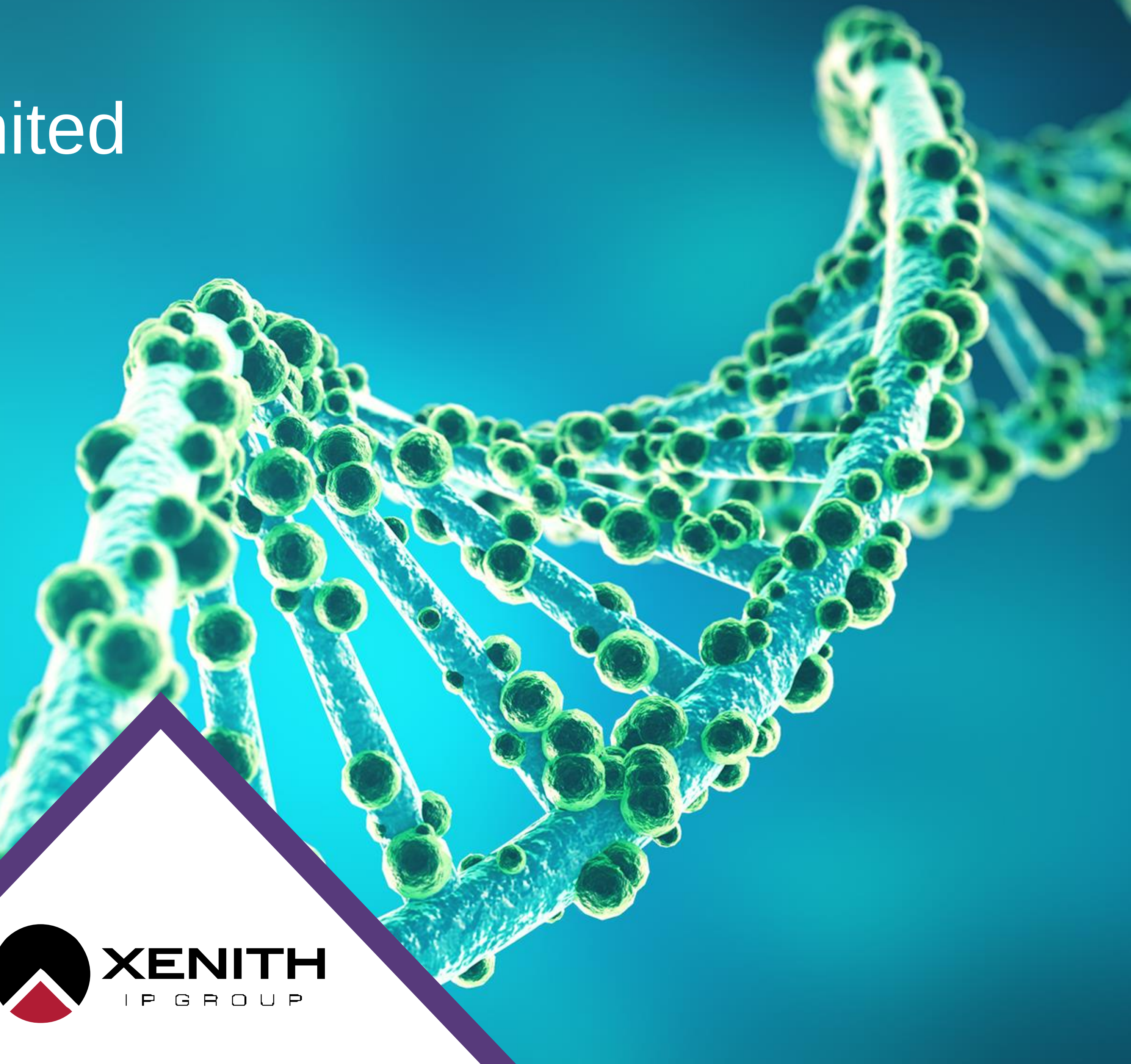
Xenith IP Group Limited
FY18 Results

29 August 2018



Agenda

1. Highlights
2. Market Update
3. FY18 Financial Results
4. Business Update
5. Industry Update
6. Outlook
7. Appendices

Highlights

Operational

- Making continued progress
  - Results within guidance (underlying EBITDA $18.1m)
  - Stronger 2H FY18 (EBITDA $10.3m v $7.8m in 1H FY18)
  - Solid filings growth in 2H FY18
  - Rebalancing of capacity to match workload underway across Group

- Comprehensive transformation program underway
  - Detailed review of all technology platforms completed: strategic technology partners selected and move to the cloud underway
  - Change readiness program underway; technology implementation to commence late FY19 / early FY20
  - FY19 focus on continued improvement in practice management fundamentals

- Improving industry environment
  - Industry filing volumes returned to growth in 2H FY18 (up 3.3% on 1H FY18)
  - Xenith IP outperformed the market in 2H FY18 (up 9.6% on 1H FY18)
  - Prosecution pipeline returning to growth from new baseline

Highlights
Financial

- 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
- Dividend per share of 7.5 cents in FY18 - up 50% on pcp
  - Final dividend of 4.5 cents per share - 70% of NPATA
- Strong cash flow conversion ratio of 93%
- Net debt of $13m (30 June 2017: $11.3m). Leverage ratio of 1.0
- Statutory Net Loss After Tax of $14.7m reflects a one off non-cash impairment charge of $20.7m - Griffith Hack

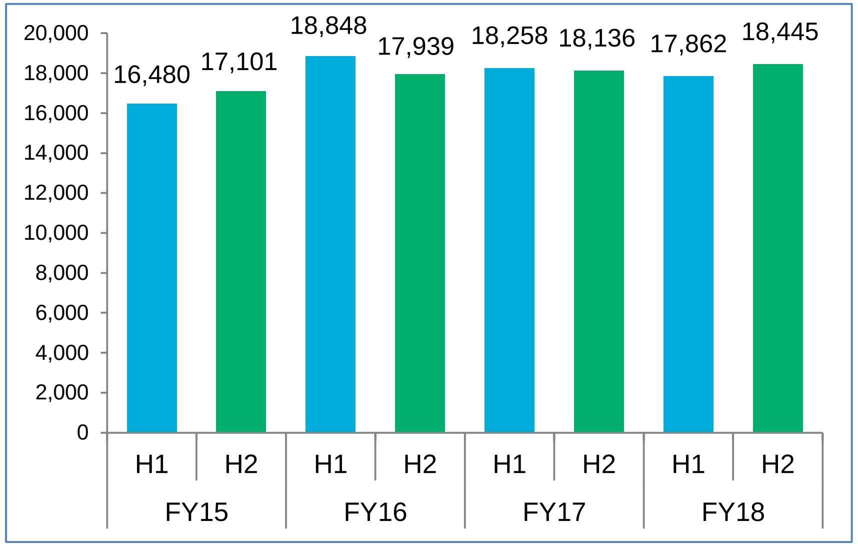
	Underlying		Statutory	
	FY18	% Change	FY18	% Change
Revenue ($m)	126.3	49%	126.3	49%
EBITDA ($m)	18.1	17%	(4.3)	(143%)
NPATA ($m)	10.4	7%	(11.6)	(319%)
NPAT ($m)	7.4	(12%)	(14.7)	(477%)
EPS (cents)	8.3	(38%)	(16.6)	(360%)
DPS (cents)			7.5	50%

