

Annual General Meeting 2018

Sibylle Krieger:
Chair

Craig Dower:
CEO and Managing Director



28 November 2018

Disclaimer

Important notice and disclaimer

This document is a presentation of general background information about the activities of Xenith IP Group Limited (**Xenith or the Company**; ASX: XIP) current as at 28 November 2018. The information contained in this presentation is of a general nature and does purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

This presentation is not, and does not constitute, an offer to sell or the solicitation, invitation or recommendation to purchase any securities in Xenith and neither this presentation nor any of the information contained herein shall form the basis of any contract or commitment. In particular, this presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The securities referred to in this presentation have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States unless the securities have been registered under the US Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable securities laws.

Xenith, its related bodies corporate and any of their respective officers, directors and employees (**Xenith Parties**) do not warrant the accuracy or reliability of this information, and disclaim any responsibility and liability flowing from the use of this information by any party. To the maximum extent permitted by law, the Xenith Parties do not accept any liability to any person, organisation or entity for any loss or damage suffered as a result of reliance on this document.

Forward looking statements

Certain statements in this presentation may constitute forward-looking statements or statements about future matters (including forecast financial information) that are based upon information known and assumptions made as of the date of this presentation. Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. These statements are subject to internal and external risks and uncertainties that may have a material effect on future business. Actual results may differ materially from any future results or performance expressed, predicted or implied by the statements contained in this presentation. As such, undue reliance should not be placed on any forward looking statement. Past performance is not necessarily a guide to future performance. Nothing contained in this presentation nor any information made available to you is, or shall be relied upon as, a promise, representation, warranty or guarantee, whether as to the past, present or future by Xenith or any other person.

Pro forma and Underlying financial information

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.

Chair's Address

Sibylle Krieger

Business Update

One of Australasia's leading specialist IP groups

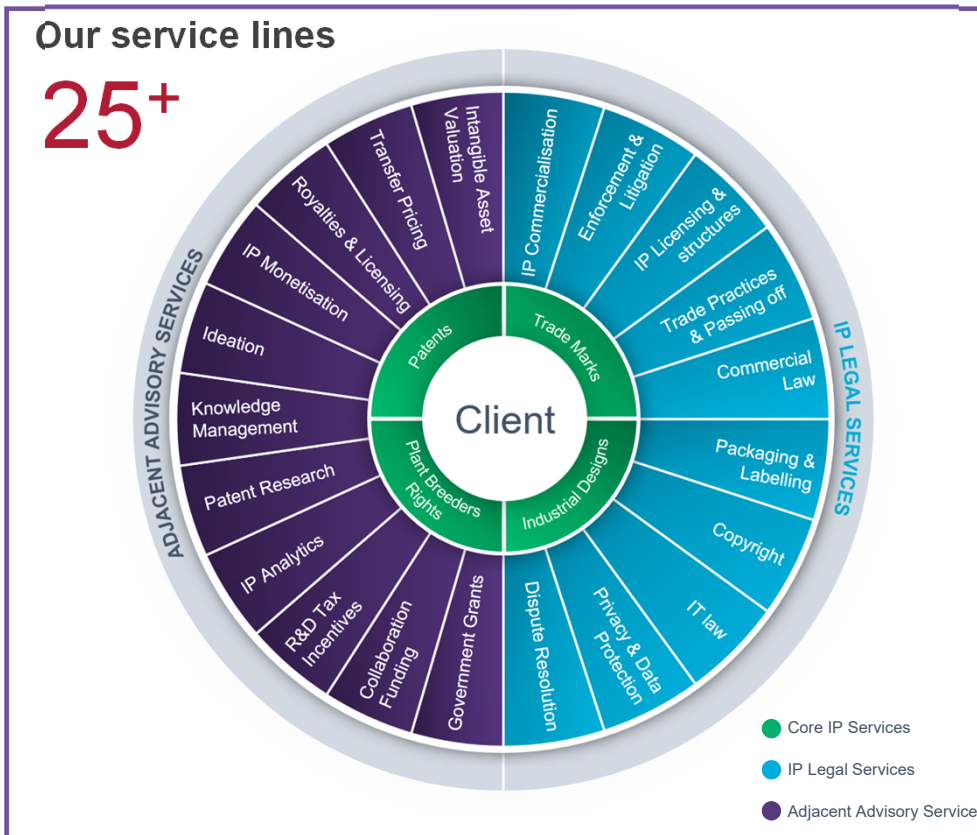
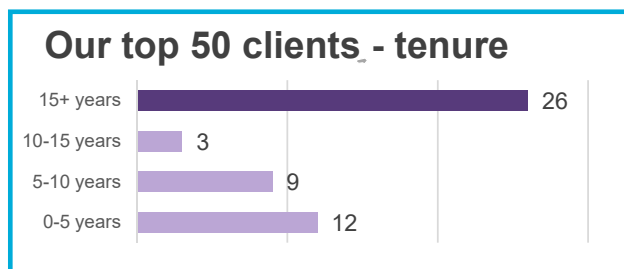
Our house of brands

