



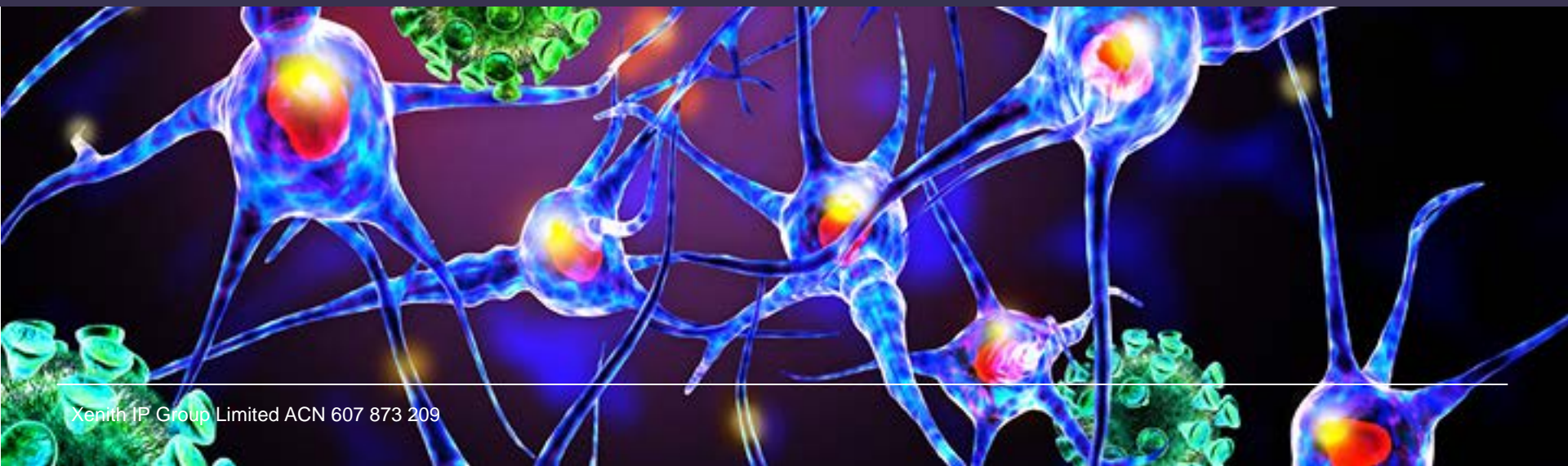
Xenith IP Group Limited

Shaw and Partners Emerging Leaders Conference

30 May 2017

Stuart Smith – Managing Director

Lesley Kennedy – Chief Financial Officer and Company Secretary



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Xenith uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are referred to as non-IFRS financial information.

Xenith considers that this non-IFRS information is important to assist in evaluating Xenith's performance. The information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business.

All dollar values in this presentation are in Australian dollars (A\$) unless otherwise stated.

Introduction to Xenith IP Group

- XIP is the owner of a group of leading specialist intellectual property (IP) services firms, with a rich history spanning more than 150 years
- The group provides industry leading depth in traditional IP services in conjunction with a suite of complementary advisory services, enabling businesses to identify and leverage commercial potential from their technologies, brands and intangible assets.



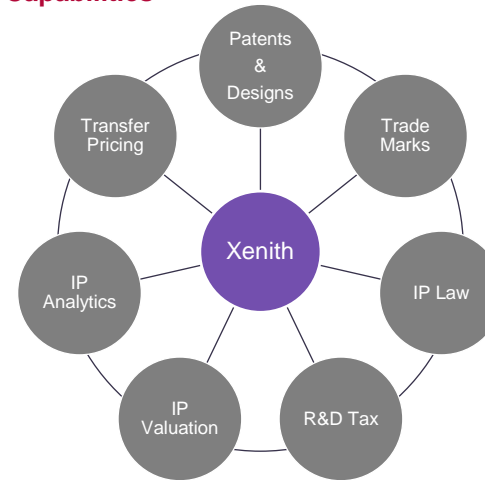
Overview of Xenith IP Group

A leading Australian specialist IP services group.

Overview

- One of Australia's leading specialist IP groups* with:
 - 21.2% of Australian patent filings⁽¹⁾ - #2 market share
 - 12.4% of Australian trade mark filings⁽²⁾ - #2 market share
 - 13.8% of Australian PCT applications⁽³⁾ - #1 market share
 - 8.0% of Innovation patent applications - #1 market share
 - 9.9% of Provisional patent applications - #1 market share
 - 16.4% of Registered designs - #1 market share
- Diversified and long-term client profile with approximately 11,000 clients comprising many well known domestic, foreign and multinational corporations
 - Largest client representing 2% of revenue
 - 36 of top 50 clients have been with Xenith firms for over 10 years
- Network of offices across Australia and New Zealand – Melbourne, Sydney, Brisbane, Perth and Auckland
- Over 175 IP professionals:
 - Patent attorneys, trade mark attorneys, IP lawyers & paralegals and specialist IP finance and analytics professionals.