Market Update

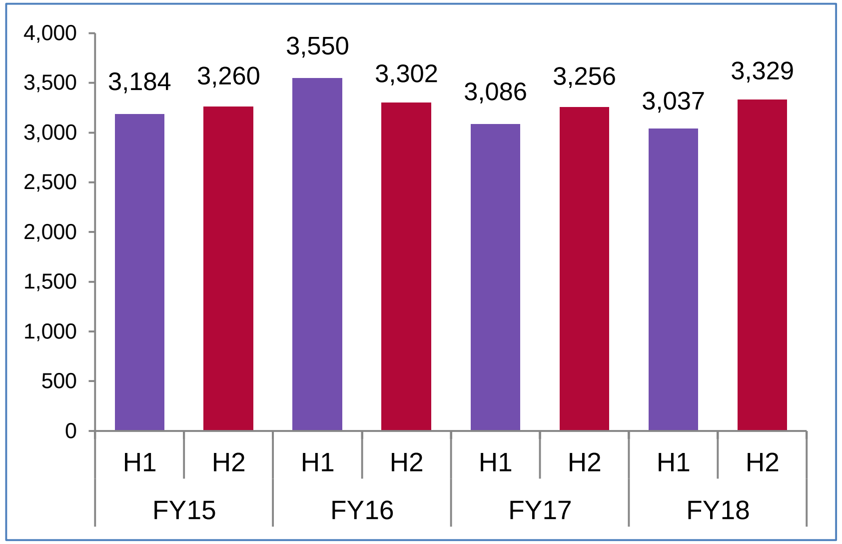
Market Update

Australian Patent Filings

Industry (1)



Xenith IP Group (2)



Highlights

- Xenith outperformed the industry on pcps, with strong momentum in 2H FY18
- Signs of return to normal industry growth in patent filings in 2H FY18
- Previous pull-forward effects of AIA[3] appear to have normalized

FY18 vs FY17
- Industry -0.24%
- XIP +0.38%

2H FY18 vs 1H FY18
- Industry +3.3%
- XIP +9.6%

2H FY18 vs 2H FY17
- Industry +1.7%
- XIP +2.2%

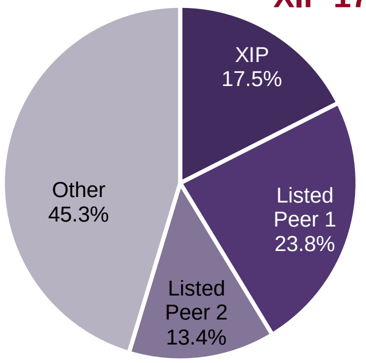
Footnotes:
1. Source: IP Australia – Total Australian patent applications (all types including AU provisional, complete, national phase and innovation patent applications) domestic and foreign applicants
2. Source: IP Australia – Data for Xenith presented on pro forma basis - assuming Xenith entities owned throughout each reporting period
3. AIA: America Invents Act

Market Update

Xenith achieves strong market leadership positions

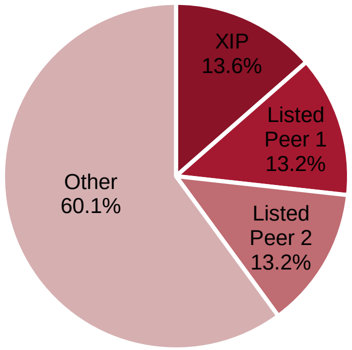
Market Shares Australian Patents[(1)]	Market shares Australian PCT Applications[(2)]	Market shares Australian Trade Marks[(3)]	Market shares Australian Registered Designs[(4)]

XIP 17.5%



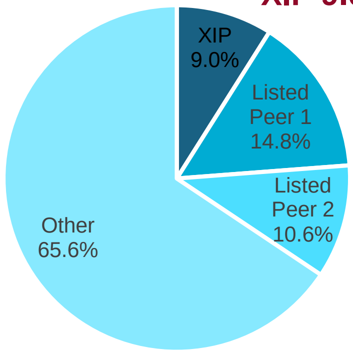
XIP #2

XIP 13.6%



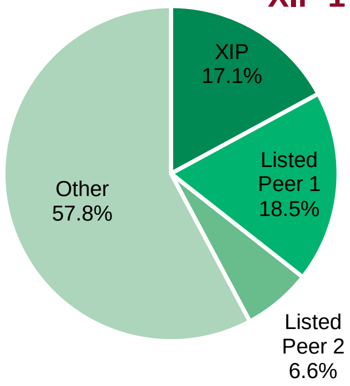
XIP #1

XIP 9.0%



XIP #3

XIP 17.1%



XIP #2

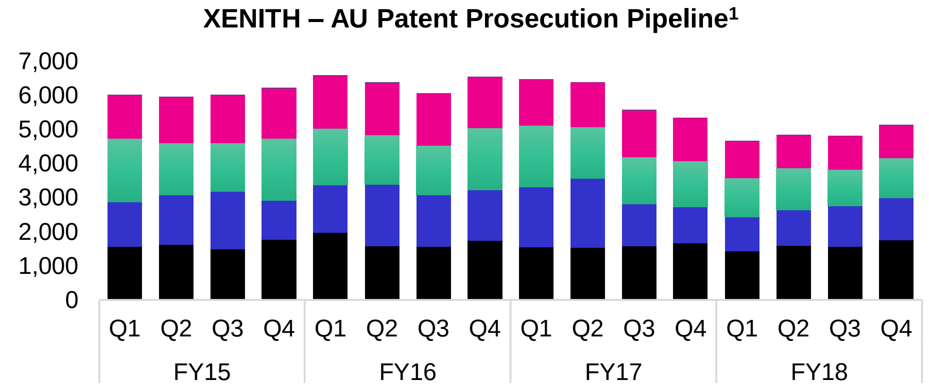
Footnotes:

