

ASX Announcement



29 November 2018

QANTM INTELLECTUAL PROPERTY LIMITED RESPONSE TO IPH LTD CLARIFICATION OF ITS INDICATIVE, CONFIDENTIAL, CONDITIONAL AND NON-BINDING PROPOSAL TO ACQUIRE QANTM

QANTM Intellectual Property Limited (ASX: QIP) ("QANTM" or "the Company") notes the announcement today by IPH Ltd ("IPH") which purports to clarify the nature of its indicative proposal to acquire QANTM by way of a scheme of arrangement (the "Indicative Proposal").

The Indicative Proposal is not superior, as it is not a proposal capable of acceptance given it is non-binding, indicative and highly conditional.

QANTM's reasons for it not being in shareholders' interests were well documented in letters sent to IPH prior to its final letter on 22 November 2018. To restate the key reasons, and as highlighted in the QANTM Chairman's address today at the company's Annual General Meeting:

1) The Indicative Proposal did not meet the Board's expectation on price. A \$1.75 offer price is not acceptable as it undervalues the Company and does not recognise the significant progress that has been made in the second half of 2018, which has continued into the current financial year as detailed in the Chief Executive Officer's address to QANTM's Annual General Meeting today. Further we do not view the ability to pay a 5 cent dividend, which would come from our own funds, as being relevant to the assessment of price. The consideration mix under the Indicative Proposal was 60% scrip in IPH, and 40% cash.

2) The Indicative Proposal was highly conditional given it was subject to:

i. Commercial, legal, operational, financial, taxation and technological due diligence being undertaken. Any proposal conditional on due diligence, however it is characterised, is highly conditional as there is no legal requirement to proceed with a transaction following that diligence completing. This risk is particularly acute as between two competitors, and competitors in a service and people orientated business. IPH's requirement that the parties make an ASX announcement with respect to the Indicative Proposal, prior to due diligence being completed, presented a degree of risk and conditionality which was not acceptable to QANTM. In a letter dated 13 November 2018, QANTM confirmed its position that the parties should agree value, complete due diligence and finalise a scheme implementation agreement, before an ASX announcement.

ii. Execution of a scheme implementation deed, which is critical to providing the necessary legal framework for both parties to complete a transaction. There was no detail or discussion of any of the key terms that would ordinarily need to be agreed.

3) Both the Indicative Proposal and the proposed Xenith merger are subject to Australian Competition Commission ("ACCC") clearance. QANTM cannot prejudge the assessment of the ACCC. However, a takeover of QANTM by IPH would lead to a different market structure than the merger of QANTM and Xenith, and the QANTM Board formed a view



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that this difference presented a significant risk that was relevant in assessing the viability of the Indicative Proposal.

4) The Scheme of Implementation Deed signed with Xenith has standard fiduciary carve outs. The QANTM Board would, in accordance with its fiduciary obligations and the Scheme Implementation Deed, consider and, if appropriate, recommend any superior proposal, noting that any such proposal must be one capable of acceptance.

QANTM has been in collaborative and detailed discussions with Xenith, a process which commenced a year ago. This process involved completion of significant due diligence, negotiation and execution of a Scheme Implementation Agreement, and completion of an independent assessment of synergies.

The Board of QANTM, with input from its advisers, has determined that the proposed merger with Xenith, on the terms detailed in our ASX release, creates shareholder value in the long term. There is strong cultural and strategic alignment between the two groups, which is an important consideration in a business where people are the main assets, and goes to value. The proposed transaction accelerates all of QIP's strategic pillars of market leadership, creating a scaleable platform for growth in Asia, and improved productivity and efficiency.

The QANTM Board reiterates its support for the merger between QANTM and Xenith.

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About QANTM Intellectual Property

QANTM Intellectual Property Limited ("QANTM" ASX: QIP) is the owner of leading intellectual property (IP) companies Davies Collison Cave Pty Ltd (DCC), FPA Patent Attorneys Pty Ltd (FPA) and Advanz Fidelis IP Sdn Bhd (ADVANZ). With more than 140 highly qualified professionals and over 270 years' combined history, the QANTM Group has a strong track record in providing IP services to a broad range of Australian and international clients, ranging from start-up technology businesses to Fortune 500 multinationals, public research institutions and universities. The company also provides services in relation to patents, designs and trademarks and through DCC, a litigation service in relation to patent and trade mark protection.