% 	EBITDA margin	2% 	EBITDA margin	Steady 

Note: Like-for-like Revenue and Underlying EBITDA adjusted for the impact of acquisitions, movements in realised and unrealised foreign exchange and performance had the prior period's exchange rates applied. Revenue includes other income excluding interest. Share-based payments are now included in like-for-like earnings in HY23 and the comparative period.



Underlying results

Underlying EBITDA \$80.4m up 24% assisted by currency benefit and organic growth in Asia

	HY23 Statutory Income Statement	Adjustments	Underlying Earnings HY23 ³
Total revenue¹	226.9	(0.3)	226.6
Recoverable expenses	(55.4)		(55.4)
Compensation	(74.1)		(74.1)
Occupancy	(1.4)		(1.4)
Restructuring / acquisitions related expenses	(8.9)	8.9	
Other	(15.8)	0.5	(15.3)
Total expenses	(155.6)		(146.2)
EBITDA	71.3	9.1	80.4
EBITDA %	31.4%		35.5%
Depreciation & Amortisation	(24.2)	16.0	(8.2)
EBIT	47.1		72.2
Net Finance Costs	(6.9)		(6.9)
NPBT	40.2		65.3
Tax (expense) / benefit	(11.7)	(5.0)	(16.7)
NPAT	28.5	20.1	48.6
Diluted EPS (cents)²	12.6c		21.4c

1) Total Revenue and other income excluding interest.

2) Diluted EPS includes performance rights that are yet to vest.

3) HY23 Underlying EBITDA and NPAT excludes costs incurred of pursuit of acquisitions, restructuring, IT SaaS implementation costs and amortisation of intangibles.

Adjustments	Millions
Business acquisition costs	7.8
Restructuring Expenses	0.8
SaaS Implementation	0.5
	9.1

- Business acquisition costs relate entirely to the completion of Smart & Biggar.
- Restructure expenses include \$550k for the IPH Way project. As previously announced total IPH Way spend over the project expected to be \$3m in each of FY23 and FY24.
- SaaS Implementation includes a new CRM system.

Share based payments

- As announced in the FY22 results share based payments expense is no longer excluded from underlying earnings. The amount included in compensation in HY23 is \$2.1m (HY22 \$3.8m).
- The charge in HY23 excludes Smart & Biggar and includes a credit of \$1.1m relating to the group now expensing a charge in line with the expected payout rather than the full potential cost.
- 2H charge including c.\$800k for Smart & Biggar is c.\$4m.



Cash flow statement

Continued strong cash flow

- Cash conversion remains high at 85%. This is lower than the comparative period due to the following non-cash items in the prior period:
 - \$4.6m impairment of the Shelston IP brand
 - Share-based payments cost being \$1.6m higher in the prior period.
- Factors impacting the increase in working capital in HY23 include:
 - The cash payment of make-good provisions expensed in prior periods relating to the groups' initiative to reduce its rental footprint;
 - Cash payout of STIP accruals relative to P&L provisioning; and
 - Increasing WIP in Smart & Biggar.
- Balance sheet now leveraged¹ at 1.6 times following the acquisition of Smart & Biggar, which lies within the previously indicated target range of 1.5-2 times.

Key Metrics at 31 December 2022

Cash on hand	\$92.2m
Drawn debt	\$378.1m
Net debt	\$285.9m
Leverage ratio ¹	1.6 times
Debt maturity	July 2024 & August 2025
Cash conversion for half year ended 31 December 2022	85%

¹) Net debt / 12 month proforma EBITDA



	HY23 Cash Flow Statement	HY22 Cash Flow Statement
Statutory EBITDA	71.3	54.9
Non-cash movements	1.8	9.3
Change in working capital	(9.5)	1.0
Operating capital expenditure	(2.9)	(4.2)
Cash flow before acquisitions, financing activities and tax	60.7	61.0
Cash conversion ratio	85%	111%
Income taxes paid	(8.7)	(15.6)
Net interest paid	(7.0)	(2.3)
Free cash flow	45.0	43.1
Dividends paid (net DRP)	(30.1)	(28.7)
Undistributed free cash flow	14.9	14.4
Acquisitions, investments & intangibles	(273.0)	(5.0)
Lease payments	(6.6)	(5.3)
Proceeds from sale of Practice Insight products	0.8	-
Net borrowing proceeds / (repayments)	268.5	-
Net cash flow	4.6	4.1

Balance sheet

Growth in balance sheet following acquisition of Smart & Biggar

- As a result of the acquisition of Smart & Biggar and subsequent identification and valuation of intangible assets the following new assets have been recorded:
 - \$192m customer relationships (these will be amortised over 10 years)
 - \$30m Smart & Biggar brand
 - \$203m goodwill
- The brand and goodwill will not be amortised but subject to impairment testing
- On an ongoing basis, total amortisation expense is expected to be c. \$20m in the 2H and \$40m on an annualised basis. As some of the assets are denominated in foreign currency, these amounts will vary.
- New borrowings of \$269m include CAD\$180m to fund acquisition. On an ongoing basis, total interest expense is expected to be c. \$10m in the 2H and \$20m on an annualised basis. As some of the borrowings are denominated in foreign currency, these amounts will vary.
- Deferred consideration comprises the earnout amount for Smart & Biggar (CAD\$66m) and Applied Marks (A\$2m).

Note: Smart & Biggar acquisition accounting has been recorded on a provisional basis.