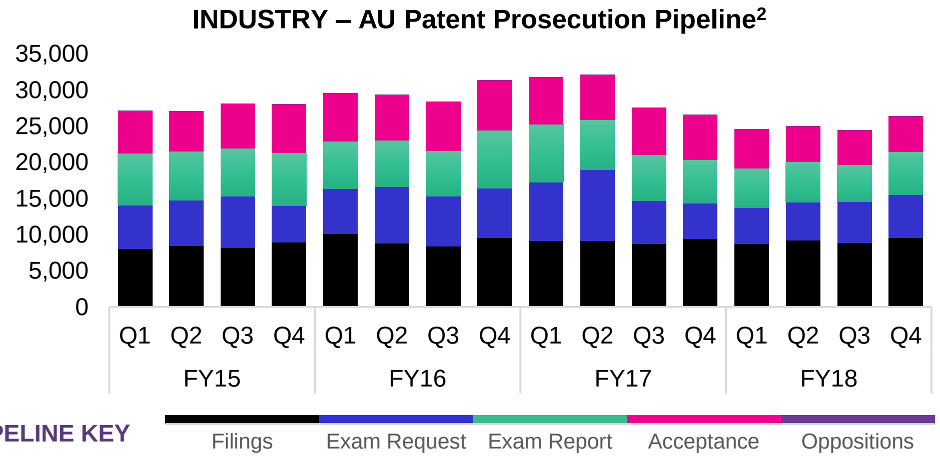
1. Source: IP Australia – Market shares in FY18 based on Australian patent applications (all types including AU provisional, complete, national phase and innovation patent applications)
2. Source: IP Australia – Market shares in CY17 based on Australian originating PCT applications (i.e. AU as the priority country) filed in CY17 and published as at 15 July 2018 (NB: applications for all of FY18 not yet published)
3. Source: IP Australia – Market shares in FY18 based on Australian trade mark applications filed through the top 50 filing agents – as proxy for the addressable market – with XIP market share including applications filed through 'Amplia' platform
4. Source: IP Australia – Market shares in FY18 based on Australian registered design applications

Market share data presented on a pro forma basis, with any acquisitions completed in the analysis period included for the full period

Market Update

Australian Patent Prosecution Pipeline





Key observations

- Rigorous analysis of industry data undertaken in 2H FY18, given softness in prior period
- RTB[3] and AIA[3] legislative changes created pull-forward effects in FY13 and FY16 respectively
- Consequential prolonged backlogs in the prosecution pipeline
  - still normalising through FY17
  - creating challenging prior year comparatives in FY18
- Indications of positive growth momentum emerging across patent prosecution pipeline through FY18, albeit from new baseline

Footnotes:
1. Source: IP Australia – Data for Xenith presented on pro forma basis - assuming Xenith entities owned throughout each reporting period
2. Source: IP Australia
3. RTB: 'Raising the Bar' Legislation / AIA: America Invents Act

FY18 Financial Results

FY18 Financial Results

Underlying Income Statement

	FY18 $m	FY17 $m	Var $m	%
Service fee	88.6	60.6	28.0	46%
Recoverable disbursements	37.7	24.3	13.4	55%
Total Revenue	**126.3**	**84.9**	**41.4**	**49%**
Other income	0.1	0.0	0.1	
Expenses				
Employee Benefits	(52.4)	(33.8)	(18.6)	55%
Recoverable disbursements	(37.6)	(24.4)	(13.2)	55%
Occupancy expense	(7.5)	(4.7)	(2.8)	60%
Net foreign exchange gain/loss	0.0	(0.1)	0.1	(100%)
All other expenses	(10.8)	(6.4)	(4.4)	69%
EBITDA	**18.1**	**15.5**	**2.6**	**17%**
Depreciation and Amortisation	(6.4)	(3.1)	(3.3)	107%
Net interest expense	(1.1)	(0.4)	(0.7)	177%
Net profit before tax	**10.6**	**12.0**	**(1.4)**	**(12%)**
Income Tax Expense	(3.2)	(3.6)	0.4	(12%)
Net profit after tax	**7.4**	**8.4**	**(1.0)**	**(12%)**
NPATA	**10.4**	**9.7**	**0.7**	**7%**
EPS (cents per share)	8.3	13.5	(5.2)	(38%)

Service fee revenue increased $28.0m or 46%

- Includes full year contribution from acquisitions of $61.7m (FY17: $32.5m) - an increase of $29.2m
- Shelston IP reported a reduction in service fee revenue of $0.7m or 2.5% on a constant currency basis. This is attributed to lower levels of patent prosecution revenues
- Foreign currency headwinds in current year resulted in reduction in service fee revenue of $0.5m

Operating expenses impacting EBITDA

- Movement in expenses largely related to impact of acquisitions. Refer EBITDA bridging analysis on next slide

Depreciation and Amortisation

- Current year expense of $6.4m (FY17: $3.1m) reflects full year of acquisitions including amortisation expense of $4.4m arising on acquired intangible assets (FY17: $2.0m)

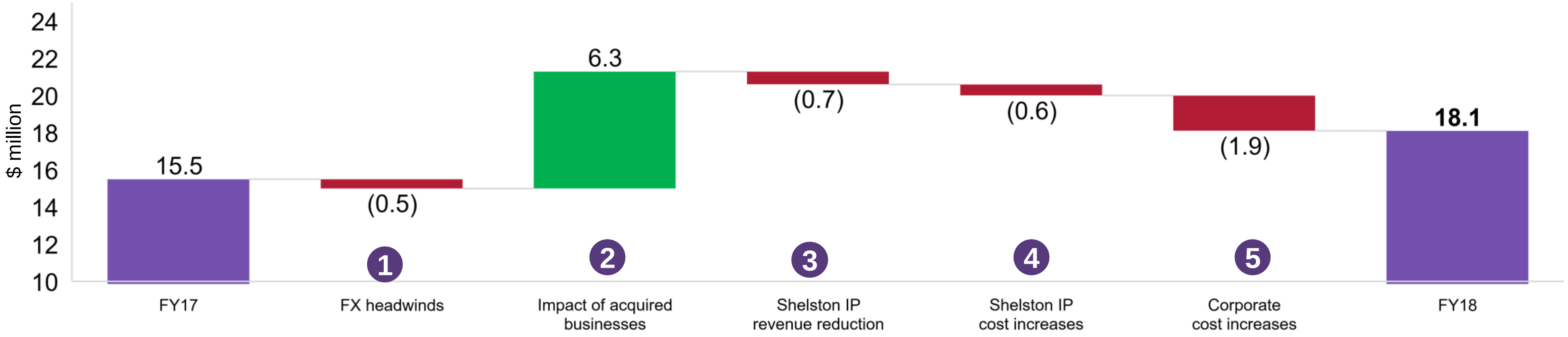
Net interest expense

- Increase of $0.7m due to increased debt levels post funding the Griffith Hack acquisition in Feb 2017

