

XENITH IP GROUP LIMITED (ACN 607 873 209) ASX ANNOUNCEMENT

19 March 2019

Xenith Board responds to IPH's unsolicited proposal

The Board of Xenith IP Group Limited (**XIP** or **Xenith**) has carefully considered the IPH Limited Proposal of 12 March 2019 (**IPH Proposal**) in order to determine whether it is a Superior Proposal (as defined under the Scheme Implementation Deed for the Xenith merger with QANTM Intellectual Property Limited (**QANTM** or **QIP**)). The Board of Xenith has concluded that the IPH Proposal as presently framed is not a Superior Proposal.

The principal reasons for this conclusion include the following:

- a) The IPH Proposal is a fundamentally different transaction from the proposed XIP/QIP merger, even though it seeks to use a similar scheme of arrangement structure. The XIP/QIP merger results in shared future control with Xenith shareholders holding 45% of the merged entity and standing to benefit from 45% of the earnings accretion expected to result from the merger. In addition, Xenith shareholders will have half the board representation of the merged entity. By contrast, the IPH Proposal is an outright control transaction in which Xenith shareholders would own less than 5% of the merged entity.
- b) In terms of value the IPH Proposal was framed to be approximately equivalent to the implied value to Xenith shareholders of the XIP/QIP merger as at 11 March 2019, without the control premium normally associated with outright control.
- c) The IPH Proposal has materially higher execution risk than the XIP/QIP merger in terms of ACCC clearance. IPH already has a significantly higher market share than either of Xenith or QANTM. If the IPH Proposal were implemented, the merged group would be by far the largest player in the market. By contrast, the XIP/QIP merger would result in a market more evenly balanced between two listed players of roughly equivalent size and differentiated in terms of service offering.
- d) It is open to question as to whether the IPH Proposal as currently framed would win support from Xenith employee shareholders who hold over 40% of Xenith shares.
- e) The significant cash component of the IPH Proposal is unlikely to attract the capital gains tax rollover relief which would generally be available in a pure scrip for scrip transaction such as the XIP/QIP merger.

The ACCC ruling in respect of the XIP/QIP merger is expected shortly on 21 March 2019. The ACCC ruling in respect of IPH's acquisition of 19.99% of Xenith shares and in respect of the IPH Proposal is not due until a date in May 2019 which is some time after the scheduled Scheme Meeting for the XIP/QIP merger.

In the circumstances, the directors of Xenith continue to recommend that shareholders vote in favour of the merger at the Scheme Meeting, in the absence of a Superior Proposal.

However, in accordance with its responsibilities to all Xenith shareholders and consistent with its obligations under the Scheme Implementation Deed, the Board of Xenith will consider any responses that IPH may have to the abovementioned matters and, if appropriate, Xenith and its advisors would be prepared to discuss these issues with IPH in more detail.

In view of the fact that IPH announced its Proposal to the ASX, it is appropriate to release the response of the Xenith Board. Xenith will continue to keep its shareholders and the market updated in accordance with its disclosure obligations.

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About Xenith

Xenith IP Group Limited (ASX: XIP) is the holding company for the businesses of Griffith Hack, Shelston, 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.