

ASX Announcement

22 August 2024

Financial Results for the year ended 30 June 2024 (“FY24”)

IPH delivers 15% increase in Underlying EBITDA to \$195.5m

Continued growth in Australia/NZ and Canada; Asia improves in 2H

FY24 Summary

- Underlying NPAT \$112.4m, up 14%; equating to Underlying Diluted EPS of 46.0 cents (FY23: 43.6 cents)
- Statutory NPAT \$60.8m, down 6%; equating to Diluted EPS of 24.9 cents per share (FY23: 28.4 cents)
- Strong Underlying result: EBITDA \$195.5m, up 15%; driven by improved financial performance and filings in Australia/NZ; growth from Canada (including acquisitions)
- Underlying ‘like-for-like’ EBITDA down 1%; continued momentum as Australia/NZ returns to growth; ongoing growth in Canada; offset by market decline in Asia
- IPH returns to target gearing range (below 2 times) ahead of schedule; cash conversion ratio 107%

\$'m	Statutory Results	Statutory Results	Change %	Underlying Results	Underlying Results	Change %
	FY24	FY23		FY24	FY23	
Revenue	\$609.9 ¹	\$496.2	22.9%	\$609.9	\$490.1	24.4%
EBITDA	\$175.7	\$159.0	10.5%	\$195.5	\$170.0	15.0%
EBITDA %	28.8%	32.0%	(3.2pp)	32.1%	34.7%	(2.6 pp)
NPAT	\$60.8	\$64.5	(5.7%)	\$112.4	\$99.0	13.5%
Diluted EPS	24.9c	28.4c	(12.4%)	46.0c	43.6c	5.6%
Final Dividend	19.0c	17.5c	8.6%			

¹ Revenue including other income (excluding interest income)



Underlying EBITDA up 15% – continued improvement in Australia/NZ, with solid growth in Canada

IPH Limited (ASX:IPH), a leading international intellectual property (IP) services group, today announced a 14% increase in Group Underlying Net Profit After Tax (NPAT) to \$112.4 million for the year ended 30 June 2024.

Statutory NPAT declined by 5.7% to \$60.8 million, equating to Diluted Earnings Per Share (EPS) of 24.9 cents compared to 28.4 cents in FY23.

FY24 Underlying results include 12 months' contribution of Smart & Biggar (acquired on 6 October 2022) (FY23: ~9 months), 9 months from Ridout & Maybee (FY23: nil); and 6.5 months from ROBIC (FY23: nil).

Accordingly, the Statutory result reflects an increase in amortisation charges relating to intangible assets recognised on acquisitions, increased finance costs associated with the acquisitions, together with one-off acquisition and restructuring expenses. Given the timing of these acquisitions, the full-year benefit of earnings will be realised in FY25 and beyond. Refer to appendix 2 for reconciliation of Statutory to Underlying results.

Group Underlying results reflect the continued turnaround in the Australian/New Zealand business as this segment returned to growth in FY24.

Group Underlying EBITDA increased by 15.0% to \$195.5 million (FY23: \$170.0 million) reflecting the ongoing improvement in Australia/New Zealand and increased earnings from Canada, partially offset by the decline in Asia.

Underlying earnings were partially supported by an average AUD/USD exchange rate of 65.6 cents in FY24 compared to 67.3 cents for the prior year. The FY24 P&L included a net foreign exchange gain of \$1.3 million compared to net foreign exchange gain of \$3.3 million for the prior period.

The Underlying result also includes increased corporate costs from the implementation of the new operating model reflecting the increased geographic scale and scope of the Company following acquisitions; further investment in cyber security and business development; and increased share-based payments.

Capital management and dividend – cashflow conversion 107% - IPH returns to target gearing level ahead of schedule

The Group continues to generate strong cashflow with cashflow from operations increasing by 43.7% to \$131.9 million and cash conversion ratio of 107%. This has assisted IPH to repay debt of \$70.4 million during the second half and return to the target gearing level ahead of schedule with a leverage ratio of 1.9 times as at 30 June 2024.