Footnote:
Refer to reconciliation of statutory to underlying results included as an Appendix 1 to this presentation

FY18 Financial Results

Underlying EBITDA Bridging analysis



1. Reduction in service fee revenue of $0.5m due to unfavourable movement in foreign currency rates relative to pcp. Average AUD:USD exchange rate in FY18 of 0.78 (FY17: 0.75)
2. Additional contribution from acquired businesses (on a constant currency basis) - FY18 underlying EBITDA of $14.4m (FY17: $8.1m)
3. Reduction in Shelston IP service fee revenue of $0.7m or 2.5% (on a constant currency basis). This is attributed to softness in patent prosecution revenue as highlighted on slide 8 in the Market Update section
4. Increase in Shelston IP expenses of $0.6m, largely related to annual salary increases
5. Transformational acquisitions in prior year resulted in a significantly larger and more diversified business. XIP has invested in appropriate corporate resources to better manage this transformation ahead of realisation of synergy benefits. This includes a CEO with deep management and transformational experience, a Chief Transformation Officer, a CIO and a Chief Corporate Development Officer to assist with the expansion into Asia

FY18 Financial Results

Cash Flow

	FY18 $m	FY17 $m
Statutory EBITDA*	**16.4**	**10.1**
Non-Cash Movements	0.4	2.9
Working capital movements	(1.5)	(1.5)
Cash flow before financing, investing and tax	**15.3**	**11.5**
Cash conversion ratio	93%	114%
Capital expenditure	(1.9)	(1.9)
Net interest paid	(1.0)	(0.7)
Tax paid	(5.6)	(1.3)
Free Cash Flow	**6.8**	**7.6**
Financing and investing Activities		
Purchase of controlled entities	(2.7)	(88.3)
Capital raisings	0.0	72.3
Debt drawdown	0.7	10.8
Dividends paid	(5.7)	(3.5)
Revaluation of cash	(0.0)	(0.1)
Net Cash Flow for the period	**(0.9)**	**(1.2)**
Cash on hand	**2.8**	**3.6**

Footnote:
* Statutory EBITDA adjusted to exclude $20.7m one-off non-cash impairment charge

- Strong cash flow conversion ratio of 93% of EBITDA
  - Working capital expected to improve in FY19 - current year includes two large aged debtor balances totaling $1.5m expected to be received in 1H FY 19.
- Capex spend of $1.9m includes
  - $0.9m in fit out costs and make good payments arising on co-location of Griffith Hack and Watermark offices in Sydney and Perth
- Tax paid of $5.6m includes
  - $2.9m incurred in relation to FY17 catch up tax payments
  - $2.7m incurred in FY18 income tax instalments
- Purchase of controlled entities
  - $2.7m earnout payment (cash component) in Sept 17 related to the Watermark acquisition

FY18 Financial Results

Balance Sheet

	30-Jun-18 $m	30-Jun-17 $m	Var $m
Cash and cash equivalents	2.8	3.6	(0.8)
Trade and other receivables	28.7	29.1	(0.4)
Work in progress	4.1	2.2	1.9
Prepayments	2.1	1.8	0.3
Property, plant and equipment	6.0	6.6	(0.6)
Intangible assets	137.4	162.7	(25.3)
Income tax receivable	0.3	-	0.3
Total assets	**181.4**	**206.0**	**(24.6)**
Liabilities			
Trade and other payables	(8.3)	(7.0)	(1.3)
Provisions	(9.7)	(14.9)	5.2
Other liabilities	(7.3)	(8.4)	1.1
Borrowings	(15.8)	(14.9)	(0.9)
Income tax payable	-	(2.6)	2.6
Deferred tax liability	(14.8)	(15.4)	0.6
Total liabilities	**(55.9)**	**(63.2)**	**7.3**
Net assets	**125.5**	**142.8**	**(17.3)**
Equity			
Issued capital	144.5	141.4	3.1
Reserves	0.9	0.9	-
Retained earnings	(19.9)	0.5	(20.4)
Total equity	**125.5**	**142.8**	**(17.3)**

Key balance sheet movements include

- Trade debtors and WIP of $32.8m (30 June 2017: $31.3m) increased by $1.5m. Current year includes two large aged debtor balances totalling circa $1.5m expected to be received in 1H FY19
- $25.3m reduction in intangible assets includes
  - one off non-cash impairment charge against goodwill of $20.5m (largely Griffith Hack CGU)
  - $4.6m amortisation expense related to intangible assets
- $0.3m tax receivable (30 June 2017: tax payable $2.6m)
- $5.2m reduction in provisions reflects settlement of $5.2m in Watermark earnout payment ($2.7m cash and $2.5m in equity)

Net debt

- Net debt at 30 June 2018 of $13m (30 June 2017: $11.2m) reflects
  - $2.9m of FY17 catch up tax payments
  - payment of earnout cash component of $2.7m to Watermark Vendors
- Leverage ratio at 30 Jun 2018 of 1.0 (30 June 2017: 0.76) comfortably within covenant of <2 times
- Facility limit of $50 million ($30 million undrawn)
- Expiry 1 Feb 2020

Business Update

Business Update

One of Australasia's leading specialist IP groups

Our house of brands

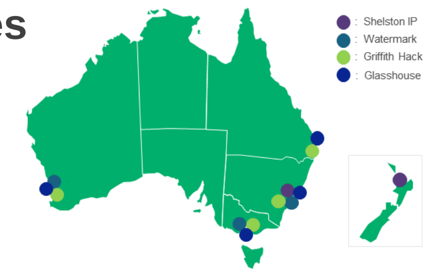
5

Xenith IP Group

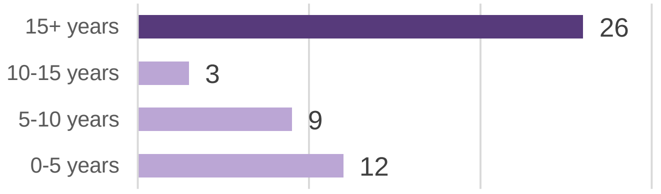
griffith hack | Shelston IP | Watermark | Glasshouse Advisory

