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Xenith IP Group Limited

Full-year results to 30 June 2017 (FY17)

A Year of Transformation - FY17 Financial summary

- **Transformational year, with acquisitions of Watermark and Griffith Hack completed and Glasshouse Advisory launched**
- **Revenue of \$85m, up 131%**
- **Underlying* EBITDA of \$15.5m, up 68%**
- **Underlying* NPATA of \$9.7m, up 63%**
- **Underlying* EPS of 13.5 cents, down 24%**
- **DPS of 5 cents. Final Dividend 3.4 cents**

*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 significant acquisition, integration and IPO related expenses. Refer to Appendix 4E for more detailed information and reconciliation between the statutory and underlying results.

Xenith IP Group (**Xenith IP** or **the Company**; ASX: XIP) today announced its results for the full year to 30 June 2017. The Company reported revenue of \$85m, an increase of 131% on pcp. EBITDA of \$15.5m was up 68% on pcp. NPATA of \$9.7m is up 63% on pcp. The results include the impact of the acquisition of Watermark from 2 Nov 2016 and Griffith Hack from 2 Feb 2017.

The acquisitions have resulted in a substantially larger and more diversified business. The Company has invested in appropriate corporate resources to manage this transformation ahead of the realisation of synergy benefits and the full year earnings contributions. In addition to the impact of non cash amortisation on acquired intangibles this year, the Company experienced foreign currency headwinds and a one-off negative impact on EPS from the significant share issue ahead of the completion of the Griffith Hack acquisition. As a result, EPS of 13.5 cents is down 24%.

The Directors have declared a fully franked final dividend of 3.4 cents. This represents 76% of net profit after tax but before amortisation on acquired intangibles (NPATA). The Directors confirm the dividend policy has been amended to 70-90% of NPATA.

FY17 DPS of 5 cents was down 29% on the pcp and was impacted by one-off acquisition and integration related expenses of \$5.3 million and the issue of 54.6 million shares ahead of the full earnings contribution from acquired entities.

The acquisition earn out periods are now complete. The Griffith Hack earn out EBITDA came within 2% of the company's valuation and therefore did not entitle the vendors to a payment under the earn out, noting that the agreement was structured to allow the vendors to be rewarded in the event that performance exceeded the Company's valuation.

The Watermark earn out EBITDA exceeded the earn out cap and the Company's valuation. Consequently the Vendors will receive a maximum earn out amount of \$5.6M (net of one-off costs) payable 50% in cash and 50% in shares (based on \$3.50 per share).

Commentary

This has been a transformational year, during which the Company successfully completed the acquisitions of Watermark and Griffith Hack, resulting in a much larger, more diversified and more complex business. Xenith also launched a new advisory services business, Glasshouse Advisory, leveraging the collective depth of IP expertise across the group and providing a unique spectrum of complementary services to clients.

With the earn out periods for both acquisitions completed as of 30 June 2017, the focus is now on continuing integration and growth. The company is investing in the necessary capabilities to deliver the \$4m-\$6m in annual synergies highlighted at the time of the Griffith Hack acquisition, over the next 3 years. The Company will also focus on its growth strategies in Asia, continuing to build on strong initial momentum.

As part of this investment, the Company recently announced that Stuart Smith, previously Managing Director of XIP, has taken on a new role as Head of Corporate Development, focused on driving Xenith's growth strategy into Asia and growth of complementary service lines through Glasshouse Advisory, as well as taking the lead on innovation. At the same time, Craig Dower was appointed as CEO, bringing his deep experience in professional services, large-scale business transformation, and working across Asia to the Company.

Commenting on the full year results, Stuart Smith said "This has been a transformational year for Xenith IP. The bringing together of three highly-respected brands – Shelston IP, Watermark and Griffith Hack – places Xenith IP in a somewhat unique position in the market, with a highly diversified portfolio of capabilities across the group. The addition of Glasshouse Advisory to that portfolio positions Xenith to provide a full spectrum of services across the innovation landscape and establishes strong foundations for the next stage of growth and development".

Outcomes of the past year include:

- transformational increase in scale with No. 1 or No.2 market positions on most key metrics
- significantly enlarged market share (20%¹ for patents and 120%² for trademarks in Australia)
- significantly enlarged revenue base
- expanded geographic footprint (spanning Melbourne, Sydney, Brisbane, Perth and Auckland)
- 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.

Incoming CEO, Craig Dower, added "I am thrilled to be joining Xenith IP at such a pivotal point in the Company's history. As we integrate the relevant parts of our business and deliver the benefits of scale, we will continue to focus on building an inspiring, innovative and differentiated culture that reflects the values of Xenith's people, attracts and retains top talent, and rewards strong performance. The senior management team brings together extensive knowledge of the industry and the core businesses in conjunction with deep general management and business transformation expertise, positioning the Company to fully capitalise on the opportunities before us."

Outlook

The transformational change in scale, additional capability and resources, extended services lines, expanded geographic footprint and consolidated market share, position the Company well for future growth.

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

¹ IP Australia – FY17 market share based on Australian national phase and direct national patent applications.

² IP Australia – FY17 market share based on Australian trade mark applications filed through the top 50 filing agents.

Key areas of Board and management focus in the year ahead will include:

- integration of the 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 a regional hub
- development of complementary service lines through dedicated IP advisory services business, Glasshouse Advisory, supported by Shelston IP, Watermark and Griffith Hack
- continued business development in China to build on current momentum.

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, 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.