

XENITH IP GROUP LIMITED (ACN 607 873 209)

ASX ANNOUNCEMENT

13 October 2017

Trading Update

Xenith IP Group Limited (ASX: XIP) provides the following trading update to the market.

Overview

During FY17, Xenith IP completed the acquisitions of Watermark and Griffith Hack. These acquisitions took place in November 2016 (Watermark) and February 2017 (Griffith Hack). Each acquisition had an earn-out period, both of which expired on 30 June 2017.

Q1 Performance

We have completed one quarter of operating performance, post earn-out, with all four entities – Shelston IP, Watermark, Griffith Hack, and the Glasshouse Advisory business which we launched in May 2017.

Financial performance in Q1 FY18 has fallen short of expectations at both the revenue and EBITDA line. The under-performance is largely within Griffith Hack, and is influenced by several factors:

- the disruption of the transaction and the need to bed down new practice group structures and reporting lines;
- the need to rebalance current capacity against current and anticipated workflows; and
- foreign exchange headwinds (across the board).

We expect to see an improvement in results throughout the remainder of the year as the acquisition is further bedded down, but do not expect to recover this one-off shortfall in the 2018 full year results.

We also expect to experience continued foreign currency headwinds throughout the remainder of the year, relative to prior year.

FY18 Guidance

The Company has not historically provided guidance. However, given the feedback from the investor and analyst community regarding the complexity of the FY17 result due to the two recent acquisitions of Watermark and Griffith Hack, we are providing a guidance range of EBITDA as \$18m-\$22m for FY18.

This EBITDA guidance has been provided on an underlying basis (after excluding integration and other one off costs) and is sensitive to movements in revenue. The guidance is based on an estimated AUD:USD exchange rate of 0.785. A 1 cent movement in the AUD:USD exchange rate is estimated to impact revenue and EBITDA by \$500,000.

Xenith IP's CEO Craig Dower said "As we stated at the full-year results announcement, Xenith IP has been through an enormous amount of change over the past year. With one quarter's performance as the fully merged business now behind us, we are starting to get a clearer view on overall combined operating performance. Excluding the impact of foreign currency headwinds experienced in Q1 and expected throughout the remainder of the financial year, the Shelston IP, Watermark and Glasshouse Advisory businesses are anticipated to perform in line with expectations. We are in the midst of implementing a number of business improvement initiatives across Griffith Hack and the group as a whole, which will drive

performance improvement across the Company. We are also making continued progress on the integration project and we will have a more detailed update on that plan for the half-year results presentation in February 2018.”

“We remain very confident about the fundamentals of the business. The bringing together of three highly-respected brands – Shelston IP, Watermark and Griffith Hack, and the addition of Glasshouse Advisory to that portfolio – places Xenith IP in a unique position in the market, with a highly diversified portfolio of capabilities and a full spectrum of services across the innovation landscape. The industry dynamics remain supportive and we remain confident about the transformational potential of the enlarged group.”

For further information

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About Xenith

Xenith IP Group Limited (ASX: XIP) is the holding company for the businesses of Griffith Hack, Shelston IP, Watermark and Glasshouse Advisory and their related corporate entities. The Group's core business is to provide a comprehensive range of IP services including identification, registration, management, valuation, commercialisation and enforcement of IP rights for a global client base including Fortune Global 500 companies, multinational, domestic and foreign corporations, research institutes, educational institutions, SMEs and entrepreneurs.