Capabilities



Brands

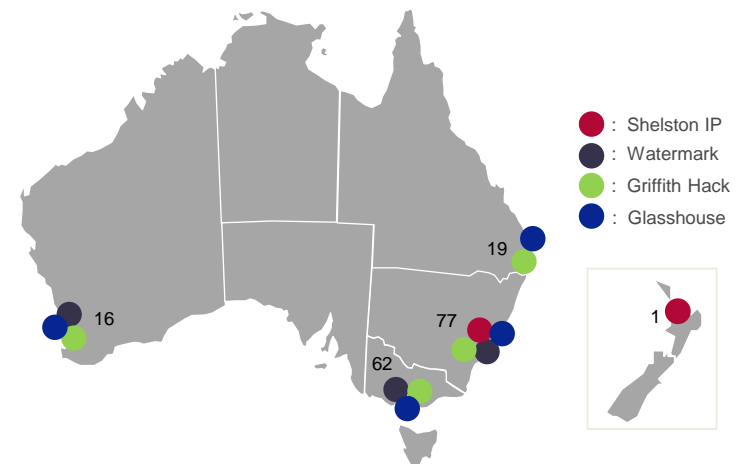
Shelston *ip*

watermark
Intellectual Asset Management

griffith⁺
hack

Glasshouse
Advisory

Office Locations



*Source: IP Australia – FY16 pro forma combined market shares of Shelston IP, Griffith Hack and Watermark.

(1) IP Australia – FY16 market share based on Australian national phase and direct national patent applications.

(2) IP Australia – FY16 market share based on Australian trade mark applications filed through the top 50 filing agents.

(3) IP Australia – FY16 market share. Australian PCT applications are a proxy for local client patent origination activity and generate subsequent outbound national phase applications (reciprocal workflows)

Recap of Strategic Rationale for Acquisitions

Combining three of Australia's premier IP businesses (and an associated IP Advisory business now renamed Glasshouse Advisory), to create a leading IP services group positioned to benefit from increased scale and growth opportunities.

Shelston 

griffith⁺
hack

watermark
Intellectual Asset Management


Glasshouse
Advisory

1

Create a leading Australasian IP Group

- Combined group establishes leading market share positions
- Significant scale positions Xenith to benefit from a range of strategic and financial opportunities
- Enlarged client base creates potential to cross-sell traditional and established complementary advisory services
- Expanded resources strengthen value proposition for clients and staff.

2

Maximise operational efficiencies

- Increased scale creates operational efficiencies through integrated system platforms & streamlined workflows
- Independent brands under Xenith umbrella create economies of scale through shared resources and support services
- Expanded expertise from the four businesses drives establishment of best practices and systems across group.

3

Deliver enhanced shareholder value

- Opportunities for substantial revenue and cost synergies
- Sustainable EPS accretion
- Significant growth opportunities
- Diversification of revenue streams
- Expansion into high growth Asian markets.

Recap of Acquisitions Terms

Earn-out structures proving effective in aligning interests of all stakeholders.



- Completed on 2 November 2016
- Upfront consideration of \$15.9m⁽¹⁾:
 - Cash consideration: \$8.5m
 - Equity consideration: \$7.4m XIP shares issued to vendors, subject to 2 year escrow

- Deferred consideration of up to \$5.6m:
 - Contingent upon post-acquisition annualised pro forma FY17 EBITDA above Threshold & below Cap EBITDA
 - Threshold/Cap EBITDA: \$2m/\$2.7m
 - up to \$2.8m in cash
 - up to \$2.8m in XIP shares (at \$3.50⁽³⁾ per share)



- Completed on 2 February 2017
- Upfront consideration of \$140m⁽²⁾:
 - Cash consideration: \$83.6m funded by equity raising (\$66m) and bank debt (\$17.6m)
 - Equity consideration: \$56.5m XIP shares issued to vendors, subject to 2 year escrow

- Deferred consideration of up to \$20m:
 - Contingent upon post-acquisition annualised pro forma FY17 EBITDA above Threshold & below Cap EBITDA
 - Threshold/Cap EBITDA: \$14.5m/\$16.4m
 - up to \$11m in cash
 - up to \$9m in XIP shares⁽³⁾ (at \$3.161 per share)

(1) Fair value as at completion date 2 Nov 2016.

(2) Fair value as at completion date 2 February 2017. ASX Announcement dated 25 November 2016 referred to upfront consideration of \$152m based on 20 day VWAP of \$3.161 per share.

