

ASX Announcement

Half Year Financial Results to 31 December 2016 (“HY17”)

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\$'m	Statutory Results HY17	Statutory Results HY16	Change %	Underlying Results HY17	Underlying Results HY16	Change %
Revenue ¹⁾	\$93.1	\$76.2	+22%	\$93.1	\$76.2	+22%
EBITDA	\$35.1	\$29.3	+20%	\$36.4	\$32.1	+13%
EBITDA %	37.7%	38.4%	(2%)	39.1%	42.2%	(7%)
NPAT	\$22.1	\$18.5	+19%	\$26.6	\$22.8	+17%
Diluted EPS	11.5c	10.9c	+6%	13.9c	13.4c	+3%
Interim Dividend	11.5c	11.0c	+5%			

1) Refer below regarding details to a change in accounting policy

The Directors of IPH Limited announce the half year financial results for the six months ended 31 December 2016. The Company's Statutory Net Profit after Tax (“NPAT”) for the half year was \$22.1m, which equates to diluted earnings of 11.5c/share and compares to \$18.5m in the previous corresponding period. (The Underlying NPAT for the year was \$26.6m, being a 17% increase over the previous corresponding period.)

A significant impact on the half year result has been foreign exchange, in particular the strength of the USD at 31 December 2016. As the Group issues a material proportion of its invoices in USD, significant balances of USD denominated cash and receivables are carried on the balance sheet. As at 31 December 2016 the balance sheet contained US\$16M in cash and US\$17.3M in receivables. The revaluation of these balances into AUD at the half year end led to the recording of unrealised foreign exchange gains. These have subsequently reversed to the extent that the AUD has strengthened in January.

Commenting on the results Managing Director, David Griffith said “this half’s comparatives should be reviewed in light of the extremely strong first half of FY16 where the America Invents Act caused a spike in patent filings. Filing trends in the regions in which we operate have since normalised to historical trends. The Group’s results have benefited from the incremental earnings from recent acquisitions offset by less favourable foreign exchange rates throughout the period.”

Mr Griffith added “we are very pleased with the acquisition of the Ella Cheong (Hong Kong and Beijing) patent and trademark businesses which have been rebranded under the Spruson & Ferguson banner. The new businesses we have acquired represent a key step in our strategy of building an intellectual property network in secondary markets and further extends the Group’s reach into Asia.”

“The Company continues to evaluate acquisition opportunities in international secondary markets, with a number of opportunities at different stages of progression. The Company’s existing debt facilities and operating cash flows will allow us to continue with our acquisition strategy over the next twelve months. We are focused on ensuring the success of our new offices in Thailand and Indonesia and will also look at organic additions to our network as opportunities arise”

The Directors reaffirm the guidance provided at the AGM of underlying earnings before interest, tax, depreciation and amortisation of between \$72 and \$74m (assuming an AUD/USD exchange rate of 76.2c). While the HY17 results would indicate an outperformance against this outlook, this is primarily due to the revaluation of USD denominated receivables and cash at the year end when the USD was at its strongest for some time.

The Directors have declared an interim dividend of 11.5 cents per share, which will be 100% franked. The record date for determining entitlements to the dividend is 22 February 2017, and the dividend will be payable on 15 March 2017. The IPH Dividend Reinvestment Plan will operate in respect of the interim dividend.

Further Commentary

Underlying earnings

The FY16 underlying EBITDA of the Group has been determined by adding back to statutory earnings amounts eliminating the effect of business acquisition adjustments, business acquisition costs, new business establishment costs and non-cash share based payments expenses. Underlying NPAT further adds back amortisation expense on intangible assets arising from acquisitions. The adjustments are summarised in the following table:

Underlying / Statutory Results Reconciliations	HY17	HY16
	\$'m	\$'m
Underlying Revenue	93.1	76.2
Statutory Revenue	93.1	76.2
Underlying Net Profit after Tax ("NPAT")	26.6	22.8
less: business acquisition adjustments (net)	1.1	(2.3)
less: amortisation of intangible assets arising from acquisitions	(4.4)	(2.1)
less: new business establishment costs	(0.1)	-
less: business acquisition costs	(1.8)	-
less: share based payments expenses	(0.6)	(0.5)
add: tax effect of adjustments	1.3	0.6
Statutory NPAT	22.1	18.5

The Appendix 4D, the HY17 Financial Statements and results presentation have been lodged with the ASX and can also be found on IPH's website – www.iphltd.com.au

1) Change in accounting policy

From 1 July 2016, the Group has changed its revenue recognition policy in relation to the treatment of filing fees paid to national IP bodies and recovered from clients. Under the new policy both payment and reimbursement of filing fees are recorded as gross revenue and expense in the Statement of Profit or Loss; previously they were netted off. The Group believes that recording filing fee transactions as gross provides information that is more relevant to the Group's business acting as principal for clients in preparing and lodging intellectual property applications with the relevant national bodies.

The 31 December 2015 comparative information has been amended to reflect the payment and receipt of filing fees which were paid by the Group and subsequently reimbursed by clients. During the prior Half Year, filing fees totalling \$7.2m were shown as a net value rather being grossed up in the Statement of Profit or Loss. As a result, revenue disclosed for 31 December 2015 has been amended to \$73.5m (reported: \$66.3m) and agents' fees expense has been amended to \$18.9m (\$11.7m). There has been no change to reported net profit, earnings per share or equity and reserve balances.

For more information, please contact:

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About IPH Limited

IPH Limited (“IPH”, ASX:IPH), the holding company of Spruson & Ferguson, Practice Insight, Fisher Adams Kelly Callinans, Pizeys and Cullens, 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, Melbourne, Canberra, Singapore, Kuala Lumpur, Jakarta, Shanghai, Beijing, Hong Kong and Bangkok. The group comprises a multidisciplinary team of approximately 470 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 is the first IP services group to list on the Australian Securities Exchange.