

# ASX Announcement

16 February 2023

## Financial Results for half year ended 31 December 2022 (“HY23”)

**Underlying EBITDA up 24% to \$80.4m**

**Earnings uplift from Smart & Biggar acquisition, double-digit organic growth in Asia and currency benefit**

### HY23 Highlights

- Statutory NPAT \$28.5m equating to Diluted EPS of 12.6 cents per share (HY22: 11.2 cents)
- Underlying NPAT \$48.6m, up 21% equating to Underlying Diluted EPS of 21.4 cents (HY22: 18.4 cents)
- Underlying EBITDA \$80.4m, up 24%; includes contribution from Smart & Biggar from 6 October 2022 and driven by organic growth in Asia and currency benefit
- Underlying EBITDA margin up from 33.8% to 35.5%
- Underlying ‘like-for-like’ EBITDA steady with double-digit lift in earnings from Asia business offset by lower Australia/NZ earnings
- Solid cash generation and balance sheet - interim dividend 15.5 cents per share 40% franked up 7%

\$'m	Statutory Results HY23	Statutory Results HY22	Change %	Underlying Results HY23	Underlying Results HY22	Change %
<b>Revenue<sup>1</sup></b>	\$226.9	\$191.4	19%	\$226.6	\$191.4	18%
<b>EBITDA</b>	\$71.3	\$54.9	30%	\$80.4	\$64.6	24%
<b>EBITDA %</b>	31.4%	28.7%	10%	35.5%	33.8%	5%
<b>NPAT</b>	\$28.5	\$24.6	16%	\$48.6	\$40.2	21%
<b>Diluted EPS</b>	12.6c	11.2c	12%	21.4c	18.4c	16%
<b>Interim Dividend</b>	15.5c	14.5c	7%			

1.) Total Revenue and other income excluding interest.

IPH Limited (ASX:IPH), the leading intellectual property (IP) services group across Asia Pacific and Canada, today announced a Statutory Net Profit After Tax (NPAT) of \$28.5 million for the half year ended 31 December 2022 compared to \$24.6 million for the prior corresponding period.

Diluted Earnings Per Share (EPS) were 12.6 cents compared to 11.2 cents in HY22.

On an Underlying basis, the Company reported a 24% uplift in Underlying EBITDA to \$80.4 million and Underlying NPAT increased by 21% to \$48.6 million.

Underlying EBITDA margin increased from 33.8% to 35.5%.

Underlying earnings were assisted by the first EBITDA contribution of Smart & Biggar and continued organic growth in the Asian business. Smart & Biggar has contributed \$10.6 million in EBITDA since it was acquired on 6 October 2022.

Underlying earnings were also supported by an average AUD/USD exchange rate of 67.1 cents compared to 73.2 cents in the comparative period. The HY23 P&L also included net foreign exchange gains of \$0.3 million compared to a net foreign exchange gain of \$2.1 million for the prior period. The smaller gain in the current period predominately reflects the strengthening of the AUD at 31 December which impacted the revaluation of USD denominated cash and receivables.

As previously disclosed, consistent with market practice, from FY23 IPH includes share based payments expense in Underlying EBITDA. For HY23 share based payments expense was \$2.1 million. Underlying EBITDA in HY22 has been re-stated to include \$3.8 million in share based payments expense which was previously excluded from Underlying results. This change had no impact on reported statutory results.

The difference between the Group's Statutory and Underlying EBITDA in HY23 of \$9.1 million relates to costs associated with the acquisition of Smart & Biggar, restructuring costs and IT SaaS implementation costs.

The Company's continuing strong financial position and ongoing cash generation enabled a 7% increase in the interim dividend to 15.5 cents per share (40% franked).

The record date for determining entitlements to the interim dividend is 22 February 2023 with scheduled payment on 17 March 2023. The IPH Dividend Reinvestment Plan (DRP) will operate in respect of the interim dividend with a 1.5% discount.

## Results Commentary

IPH Chief Executive Officer, Dr Andrew Blattman, said: "Our first half result demonstrates the continued success of IPH's acquisition and integration strategy which has delivered a significant uplift in Underlying earnings for the group with enhanced returns to shareholders.

"We are pleased with the progress of Smart & Biggar since we acquired the business in October last year. Underlying earnings since acquisition were consistent with our expectations and we continue to progress the integration of the business into the wider IPH network, including generating referrals across our group.

"Our business in Asia continued its strong momentum, delivering double-digit earnings growth as we successfully leverage our network across the region.

