Half Year Results Presentation

Six months to 31 December 2016

QANTM

February 2017

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Today's Presenters

Leon Allen
CEO & Managing Director

Warren Howe
Chief Financial Officer

Agenda

1. Results Highlights
2. Business Overview
3. H1 FY17 Financial Results Detail
4. Outlook and Growth Opportunities

H1 FY17 Operational Highlights

- Successful corporate restructure and IPO in August 2016
  - 100% retention of senior staff since IPO
  - 100% retention of key clients
- Business synergies
  - migration of FPA's data, systems and processes to a common ICT platform has occurred ahead of plan and was completed in Q2 of FY17. Savings have commenced with first impact in the second half
  - back office rationalisation has commenced with benefits flowing from the second half
- H1 FY17 patent filings showing overall growth from H1 FY16 (noting that caution should be taken in assessing filing trends given the limited timeframe)
  - particular strength in applications filed in offshore jurisdictions
  - slight weakening in Australian filings (consistent with the market) but up on H2 FY16
- DCC has maintained its position as #1 trade mark filer and produced a strong H1 result
- Less predictable legal and advisory work softer reflecting current activity in the market
- Australian market positions have remained relatively consistent in patents and trade marks and QANTM is well positioned for further growth
- Industry consolidation expected to be an ongoing theme in which QANTM is well positioned to participate

H1 FY17 Financial Highlights

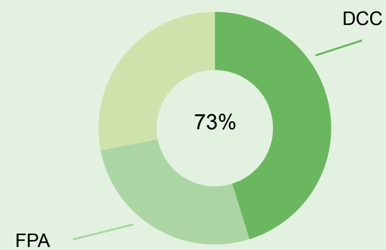
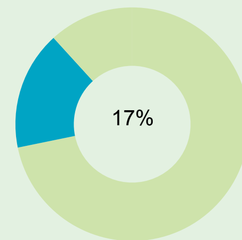
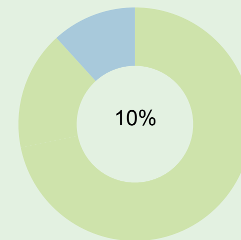
- Pro forma* group revenue of $51.5m – up 0.9% on H1 FY16
- Pro forma* EBITDA of $11.8m – up 2.3% on H1 FY16
- Pro forma* NPAT of $7.1m – up 1.3% on H1 FY16
- Pro forma* EBITDA margin (% of service charges) of 29.2% - up from 28.9% in H1 FY16
- Growth in H1 FY17 earnings impacted by a circa 4% strengthening of the A$:US$ versus H1 FY16
- Pro forma* operating cash flow of $10.8 million
- Net debt of $12.4m – down from $14.6m at IPO (pro forma)
- Maiden interim dividend of 3.6 cents per share for H1 FY17 to be paid in March, final dividend expected to be 5.3 cents per share for the H2 FY17 period
- Prospectus earnings forecasts maintained (see slide 20)

Note: * Pro forma results are presented to highlight underlying performance, adjusted for IPO costs and other one-off expenses associated with reorganisation of the business. Please refer to the Directors Report and Appendix 4D for more detailed information and reconciliation between the statutory and pro forma results

Business Overview

Business Overview

Summary of QANTM’s Operations

Business Areas	Patents & Designs	Trade Marks	Legal
Percentage of aggregate Firm Service Charge revenue in H1 FY17 [1.]			
Firm(s) involved	DCC and FPA	DCC	DCC
Revenue model	Services are charged on an hourly rate basis, a fixed price basis, or a combination of the two. Pricing is based in AUD, USD and SGD. Many invoices across the IP life cycle (~63k invoices sent in FY15), resulting in low WIP. The long term nature of IP rights enables the Firms to generate recurring income throughout the IP life cycle		
Market position [2.]	DCC #2 individual firm QANTM #3 group	DCC #1 individual firm QANTM #3 group	NA
Offices	▪ DCC’s primary offices are located in Melbourne, Sydney, Brisbane and Singapore. DCC also has a presence and ongoing access to offices in Geelong, Greater Western Sydney, Newcastle, Hobart, Launceston, Adelaide and Canberra ▪ FPA has offices in Melbourne and Sydney which service its entire local and international client base		
Services	▪ Services in relation to all aspects of patent or design procurement for clients seeking protection ▪ Strategic advice for clients in respect of their own patents and designs or those of their competitors	▪ Services in relation to all aspects of trade mark procurement for clients seeking protection ▪ Strategic advice for clients in respect of their own trade marks or those of their competitors	▪ Legal services relating to all aspects of IP and related rights − IP litigation − IP commercialisation − ICT commercial work − General IP advice

Source: DCC and FPA management analysis
Notes:
1. Excludes Associate Charges
2. Market position analysis is based on the total number of patent or trade mark applications filed in Australia in CY16 and assumes the Group and two additional competitor groups of businesses both operated in CY16

