
Recommended Merger of QANTM Intellectual Property Limited and Xenith IP Group Limited

27 November 2018



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Recommended merger of QANTM INTELLECTUAL PROPERTY LIMITED and XENITH IP GROUP LIMITED

Merger of equals

An unparalleled portfolio of industry leading and independent IP services businesses





Transaction summary

<p>Structure</p>	<ul style="list-style-type: none"> • All scrip offer by QANTM to be effected by way of a Xenith Scheme of Arrangement • Merger Exchange Ratio: Xenith shareholders to receive 1.22 QANTM shares for each Xenith share held¹ • QANTM and Xenith shareholders to own 55% and 45% respectively of the Merged Group
<p>Merged Group</p>	<ul style="list-style-type: none"> • Pro forma market capitalisation of \$285.2 million², increased liquidity and enhanced potential for ASX300 inclusion • Merger Exchange Ratio determined on the basis of a range of financial and equity contribution metrics • Merged Group Board to consist of Richard England (Chair), Sibylle Krieger (Deputy Chair), Craig Dower (Managing Director and CEO), and Leon Allen (Executive Director). Two more directors to be appointed – one each from QANTM and Xenith’s current Boards
<p>Key terms of scheme</p>	<ul style="list-style-type: none"> • Scheme Booklet dispatch to Xenith shareholders is anticipated to be in late February 2019, with Xenith shareholder vote expected to be held in late March 2019 • Completion subject to Court and Xenith shareholders approving the Scheme of Arrangement • Completion subject to obtaining ACCC clearance, and other regulatory and customary conditions • Completion anticipated April 2019
<p>Board recommendation</p>	<ul style="list-style-type: none"> • Xenith's Board of Directors unanimously recommends that Xenith shareholders vote in favour of the Scheme • This recommendation is in the absence of any superior proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of Xenith shareholders

Note:

1. QANTM and Xenith are permitted to pay FY19 interim dividends as part of the transaction in the ordinary course of business
2. Based on the QANTM and Xenith closing share price as at 26 November 2018, being the last trading day prior to the announcement of the transaction. Based on fully diluted shares on issue

Overview of Merged Group

Pro forma Merged Group			Estimated cost synergies ^{3,4}	Pro forma Merged Group ⁵
Market capitalisation ¹ (\$m)	174.3	110.9	n/a	285.2
Net debt ² (\$m)	8.3	13.0	n/a	21.3
Enterprise value (\$m)	182.6	123.9	n/a	306.5
FY18 service fee revenue (\$m)	76.5	88.6	-	165.1
FY18 total revenue (\$m)	101.7	126.3	-	228.0
FY18 underlying EBITDA (\$m)	20.1	18.1	7.0	45.2
<i>FY18 EBITDA margin (% of service fee revenue)</i>	26.3%	20.4%	n/a	27.4% ⁶

Source: FactSet, Company filings

1. Based on closing share price of QANTM and Xenith as at 26 November 2018 based on fully diluted shares on issue

2. Net debt as of 30 June 2018 does not include adjustments for one-off transaction costs

3. Estimated cost synergies are separate and incremental to those already disclosed by Xenith as it relates to the business transformation described in its FY18 Results Presentation

4. Synergies are estimated to be realised by the end of year 3 after completion of the merger with a one-off implementation cost of \$7m