(3) Escrow terms apply to any securities issued under the earn out arrangement

Integration Update – Progress to Date

Integration work to date has validated the strategic rationale for the acquisitions

Following completion of Watermark and Griffith Hack transactions & related activities, significant progress made in FY17 H2 on integration – based on comprehensive 3 year integration plans

Key areas of progress – Indicative examples

Human Resources	<ul style="list-style-type: none">• Integrated management team in place with dedicated integration project management resources• Employees & principals transitioned to corporate structure• Payroll system consolidation to start 1 July 2017• Key HR systems and processes reviewed against best practice
Finance	<ul style="list-style-type: none">• General ledger integration project planning commenced• Consolidated financial reporting implemented• Insurances to be fully consolidated from July 2017
Technology	<ul style="list-style-type: none">• Communications links established across business units• Network & communications landscape to be integrated in the medium term
Operations	<ul style="list-style-type: none">• Detailed benchmarking and “best of breed” analysis of workflow processes and technology platforms completed• B2G functionality improvements to be implemented in FY18 ahead of comprehensive system platform integration
Corporate Services	<ul style="list-style-type: none">• Group procurement opportunities being actively exploited• Rationalisation of overlapping property footprint to begin in 1HFY18
Commercial	<ul style="list-style-type: none">• Improved professional staff productivity achieved through aligned incentives and headcount management• IP Advisory services relaunched and rebranded as Glasshouse Advisory• Established cross-selling strategies, principles and incentives (to enhance revenue synergies)

All clients have been retained following completion of the acquisitions

Integration strategies & structural foundations developed – which will enable the realisation of sustainable synergies in FY18 and beyond.

Launch of Glasshouse Advisory

A specialist intellectual asset advisory firm – launched in May 2017

A strategic commercial perspective combined with a unique combination of services helps businesses identify and leverage the commercial potential of their intangible assets.



Launch of Glasshouse Advisory

A key component of integration strategy

Glasshouse Advisory launched in May 2017

- A specialist intellectual asset advisory firm
<http://www.glasshouseadvisory.com/>
- Primarily formed from extended service lines within Griffith Hack & Watermark businesses
- Unique combination of complementary services
 - Built on deep foundations of expertise in IP
 - Enables businesses to maximise and leverage the potential of their intellectual assets
 - No equivalent service offering in the market
- Independent branding allows extended service lines to be leveraged across the expanded client base
- Current Glasshouse personnel 35+ (not a start-up) with strong potential for growth and further extension of service lines
- Highly complementary with Asian growth strategy.