5

Our offices

13

- Shelston IP
- Watermark
- Griffith Hack
- Glasshouse



Our staff

400

156 IP Professionals

Our clients

11K+

FY18 - A Year of Consolidation

❑ FY18 – A year of consolidation

- During FY17, Xenith acquired the businesses of Griffith Hack and Watermark
- Transforming the size and scale of the Group
- FY18 was the first full financial year during which the acquired businesses formed part of the Group
- In early FY18, Xenith also welcomed its new CEO and MD, Craig Dower

❑ Amid a period of rapid change

- In the space of 4 years, the sector has transformed to primarily corporate structures (circa 60% of the sector now listed)
- This has brought opportunity as well as challenges in managing change – a key area of focus
- Rebased of industry volumes following prolonged impacts of prior legislative changes

❑ Improving industry environment

- Industry filing volumes returned to growth in 2H FY18
- Process pipeline volumes stabilising at new baseline levels
- Global IP industry dynamics continue to show supportive long-term momentum

FY18 - A Year of Consolidation



❑ Dividends

- The Board declared dividends per share of 7.5 cents for FY18 (+50% on pcp)
- Represents 73% of NPATA

❑ Management focus in FY19

- Realising the synergies and scale benefits from our acquisitions
- Continuous improvement in operating efficiencies, capacity utilisation and EBITDA margin performance
- The next phase of our business transformation program – involving both our people and our technologies
- The next phase of our growth strategy, with particular focus on Asia

❑ Breaking news ...

- On 27 November 2018, Xenith announced the proposed merger with QANTM Intellectual Property Limited
- To create an industry-leading IP services group, with circa 350 professionals across Australia, New Zealand and Asia
- With leading market share positions for a broad range of IP services in Australia
- Implementation expected in April 2019, through a Scheme of Arrangement, with Xenith shareholders to receive 1.22 QIP shares for each XIP share held (refer to ASX announcement for further information).

CEO Presentation

Craig Dower

FY18 Business Update

Financial and Operational Highlights

❑ Making solid progress

- Revenue of \$126.3m - up 49% on pcp
- Underlying EBITDA \$18.1m - up 17% on pcp and within market guidance
- Stronger 2H FY18 (EBITDA \$10.3m v \$7.8m in 1H FY18)
- Underlying NPATA of \$10.4 m – up 7% on PCP
- Strong cash flow conversion ratio - 93%
- Dividend per share of 7.5 cents for FY18 – up 50% on PCP
- Net debt of \$13.0m (30 June 2017: \$11.3m) - Leverage ratio of 1.0

