

ASX Announcement

20 March 2019

Response regarding IPH proposal to acquire Xenith IP

IPH Limited (**IPH**) notes the ASX announcement yesterday by Xenith IP Group Limited (**Xenith**) in relation to the IPH offer to acquire Xenith on 12 March 2019 (**IPH Proposal**).

IPH is disappointed that the Xenith Board has formed the view that *“the IPH Proposal as presently framed is not a Superior Proposal”* to the proposed merger (**QANTM Merger**) between Xenith and QANTM Intellectual Property Limited (**QANTM**).

IPH maintains that its proposal is superior to the QANTM Merger and delivers compelling benefits for Xenith’s shareholders, its leading IP attorneys and other stakeholders. Based on the most recent closing share prices of IPH and QANTM (as at 19 March 2019), **the IPH Proposal is currently valued at \$1.99 per Xenith share whereas the QANTM Merger proposal is valued at \$1.74 per Xenith share.**

IPH notes Xenith’s preparedness to discuss the IPH Proposal and confirms that it will seek discussions with Xenith and its advisers.

In the circumstances, IPH requests that the Xenith Board defer the date of the scheme meeting to vote on the QANTM Merger (currently scheduled for 3 April 2019) to allow for the IPH Proposal to be further considered with the benefit of these discussions and to allow for the outcome of the ACCC’s reviews of each of the QANTM Merger and the IPH Proposal to be known. This deferral will allow the relative benefits of the transactions to be properly assessed and will ensure that Xenith’s shareholders do not miss out on the opportunity to receive the superior value provided by the IPH Proposal.

IPH reiterates that it intends to vote against the merger of Xenith and QANTM at the upcoming scheme meeting, should it proceed.

Response to Xenith’s reasons

In relation to the principal reasons provided by Xenith in reaching its present conclusion IPH notes the following:

- a) *“The IPH Proposal is a fundamentally different transaction to the proposed XIP/QIP merger... The XIP/QIP Merger results in shared future control with Xenith shareholders holding 45% of the merged entity and standing to benefit from 45% of the earnings accretion expected to result from the merger.”*

IPH believes the strategic, operational and financial merits of the IPH Proposal, including its existing platform in Asia, provide the potential to share in greater upside than the QANTM Merger. The consideration offered under the IPH Proposal comprises an approximately 35% equity component in the form of IPH shares. IPH’s position in the ASX200 index will also provide enhanced liquidity for Xenith shareholders relative to the all scrip QANTM Merger. Further, the cash component of the IPH Proposal provides immediate certainty of value for Xenith shareholders.

IPH has over 20 years’ experience in the Asia Pacific region. In contrast the QANTM Merger has greater risk of execution to achieve successful expansion in the region and operational benefits over time.

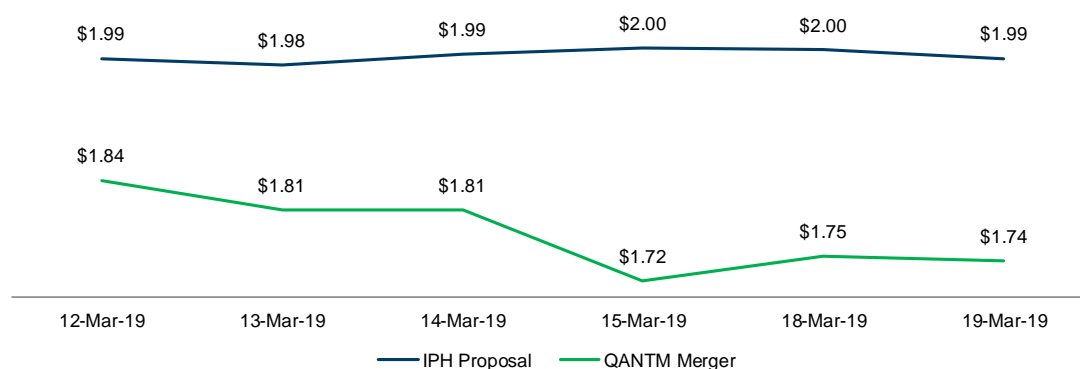
b) *“... the IPH Proposal was framed to be approximately equivalent to the implied value to Xenith shareholders for the XIP/QIP merger as at 11 March 2019 without the control premium normally associated with outright control.”*

Based on the most recent closing share prices of IPH and QANTM (as at 19 March 2019), the IPH Proposal provides superior value and is currently valued at \$1.99. The QANTM Merger proposal is currently valued at \$1.74 per Xenith share.