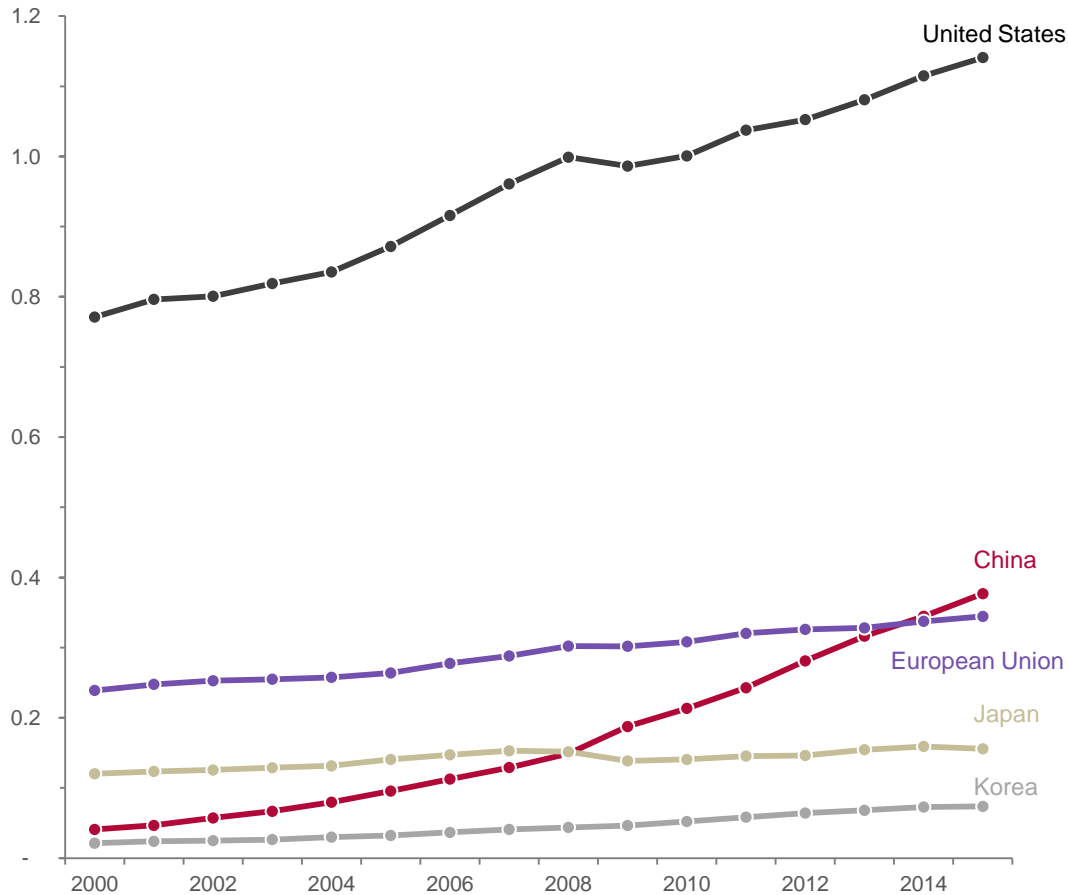
Overview of service lines



Key industry trends

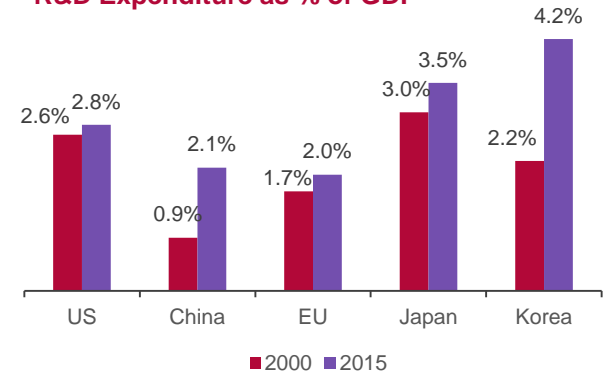
Long-term global R&D investment trends remain positive

Gross Domestic Expenditure on R&D (US\$ trillion)⁽¹⁾



- Investment in R&D is a key driver of investment in IP protection
- Long-term trends remain positive for the IP services sector:
 - Global R&D spend increasing (in absolute terms and as % of GDP)
 - US and China in particular showing strong growth
 - Xenith IP Group provides industry leading depth in traditional IP services - in conjunction with highly complementary advisory services along the innovation pathway
 - Xenith IP Group well positioned to capitalise on supportive growth dynamics in AU and Asia.

R&D Expenditure as % of GDP⁽¹⁾

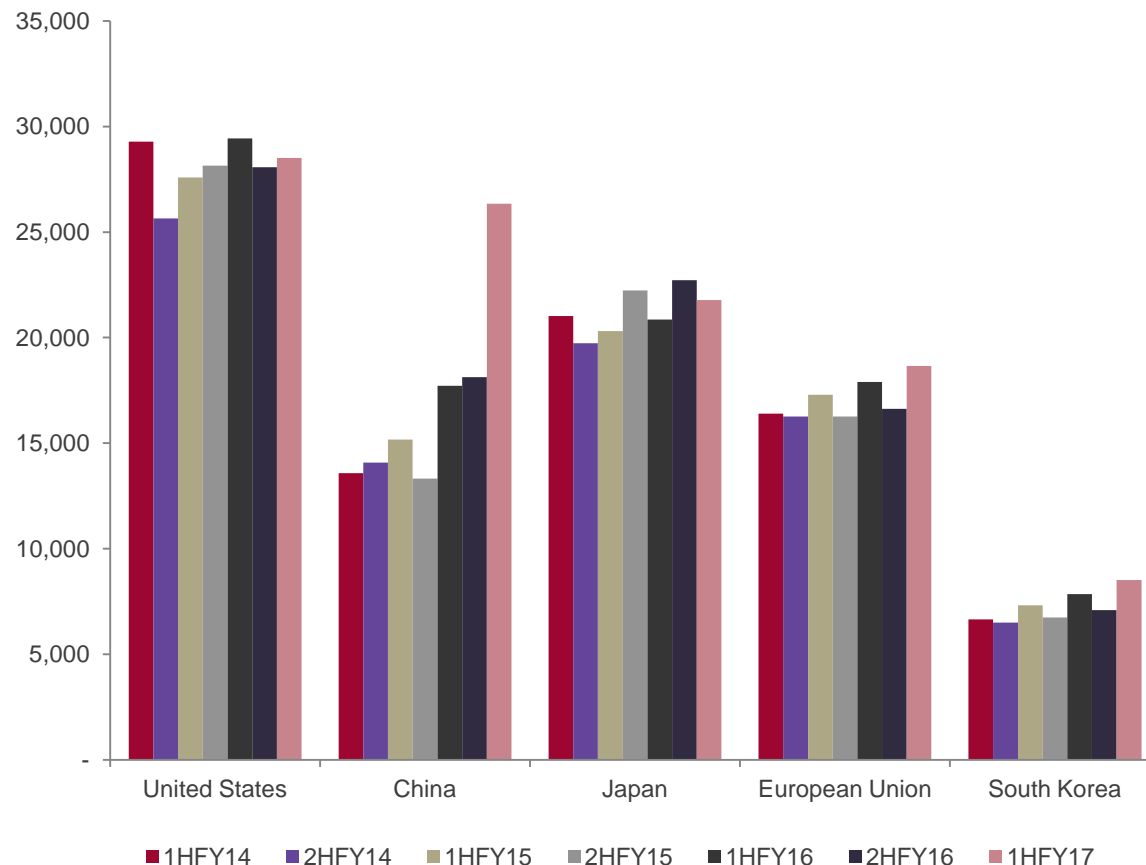


(1) OECD Data - Main Science and Technology Indicators

Key industry trends (cont'd)

