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ASX Announcement

19 August 2021

Financial Results for year ended 30 June 2021 ("FY21")

Underlying EBITDA of $124.3m despite currency headwind

Like-for-Like EBITDA up 10% - double-digit margin growth in Australia/NZ and continued strong performance in Asia

FY21 Highlights

- Statutory NPAT $53.6m, down 2% equating to Diluted EPS of 24.7 cents per share (FY20: 25.8 cents)
- Underlying NPAT $76.2m, down 2% equating to Underlying Diluted EPS of 35.0 cents (FY20: 36.5 cents)
- Underlying EBITDA $124.3, down 1% despite 11% increase in average A$/US$ rate in FY21
- Underlying 'like-for-like' EBITDA up 10%
    - Continued organic earnings growth in Asia with ongoing improvement in Hong Kong SAR/China
    - Double-digit margin accretion in Australia/NZ (up 11%) benefiting from Xenith IP synergies
- Strong cash generation enables 3% increase in final dividend to 15.5 cents per share, 40% franked; FY dividend 29.5 cents per share (FY20: 28.5 cents)

$'m	Statutory Results FY21	Statutory Results FY20	Change %	Underlying Results FY21	Underlying Results FY20	Change %
Revenue	$363.5	$370.1	(2%)	$363.5	$369.6	(2%)
EBITDA	$113.3	$113.2	0%	$124.3	$126.0	(1%)
EBITDA %	31.2%	30.6%	2%	34.2%	34.1%	0%
NPAT	$53.6	$54.8	(2%)	$76.2	$77.7	(2%)
Diluted EPS	24.7c	25.8c	(4%)	35.0c	36.5c	(4%)
Final Dividend	15.5c	15.0c	3%			

Underlying EBITDA consistent with prior year despite currency headwind and COVID-19 disruption

IPH Limited (ASX:IPH), the leading intellectual property (IP) services group in the Asia Pacific region, today announced a Statutory Net Profit After Tax (NPAT) of $53.6 million for the year ended 30 June 2021 compared to $54.8 million for the prior year.

Diluted Earnings Per Share (EPS) were 24.7 cents compared to 25.8 cents in FY20.

Notwithstanding an 11% increase in the average A$/US$ exchange rate in FY21 and ongoing market disruption caused by COVID-19, IPH delivered an underlying result consistent with the prior year with Underlying EBITDA of $124.3 million compared to $126.0 million in FY20. The basis for calculation of underlying earnings is contained in the table in Appendix 2 at the end of this announcement.

The company's continuing solid financial position and ongoing cash generation enabled a 3% increase in the final dividend to 15.5 cents per share, 40% franked, bringing the full year dividend to 29.5 cents per share, compared to 28.5 cents per share for the prior year.

The record date for determining entitlements to the final dividend is 25 August 2021 with scheduled payment on 17 September 2021.

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

Like-for-Like Results – Successful integration and synergy capture in Australia/NZ and organic growth in Asia delivers earnings growth and margin accretion

IPH delivered strong earnings growth on a 'like-for-like' basis.

IPH Chief Executive Officer, Dr Andrew Blattman, said: "Like-for-like revenue declined by 2%, including the market disruption caused by COVID-19. However, our success in our ongoing strategy to integrate acquisitions and capture synergies to deliver margin accretion, together with another solid performance from Asia, resulted in Group Underlying like-for-like EBITDA increasing by 10%.

"Group Underlying like-for-like EBITDA margin increased by 12%.

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

The basis for calculation of like-for-like results is contained in the table in Appendix 1 at the end of this announcement.

"We continued to generate margin accretive earnings from leveraging our extensive network across the region, including increased client referrals from our Australian/NZ businesses. This includes an increase in referrals from acquired companies (AJ Park and former Xenith IP businesses) of 25% for the period.

"Removing the effect of a significant increase of one client filing in the prior year, IPH experienced patent filing growth of 8.4% across its key Asian jurisdictions (excluding Singapore) in FY21, with growth across all key jurisdictions (except Vietnam). Filings declined by 5% when this client's filings are included in the prior year comparison.

"China and Hong Kong SAR continued their improved performance from the first half with year on year patent filing growth of 12% and 10% respectively.

"In Singapore, we strengthened our number one patent market share with 25.9% of the market in the half year period to 30 June 2021. Preliminary data for the first half of calendar year 2021 demonstrates strong organic growth with a 16.8% increase in IPH filings.

"Although like-for-like revenue in IPH's **Australian and New Zealand** IP businesses declined by 3%, the delivery of cost synergies from the successful Xenith integration resulted in a 7% uplift in like-for-like EBITDA. We also delivered a double-digit expansion in margin with Underlying EBITDA margin increasing by 11%.