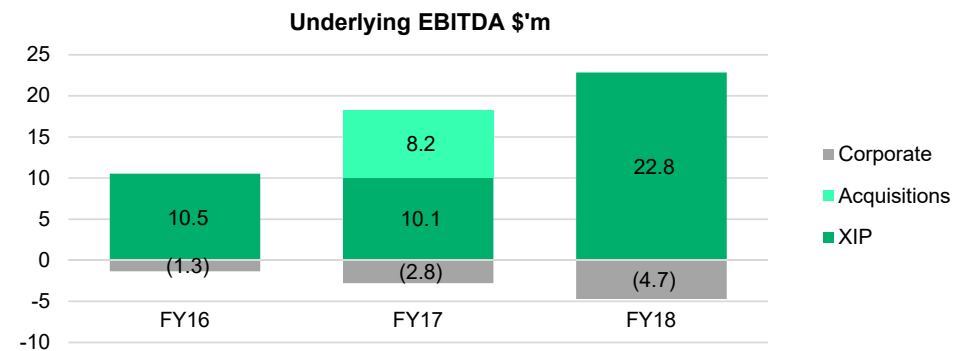
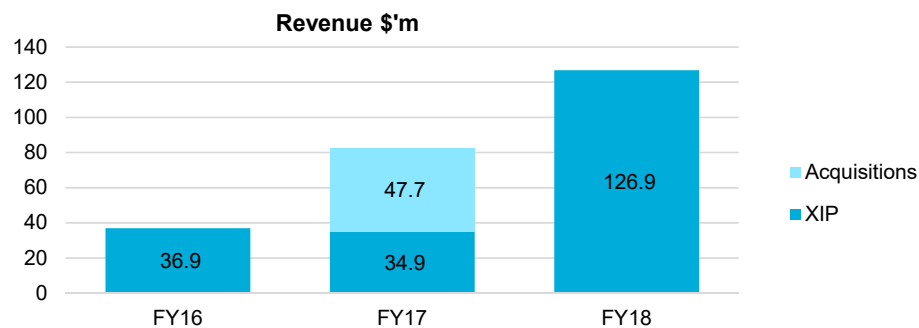
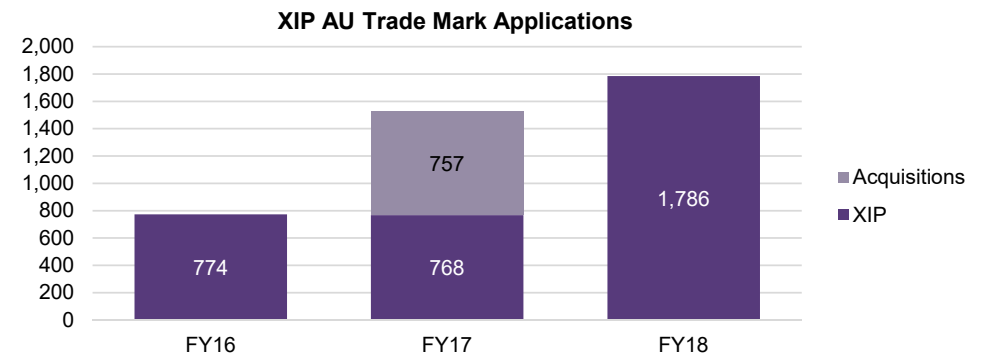
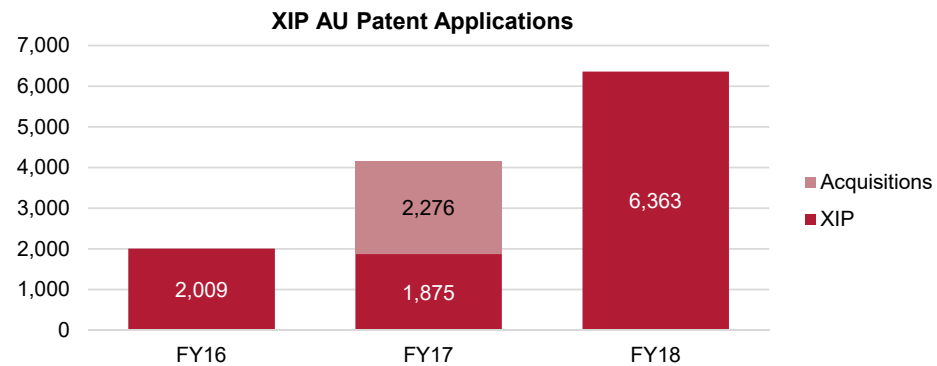
❑ Comprehensive transformation program underway