5. Does not account for any differences in accounting treatment, disclosure and acquisition accounting adjustments

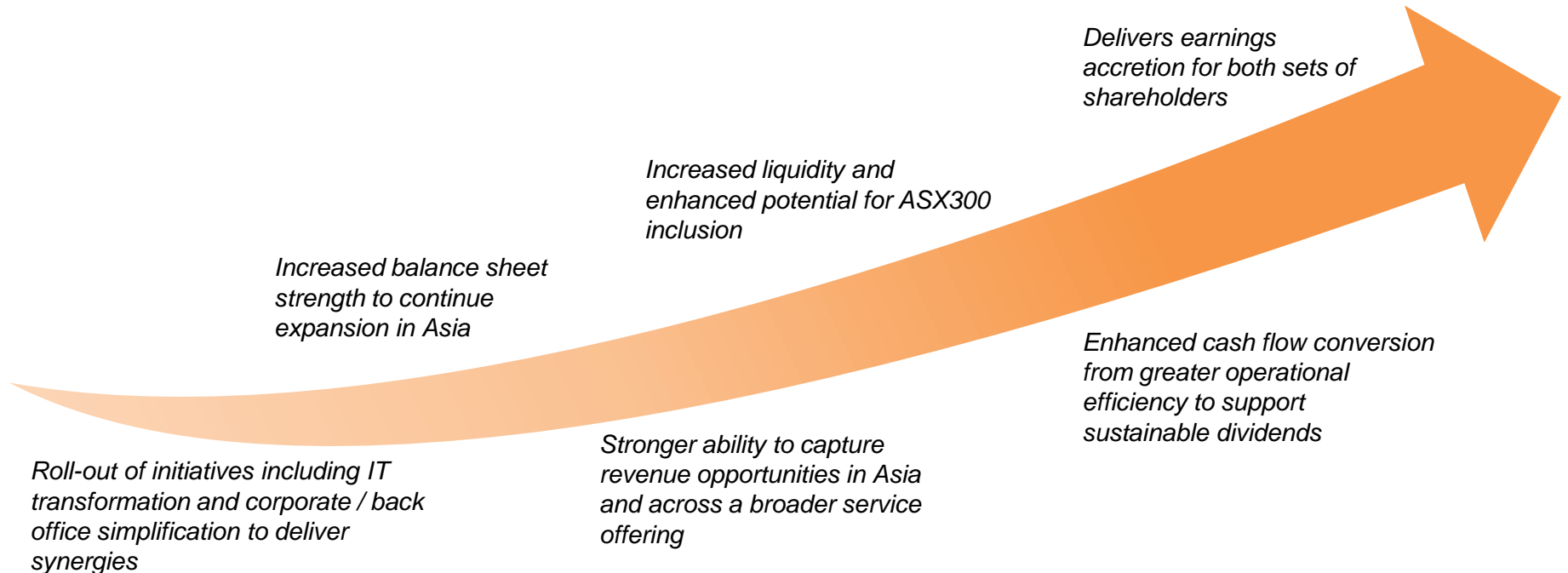
6. Pro forma FY18 EBITDA margin of the Merged Group includes the impact of estimated cost synergies

Recommended merger of **QANTM INTELLECTUAL PROPERTY LIMITED** and **XENITH IP GROUP LIMITED**



Significantly enhances shareholder value

- Estimated cost synergies of \$7 million per annum to be realised by the end of year three after completion of the merger¹
- Estimated one-time implementation costs of \$7 million¹
- The transaction is expected to be EPS accretive for all shareholders²



Note

1. Estimated synergies and associated costs from the transaction are separate and incremental to those already disclosed to by Xenith as it relates to the business transformation described in its FY18 Results Presentation
2. EPS accretive from year one pro forma for the full run rate of synergies expected to be achieved

Merger Rationale

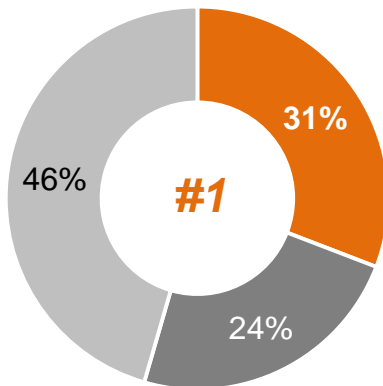
1	<p>Creates a market leading IP services group</p>	<ul style="list-style-type: none"> • Leading market positions across a spectrum of IP services in Australia • Leading provider of IP origination services in Australia • Broad base of complementary IP, legal and advisory services • Strategic and cultural alignment
2	<p>Accelerates growth in Asia</p>	<ul style="list-style-type: none"> • Aligned vision and strategy for growth domestically and in Asia • Leverage QANTM's existing presence in Asia with Xenith's growing operations, clients and opportunities in the region • Strengthens balance sheet to pursue acquisition and other growth opportunities
3	<p>Greater scale and efficiencies</p>	<ul style="list-style-type: none"> • Planned implementation of world-class platforms and streamlining processes • Standardises systems to rationalise back office duplication
4	<p>Drives automation and innovation</p>	<ul style="list-style-type: none"> • Greater ability to invest in technology and innovation • Allows sharing of technology platforms and business transformation strategies
5	<p>Expands client base</p>	<ul style="list-style-type: none"> • Both Groups have long standing, premium client bases • Combined client portfolio will be larger and more diversified
6	<p>Enhances career opportunities</p>	<ul style="list-style-type: none"> • Facilitates an innovative and high-performance culture that attracts, retains and rewards top talent

1

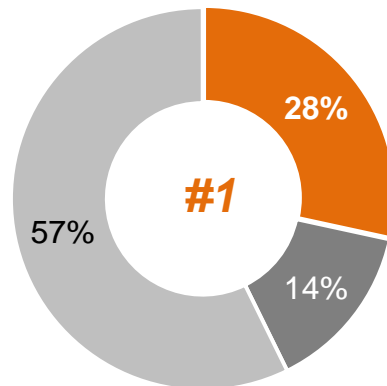
Creates a market leading IP services group