"Following a period of disruption from the integration of Spruson & Ferguson Australia and Shelston IP, we are focused on initiatives to drive organic growth in Australia and NZ, including business development initiatives to increase filings with existing clients and target larger clients with IP remits across multiple jurisdictions, as well as process improvement to support client prospecting.

"On a Group like-for-like basis (which removes the impact of currency benefit and acquisitions), earnings were steady on the prior corresponding half. This represents a slight improvement towards the end of HY23 from our commentary at the AGM where like-for-like earnings for the first four months had moderated on the prior corresponding period," Dr Blattman said.

In IPH's **Asian** business like-for-like revenue increased by 9% and like-for-like EBITDA improved by 10%.

IPH patent filing growth across its Asia jurisdictions was steady in HY23 compared to the comparative period. Filings were lower in China while IPH experienced filing growth in Hong Kong, Indonesia and Malaysia.

Based on preliminary data, the Singapore patent market decreased by 3.0% in CY22 YTD September compared to the previous corresponding period, reflecting a significant decline in filings from the market's top corporate group (an IPH client). Excluding this group, the market increased by 0.3%. IPH Group filings decreased by 8.6% for the same period reflecting that IPH was more significantly impacted by the decline in filings from this one corporate group. Excluding this client, IPH Group filings increased by 4.3%. The IPH Group maintained its number one patent market share of 23.4% in CY22 YTD September.

Like-for-like revenue in IPH's **Australian and New Zealand** IP businesses declined by 3% with like-for-like EBITDA declining by 6%. Travel expenses in HY23 increased significantly compared to the comparative period which was impacted by COVID-related travel restrictions. Excluding this impact, ANZ like-for-like EBITDA would have declined 4% with Group like-for-like EBITDA ahead by 1% on HY22.

Australian market patent filing activity in HY23 compared to a very strong period in HY22 where filings (ex innovation patents) increased by 9% on HY21. Market filings (ex innovation patents) declined by 4.3% in HY23 compared to HY22 while IPH Group filings (ex innovation patents) declined by 7.7% for the same period.

The relative decline in IPH Group filings in Australia reflects a full six-month period of the integration of Spruson & Ferguson Australia and Shelston IP in HY23, compared to one month in HY22, as the integration commenced in December 2022 (we have previously noted the disruptive impact of integration activity on filings). It also reflects lower filings in Griffith Hack in HY23 compared to a strong HY22.

IPH remains the market leader in Australia with combined group patent market share (excluding innovation patents) of 32.4% for the half year period to 31 December 2022.

### **FY23 priorities**

Dr Blattman said IPH would continue to focus on strengthening its international network in FY23.

“The acquisition of Smart & Biggar has significantly enhanced our international reach and we will continue our focus on leveraging the full potential this transaction provides IPH in terms of additional earnings and increased client referrals.

“We will continue to harness our network across Asia while focusing on initiatives to drive organic growth in Australia and New Zealand. These revenue building initiatives are being supported by further enhancing our digital capabilities. These include progressing the IPH Way and client solutions, including a new client portal and client relationship management tools, to improve and simplify our client service offering and generate further efficiencies.

“In the meantime, we will continue to assess further growth options, including potential acquisition opportunities in Canada and other core secondary IP markets,” he said.

For more information, please contact:

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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, Pizeys, 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.

## Appendix 1 – Like-for-like earnings

This like-for-like basis adjusts for the impact of foreign exchange movements and new business acquisitions.

	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%)
Asia 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)	
	<b>226.6</b>	<b>(30.1)</b>	<b>1.8</b>	<b>(7.1)</b>	<b>191.2</b>	<b>191.4</b>	<b>0%</b>

	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%)
Asia 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				
	<b>80.4</b>	<b>(10.9)</b>	<b>1.8</b>	<b>(6.9)</b>	<b>64.4</b>	<b>64.6</b>	<b>0%</b>

## 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	HY23 \$'m	HY22 \$'m
<b>Underlying Revenue</b>	<b>226.6</b>	<b>191.4</b>
<b>Statutory Revenue</b>	<b>226.9</b>	<b>191.4</b>
<b>Underlying Net Profit after Tax ("NPAT")</b>	<b>48.6</b>	<b>40.2</b>
less: amortisation of intangible assets arising from acquisitions	(16.0)	(11.6)
less: business acquisition costs	(7.8)	(1.9)
less: restructuring expenses	(0.8)	(1.8)
less: impairment of intangible assets	0.0	(4.6)
less: IT implementation costs	(0.5)	(1.3)
add: tax effect of adjustments	5.0	5.6
<b>Statutory NPAT</b>	<b>28.5</b>	<b>24.6</b>