- Detailed review of all technology platforms completed
- Strategic technology partners selected and move to the cloud underway
- Change readiness program underway
- Technology implementation to commence late FY19 / early FY20
- FY19 focus on continued improvement in practice management fundamentals
- Rebalancing of capacity to match workloads underway across the Group

Business Overview



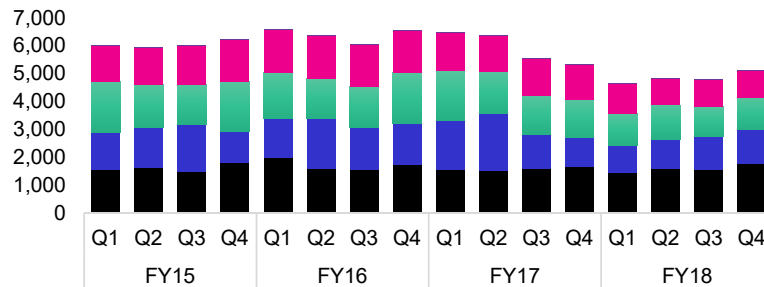
Transformation in Scale Achieved Through Acquisitions



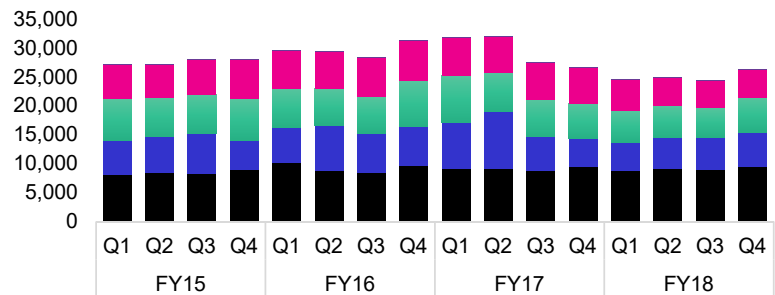
Industry Overview

Australian Patent Prosecution Pipeline

XENITH – AU Patent Process Pipeline¹



INDUSTRY – AU Patent Process Pipeline²



PIPELINE KEY Filings Exam Request Exam Report Acceptance Oppositions

Improving Industry Environment

- RTB³ and AIA³ legislative changes created pull-forward effects in FY13 and FY16 respectively
- Consequential prolonged backlogs in the prosecution pipeline
 - still normalising through FY17
 - creating challenging prior year comparatives in FY18
- Industry filing volumes returned to modest growth in 2H FY18 (up 3.3% on 1H FY18)
 - Xenith outperformed the market in both halves
 - 2H FY18 particularly strong (up 9.6% on 1H FY18)
- Patent process pipeline returning to modest growth
 - albeit from a new baseline
 - Q1 FY19 industry pipeline volumes softer than Q4 FY18

1. Source: IP Australia – Data for Xenith presented on pro forma basis - assuming Xenith entities owned throughout each reporting period
 2. Source: IP Australia
 3. RTB: 'Raising the Bar' Legislation / AIA: America Invents Act