	Balance Sheet as at 31 Dec 2022	Balance Sheet as at 30 Jun 2022
Cash and cash equivalents	92.2	88.4
Trade and other receivables	125.1	92.8
Other current assets	25.7	15.2
Total current assets	243.0	196.4
Property, plant and equipment	14.4	8.6
Right-of-use assets	45.4	30.9
Intangibles	841.9	447.6
Deferred tax	1.6	3.0
Other non-current assets	1.1	1.2
Total assets	1,147.4	687.7
Trade and other payables	38.0	29.3
Lease liabilities	54.7	42.7
Deferred tax	88.3	33.0
Borrowings	376.8	117.8
Deferred consideration	73.5	2.0
Other liabilities	33.5	33.2
Total liabilities	664.8	258.0
Net assets	482.6	429.7
Equity		
Issued capital	481.9	424.8
Reserves	8.9	6.5
Retained profits	(8.2)	(1.6)
Total equity	482.6	429.7



Foreign currency sensitivity

Earnings currency sensitivity

- Based on the USD profile in HY23 in the IPH Group, a 1c movement in the AUD/USD exchange rate equates to approximately \$2m of revenue on services charges on an annualised basis. The acquisition of Smart & Biggar did not materially impact this calculation as the business invoices the vast majority of its clients in CAD.
- This sensitivity fluctuates on the basis of acquisitions, their timing and their mix of currencies.
- 41% of the Group's invoicing is denominated in USD¹. This proportion has decreased from 54% following the acquisition of Smart & Biggar.
- The Group currently does not undertake foreign currency hedging on its operating transaction exposure. The Group continues to monitor this position.

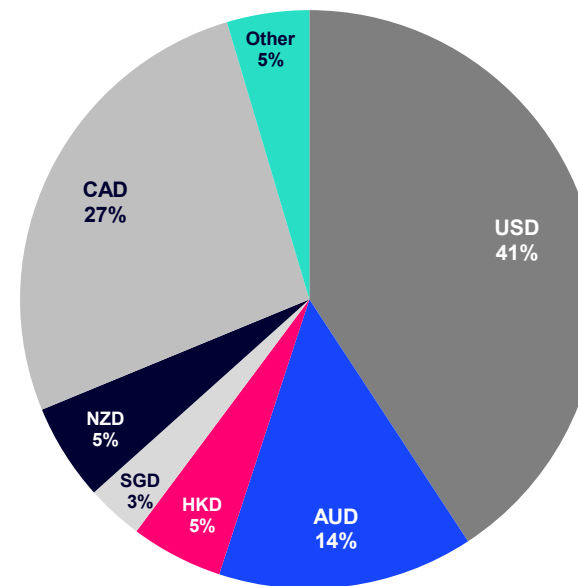
Balance sheet sensitivity

- The Group is also exposed to FX on the level of its foreign denominated cash and receivables, the largest of which is USD, in the balance sheet, balances of which fluctuate.
- Average USD cash² held US\$28m.
- Average USD net assets (including cash)³ US\$38m.

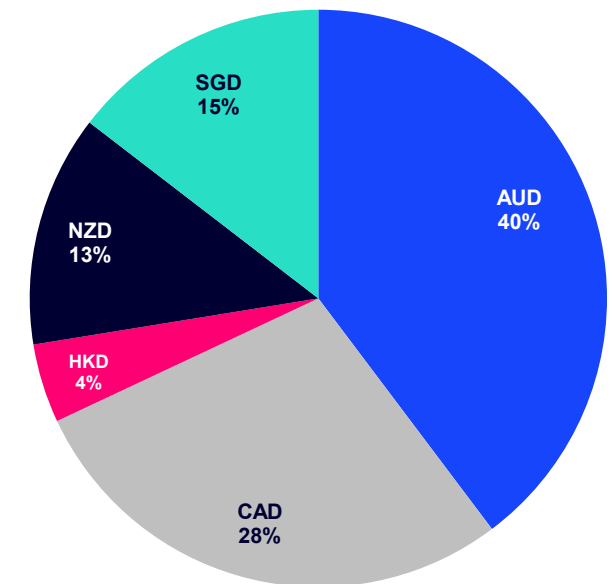
FX Rates (average)	USD	SGD
HY23	0.6706	0.9332
HY22	0.7316	0.9913
Variance	8.3%	5.9%

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.
 4) Annualised based on HY23 performance.