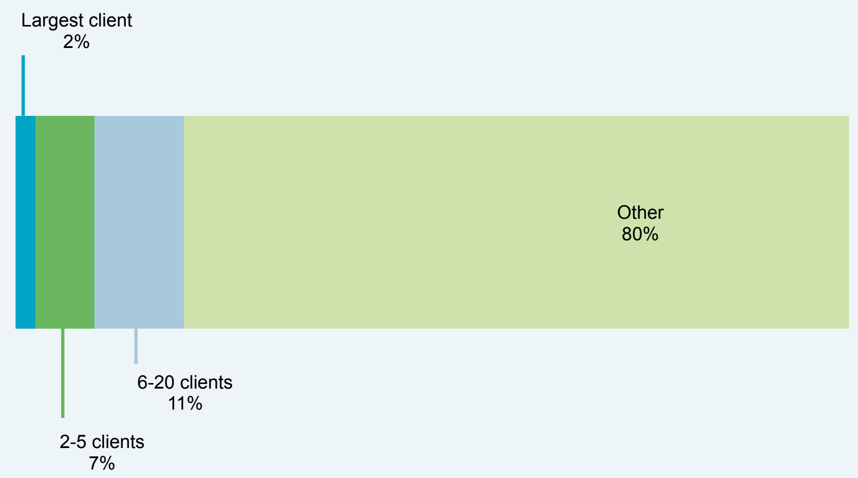
Business Overview
The Firms' Clients

Strong Australian client base that includes ASX100 companies, leading research institutions and universities

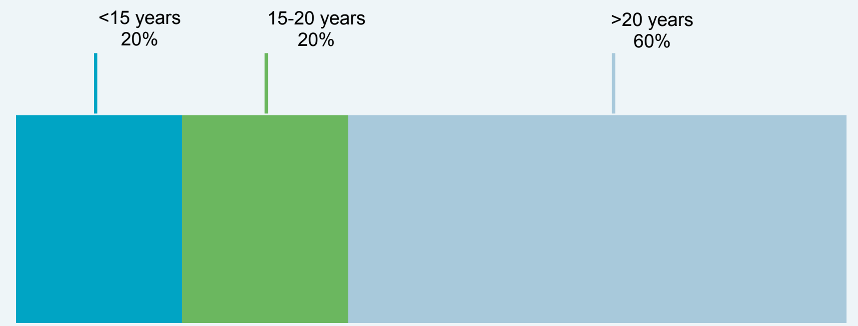
A wide range of blue chip, international clients primarily from US, EU and Japan

As at April 2016, the Firms had active matters for over 85 Fortune Global 500 companies, either directly or through foreign associates

Revenues by Client [1.]



Tenure of Top 20 Clients with the Firms [2.]

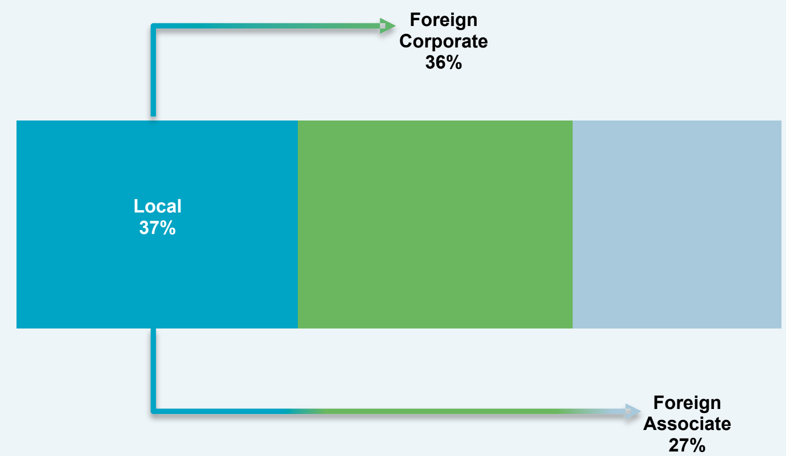


Source: DCC and FPA management analysis
Notes:
1. Based on the two Firms' aggregate FY15 revenue. Based on Service Charges only – excludes Associate Charges
2. Based on the two Firms' aggregate FY15 Service Charges. Based on top 20 clients across the two Firms by FY15 Service Charges