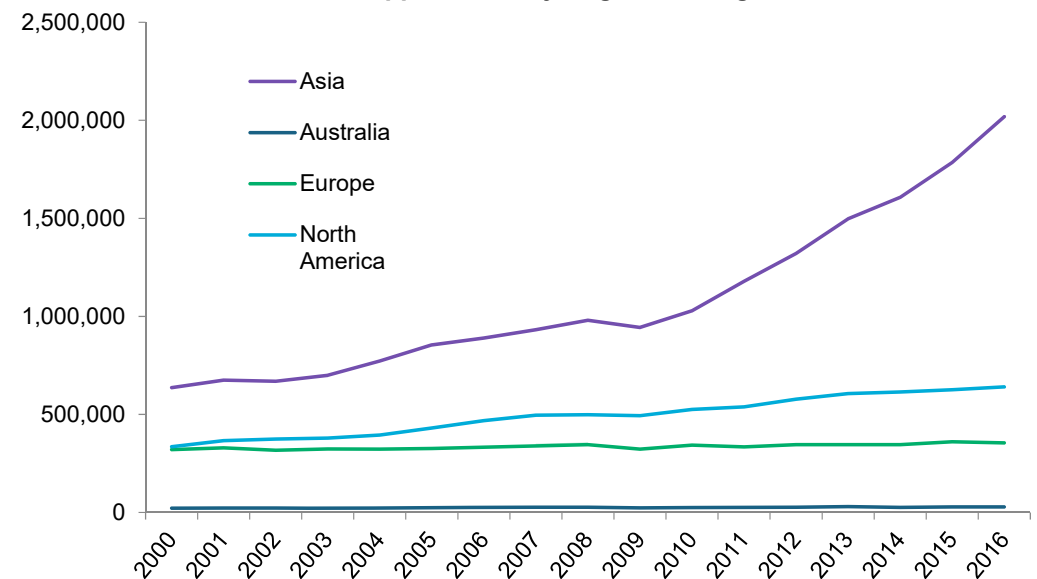
Industry Overview

Regional - Asia



- Global investment in R&D, and global IP filings continue to show solid growth
- IP offices in Asia collectively receive the highest numbers of applications for patents, trade marks and designs relative to all other regions combined
- Growth in patent activity in Asia far outstrips that in other regions, strongly influenced by growth in China
- Asia accounts for more than half of all PCT patent applications filed globally
- Xenith's strategies for growth include a significant focus on Asia, with highlights including
 - Continued strong growth in revenues from China
 - Momentum building in 'OneAsia' regional hub services
 - Relationships developing with regional strategic alliance partners

Total Patent Applications by Region¹ – Long Term Trends



Footnote:

1. Source: WIPO Report 2017 – Statistics for patent applications filed by both resident and non-resident applicants.

Business Transformation and Integration

- We have developed a comprehensive transformation plan across six key areas
- Transformation is now underway - benefits as per previous guidance
 - Costs of \$4m - \$6m (one-off)
 - Benefits of \$6m - \$8m (annualised)
 - Delivered over next 2-3 years
- Technology transformation
 - Strategic technology partners selected
 - Business cases and implementation plans developed
 - Implementation to commence late FY19 / early FY20
- These investments would be directly leveraged in the proposed Xenith-QANTM merger, to amplify the potential synergies



Business Transformation

FY19 Initiatives (Phase 1)

<p>Governance</p>	<ul style="list-style-type: none"> • Continue to improve disciplines across all aspects of practice management • Further develop and implement common frameworks and reporting tools across the group • Continuing to manage cultural transition from partnership to public company
<p>Our People</p>	<ul style="list-style-type: none"> • Implement the Xenith Academy across three pillars of: leadership, commercial acumen and technical excellence • Complete our values and behaviours project and embed this into all of our people processes • Complete strategic review of remuneration and performance-based incentives
<p>Our Clients</p>	<ul style="list-style-type: none"> • Further implement a consistent client engagement methodology and drive disciplined execution • Continue to build deeper skillsets and toolsets in support of collaboration • Further develop our marketing collateral (case studies, client references, white papers)
<p>Digital</p>	<ul style="list-style-type: none"> • Continue to build our core digital development capability; develop next generation portfolio management platform • Complete and extend our AI proof-of-concept through to implementation • Continue transition to cloud-based platforms across all aspects of technology
<p>Growth</p>	<ul style="list-style-type: none"> • Continue to develop and implement Asia expansion plans, both within traditional IP domains as well as advisory services • Continue to develop advisory service offerings within Glasshouse Advisory • Implement change readiness programs to prepare for major transformation projects
<p>Our Shareholders</p>	<ul style="list-style-type: none"> • Focusing on the above initiatives will deliver increased shareholder value • Continue to deliver earnings growth from new initiatives