Service charges⁴



Operating expenses⁴



03

Market update

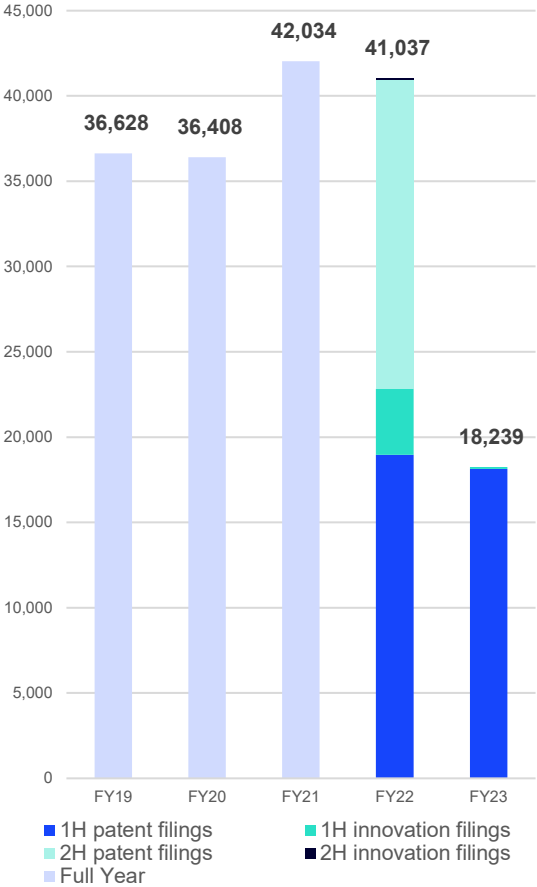


Patent market – Australia

Lower filings in 1H23 compared to very strong filings growth in 1H22

Australian patent filings – market¹

- Australian patent market (excluding innovation patents) decreased by 4.3% in 1H23 compared with the previous corresponding period.
- This compares to market growth of 9% in 1H22.
- Innovation patents have been phased out by the Australian Government with the last day of filing on 25 August 2021.

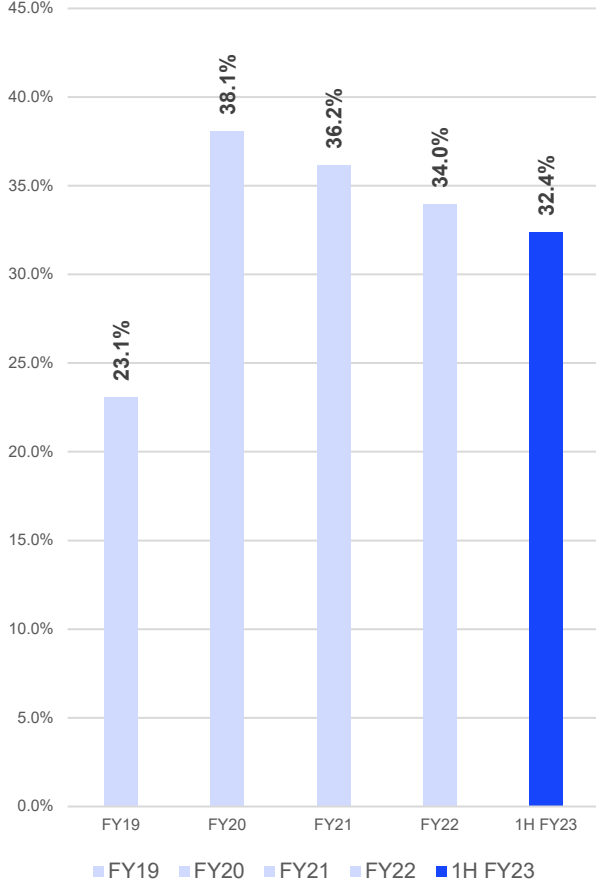


1) Management estimate based on IP Australia filing data as at 24/01/23 (1H23), 1/8/22 (FY22), 13/7/21 (FY21), 14/7/20 (FY20), and 1/8/19 (FY19). Chart includes all types of patent applications.

IPH Group market share (excl. innovation patents)²

- IPH Group's filings decreased by 7.7% in 1H23 compared to the previous corresponding period.³
- Spruson & Ferguson performance affected by the anticipated disruption of the integration with Shelston IP in December 2021. January 2023 will be the first period where the filing comparative will be to the integrated Spruson & Ferguson/Shelston IP business.
- Griffith Hack patent filings are down compared to previous strong patent filing growth in the first half of FY22.

2) Management estimates of Group market share based on IP Australia filing data excl. innovation patents (which ceased Aug 21). Data captured at end of each financial period and may not reflect subsequent changes of agent. Chart includes IPH acquired entities from 1 Jul of the acquisition year.
3) Any IPH acquired entities are included in both periods on a pro-forma basis for filings comparison.