PCT filing statistics in primary jurisdictions trending upward

Original PCT applications by Receiving Office ⁽¹⁾

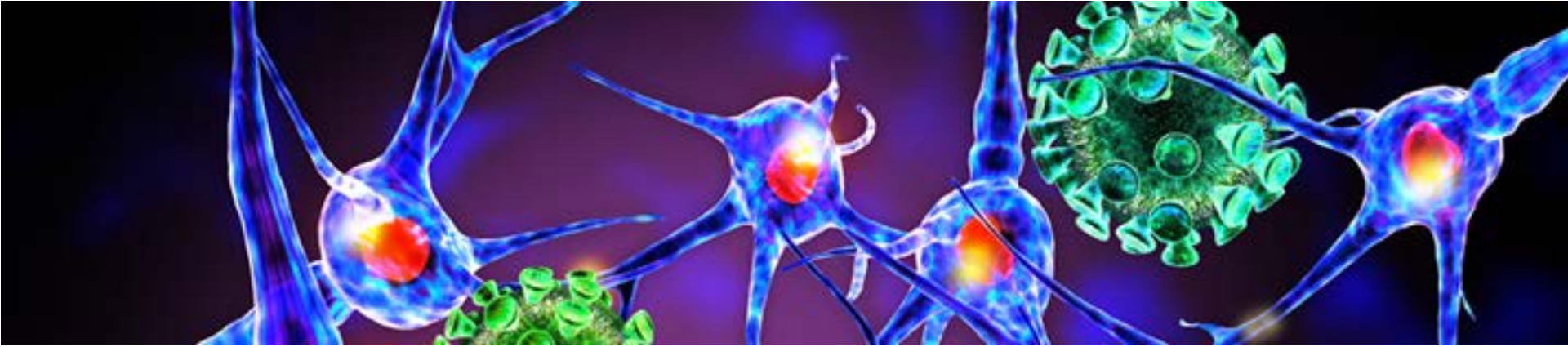


- Long-term and recent trends in Patent Cooperation Treaty (PCT) filings positive
- While only a portion of original PCT applications proceed to national phase entry in Australia, this metric in primary jurisdictions can provide a lead indicator of potential future national phase patent applications domestically.

(1) Source: WIPO – A PCT (Patent Cooperation Treaty) application is a single international patent application that has initial effect in over 140 countries (signatories to the treaty) for a period of up to 31 months from the earliest priority date, subsequently requiring national phase entry in each jurisdiction in which national or regional patent protection is sought.

Conclusion

- Xenith on track with the integration of Watermark and Griffith Hack:
 - Earn-out mechanisms proving effective for alignment of interests of all stakeholders
 - Integration work to date has validated the strategic rationale for the acquisitions
- Leading indicators suggest positive industry outlook in the near-medium term
- Key areas of future focus:
 - Further productivity gains and cost synergies through comprehensive integration plans
 - Continued development of technology platforms and optimisation of work flows to improve operational efficiencies and margin performance
 - Leveraging Glasshouse Advisory services across expanded client base and further extension of complementary services within Glasshouse Advisory
 - Further extension of services into Asian markets, leveraging expanded multinational client base and extended service lines to build on good initial momentum in Asia
 - Continued business development focus in China to build on current momentum
- Enlarged scale, combined resources, expanded services lines, extended geographic footprint and consolidated market share, position the Company well for further growth
- Longer term growth potential includes further market consolidation opportunities in Australasia.



Questions?

Appendix

Griffith Hack Acquisition – Targeted synergy benefits

Synergies

Cost synergies	Productivity	<ul style="list-style-type: none"> Potential benefits associated with improvements in professional staff productivity 	<p>Target annual pre-tax cost synergies by year 3: \$4.0 – 6.0 million⁽¹⁾</p>
	Technology synergies	<ul style="list-style-type: none"> Opportunities to deliver scale benefits associated with technology investment 	
	Property / lease synergies	<ul style="list-style-type: none"> Cost saving opportunities from rationalisation of overlapping leased property footprint 	
	Support function efficiencies	<ul style="list-style-type: none"> Opportunities for improved support function utilisation, operational efficiency and profitability through leveraging corporate services, IT systems, resources and other infrastructure across the Combined Xenith Group 	
Revenue synergies	Incremental revenues	<ul style="list-style-type: none"> Opportunities for incremental revenue generation from cross-selling of adjacent service lines and extension of the Southeast Asian services offering 	<p>Not included in above target synergies</p>