The IPH Proposal is currently valued at a 31% premium to the mid-point of the Independent Expert valuation for Xenith shares as outlined in the scheme booklet for the QANTM Merger issued by Xenith¹. Accordingly, the IPH Proposal’s value demonstrates a significant control premium to the “minority interest” valuation determined by the Independent Expert. Further, IPH’s proposal currently represents a 60% premium to the undisturbed Xenith share price prior to the QIP Merger announcement on 26 November 2018 of \$1.245.

A comparison of the implied values of the IPH Proposal and the QANTM Merger proposal for each day since the IPH Proposal was submitted are shown below.

IPH Proposal vs QANTM Merger values².



¹ Valuation range of \$1.40 - \$1.63 of a minority interest in Xenith

² Based on the IPH and QANTM closing share prices on each of the relevant days

- c) *“The IPH Proposal has materially higher execution risk than the XIP/QIP merger in terms of ACCC clearance”*

IPH cannot prejudge the assessment of the ACCC and does not believe that Xenith should either. However, IPH considers the ACCC’s assessment of the IPH Proposal and the QANTM Merger will involve consideration of substantially the same issues.

IPH has offered to Xenith the opportunity to discuss our views on the ACCC review process with our respective legal advisers.

- d) *“It is open to question as to whether the IPH proposal as currently framed would win support from Xenith employee shareholders”*

IPH believes Xenith should allow all shareholders the ability to vote on the IPH Proposal and receive the superior value in our proposal.

IPH believes the benefits of the IPH Proposal for all Xenith shareholders including employee shareholders are compelling.

IPH has received encouraging feedback to date from Xenith shareholders (including employee and ex-vendor shareholders) in relation to the IPH Proposal, including that a number of employee shareholders would like the opportunity to receive the IPH Proposal. IPH will seek to engage further with Xenith’s shareholders.

IPH has offered to Xenith, within its proposal, to hold discussions with Xenith’s employees to outline IPH’s vision for the combined group and the benefits to Xenith’s stakeholders.

- e) *“The significant cash component of the IPH Proposal is unlikely to attract the capital gains tax rollover relief which would generally be available in a pure scrip for scrip transaction such as the XIP/QIP merger”*

We note that, based on Xenith’s current share price relative to its IPO price, some investors in Xenith may not realise a capital gain on their shares. IPH would expect that the tax positions of individual shareholders of Xenith would vary greatly. Notwithstanding we would be happy to discuss with Xenith the consideration structure of the IPH Proposal to explore the mix of cash and IPH shares for shareholders within the overall structure of the current proposal.

Comparison of IPH Proposal and QANTM Merger

Below is a summary comparison of the IPH Proposal and QANTM Merger^{3,4}.

	IPH Proposal	QIP Merger
Value (19 March 2019)	✓ \$1.99 ³	✗ \$1.74 ³
Cash consideration	✓ c.65% cash Certainty of value	✗ Nil cash
ASX 200 index	✓	✗
Liquidity	✓ IPH annual turnover c.140% ⁴	✗ QIP annual turnover c.20% ⁴
Asia opportunities	✓ 20 years experience. IPH Asia underlying 1H2019 revenue of \$43m and EBITDA of \$17m	✗ Greater risk of execution
Acquisition track record	✓ Seven IPH acquisitions since listing. Significant capital strength for future opportunities	✗ One QIP acquisition since listing
Offer conditions	Substantially similar conditions as Merger (including ACCC). Merger does not proceed	Substantially similar conditions as IPH Proposal (including ACCC)

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About IPH Limited

IPH Limited (“IPH”, ASX:IPH), the holding company of Spruson & Ferguson, Practice Insight, Pizeys and AJ Park, 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, Auckland, Wellington, Singapore, Kuala Lumpur, Jakarta, Beijing, Hong Kong and Bangkok. The group comprises a multidisciplinary team of approximately 630 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 was the first IP services group to list on the Australian Securities Exchange.

³ Based on the IPH and QANTM closing prices as at 19 March 2019

⁴ Twelve month trading volume divided by shares on issue