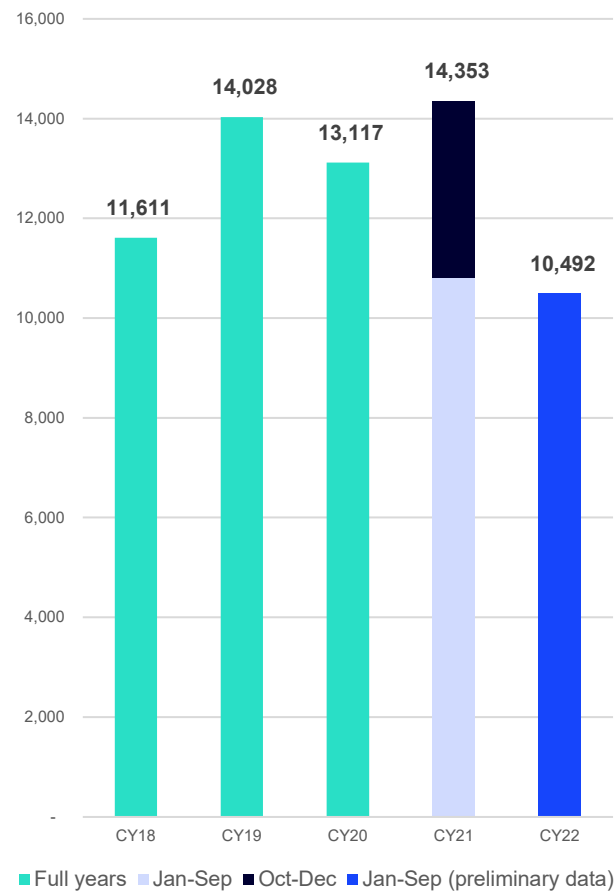


Patent market – Singapore

IPH maintained number one patent market share

Singapore patent filings – market¹

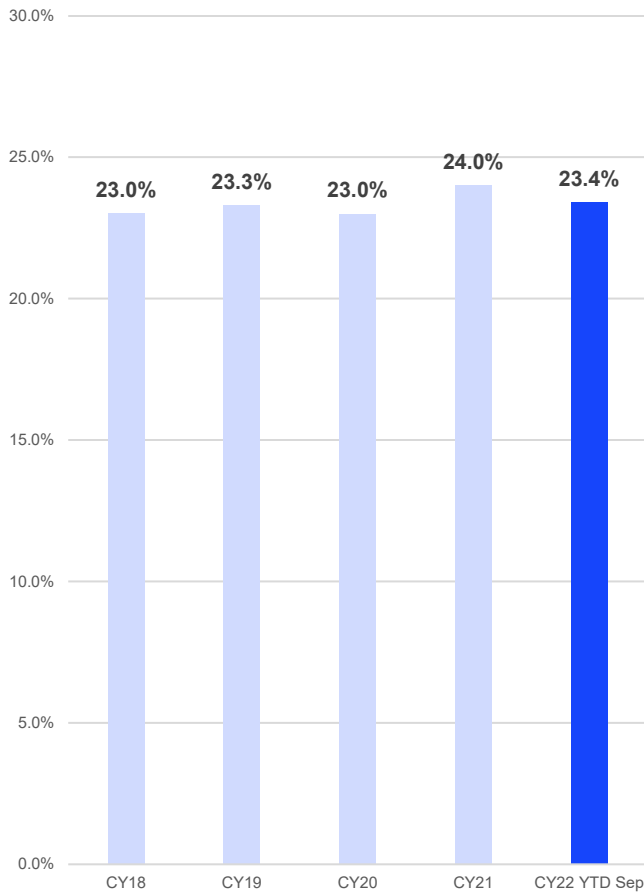
- Singapore patent market decreased 3.0% in CY22 YTD Sep (based on preliminary data) compared with the previous corresponding period.
- Market decrease mostly attributed to a significant filing decline from the top corporate group in the market last year (an IPH client). Excluding this group, the market increased 0.3%.



1) IPH Management estimate based on IPOS filing data as at 25/01/23 (CY22 YTD Sep), 2/02/22 (CY21), 2/05/21 (CY20), 3/08/20 (CY19) and 1/08/19 (CY18). Note, data for recent months subject to change due to data release timings, and as such CY22 is a preliminary figure.

IPH Group market share²

- IPH maintains number one market share position in CY22 YTD Sep.
- IPH filings decreased by 8.6% in CY22 YTD Sep (based on preliminary data).
- IPH more strongly impacted by the decline from the top corporate group than the rest of the market.
- Excluding this corporate group, IPH's filings increased 4.3%.



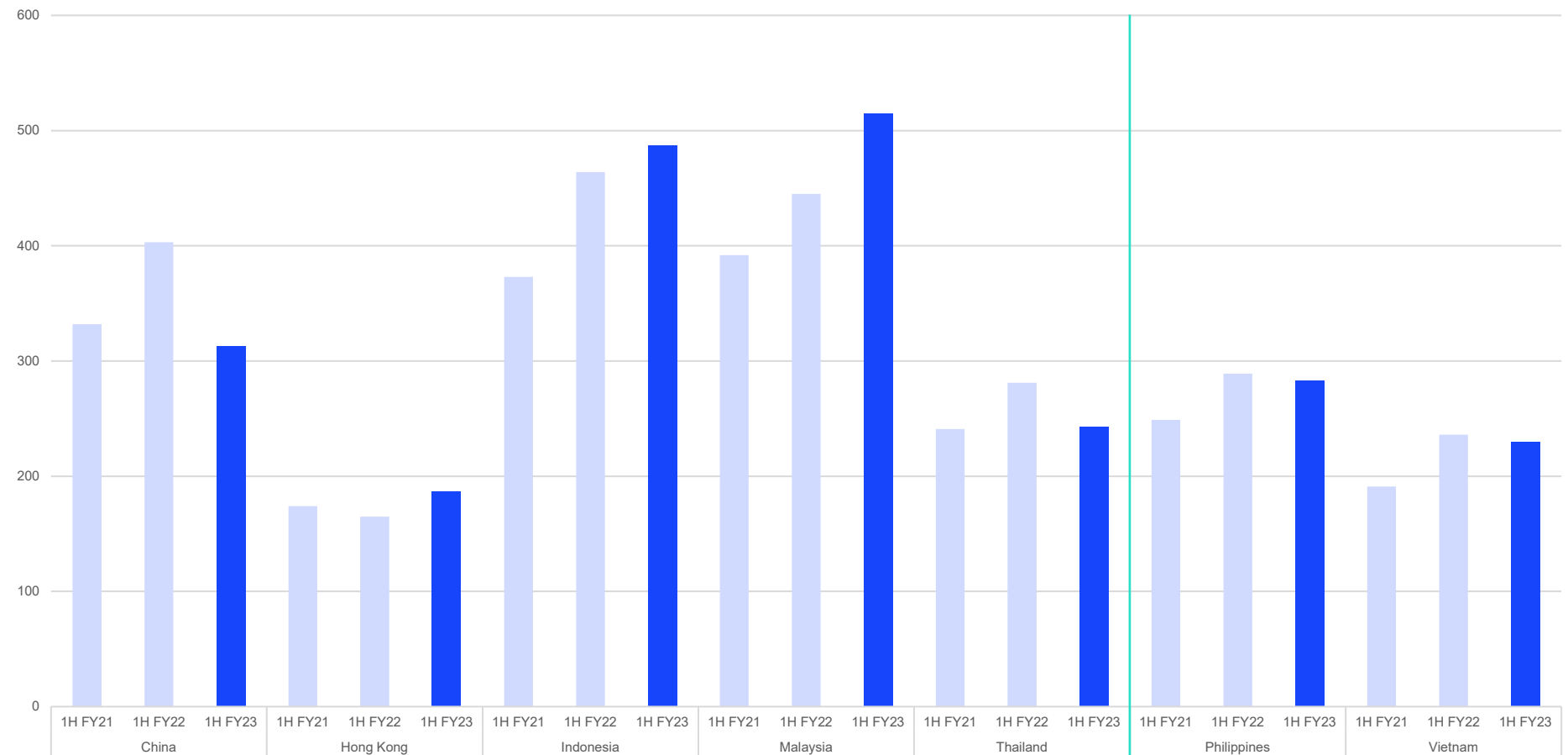
2) IPH Management estimates of Group market share based on IPOS filing data. Data captured at end of each financial period and may not reflect subsequent changes of agent. IPH share includes Singapore offices of Spruson & Ferguson and Pizzey.



