

## ASX Announcement

14 February 2019

**Half Year Financial Results to 31 December 2018 (“HY19”)**

**IPH reports net profit of \$24.2 million, up 23% on prior half**

**Strong “like for like” earnings growth from focus on leveraging IPH network and margin accretion**

### Highlights

- Statutory NPAT of \$24.2m, up 23%
- Diluted EPS of 12.2 cents per share, up 21%
- Revenue up 23% to \$124.9m
- Increase in earnings on like-for-like basis:
  - Continued strong performance from Asia – like-for-like revenue up 14%; EBITDA up 17%
  - Like-for-like EBITDA growth of 4% in Australia/NZ with slight decline in revenue of 1%
- Interim dividend of 12 cents per share, 50% franked; up 4%, payable on 13 March 2019

\$'m	Statutory Results HY19	Statutory Results HY18	Change %	Underlying Results HY19	Underlying Results HY18	Change %
<b>Revenue</b>	\$124.9	\$101.2	23%	\$122.8	\$101.2	21%
<b>EBITDA</b>	\$40.6	\$31.8	28%	\$40.4	\$33.2	22%
<b>EBITDA %</b>	32.5%	31.4%	4%	32.9%	32.8%	0%
<b>NPAT</b>	\$24.2	\$19.7	23%	\$27.9	\$24.3	15%
<b>Diluted EPS</b>	12.2c	10.1c	21%	14.1c	12.4c	14%
<b>Interim Dividend</b>	12.0c	11.5c	4%			

IPH Limited (ASX:IPH), the leading intellectual property (IP) services group in the Asia Pacific region, today announced a 23 per cent increase in Statutory Net Profit After Tax (NPAT) to \$24.2 million for the half year ended 31 December 2018.

Diluted Earnings Per Share increased by 21 per cent to 12.2 cents for the period.

The Group delivered improved margins in its Australian/NZ business and continued strong revenue and earnings growth in its Asian operations.

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (Underlying EBITDA) increased by 22 per cent to \$40.4 million. The basis for calculation of underlying earnings is contained in the table at the end of this announcement.

Underlying revenue for the period increased by 21 per cent to \$122.8 million while Underlying NPAT increased by 15 per cent to \$27.9 million.

The Directors declared an interim dividend of 12 cents per share, 50 per cent franked, an increase of 4 per cent on the prior corresponding period. The record date for determining entitlements to the interim dividend is 20 February 2019 with scheduled payment on 13 March 2019.

The IPH Dividend Reinvestment Plan (DRP) will not operate in respect of the interim dividend.

## Growth in like-for-like earnings

IPH reported an increase in earnings and revenue on a 'like-for-like' basis which reflects adjustments for the impact of acquisitions and foreign exchange movements.

Compared to the prior corresponding period, like-for-like revenue increased by 3 per cent to \$104.3 million and like-for-like EBITDA increased by 8 per cent to \$35.9 million.

	Underlying Revenue Dec 18	New Businesses <sup>1</sup>	Accounting FX Movements	Currency Adjustment	Adjusted Revenue Dec 18	Underlying Revenue Dec 17	Change %
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)	
	<b>122.8</b>	<b>(15.2)</b>	<b>0.3</b>	<b>(3.7)</b>	<b>104.3</b>	<b>101.2</b>	<b>3%</b>

	Underlying EBITDA Dec 18	New Businesses <sup>1</sup>	Accounting FX Movements	Currency Adjustment	Adjusted EBITDA Dec 18	Underlying EBITDA Dec 17	Change %
Australia & NZ IP	30.1	(2.4)	(1.3)	(1.3)	25.1	24.2	4%
Asian IP	17.0		(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)	
	<b>40.4</b>	<b>(2.4)</b>	<b>0.3</b>	<b>(2.4)</b>	<b>35.9</b>	<b>33.2</b>	<b>8%</b>

<sup>1</sup> New Businesses HY19 represents 4 months of AJ Park and excludes additional contribution generated under the ownership of IPH Limited.

## Result commentary

Chief Executive Officer, Dr Andrew Blattman, said the Company's result was in line with the commentary provided at the AGM in November 2018.