Our offices

13

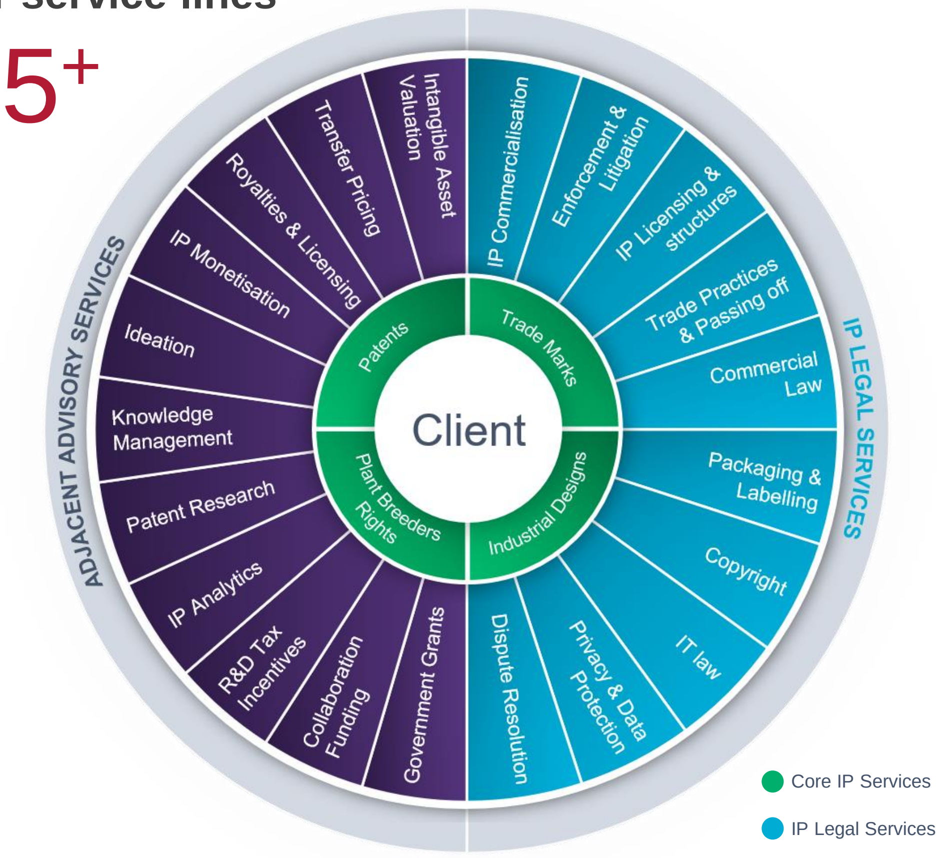


Our top 50 clients - tenure



Our service lines

25+



Our staff

400

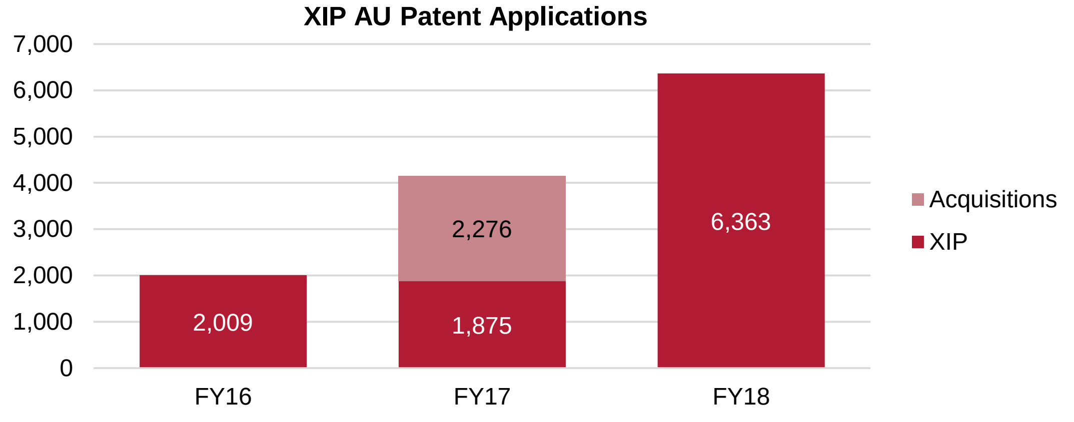
156 IP Professionals

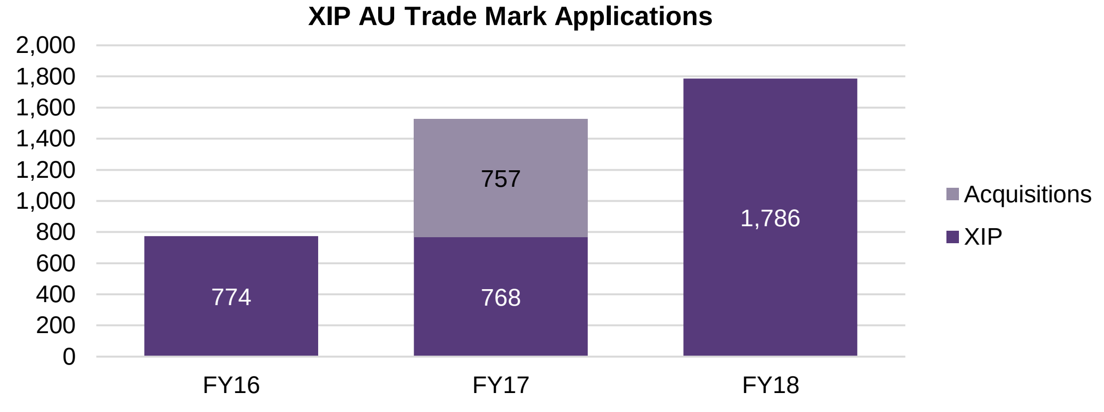
Our clients

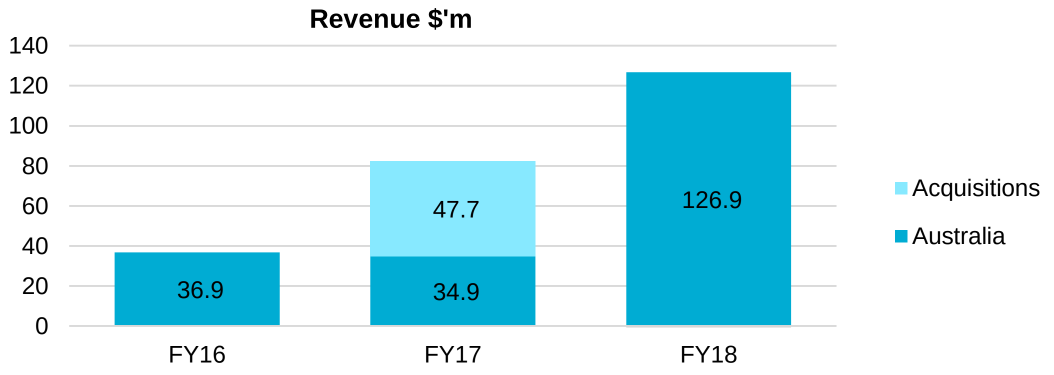
11K+

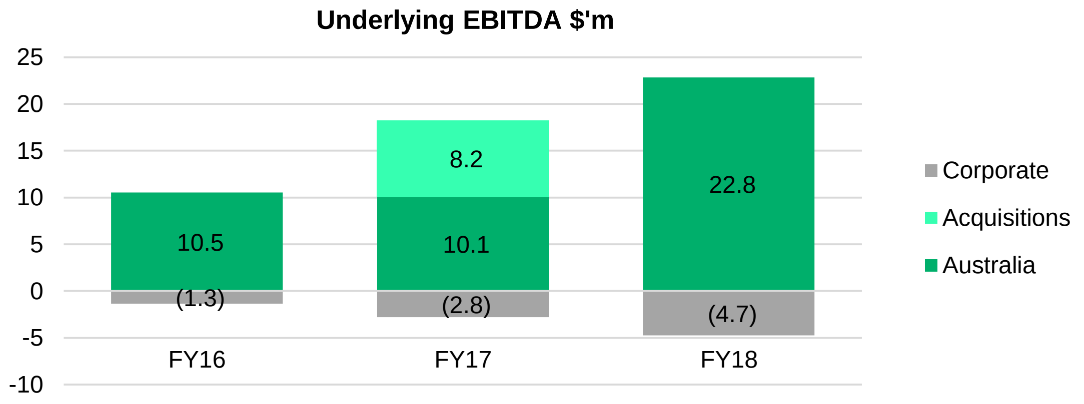
Business Update

Transformation in Scale Achieved Through Acquisitions









Business Update
Transformation

- We have developed a comprehensive transformation plan across six key areas
- Transformation is now underway - benefits as per previous guidance
  - Costs of $4m - $6m (one-off)
  - Benefits of $6m - $8m (annualised)
  - Delivered over next 2-3 years
- Technology transformation well advanced
  - Strategic technology partners selected
  - Business cases and implementation plans developed
  - Implementation to commence late FY19 / early FY20
- Focus for FY19 is on continued improvement in operational disciplines and investments in each of the six areas

Business Update

Transformation – FY19 Initiatives

Governance	• Continue to improve disciplines across all aspects of practice management • Further develop and implement common frameworks and reporting tools across the group • Continuing to manage cultural transition from partnership to public company
Our People	• Implement the Xenith Academy across three pillars of: leadership, commercial acumen and technical excellence • Complete our values and behaviours project and embed this into all of our people processes • Complete strategic review of remuneration and performance-based incentives
Our Clients	• Further implement a consistent client engagement methodology and drive disciplined execution • Continue to build deeper skillsets and toolsets in support of collaboration • Further develop our marketing collateral (case studies, client references, white papers)
Digital	• Continue to build our core digital development capability; develop next generation portfolio management platform • Complete and extend our AI proof-of-concept through to implementation • Continue transition to cloud-based platforms across all aspects of technology
Growth	• Continue to develop and implement Asia expansion plans, both within traditional IP domains as well as advisory services • Continue to develop advisory service offerings within Glasshouse Advisory • Implement change readiness programs to prepare for major transformation projects