Australian market shares

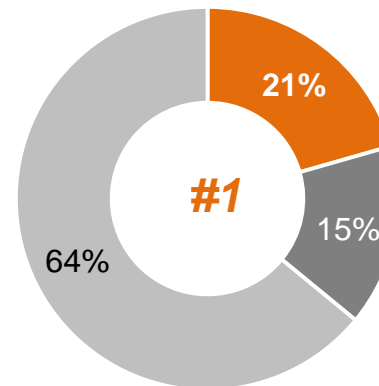
Patents¹



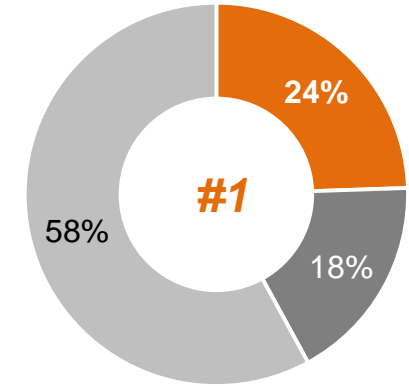
PCT applications²



Trade marks³



Registered designs⁴



Note

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
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
 Each of the practices within the Group operate independently and data above is aggregated
 Figures displayed in each chart may not sum to 100% due to rounding

1

Creates a market leading IP services group



Established	1859	1859	1877	1890	1904	2000	2017
	<i>Founding XIP brand with history dating over 150 years</i>	<i>Over 150 years of IP experience</i>	<i>One of Australia's largest IP practices</i>	<i>Top tier patent attorney practice</i>	<i>One of Australia's largest IP practices</i>	<i>QANTM's first acquisition in Asia</i>	<i>Specialist IP valuation, innovation and advisory services</i>

Number of Professionals	49	31	96	36	90	18	29
Office Locations	<ul style="list-style-type: none"> • Sydney • Auckland 	<ul style="list-style-type: none"> • Melbourne • Sydney • Perth 	<ul style="list-style-type: none"> • Melbourne • Sydney • Brisbane • Singapore • Adelaide • Canberra • Geelong • Auckland • Newcastle • Hobart 	<ul style="list-style-type: none"> • Melbourne • Sydney • Singapore 	<ul style="list-style-type: none"> • Melbourne • Sydney • Brisbane • Perth 	<ul style="list-style-type: none"> • Kuala Lumpur 	<ul style="list-style-type: none"> • Sydney • Melbourne • Brisbane • Perth

2 Accelerates growth in Asia

Existing Asian Platform

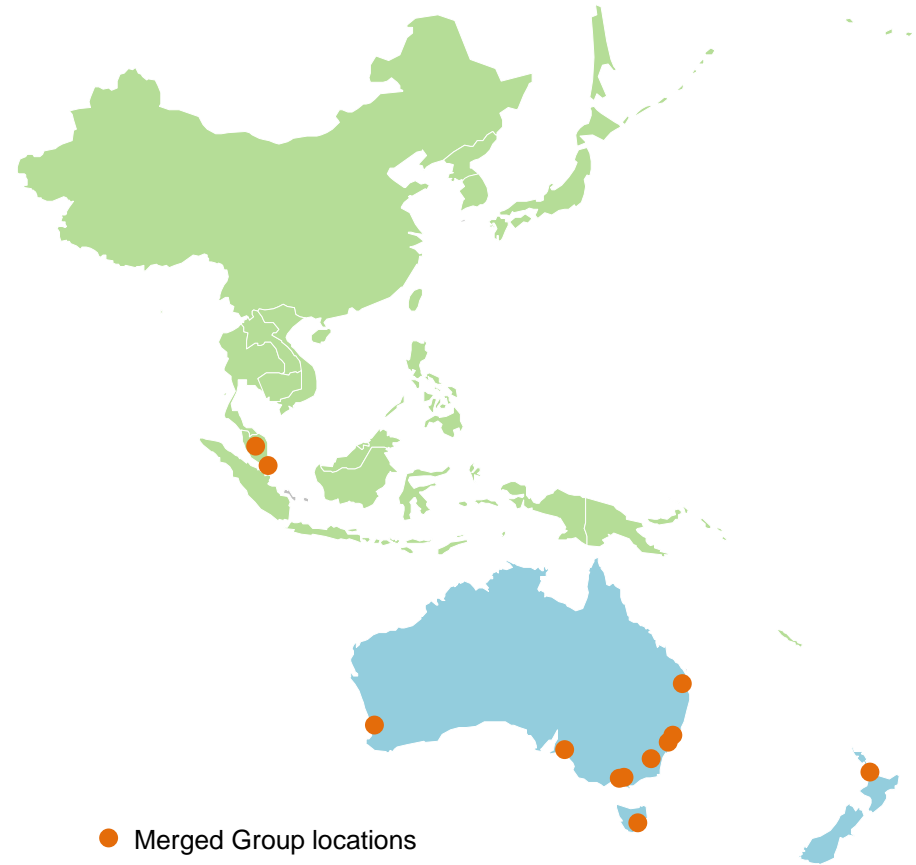
- Leverage QANTM's established platform in Singapore and Malaysia
- Coordinate IP requirements both for Australian and international clients operating in Asia