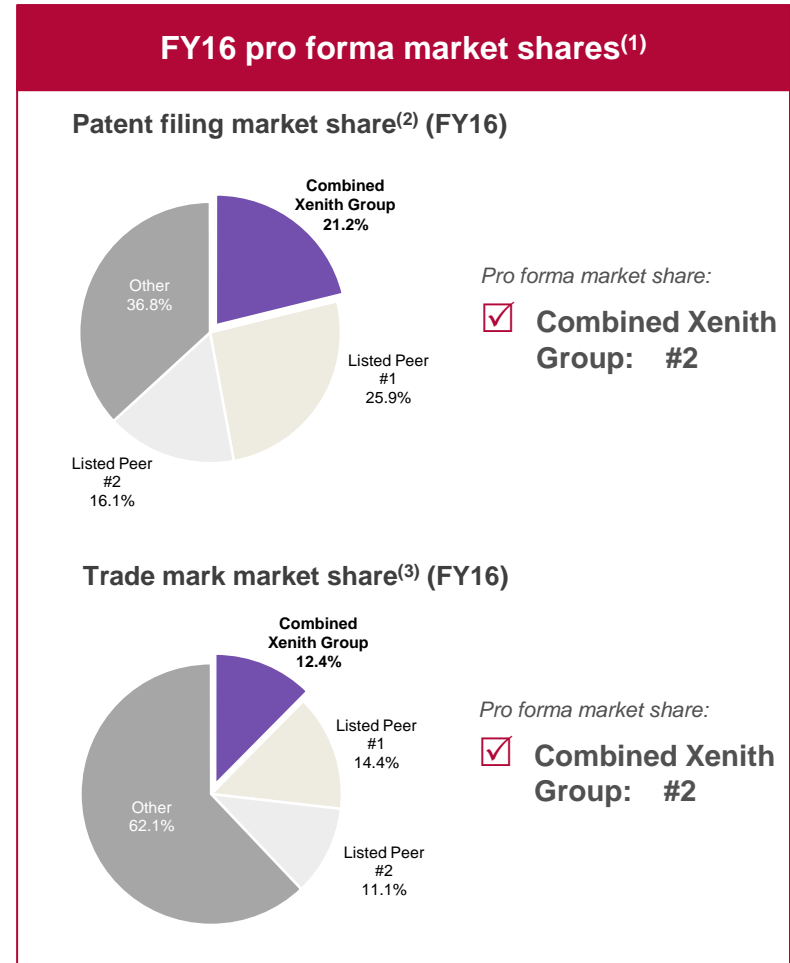
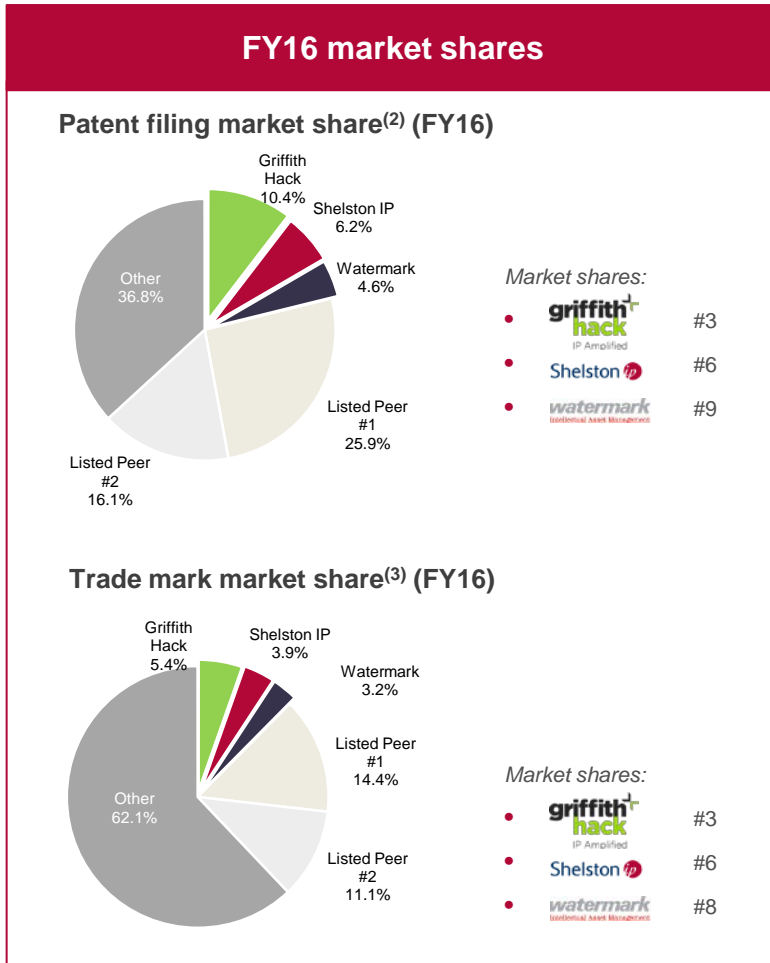
One-off implementation costs

Implementation costs	<ul style="list-style-type: none"> One-off costs associated with the three year integration plan Includes costs related to technology integration (project management), lease make-good provisions and costs associated with elimination of overlapping functions
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(1) Excludes one-off implementation costs and potential incremental revenue streams that may be generated by the Combined Xenith Group following integration of Griffith Hack.

