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Xenith IP Group Limited
Full-year results to 30 June 2018 (FY18)

Achieved FY18 guidance; stronger second half; filings growth out-performs market.

- **Revenue of $126.3m, up 49% on pcp**
- **Underlying* EBITDA of $18.1m, up 17% on pcp**
- **Underlying* NPATA of $10.4m, up 7% on pcp**
- **Underlying* EPS of 8.3 cents, down 38% on pcp**
- **Overall DPS of 7.5 cents, up 50% on pcp**
- **Highly cash-generative business; cash flow conversion of 93%**
- **One off non-cash impairment charge of $20.7m re Griffith Hack**

	Underlying		Statutory	
	FY18	% Change	FY18	% Change
Revenue ($m)	126.3	49%	126.3	49%
EBITDA ($m)	18.1	17%	(4.3)	(143%)
NPATA ($m)	10.4	7%	(11.6)	(319%)
NPAT ($m)	7.4	(12%)	(14.7)	(477%)
EPS (cents)	8.3	(38%)	(16.6)	(360%)
DPS (cents)			7.5	50%

**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 18 Annual Financial Report.*

Commentary

Xenith IP Group Limited (**Xenith IP** or **the Company**; ASX: XIP) today announced its results for the financial year ended 30 June 2018. The Company reported revenue of $126.3m, an increase of 49% on the prior corresponding period (pcp). Underlying EBITDA of $18.1m was up 17% on pcp and in line with guidance provided at the end of the first half. Underlying NPATA of $10.4m was up 7% on pcp. CEO Craig Dower said, "We are pleased to have finished the year within the range of guidance that we re-affirmed at the half year end. Our second half EBITDA performance of $10.3m was substantially stronger than the first half of $7.8m, with improvements in execution, a strong emphasis on cost control, and a return to industry growth in patent filings. We are also very pleased to have out-performed the industry growth in patent filings in both the second half and the full year."

"This is the first full year of all entities operating under the Xenith IP ownership structure, with a new leadership team established and a number of initiatives undertaken to improve the business, along with the development of a comprehensive business transformation plan. We are making steady progress on the major cultural transition from a group of private partnerships to a publicly listed company with a unified collaborative culture and a strong focus on results. We are developing more consistent ways to manage the group, within the constraints of legacy systems, and our leaders across the business are responding well to the changes that we are implementing."

"Xenith IP companies are highly cash-generative businesses with an overall cash flow conversion rate for FY18 of 93%, and a client profile of long-standing well-established business relationships."

Combined Xenith IP companies finished FY18 with strong market share and leadership positions in Australia:

- No. 1 - domestic PCT applications (13.6%)
- No. 2 - patent applications (all types) (17.5%)
- No. 3 - trade mark applications (9.0%)
- No. 2 - design applications (17.1%)

The industry returned to growth in 2H FY18, with patent filings up 3.3% on 1H FY18. Xenith IP strongly out-performed the industry with growth of 9.6% in the same period.

The Company has undertaken a thorough analysis of industry data over the past six months, and this analysis is included in the FY18 Investor Presentation. The analysis, which extends beyond the initial patent filing stage to encompass key elements of the downstream "prosecution pipeline", suggests that the industry is returning to normal growth, albeit from a lower baseline. The transient impact of legislative changes in prior periods, and most notably "Raising the Bar", resulted in a prolonged backlog in the prosecution pipeline which favourably impacted revenues in prior periods including FY17, creating challenging prior year comparatives in FY18. We believe the transient impact of these legislative changes has now washed through the Australian patent process. However, the current industry volumes resulted in a rebasing of the earnings of the businesses, which in turn led the Company to take a one-off non-cash impairment charge of $20.7m to the carrying value of the Griffith Hack and Glasshouse Advisory businesses resulting in a statutory net loss after tax of $14.7m.

The Directors have declared a fully franked final dividend of 4.5 cents per share. This represents 70% of NPATA, being net profit after tax but before the amortisation or impairment charge relating to acquired intangible assets. The full year dividend of 7.5 cents is up 50% on the prior year.

Comprehensive Transformation Program Developed

The Company has developed a comprehensive business transformation plan which it is now executing. The Company has completed a thorough review of the IP technology market, chosen several new strategic partners, developed associated business cases and implementation plans, and will commence implementation towards the end of this year. The Company is investing in change management and program management capabilities to ensure the success of this program.

Craig Dower said, "We are also furthering our investments in our digital capabilities, including establishing a strategic partnership with a leading Australian university, exploring the application of Artificial Intelligence to key aspects of our business. We have completed our first pilot project and are leveraging the lessons learned in the next stage of development. We expect to move from pilot to production in the year ahead. In addition, we are developing the next version of our digital trademark platform, Amplia, and expect to go live with this over the next several months."

"We have recently launched the Xenith Academy, which will focus on developing the skills and capabilities of all of our people, across the dimensions of leadership, commercial acumen and technical excellence."

"We believe that the investments we are making in capabilities to deliver this transformation plan will have substantial long-term benefits for all of our stakeholders. We are pleased with the progress we are making."

Growth Opportunities and Asia Strategy

In an industry that has undergone recent swift consolidation, Xenith IP is now well placed to further build its presence in the Australian and Asian markets and manage for sustained growth.

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. The Company is actively exploring both near and medium-term strategic options across the region, with dialogues at various stages of progression.

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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.