Asian M&A Strategy

- Strengthened balance sheet to pursue acquisitions and growth opportunities in key Asian markets
- Execute on Xenith's Asian strategy and pipeline of identified opportunities

Market Leader in Australia

- Market leadership in patent, trade mark and design filings and prosecutions in Australia
- Continued engagement with global clients as well as growth in inbound Asian filings (Xenith having a leading position in inbound patent filings from China / Hong Kong)



Greater scale and efficiencies



**Corporate
Management**

**Shared
Services**

**Technology
Platform**

One platform

349 Professionals

Improved origination and execution capabilities

Shelston 


Watermark


DAVIES
COLLISON
CAVE
INTELLECTUAL PROPERTY


griffith
hack


FPA
Patent
Attorneys


ADVANZ FIDELIS
BUSINESS TECHNOLOGY COPYRIGHT INTELLECTUAL PROPERTY


Glasshouse
Advisory

**Client-focused independent IP services businesses
with a breadth of specialised offerings**

Compelling Benefits

- ✓ Implementing a world-class IP services platform
- ✓ Greater scale and efficiency
- ✓ Drives margin expansion
- ✓ Enables our people to maximise their potential
- ✓ Enhances utilisation of back-office
- ✓ Broadens revenue base
- ✓ Independent businesses with consistent practice management discipline

Drives automation and innovation

- Shift to market leading, cloud-based platforms enables optimised business operations, greater client collaboration, and empowered employees
- Strong foundation for increased automation, greater client insights and value, and streamlining and augmentation of services through AI, machine learning and the development of digital delivery platforms

TECHNOLOGY PLATFORMS



Move core applications and infrastructure to the cloud



Establish collaboration and connectivity platforms



Implement cloud-based business applications



Build data and analytics capabilities and infrastructure

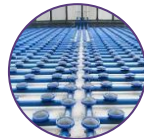
BUSINESS FRAMEWORK



Empower employees through improved tools, easier access to information and greater insights