Our Shareholders	• Focusing on the above initiatives will deliver increased shareholder value • Continue to deliver earnings growth from new initiatives

Business Update

Three Phased Transformation Program

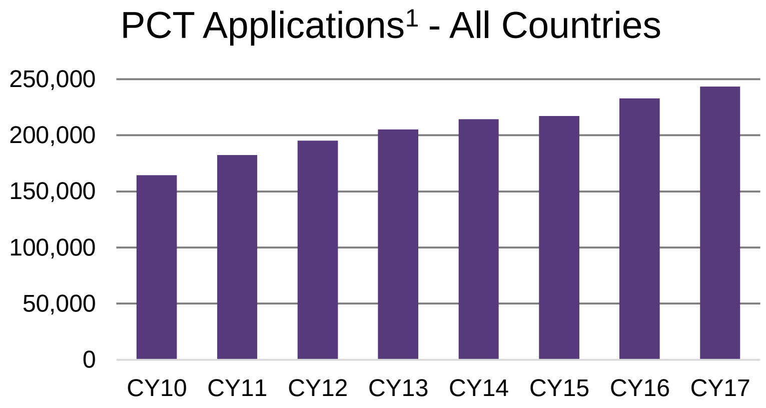
Phase One (FY18/19)	Phase Two (FY19/20)	Phase Three (FY20/21)
• Baseline financial performance established • Practice management fundamentals in place • Capacity adjusted for workload • Cloud strategy developed, technology partners selected, collaboration platform in place • Values and behaviours defined and in place • Business transformation office established • Core digital capabilities established; AI pilot • Asia strategy developed, strategic partners identified • Rewards and incentives program developed • Xenith Academy plan developed and underway • Brand architecture developed • Client engagement methodology established • Future way of work vision developed (IP in 2023)	• Modest revenue and earnings growth • Client engagement plans driving new growth • Practice management continuous improvement • Core systems moved to world-class cloud platforms • Values and behaviours embedded • AI and digital → from pilot to production; new revenue streams emerging • Asia strategic partnerships / acquisitions commenced • Glasshouse Advisory expanded • Xenith Academy accelerating learning and development	• Consistent and steady growth in revenue and earnings (new geographies, new service lines, digital revenues) • Asia expansion accelerated (>25% of revenue) • Xenith Academy a key differentiator • Values and behaviours at our core • Client engagement model best practice • Glasshouse Advisory services further expanded • Market leaders in AI, data and digital platforms • Future way of work vision in place • Differentiated brand architectures in place • Role model in corporate governance

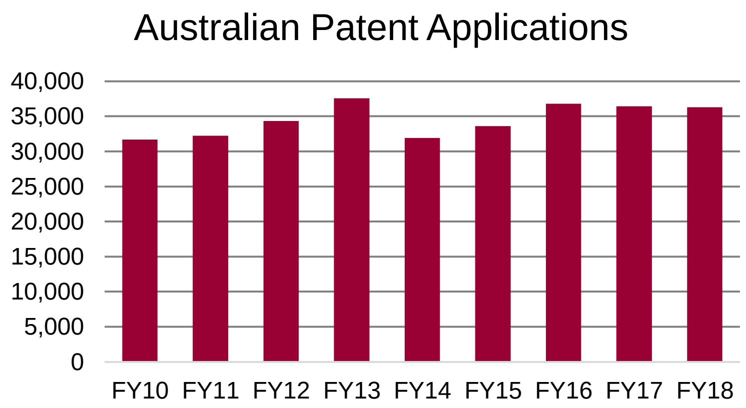
Industry Update

Industry Update

Highlights

- Global IP industry dynamics continue to show supportive long term momentum - with PCT patent applications growing at +5.8% (CAGR) from CY10 to CY18 *(full year PCT figures for FY18 not yet published)*
- Australian patent applications show positive but softer growth at +1.7% (CAGR) from FY10 to FY18