Transformational combination of three of Australia's leading IP firms

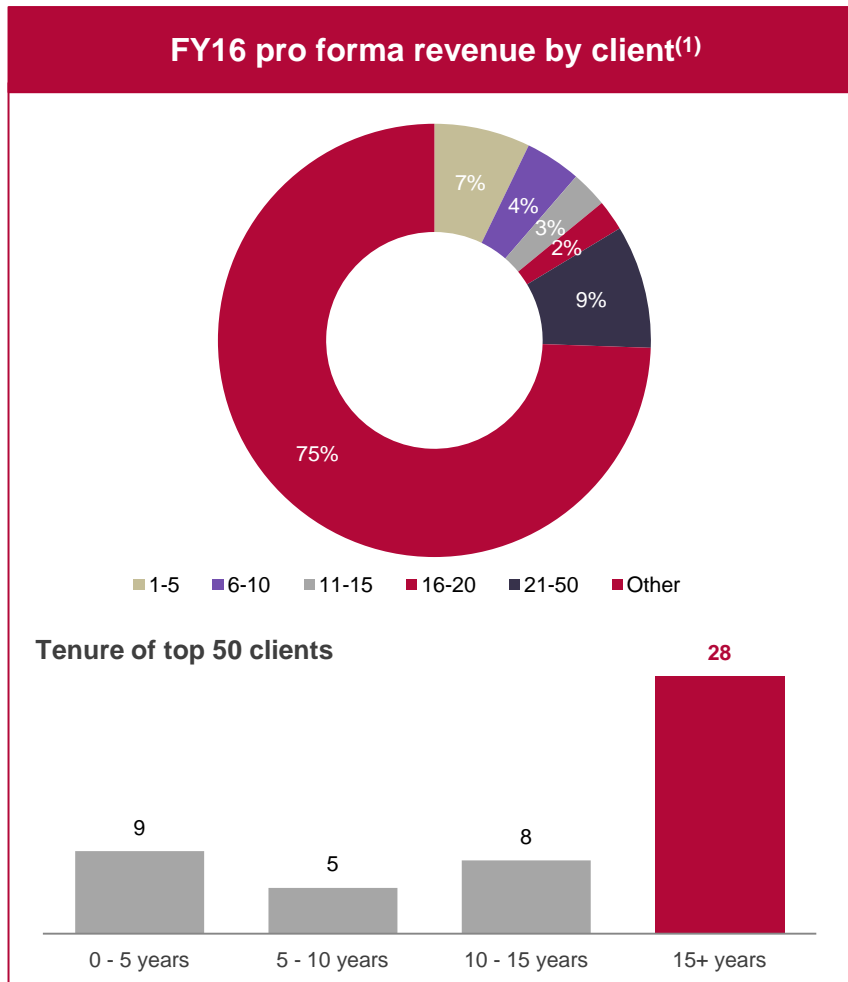
Combined Xenith Group will have leading market shares in patent and trade marks in Australia



(1) Post acquisition of Watermark (completed 2 November 2016) and Griffith Hack.
 (2) IP Australia – FY16 market share based on Australian national phase and direct national patent applications.
 (3) IP Australia – FY16 market share based on Australian trade mark applications filed through the top 50 filing agents.

Diversified and long-term client profile

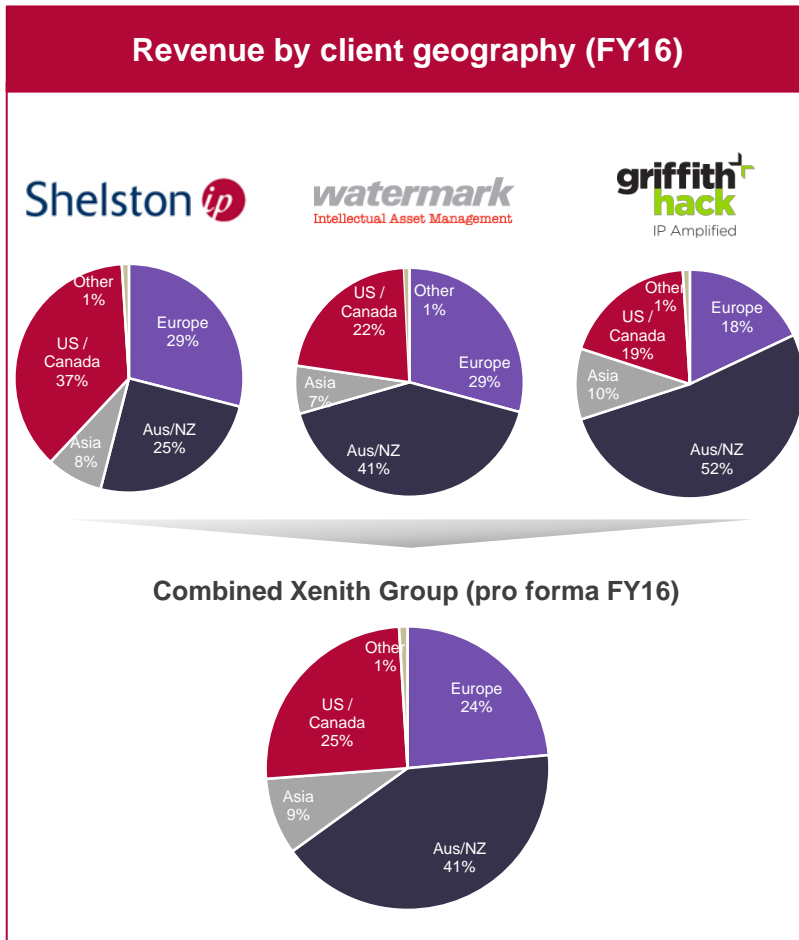
Highly diversified client base with the Combined Xenith Group's largest client representing only 2% of pro forma FY16 revenue



