

## MARKET RELEASE - Sydney, 23 February 2017

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# Xenith IP Group Limited

## Half-year results to 31 December 2016 (1H FY17)

### 1H FY17 Financial Highlights

- Revenue of \$19.2 million, up 20% on prior comparative period (pcp)
- Underlying\* EBITDA of \$4.9 million, flat on pcp
- Underlying NPAT of \$3.0 million, down 5% on pcp
- Underlying EPS of 7.2 cents, down 57% on pcp
- Interim fully franked dividend of 1.6 cents per share to be paid on 31 March 2017

\*Underlying results are presented to highlight underlying performance of the business, adjusted for significant one-off acquisition related expenses in the current period, and notional costs associated with the restructure and IPO of the business in the prior period. Refer to Appendix 4D for more detailed information and reconciliation between the statutory and underlying results.

Xenith IP Group Limited (**Xenith IP** or the **Company**; ASX: XIP) today announced its results for the half year to 31 December 2016. The Company reported revenue of \$19.2 million, representing an increase of 20% on pcp. In addition to the revenue contribution from the newly acquired Watermark business, Shelston IP reported steady growth in revenue despite foreign currency headwinds in the current period and a strong prior period caused by a pull forward of patent filings into 1H FY16 as a result of legislative changes associated with the America Invents Act.

Underlying EBITDA of \$4.9 million is essentially flat on pcp. The transformational strategic acquisitions of Watermark and Griffith Hack have resulted in a substantially larger more complex business. The company has invested in appropriate corporate resources to manage this transformation ahead of the realisation of synergy benefits and full period EBITDA contributions. Additionally, the foreign exchange gain reduced by \$0.3 million relative to the prior period.

Underlying NPAT for the half year of \$3.0 million is 5% down on the prior period (\$3.2 million). Underlying Earnings Per Share (EPS) of 7.2 cents is 57% down on the prior period. The issue of 33 million shares ahead of full period earnings contribution from the Watermark acquisition (completed on 2 Nov 16) and the Griffith Hack acquisition (not completed until 2 Feb 2017) has had a significant one-off drag on EPS in the current period. Additionally, the significant one-off transaction costs associated with the transformational acquisitions have further depressed the interim dividend per share for the current period to 1.6 cents.

Commenting on the 1H FY17 results Managing Director, Stuart Smith, said, "This is a solid result given foreign currency headwinds relative to the prior period, and the short term impact of the transformational acquisitions in the current period, including one-off transaction costs impacting the results ahead of recurring full period revenue and EBITDA. The underlying fundamentals remain strong, with solid performance across all core business activities, a stable earnings profile, careful working capital management and healthy cash flow conversion of 100% of EBITDA".

"We are particularly pleased with the acquisitions of the Watermark and Griffith Hack businesses, which have been a key focus of management during the period. In line with the Company's growth strategy, these acquisitions provide a transformational combination of three of Australia's leading IP firms – Shelston IP, Watermark and Griffith Hack, resulting in:-

- transformational increase in scale with No. 1 or No.2 market positions on most key metrics

- significantly enlarged market share (21.2%<sup>1</sup> for patents and 12.4%<sup>2</sup> for trademarks in Australia)
- significantly enlarged revenue base (increasing by 388% to more than \$125 million<sup>3</sup>)
- expanded national geographic footprint (spanning Melbourne, Sydney, Brisbane and Perth)
- increased scope of services creating a unique market position with diversified revenue streams and enhanced growth potential
- significantly enlarged and diversified client base (increasing by 366% to over 11,000) from which to leverage expanded service offerings and growth initiatives in Asia-Pacific
- substantial scope for efficiencies through shared services and integrated technology platforms
- meaningful synergy benefits over a three year integration period.”

“These are significant steps toward realisation of the Company's vision to be Asia-Pacific's leading IP services group, providing a full spectrum of complementary services along the innovation pathway to create value and sustainable competitive advantage for our clients.”

## Outlook

The transformational change in scale, improved resources, extended services lines, expanded geographic footprint and consolidated market share, position the Company well for further organic and inorganic growth.

A comprehensive three year integration plan is in progress with substantial scope for operational efficiencies through improved utilisation, shared services and integration of technology platforms.

Key areas of Board and management focus will include:

- integration of Shelston IP, Watermark and Griffith Hack businesses – based on three year staged integration plans
- continued development of the Company's core technology platforms, to drive operational efficiencies across the group
- Southeast Asian growth strategy, leveraging enlarged client base and targeting regional hub
- development of complementary service lines through dedicated IP advisory services business, supported by Shelston IP, Watermark and Griffith Hack
- continued business development in China to build on current momentum
- further consolidation opportunities in Australasia.

## ENDS

### 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 and Watermark 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.*

<sup>1</sup> IP Australia – FY16 market share based on Australian national phase and direct national patent applications.

<sup>2</sup> IP Australia – FY16 market share based on Australian trade mark applications filed through the top 50 filing agents.

<sup>3</sup> Pro forma Group revenue in FY16, inclusive of recoverable disbursements.