IPH patent filings – Asia¹

Growth in key jurisdictions in Asia offset by decline in China

- Patent filings in Asia¹ are overall flat compared to 1H22.
- IPH patent filings in China down by 22%.
- IPH patent filings in Malaysia are up 16%, Hong Kong up 13%, Indonesia up 5%.
- Network continues to be attractive to large clients. In HY23 we have seen multiple large clients increasing filings across a number of jurisdictions.



1) Total patent cases lodged in key jurisdictions in Asia (excl. Singapore) by IPH entities (or external agents in the case of the Philippines and Vietnam). Data based on internal filing statistics.





04

Delivering on our strategy



Successfully integrating Smart & Biggar into IPH

Canada enhances global offering and network effect



Consolidate
acquisitions

SMART & BIGGAR

Acquired Smart & Biggar on 6 October 2022.

Revenue and earnings performing to date consistent with expectations.

Smart & Biggar has contributed A\$10.6m in EBITDA since it was acquired.

Expected cost savings remain at approximately A\$4-6m over the first three years post acquisition.

Integration of Smart & Biggar into IPH network progressing well:

- Joint IPH and Smart & Biggar integration project team established, led by Chief Operating Officer
- Integration Report delivered to the IPH Group Board
- IPH Group COO relocating to Canada for six months to oversee the integration.

The addition of Canada means IPH now has a broader international offering, an important development for global scale client pitches.

The network effect has contributed 80+ international client referrals to date.

Currently implementing infrastructure to facilitate global prospecting for work.

Continue to assess further growth opportunities in Canada and other core secondary IP markets.



Digital transformation including IPH Way

Focus on standardised processes and client-centric digital solutions

The IPH Way

Program underway to standardise, simplify and automate case management processes, templates, and systems to bring efficiencies and establish one way of working across the group's back office.

Ongoing net benefits expected between \$5m and \$6m from FY25.

Client Portal

Commenced the phased roll-out of our new digital platform for clients, Portal, following a successful client trial.

Portal is a secure digital ecosystem, using state-of-the-art technology and well-performing, highly scalable architecture, with initial release including:

- Asset portfolio view - instant and comprehensive view of all IP assets
- Task management - clear client visibility of status and timing of tasks
- IP intelligence - sophisticated intellectual property analytics and intelligence

Portal roll-out to be completed by end FY24.

Client Relationship Management (CRM)

Our group-wide CRM platform enables the streamlined collection of information about current and prospective clients allowing each business to manage, develop, measure and communicate in a scalable way, delivering an enhanced client experience.

CRM roll-out will be completed by the end of calendar year 2023.



05

Looking ahead for FY23



Summary and Priorities for FY23

Harnessing the network and enhancing our digital capability for future growth

- Focus on Australian / NZ business to drive organic revenue growth
- Continue integration of Smart & Biggar into the IPH Group
- Continue to deliver on digital strategy to enhance client service and generate further cost and operational efficiencies
- Continue to assess complementary acquisition opportunities in Canada and other core secondary IP markets.