Summary and Outlook

Consolidation, transformation, growth & breaking news

- ❑ **Making solid progress**
 - FY18 first full year of operating as merged group – a year of consolidation
 - 2H FY18 delivered stronger performance than 1H – new baseline established
 - FY19 market consensus is EBITDA of \$21m

- ❑ **Plans for transformation & growth underway**
 - Transformation program now being implemented - expect to see continued positive impact
 - Expect to see execution of the next stage of our Asian growth strategy
 - Launch of Xenith Academy to focus on training and development of our people

- ❑ **Cost and productivity initiatives**
 - STI plans evolving towards team based performance - focused on collaboration and growth
 - Continued focus on practice management fundamentals, capacity optimization and EBITDA margin performance

- ❑ **Xenith & QANTM**
 - Negotiations with QANTM have been highly collaborative
 - Strong focus on creating merger of equals and a sustainable long-term relationship
 - We each have enormous respect for the heritage, professionalism and expertise of the other
 - We have strong alignment of vision, values, current strategy and long-term aspirations for the combined business
 - We are optimistic that the merged entity will be bigger and better than the sum of its parts.

Summary and Outlook

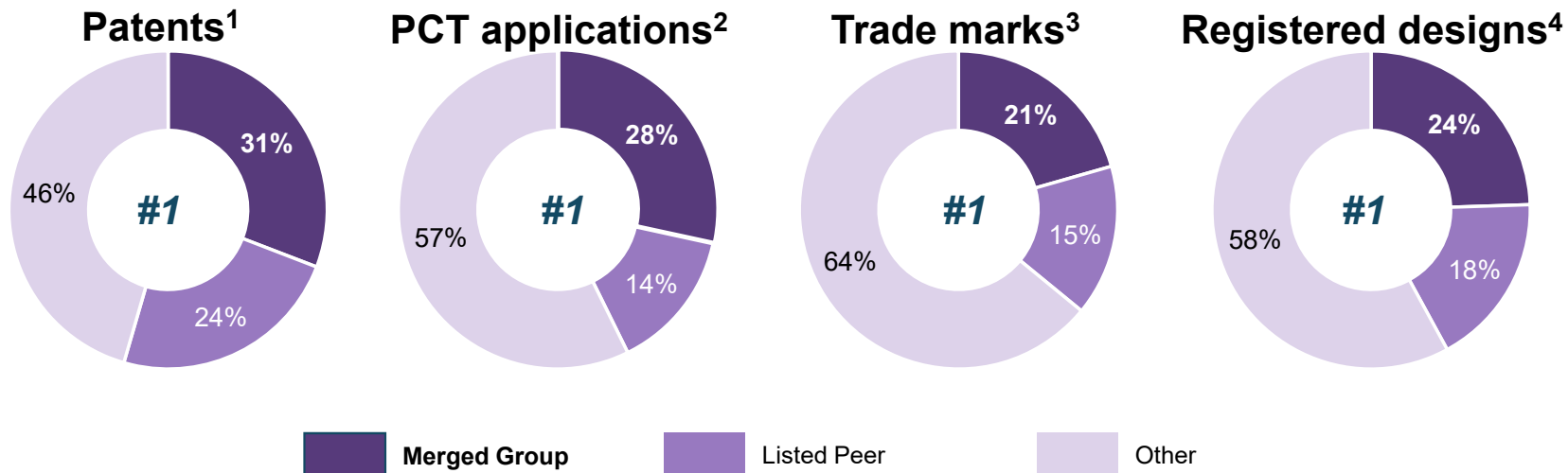
Merger Rationale

1	Creates a market leading IP services group	<ul style="list-style-type: none"> • Leading market positions across a spectrum of IP services in Australia • Leading provider of IP origination services in Australia • Broad base of complementary IP, legal and advisory services • Strategic and cultural alignment
2	Accelerates growth in Asia	<ul style="list-style-type: none"> • Aligned vision and strategy for growth domestically and in Asia • Leverage QANTM's existing presence in Asia with Xenith's growing operations, clients and opportunities in the region • Strengthens balance sheet to pursue acquisition and other growth opportunities
3	Greater scale and efficiencies	<ul style="list-style-type: none"> • Planned implementation of world-class platforms and streamlining processes • Standardises systems to rationalise back office duplication
4	Drives automation and innovation	<ul style="list-style-type: none"> • Greater ability to invest in technology and innovation • Allows sharing of technology platforms and business transformation strategies
5	Expands client base	<ul style="list-style-type: none"> • Both Groups have long standing, premium client bases • Combined client portfolio will be larger and more diversified
6	Enhances career opportunities	<ul style="list-style-type: none"> • Facilitates an innovative and high-performance culture that attracts, retains and rewards top talent