"The main contribution to this increase was the significantly improved financial performance of the Griffith Hack business following the integration of Watermark to operate under the Griffith Hack brand. This has contributed to an improved Underlying EBITDA margin of the former Xenith IP business in FY21 to 28% compared to 20% when we acquired the business in August 2019.

"In Australia, total patent filings (excluding innovation patents which cease to be available from August 2021) increased by 2.6% for the period. IPH Group's filings (including Baldwins IP acquired by our AJ Park business in October 2020 on a pro-forma basis, and excluding innovation patents) declined by 4.8%. This was an improvement from our update at the AGM where filings had declined by ~8% and the half year result (5.7% decline). While we experienced some expected disruption from the integration of Griffith Hack and Watermark, IPH Group filings continued to improve in the second half of the year.

"IPH remains the market leader in Australia with combined group patent market share (including Baldwins IP on a proforma basis and excluding innovation patents) of 36.2% for the year to 30 June 2021.

Strategic Progress

"IPH's strategy is focused on organic growth, consolidating acquisitions, and pursuing growth step-out opportunities.

"During FY21, the Company made continued progress in each of these areas.

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

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"The consolidation of Xenith IP (including the integration of Griffith Hack and Watermark) and the acquisition of Baldwins IP by AJ Park is generating synergies which is driving earnings growth and margin accretion whilst enhancing our full service offering to clients.

"More recently, the acquisition of Applied Marks Pty Ltd accelerates our digital capability while allowing us to address an expanded trade mark market. This acquisition also bolsters our ability to participate in the online automated IP services space and will support us to evolve our traditional trade mark offering in line with the changing market.

"During FY21 IPH continued to demonstrate our ability to create enhanced value from acquisitions and the right-sizing of our acquired businesses to create a more efficient operating model.

"We continue to create a stronger platform with increased operational leverage for further growth.

"At the same time IPH maintains a solid financial position with low gearing and consistent cash generation which enables us to continue to assess further growth options, including potential international acquisition opportunities in core secondary IP markets," Dr Blattman said.

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Authorised for release to ASX by:

The Board of Directors

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, Griffith Hack, Pizzeys, Shelston IP and Spruson & Ferguson, online IP services provider Applied Marks, and the autonomous timekeeping business, WiseTime. IPH employs more than 900 people working in Australia, China, Hong Kong SAR, Indonesia, Malaysia, New Zealand, Singapore and Thailand.

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Appendix 1 - Like-for-Like earnings

This like-for-like basis adjusts for the impact of foreign exchange movements and new business acquisitions, including Xenith IP (acquired on 15 August 2019) and Baldwins IP (acquired on 16 October 2020).

$m	Underlying Revenue June 21	New Businesses	Accounting FX Movements	Currency Adjustment	Adjusted Revenue June 21	Underlying Revenue June 20	Chg%
Australia & NZ IP	275.7	(22.5)	2.0	12.8	268.0	276.8	(3%)
Asian IP	96.1		1.3	8.3	105.7	102.7	3%
Wisetime	0.4				0.4	0.4	
Glasshouse	0.0	(0.5)			(0.5)	2.3	
Corporate	5.6	0.2	(2.5)		3.3	2.0	
Eliminations	(14.3)		(0.4)		(14.8)	(14.6)	
	363.5	**(22.9)**	**0.4**	**21.1**	**362.1**	**369.7**	(2%)

$m	Underlying EBITDA June 21	New Businesses	Accounting FX Movements	Currency Adjustment	Adjusted EBITDA June 21	Underlying EBITDA June 20	Chg%
Australia & NZ IP	93.3	(5.1)	2.0	12.4	102.5	95.6	7%
Asian IP	43.4		1.3	4.9	49.6	46.1	8%
Wisetime	(0.5)				(0.5)	(1.1)	
Glasshouse	0.2	0.2			0.4	(0.7)	
Corporate	(11.8)	1.1	(2.5)		(13.2)	(13.2)	
Eliminations	(0.2)		(0.4)		(0.6)	(0.6)	
	124.3	**(3.8)**	**0.4**	**17.3**	**138.1**	**126.0**	10%

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 Reconciliations	FY21 $'m	FY20 $'m
Underlying Revenue	**363.5**	**369.6**
Statutory Revenue	**363.5**	**369.6**
Underlying Net Profit after Tax ("NPAT")	**76.2**	**77.6**
less: amortisation of intangible assets arising from acquisitions	(21.6)	(19.6)
less: business acquisition costs	(3.6)	(1.2)
less: restructuring expenses	(2.2)	(4.1)
less: share based payments expenses	(3.6)	(2.2)
less: Impairment	(0.5)	(5.3)
less: IT implementation costs	(1.2)	
add: tax effect of adjustments	10.0	9.5
Statutory NPAT	**53.6**	**54.8**

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