Deepen client engagement through greater connectivity and collaboration

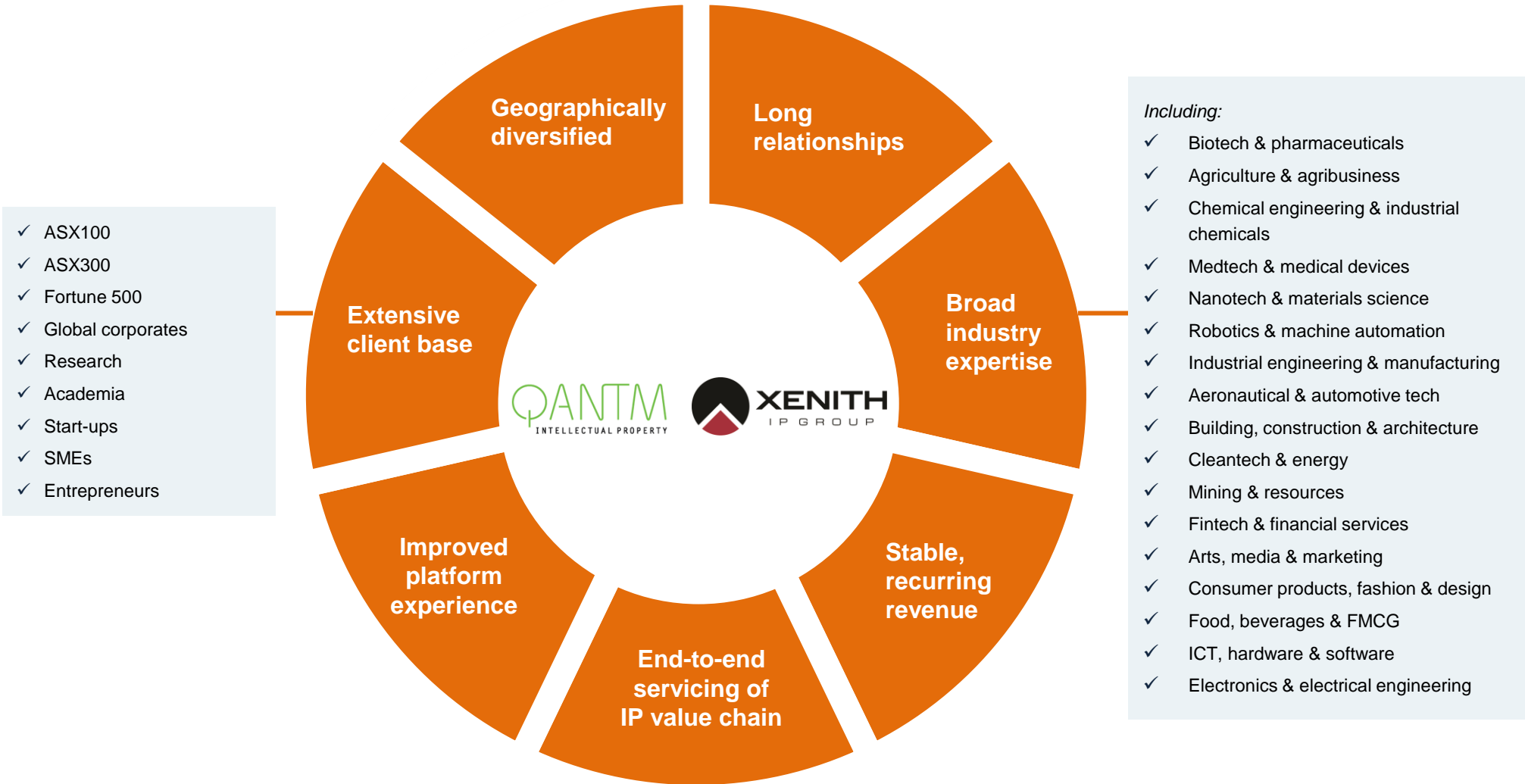


Optimise operations through common systems and processes, and greater automation



Transform services through greater insights, deployment of AI and machine learning, and digitisation

5 Expands client base



Enhances career opportunities



CULTURE

An **inspiring, innovative and high-performance culture** that reflects the values of our people and attracts, retains and rewards top talent



SKILLS

Larger scale creates further **investment opportunities in training and developing** including a single dedicated academy



EMPLOYEE EXPERIENCE

Further expansion both geographically and by service lines creates **greater career development opportunities**

- interesting work
- new skills experience
- increased mobility
- increased flexibility

Highly Experienced Board and Senior Management



Richard England
Chair

- Appointed Independent Non Executive Chair of QANTM in 2016
- Previously Partner at Ernst & Young
- Non Executive Director of Atlas Arteria, Bingo Industries, Japara Healthcare, Nanosonics and Nutrano Produce Group



Sibylle Krieger
Deputy Chair

- Appointed Independent Non Executive Chair of Xenith in 2015
- Commercial experience of over 38 years including 28 years in professional services
- Previously Partner at Baker McKenzie and Clayton Utz
- Non Executive Director of MyState Limited and the Australian Energy Market Operator



Craig Dower
Managing Director / CEO

- Appointed CEO and MD of Xenith in 2017
- Professional services career spans over 30 years including leadership roles as CEO of Salmat and President, Asia Pacific and China for Avanade
- Served on a number of Boards both as an Executive and Non Executive Director



Leon Allen - Executive Director & Head of Business Integration

- Appointed CEO and MD of QANTM in 2016
- Previously Managing Partner of Davies Collison Cave. Joined the patent attorney profession in 1981
- Served as Chair of the Advisory Council on Intellectual Property to the Federal Government
- Director of the profession's representative body IPTA for over 20 years including two years as President

- The proposed Board of the Merged Group will consist of three members from QANTM and three members from Xenith
- Highly experienced Board bringing significant industry and governance experience and expertise
- One additional Director from each of the respective current Boards to be appointed to the Board of the Merged Group
- QANTM and Xenith will establish a management operating structure to oversee the new businesses, including oversight of the integration process

Benefits to stakeholders

- ✓ Significantly enhances shareholder value
- ✓ Leading operator in the Australian IP services market
- ✓ Scalable platform for Asian expansion
- ✓ Expands service offering for clients
- ✓ Enhances career opportunities for all staff

The Xenith Board unanimously recommends the transaction

FOR MORE INFORMATION CONTACT

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