Q&A





Thank you

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06

Appendix



Like-for-like revenue and EBITDA

Strong organic growth in Asia

	Underlying Revenue Dec 22	New Businesses & Disposals	Accounting FX Movements	Currency Adjustment	Adjusted Revenue Dec 22	Underlying Revenue Dec 21	Chg%
Australia & NZ IP	142.8		0.7	(3.8)	139.7	144.1	(3%)
Asian IP	59.6		1.2	(3.3)	57.5	52.8	9%
Canada IP	30.3	(30.3)					
WiseTime	0.1	0.2			0.3	0.2	
Corporate	8.8		(3.1)		5.7	5.3	
Eliminations	(15.0)		3.0		(12.0)	(11.0)	
	226.6	(30.1)	1.8	(7.1)	191.2	191.4	0%

	Underlying EBITDA Dec 22	New Businesses & Disposals	Accounting FX Movements	Currency Adjustment	Adjusted EBITDA Dec 22	Underlying EBITDA Dec 21	Chg%
Australia & NZ IP	52.5		0.7	(4.5)	48.7	52.0	(6%)
Asian IP	28.2		1.2	(2.4)	27.0	24.4	10%
Canada IP	10.6	(10.6)					
WiseTime	(0.0)	(0.3)			(0.3)	(0.3)	
Corporate	(7.9)		(3.1)		(11.0)	(11.5)	
Eliminations	(3.0)		3.0				
	80.4	(10.9)	1.8	(6.9)	64.4	64.6	0%

1) HY23 Underlying EBITDA excludes costs incurred in pursuit of acquisitions, restructuring and IT SaaS implementation costs.

2) New business represents 3 months of Smart & Biggar.

3) WiseTime was divested in July 2022.

4) Accounting FX movements represents change in realised and unrealised FX as reported in the financial statements.

5) Currency adjustment represents the performance had the prior period exchange rates applied.

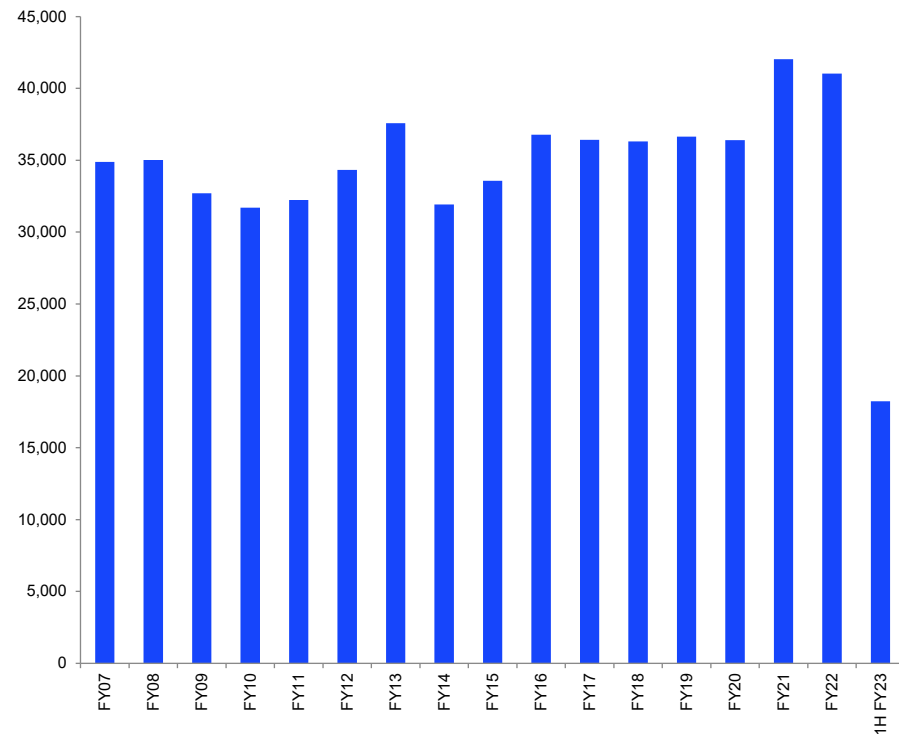
6) Share-based payments are now included in like-for-like earnings in HY23 and the comparative period.



Patent market trends

Australian Patent Filings¹

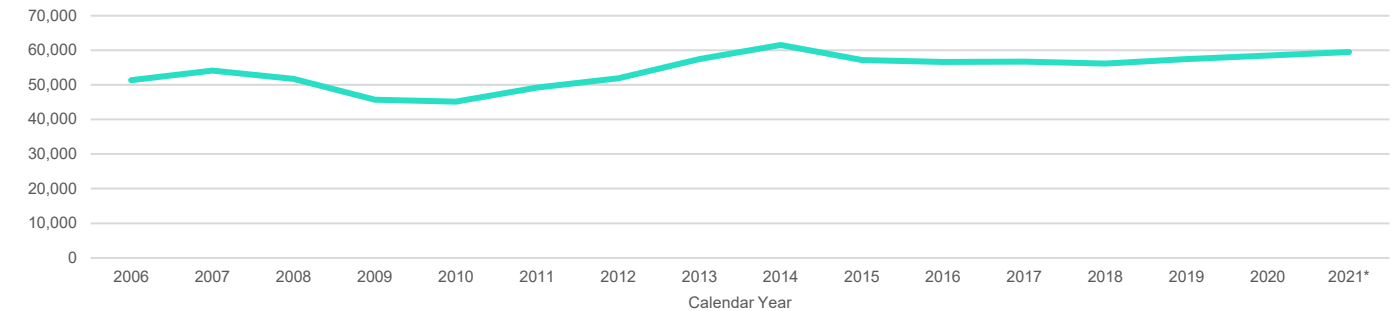
CAGR 15 Yr (FY07 to FY22) = 1.1%
CAGR Post-GFC (FY10 to FY22) = 2.2%



1) Management estimate based on IP Australia filing data as at 25/01/2023 (FY23), 1/8/22 (FY22), 13/7/21 (FY21), 14/7/20 (FY20), 1/8/19 (FY19) and 3/8/18 (FY18). All types of patent applications (incl. innovation).