The Company's revised target leverage ratio (net debt/underlying EBITDA) is up to 2 times. The Group may temporarily exceed this level following acquisitions; however, would seek to return to the target level in the near term. Strong cashflow generation supports further deleveraging over time.

The Company declared a final dividend of 19 cents per share, (30% franked), bringing the full year dividend to 35 cents per share, compared to 33 cents per share for the prior year.

The record date for determining entitlements to the final dividend is 28 August 2024 with scheduled payment on 20 September 2024.

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



Results commentary

Chief Executive Officer, Dr Andrew Blattman, said:

"IPH delivered a strong financial result for FY24.

"We continued the turnaround in our Australian/New Zealand business from the first half to deliver growth at both the top and bottom line with improved margin. Over the past two years, we have significantly narrowed the gap in terms of our patent filing performance relative to the market which has been a key objective of the Group.

"We delivered increased underlying earnings growth in our Canadian business with the acquisitions completed during the year consolidating our market-leading position in that market. The integration of these businesses continues to progress in line with our expectations with synergies on track and contributing to solid earnings growth on a like-for-like basis.

"Our Asian business was impacted by lower market filings, particularly in Singapore which represents a large proportion of our Asian segment filings. However, our financial performance improved in the second half of the year and we continue to expect medium term growth opportunities across the region where we maintain a leading presence to harness that potential.

"I am also pleased to report a return to our target gearing level ahead of schedule, reflecting IPH's high cash generation. This supports our growth strategy and continues to provide enhanced returns to shareholders."

Segment Like-for-Like performance

Performance on a like-for-like basis excludes the impact of foreign exchange movements and new business acquisitions.

Australia/NZ: continued earnings momentum from first half

The Australia/NZ business continued to strengthen its financial performance from the first half.

Like-for-like revenue increased by 5% with an improvement in margin delivering a 7% increase in like-for-like EBITDA.

Australian patent filings (excluding innovation patents) declined by 0.8% for FY24 compared to the prior year. IPH Group filings declined by 3.1% for the same period. This represents a 2.3 percentage point "gap" in IPH filings vs the market; a significant improvement from a gap of 4.5 percentage points in FY23 and 6.3 percentage points in FY22.

IPH Group filings in FY24 were impacted by a decrease in filings from US applicants, and in particular from one large US client. Excluding this one client, total Australian patent market filings in FY24 declined by 0.3% and IPH declined by 1.6%.

IPH remains the market leader in Australia with combined group patent market share (excluding innovation patents) of 31.7% for FY24.

Canada: ongoing revenue and earnings growth with synergies on track

Since October 2022, IPH has built the market-leading IP services group in Canada following the successful acquisitions of Smart & Biggar, Ridout & Maybee and ROBIC. Canada is now the Group's second largest operating segment.

The strong performance of the Canadian business in FY24 continues to create further earnings resilience and diversity for the IPH Group.

Revenue increased by 10% reflecting an improvement in the Smart & Biggar legal revenue in the second half. The integration of Smart & Biggar and the more recent acquisitions of Ridout & Maybee and ROBIC



continue to progress as anticipated with cost synergies remaining on track. As a result, like-for-like EBITDA increased by 8% with an improvement in EBITDA margin.

Asia: improvement in 2H financial performance

The Asian business continues to be impacted by the decline in industry filings across the region.

Singapore patent filings for CY23 declined by 6.7% with US applicants accounting for nearly two thirds of the market decline. For the same period, IPH filings declined by 8.3%.

One IPH US client decreased filings in Singapore during the period. Adjusting for this client, IPH performed ahead of the market with IPH filings down 5.9% compared to a market decline of 6.3%.

IPH acts for a number of the most significant filers in the market. Filing patterns for these clients can vary year on year impacting the market's and IPH's growth.

