

MARKET RELEASE - Sydney, 27 February 2019

Xenith IP Group Limited

Half-year results to 31 December 2018 (FY19)

Earnings up 10%, strong cost management, continued progress on innovation

- Revenue of \$60.2m, down 4% on pcp
- Underlying* EBITDA of \$8.2m, up 10% on pcp
- Underlying* NPATA of \$4.3m, up 6% on pcp
- Underlying* EPS of 3.16 cents, up 9% on pcp
- Interim Dividend (fully franked) of 3.25 cents, up 8% on pcp
- Highly cash-generative business; cash flow conversion of 116%

	UNDERLYING*		STATUTORY	
	1H FY19	Var	1H FY19	Var
Revenue (\$m)	60.2	(4%)	60.2	(4%)
EBITDA (\$m)	8.2	10%	6.6	5%
NPATA (\$m)	4.3	6%	3.2	4%
NPAT (\$m)	2.8	9%	1.7	7%
EPS (cents)	3.16	9%	1.89	7%
DPS (cents)			3.25	8%

**Underlying earnings are non-IFRS measures that are presented to provide an understanding of the underlying performance of Xenith IP Group Limited, excluding the impact of impairment losses and significant acquisition, integration and IPO related expenses. Refer to the reconciliation of statutory to underlying results in the Directors' report contained in the FY 19 Interim Financial Report.*

Commentary and Outlook

Xenith IP Group Limited (**Xenith or the Company**; ASX: XIP) today announced its results for the half-year ended 31 December 2018. The Company reported revenue of \$60.2m, a decrease of 4% on the prior corresponding period (pcp). Underlying EBITDA of \$8.2m was up 10% on pcp. Underlying NPATA of \$4.3m was up 8% on pcp. CEO Craig Dower said, "We are pleased with the progress we are making in managing our operations across the broader Group. We are especially pleased with the performance of Griffith Hack and Watermark, which are on target for the year to date. We had a temporary softness within Shelston in revenue and filings the first half, but this has returned to normal in January and we are expecting to deliver a strong second half across the whole of the business."

"We have had a clear focus on improving practice management disciplines across the Group, and this is delivering greater efficiencies and improved margins. We are making further investments in the training and development of our people, and we recently launched our new online training portal, which is available to all of our people, at any time

on any device. We are also continuing to invest in critical areas of innovation, with the successful completion of a proof of concept project in conjunction with University of Technology Sydney, using artificial intelligence to augment and streamline the patent search process. This pilot will now move into commercial trials with select clients”.

“We are pleased with the progress we are making across many fronts. We expect to deliver a strong second half, with underlying EBITDA expected to be in the range of \$20m - \$21m”.

Merger of Xenith IP Group Limited and QANTM Intellectual Property Limited

On 27 November 2018, Xenith and QANTM Intellectual Property Ltd (ASX:QIP) announced that they had entered into a Scheme Implementation Deed under which the two groups will merge through an all-scrip scheme of arrangement. Eligible Xenith Shareholders will receive 1.22 QANTM shares as Scheme Consideration for each Xenith share they hold.

The merger will create a leading provider of IP services in Australia and position the Group well for further expansion in the high-growth Asian markets. Xenith and QANTM share common values, vision and strategy for the future.

A Scheme Booklet outlining the details of the merger of equals will be distributed to Xenith Shareholders this week. The Booklet includes an Independent Expert’s Report from Lonergan Edwards & Associates Limited, which has concluded that the Scheme is in the best interests of Xenith Shareholders, in the absence of a superior proposal; and that the Merger terms are fair and reasonable to Xenith Shareholders.

A Scheme Meeting is scheduled for 3 April 2019 to vote on the proposal. Xenith’s Directors have unanimously recommended that, in the absence of a superior proposal, Xenith shareholders vote in favour of the Scheme.

Industry Overview

The industry saw continued growth in Australian patent filings in 1H FY19 (+3.9% relative to pcp) whereas Xenith’s patent filings softened marginally in 1H FY19 (-3.1% relative to pcp) - predominantly attributable to softness in Q1. In recent years Xenith has observed stronger patent filings in the second half of the year, relative to the first. Xenith observed significant strengthening across all elements of the patent process pipeline in Q2 of FY19 relative to Q1, with the strongest momentum evident in the substantive examination stage, which is expected to translate into strengthening patent prosecution revenues in 2H FY19 and beyond.

Across the industry, Australian trade mark applications declined in 1H FY19 relative to pcp (-5.9%). Xenith’s Australian trade mark applications also declined in 1H FY19 relative to pcp (-2.3%), but by significantly less than broader market. Across the industry, Australian trade mark applications also declined in 1H FY19 relative to 2H FY18 (-4.0%). However, Xenith saw solid growth in Australian trade mark applications in 1H FY19 relative to 2H FY18 (+7.6%).

These dynamics, combined with solid momentum building in relation to IP legal services across the Xenith group, support an expectation of strong performance in 2H FY19.

Asia Strategy

Substantial progress has been made in developing the firm’s Asian growth strategy, which encompasses both traditional IP services and the extended complementary service lines associated with Glasshouse Advisory. We are at late stage discussions with a leading intellectual property firm in Asia, and are excited about the prospect of working together, as we see a very strong strategic and cultural fit between our businesses. We are continuing the dialogue, but have prioritised our focus on the proposed merger with QANTM in the near term.

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About Xenith

Xenith IP Group Limited (ASX: XIP) is the holding company for the businesses of Griffith Hack, Shelston, 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.