United States PCT Applications²

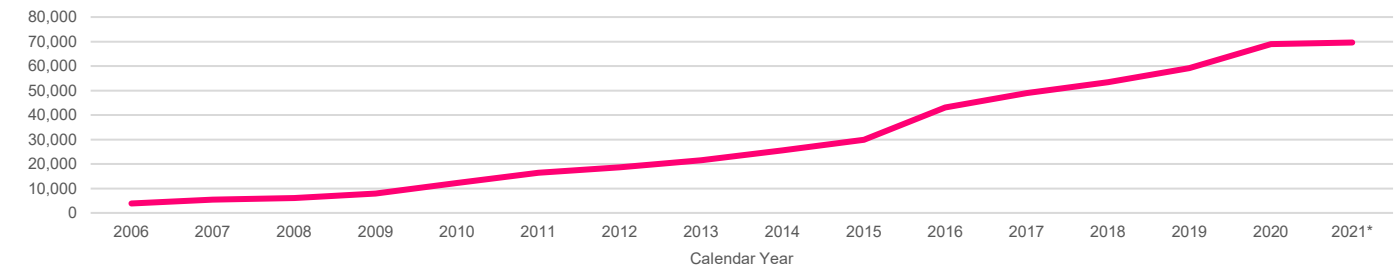
CAGR 15 Yr (CY06 to CY21) = 1.0%
CAGR Post-GFC (CY10 to CY21) = 2.5%



2) PCT applications originating from US filed at any receiving office by filing date from WIPO IP Statistics Data Center as at 25/01/2023.
* CY21 is the latest complete year for which data is available at WIPO.

China PCT Applications³

CAGR 15 Yr (CY06 to CY21) = 21.1%
CAGR Post-GFC (CY10 to CY21) = 17.1%

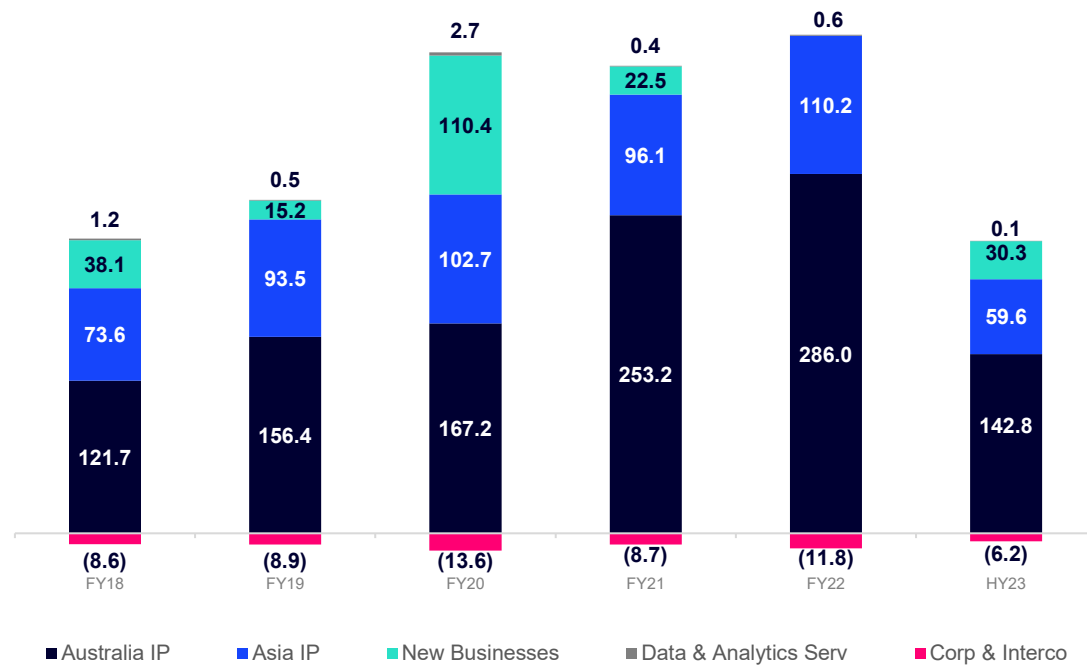


3) PCT applications originating from China filed at any receiving office by filing date from WIPO IP Statistics Data Center as at 25/01/2023.
* CY21 is the latest complete year for which data is available at WIPO.