Summary and Outlook

XIP & QIP Merger Creates Market Leading IP Services Group

Australian market shares



Note



1. Source: IP Australia – Market shares in FY18 based on Australian patent applications (all types including AU provisional, complete, national phase and innovation patent applications)
2. Source: IP Australia – Market shares in CY17 based on Australian originating PCT applications (i.e. AU as the priority country) filed in CY17 and published as at 15 July 2018 (NB: applications for all of FY18 not yet published)
3. Source: IP Australia – Market shares in FY18 based on Australian trade mark applications filed through the top 50 filing agents as proxy for the addressable market
4. Source: IP Australia – Market shares in FY18 based on Australian registered design applications

Market share data presented on a pro forma basis, with any acquisitions completed in the analysis period included for the full period
 Each of the practices within the Group operate independently and data above is aggregated
 Figures displayed in each chart may not sum to 100% due to rounding

Summary and Outlook

Overview of Merged Group



Pro forma Merged Group			Estimated cost synergies ^{3,4}	Pro forma Merged Group ⁵
Market capitalisation¹ (\$m)	174.3	110.9	n/a	285.2
Net debt ² (\$m)	8.3	13.0	n/a	21.3
Enterprise value (\$m)	182.6	123.9	n/a	306.5
FY18 service fee revenue (\$m)	76.5	88.6	-	165.1
FY18 total revenue (\$m)	101.7	126.3	-	228.0
FY18 underlying EBITDA (\$m)	20.1	18.1	7.0	45.2
<i>FY18 EBITDA margin (% of service fee revenue)</i>	<i>26.3%</i>	<i>20.4%</i>	<i>n/a</i>	<i>27.4%⁶</i>

Source: FactSet, Company filings

1. Based on closing share price of QANTM and Xenith as at 26 November 2018 based on fully diluted shares on issue
2. Net debt as of 30 June 2018 does not include adjustments for one-off transaction costs
3. Estimated cost synergies are separate and incremental to those already disclosed by Xenith as it relates to the business transformation described in its FY18 Results Presentation
4. Synergies are estimated to be realised by the end of year 3 after completion of the merger with a one-off implementation cost of \$7m
5. Does not account for any differences in accounting treatment, disclosure and acquisition accounting adjustments
6. Pro forma FY18 EBITDA margin of the Merged Group includes the impact of estimated cost synergies

Summary and Outlook

Benefits to Stakeholders

- ✓ Significantly enhances shareholder value
- ✓ Leading operator in the Australian IP services market
- ✓ Scalable platform for Asian expansion
- ✓ Expands service offering for clients
- ✓ Enhances career opportunities for all staff

The Xenith Board unanimously recommends the transaction