- ✓ Approximately 11,000 clients on combined basis including:
 - Major multinational corporations
 - Domestic and foreign corporations, research institutes, educational institutions and SMEs
 - Domestic professional services firms
 - Foreign associates including offshore IP & other law firms
- ✓ Client base highly diversified by geographies, service lines and industries
- ✓ Resulting greater diversification of revenue across the client base, with top 20 / 50 clients accounting for only 16% / 25% of pro forma FY16 revenue
- ✓ Long-term relationships:
 - **36 of the top 50 clients** with Xenith firms for **more than 10 years**
 - **28 of the top 50 clients** with Xenith firms for **more than 15 years.**

(1) Post acquisition of Watermark (completed 2 November 2016) and Griffith Hack.

Diversified and long-term client profile



- ✓ Combined Xenith Group ranked #1 by domestic PCT patent applications (13.8%) on a pro forma FY16 market share basis⁽¹⁾ (vs next largest competitor with c. 12.7% market share⁽¹⁾)
- ✓ Strong domestic market shares positions the Combined Xenith Group to benefit from a range of significant potential strategic and financial opportunities:

1 Earlier stage involvement in the IP lifecycle with potential for:

- **Increased revenue opportunities and client tenure** stemming from initial IP origination services through to multi-jurisdictional application, prosecution and subsequent stages
- **Provision of incremental advisory services** for each new application and on existing portfolios (e.g. patentability advice, patent drafting, IP searching, infringement, commercialisation, valuation and enforcement)
- **Broader professional development of staff** through direct interaction with local clients

2 Potential for outbound filings to act as **stimulus for foreign originating inbound reciprocal work flows**

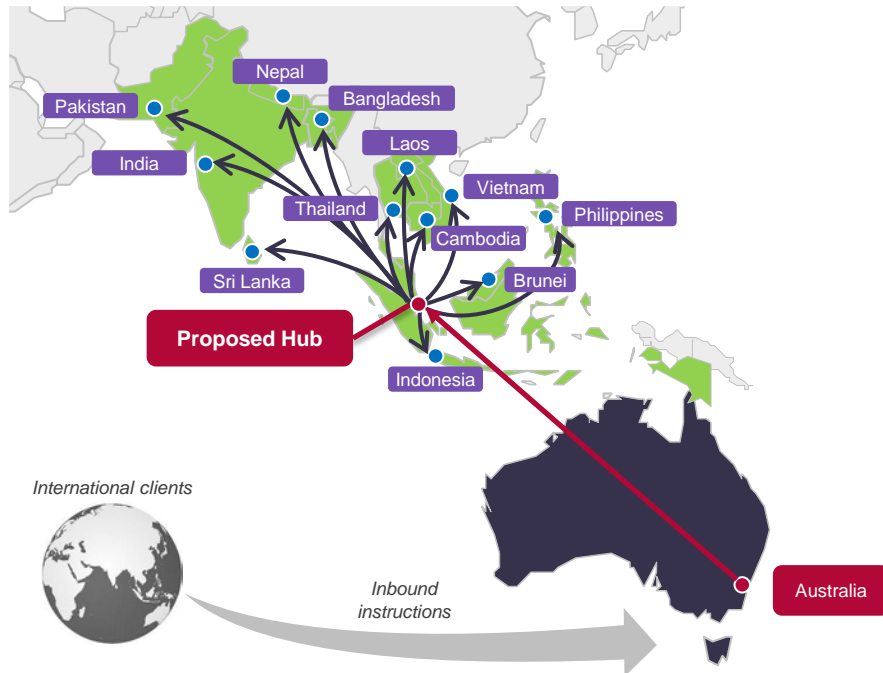
3 Broader scope of service offering diversifies revenue streams and **diminishes exposure to possible extension of ePCT system** to national phase entry

- ✓ Diversified exposure to foreign currencies and reduced exposure to USD.

(1) IP Australia – FY16 market share of Australian PCT applications.

Execution of Southeast Asian strategy

Strong alignment of vision, values and strategic outlook across the Xenith firms provides sound basis for execution of strategic plans – initial momentum in Southeast Asia established with opportunities to grow



Southeast Asia – Strategic Objectives

- ✓ **“One-stop” IP filing and advisory service solution** across the region for existing and new clients
- ✓ **Regional hub and spoke model** expected to provide logistical support, capacity and local expertise
- ✓ **Single point of contact** for client instructions and reporting
- ✓ **Experienced IP professionals** (that clients already know and trust)
- ✓ **Leading systems and technology infrastructure** to support service delivery, quality control and risk management
- ✓ **Central coordination** to ensure efficiency of service delivery and consistency in prosecution strategy.

Example Client Case Study

- Existing **US-based multi-national corporate client**
- **Single point instructions** to coordinate filing and prosecution of each new patent application in **up to 15 countries across Asia**
- Workflows for that client expected to generate **significant incremental professional fees** from additional services.