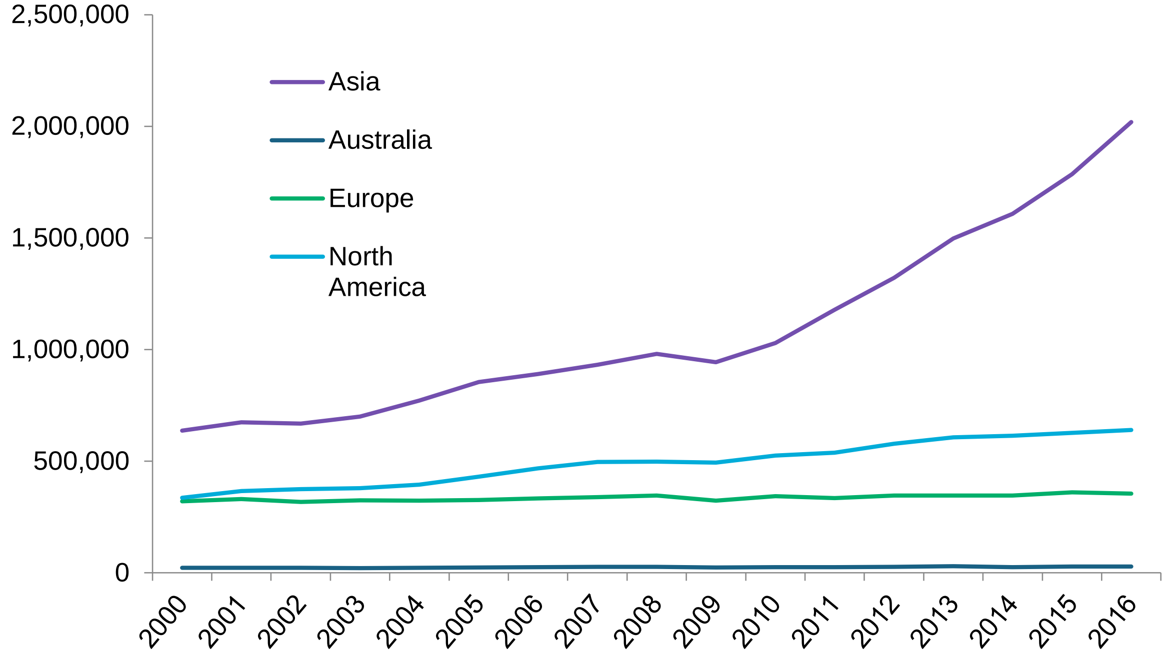
Footnote:
1. A PCT (Patent Cooperation Treaty) application is a single international patent application administered by the World Intellectual Property Organisation (WIPO) that has initial effect in over 140 countries (signatories to the treaty) for a period of up to 31 months from the earliest priority date, subsequently requiring national phase entry in each jurisdiction in which national or regional patent protection is sought

Industry Update

Asia

- IP offices in Asia collectively receive the highest numbers of applications for patents, trade marks and designs relative to all other regions combined
- Growth in patent activity in Asia far outstrips that in other regions, strongly influenced by growth in China
- Asia accounts for more than half of all PCT patent applications filed globally
- Xenith's strategies for growth include a significant focus on Asia, with highlights including
  - Continued strong growth in revenues from China
  - Momentum building in 'OneAsia' regional hub services
  - Relationships developing with regional strategic alliance partners.

Total Patent Applications by Region[1] – Long Term Trends



Footnote:

1. Source: WIPO Report 2017 – Statistics for patent applications filed by both resident and non-resident applicants.

Outlook

Summary and Outlook

Making solid progress
- FY18 first full year of operating as merged group
- 2H FY18 delivered stronger performance; new baseline established
- 2H FY18 return to normal industry filings growth → XIP outperformed the market

Plan for growth underway
- Transformation program now being implemented - expect to see continued positive impact
- Significant progress on Asia strategy
- Launch of Xenith Academy to focus on training and development of our people

Cost and productivity initiatives
- Annual salary increase deferred and payable as bonus on achievement of FY19 financial targets
- STI plans evolving towards team based performance; focused on growth
- New practice group structures implemented within Griffith Hack; external appointees with strong professional services leadership experience

Outlook
- 2H FY18 is the new base
- Expect to see modest growth in earnings in FY19 as we execute our transformation plan