Lower Singapore filings would also indicate that filings were lower across other Asian jurisdictions.

FY24 total like-for-like revenue in Asia declined by 2% while like-for-like EBITDA decreased by 6%. This represents an improved second half result from the first half where revenue declined 3% and EBITDA was down 9%.

Strategic progress and FY25 priorities

Dr Blattman said IPH continued to strengthen its growth platform in secondary IP markets.

"Our domestic focus remains on continuing to narrow the gap in patent filings while implementing ongoing initiatives targeting organic growth."

"In Canada we will continue the integration of our acquired business to deliver synergies while continuing to build our platform to drive further opportunities for clients and staff as part of the wider IPH network."

"Our focus in Asia remains on leveraging our market leading presence across the region to restore organic growth."

"Underpinning these activities we are implementing a new operating model with a regional focus, reflecting the global expansion of the Group over the past two years in several markets and time zones. This includes an additional investment in people and corporate resources across Business Development, HR, Finance and IT as well as continuing to strengthen critical operational areas in cyber security and data capability."

"In addition, we have created a Transformation office to oversee projects across the Group. These investments would be expected to provide a net positive return over in the form of topline growth and margin improvement in the short to medium term," Dr Blattman said.

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Authorised for release to ASX by: The Board of Directors



Appendix 1 – Like-for-like earnings

The like-for-like basis excludes the impact of foreign exchange movements and new business acquisitions.

	Underlying Revenue Jun 24	New Businesses	Accounting FX Movements	Currency Adjustment	Adjusted Revenue Jun 24	Underlying Revenue Jun 23
Australia & NZ IP	304.4	-	3.9	(3.3)	304.9	289.9
Asian IP	121.4	-	(1.1)	(3.7)	116.7	118.9
Canada IP	196.5	(91.3)	(0.6)	(1.8)	102.8	93.8
Corporate	16.2	-	(0.8)	-	15.4	12.5
Eliminations	(28.6)	-	0.7	-	(27.9)	(24.8)
	609.9	(91.3)	2.1	(8.8)	511.9	490.1

	Underlying EBITDA Jun 24	New Businesses	Accounting FX Movements	Currency Adjustment	Adjusted EBITDA Jun 24	Underlying EBITDA Jun 23
Australia & NZ IP	109.1	-	3.9	(2.8)	110.1	103.3
Asian IP	53.7	-	(1.1)	(1.8)	50.9	54.3
Canada IP	59.9	(24.7)	(0.6)	(0.5)	34.1	31.4
Corporate	(25.6)	-	(0.8)	-	(26.4)	(17.8)
Eliminations	(1.6)	-	0.7	-	(0.9)	(1.1)
	195.5	(24.7)	2.1	(5.1)	167.8	170.0

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 Reconciliation	2024 \$'m	2023 \$'m
Underlying Revenue	609.9	490.1
Statutory Revenue	609.9	496.2
Underlying Net Profit after Tax ("NPAT")	112.4	99.0
less: amortisation of intangible assets arising from acquisitions	(47.8)	(36.9)
less: changes in deferred consideration	-	6.3
less: business acquisition costs	(11.7)	(10.8)
less: restructuring expenses	(6.9)	(2.8)
less: costs associated with cyber security	-	(2.8)
less: impairment of right-of-use assets	(1.2)	-
less: IT implementation costs	-	(0.9)
add: tax effect of adjustments	16.0	13.4
Statutory NPAT	60.8	64.5

About IPH Limited

IPH is an international intellectual property services group, comprising a network of member firms working in ten IP jurisdictions and servicing more than 25 countries. The group includes leading IP firms AJ Park, Griffith Hack, Pizzeys, ROBIC, Smart & Biggar, Spruson & Ferguson and online IP services provider Applied Marks. IPH employs more than 1,600 people working in Australia, Canada, China, Hong Kong SAR, Indonesia, Malaysia, New Zealand, Philippines, Singapore and Thailand.