"The Group has continued to deliver margin improvement from the second half of last year to increase like-for-like earnings for the first half. This improved performance excludes the benefit from the lower Australian dollar over the period.

"In our **Australian/NZ** IP business like-for-like EBITDA increased by 4 per cent from cost efficiencies as a result of the merger of Fisher Adams Kelly Callinans (FAKC) and Cullens into Spruson & Ferguson, and also from an improvement in AJ Park's EBITDA margin.

"Earnings from AJ Park were in line with expectations, continuing its momentum from last year. AJ Park filing transfers into Asia have increased, demonstrating the value of this business and our ongoing ability to integrate acquired businesses into the wider IPH group to create value.

"Total Australian market patent filings increased by 4.0 per cent for the period. IPH Group's filings increased by 1.8 per cent (including AJ Park) however, filings for the pre-existing business were slightly below the prior corresponding period, reflecting both our client mix and recalibration of the client base as we fully integrated FAKC and Cullens into Spruson & Ferguson. We have not experienced any major client losses in that process.

"The slight decline in Australian like-for-like revenue (1%) reflects the filing activity for the Australian/NZ businesses, however our focus on margin accretion and ongoing cost efficiency has resulted in an increase in like-for like EBITDA of 4 per cent with EBITDA margin increasing from 35.7 per cent to 37.6 per cent.

"Our **Asian** IP business continues to be a core focus of our growth strategy and this has been reflected in a strong result for the first half. The growth in filings into our Asian business in the second half of last year has resulted in increased revenue in the first half, with like-for-like revenue lifting by 14 per cent.

"Our operating leverage across the region resulted in earnings growth ahead of revenue with like-for-like EBITDA growth of 17 per cent.

"Filings for the recently completed calendar year in Singapore were broadly in line with the prior year.

"We continue to increase the number of cases transferred from new and existing clients, and this is delivering margin accretion across the group.

"Overall, IPH continues its solid progress in delivering results while strengthening our platform for future growth," he said.

## Sale of Practice Insight products

As announced in August 2018, IPH's wholly-owned subsidiary, Practice Insight Pty Limited, sold two of its products, Filing Analytics and Citation Eagle, to CPA Global for \$10 million. Net proceeds from the sale were used to repay debt, and the net profit on sale of \$2.1 million is excluded from underlying performance in the HY19 accounts.

## 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%. 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.

## 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:

<b>Underlying / Statutory Results Reconciliations</b>	<b>HY19 \$'m</b>	<b>HY18 \$'m</b>
<b>Underlying Revenue</b>	<b>122.8</b>	<b>101.2</b>
<b>Statutory Revenue</b>	<b>124.9</b>	<b>101.2</b>
<b>Underlying Net Profit after Tax (“NPAT”)</b>	<b>27.9</b>	<b>24.3</b>
less: business acquisition adjustments (net)	0.0	0.6
less: amortisation of intangible assets arising from acquisitions	(4.7)	(4.4)
less: new business establishment costs	0.0	(0.2)
less: business acquisition costs	(0.2)	(0.9)
less: restructuring expenses	(0.6)	(0.2)
less: share based payments expenses	(1.1)	(0.7)
add: disposal of Practice Insight products	2.1	0.0
add: tax effect of adjustments	0.7	1.1
<b>Statutory NPAT</b>	<b>24.2</b>	<b>19.7</b>

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#### **About IPH Limited**

IPH Limited ("IPH", ASX:IPH), the holding company of Spruson & Ferguson, Practice Insight, Pizzeys and AJ Park, is the leading intellectual property ("IP") services group in the Asia-Pacific region offering a wide range of IP services and products. These services are provided across Australia, New Zealand, Papua New Guinea, the Pacific Islands and Asia from offices in Sydney, Brisbane, Gold Coast, Melbourne, Canberra, Auckland, Wellington, Singapore, Kuala Lumpur, Jakarta, Beijing, Hong Kong and Bangkok. The group comprises a multidisciplinary team of approximately 630 people, including some of the most highly regarded IP professionals in the Asia-Pacific region. The team services a diverse client base of Fortune Global 500 companies and other multinationals, public sector research organisations, foreign associates and local clients. IPH was the first IP services group to list on the Australian Securities Exchange.