Appendices

Appendix 1

Statutory to Underlying Income Statement Bridge

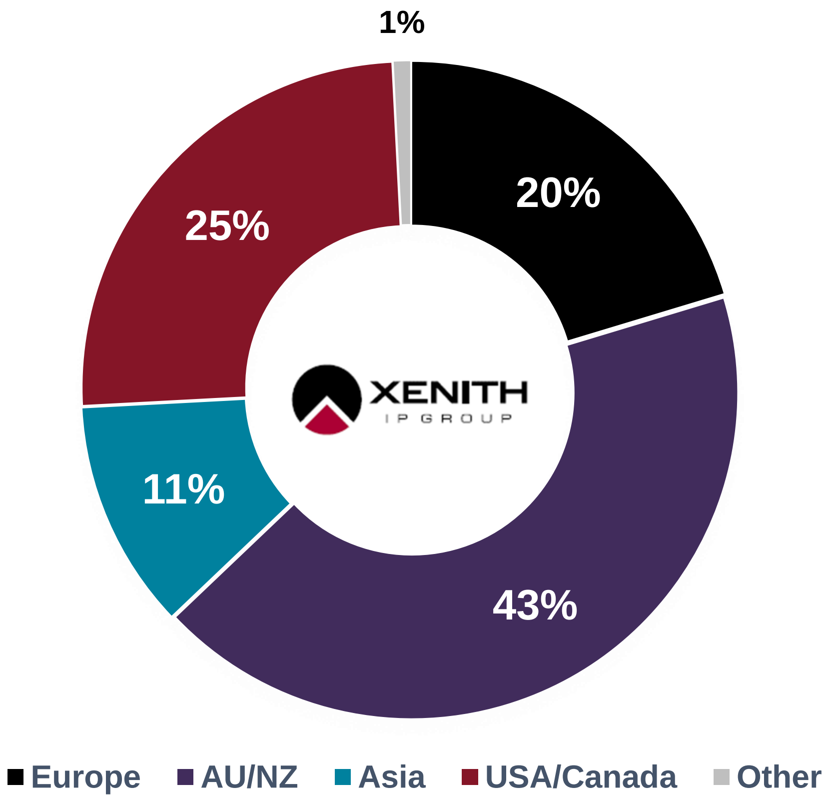
Description	FY18 Statutory $m	Impairment losses $m	Restructure Expenses $m	Integration expenses $m	Acquisition expenses $m	IPO related expenses $m	Underlying $m
Service fee	**88.6**	**-**	**-**	**-**	**-**	**-**	**88.6**
Recoverable disbursements	**37.7**	**-**	**-**	**-**	**-**	**-**	**37.7**
Revenue	**126.3**	**-**	**-**	**-**	**-**	**-**	**126.3**
Other income	**0.1**	**-**	**-**	**-**	**-**	**-**	**0.1**
Expenses							
Employee Benefits	**(53.6)**	-	0.6	-	-	0.6	**(52.4)**
Recoverable disbursements	**(37.6)**	-	-	-	-	-	**(37.6)**
Occupancy expense	**(7.6)**	-	0.1	-	-	-	**(7.5)**
Impairment	**(20.7)**	20.7	-	-	-	-	-
Acquisition related expenses	**-**		-	-	-	-	-
Net foreign exchange gain/loss	**-**	-	-	-	-	-	-
All other expenses	**(11.2)**	-	-	0.3	0.1	-	**(10.8)**
EBITDA	**(4.3)**	20.7	0.7	0.3	0.1	0.6	**18.1**
Depreciation and Amortisation	**(6.5)**	-	-	0.1	-	-	**(6.4)**
Net interest expense	**(1.2)**	-	-	-	0.1	-	**(1.1)**
Net (loss)/profit before tax	**(12.0)**	20.7	0.7	0.4	0.2	0.6	**10.6**
Income Tax Expense	**(2.7)**	(0.1)	(0.2)	(0.0)	(0.1)	(0.1)	**(3.2)**
Net (loss)/profit after tax	**(14.7)**	20.6	0.5	0.4	0.1	0.5	**7.4**
NPATA	**(11.6)**	20.6	0.5	0.4	0.1	0.5	**10.4**

Description	FY17 Statutory $m	Integration expenses $m	Acquisition expenses $m	IPO related expenses $m	Underlying $m
Service fee	**60.6**	-	-	-	**60.6**
Recoverable disbursements	**24.3**	-		-	**24.3**
Revenue	**84.9**	-	-	-	**84.9**
Other income	**0.2**	-	(0.2)	-	**-**
Expenses					
Employee Benefits	**(35.1)**	0.5	-	0.8	**(33.8)**
Recoverable disbursements	**(24.4)**	-	-	-	**(24.4)**
Occupancy expense	**(4.7)**	-	-	-	**(4.7)**
Impairment	**-**	-	-	-	-
Acquisition related expenses	**(3.8)**	-	3.8	-	-
Net foreign exchange gain/loss	**(0.1)**	-	-	-	**(0.1)**
All other expenses	**(6.9)**	0.5	-	-	**(6.4)**
EBITDA	**10.1**	1.0	3.6	0.8	**15.5**
Depreciation and Amortisation	**(3.1)**	-	-	-	**(3.1)**
Net interest expense	**(0.7)**	-	0.3	-	**(0.4)**
Net (loss)/profit before tax	**6.3**	1.0	3.9	0.8	**12.0**
Income Tax Expense	**(2.4)**	(0.3)	(0.6)	(0.3)	**(3.6)**
Net (loss)/profit after tax	**3.9**	0.7	3.3	0.5	**8.4**
NPATA	**5.4**	0.7	3.2	0.5	**9.7**

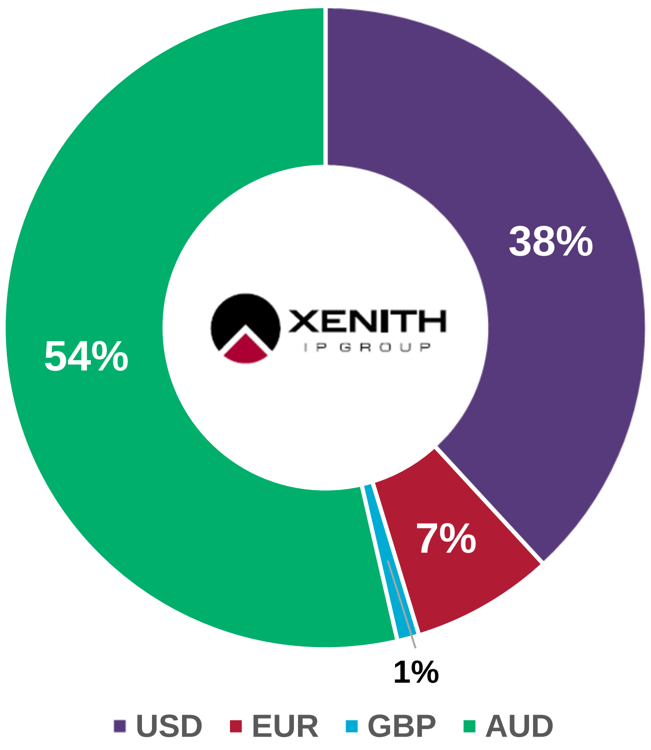
Appendix 2

Revenue breakdown - FY18

Revenue by client geography[1] (%)



Revenue by currency[1] (%)



Footnote:

1. Service fee revenue – exclusive of recoverable disbursements

Appendix 3

IP Lifecycle

Pre-Filing

- IP Searching
- Registrability advice
- Competitor IP analysis
- Freedom to operate searching and advice
- IP strategy formulation
- Drafting specifications

REVENUE 3-6 MONTHS

Filing

- Preparing & filing applications (locally and internationally)
- Monitoring deadlines
- Case management
- Post-filing administration

REVENUE UP TO 3 YEARS

Examination / responding to examination

PROSECUTION PHASE

- Initiating examination
- Analysing and advising on examination reports
- Formulating prosecution strategies
- Responding to official examination reports

REVENUE 2- 5 YEARS

Acceptance and registration processing

GRANT PHASE

- Acceptance and registration procedures
- Post-acceptance oppositions and re-examinations

REVENUE UP TO 2 YEARS

Maintenance

Advisory

- IP portfolio management
- Commercialisation advice
- Enforcement & defence
- Maintenance & renewals

REVENUE 20+ YEARS