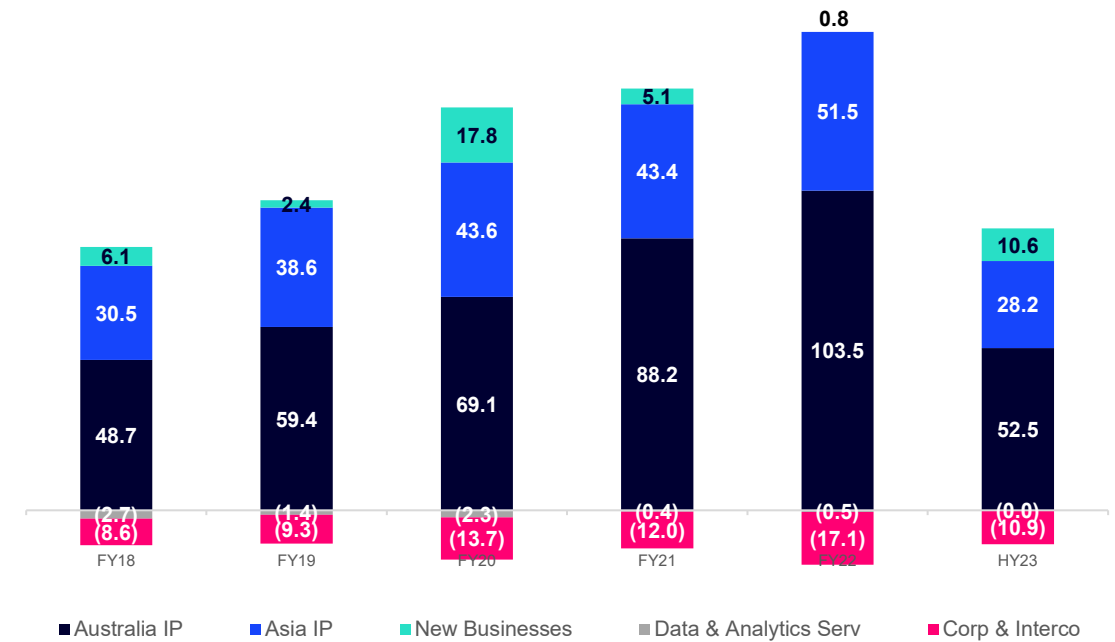


Revenue and EBITDA

Underlying Revenue \$'m



Underlying EBITDA \$'m



1) Underlying EBITDA from FY20 is post-AASB16. FY18-FY19 are pre-AASB16.

2) Underlying EBITDA excludes costs incurred in pursuit of acquisitions, revaluations of deferred settlements & earn outs, new business establishment costs, accounting charges for share-based payments (up to FY22), restructuring expenses and IT SaaS implemented in costs.

3) New Businesses HY23 represents 3 months of Smart & Biggar.



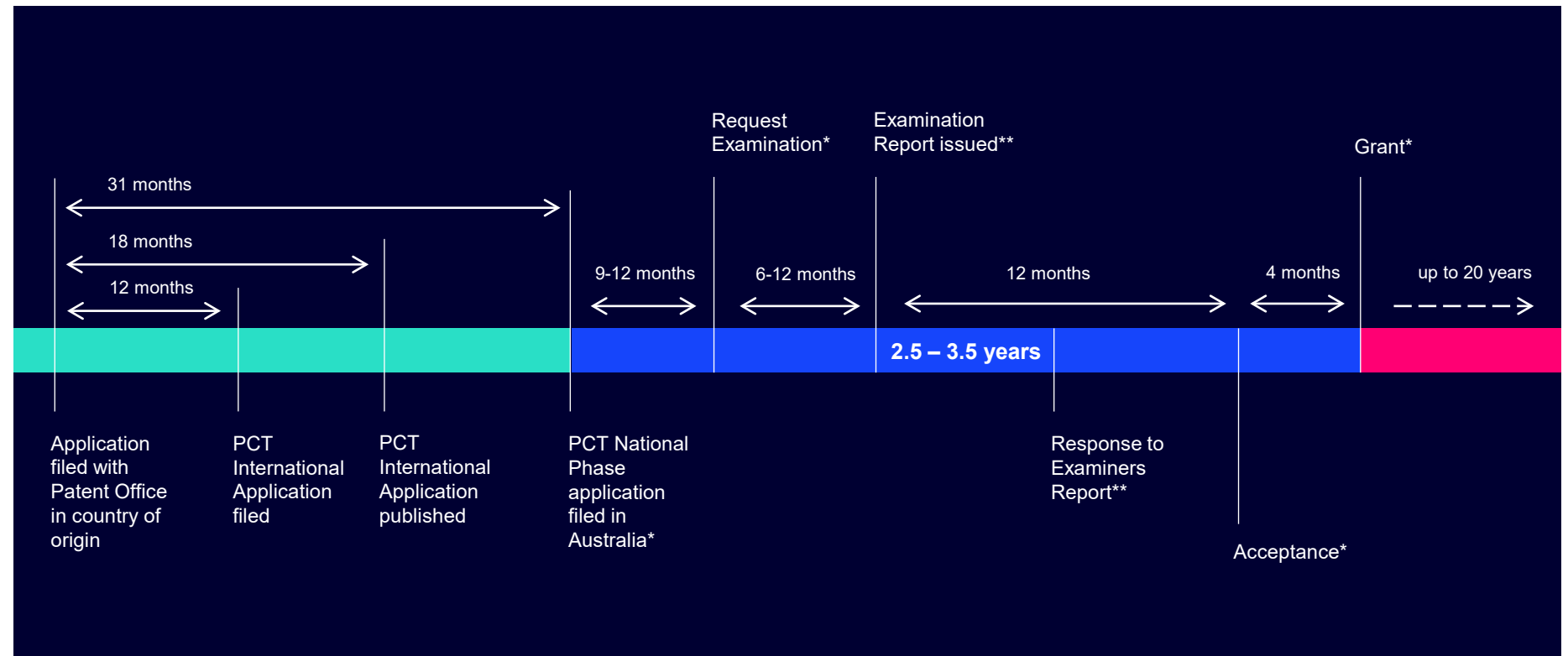
Patent lifecycle

Long-life 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 route in Australia



⁺ Management estimate based on PCT National Phase entries from IP Australia filing data FY19 to 1H FY23.

* Revenue event – typically flag fall.

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