Business Overview
Strong Originating Client Base

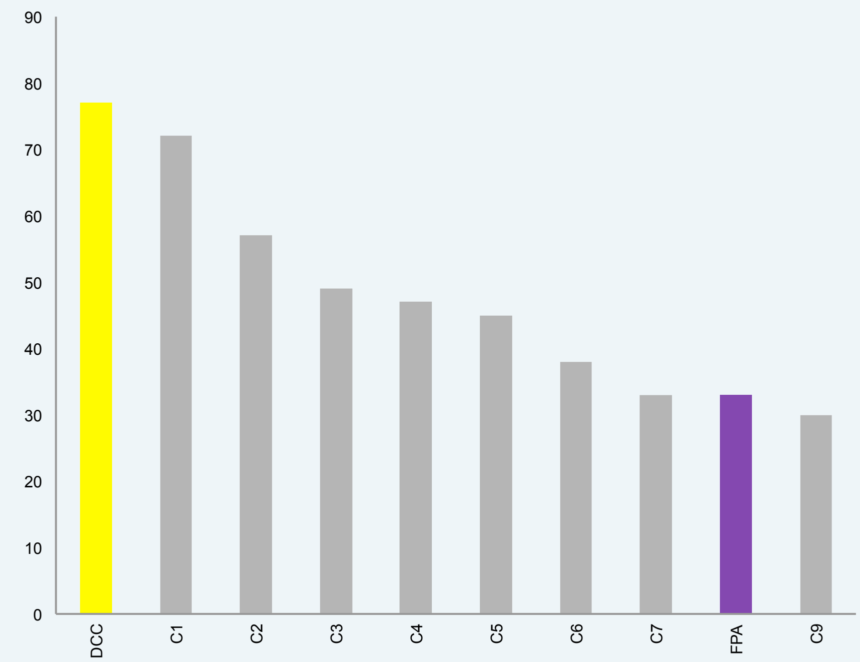
- **In CY16 DCC filed more Australian PCT applications than any other individual firm**

Service Charges Split [1]



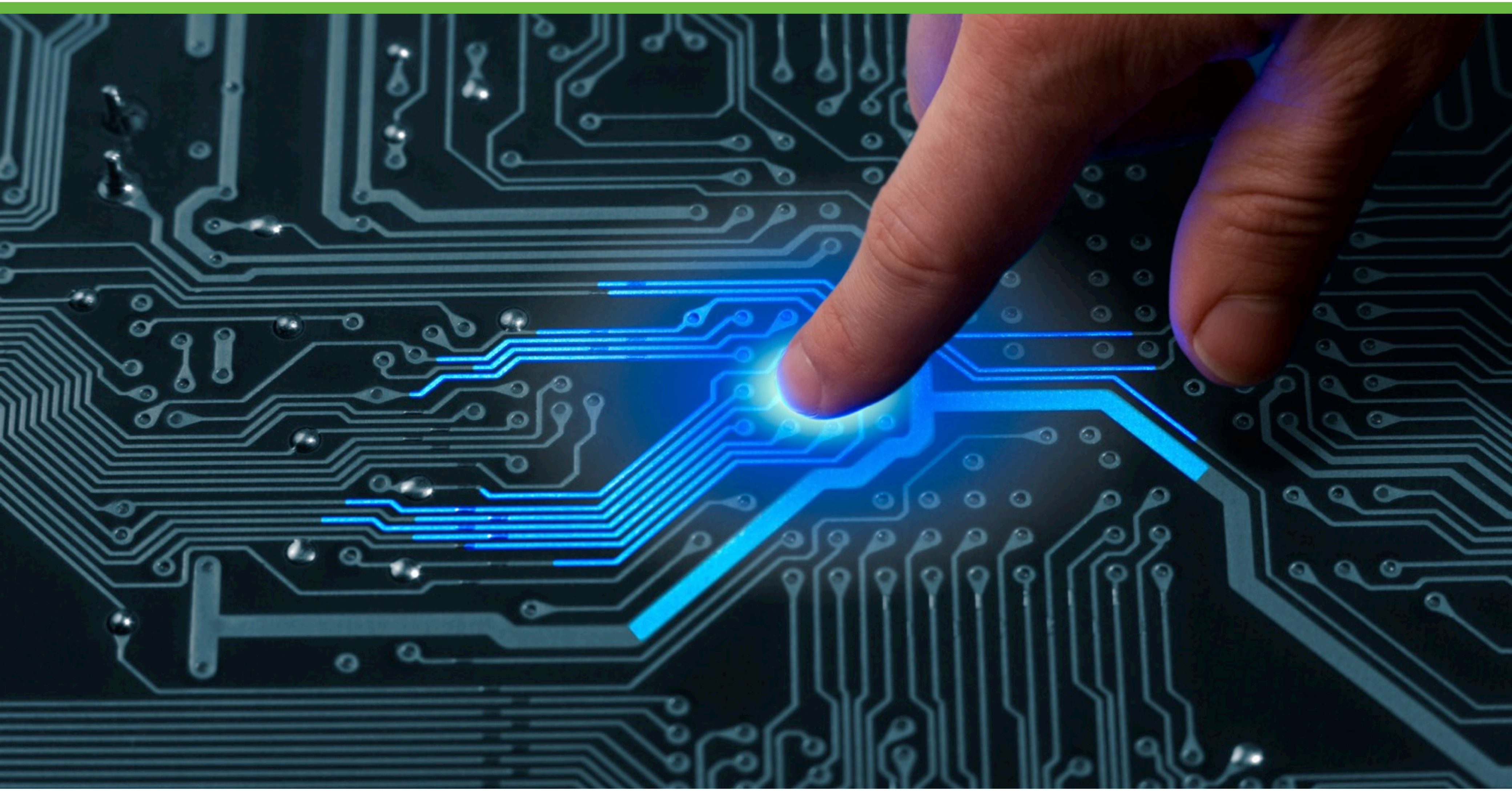
Source: DCC and FPA management analysis
Notes:
1. Represents the proportion of the Firms' aggregate FY15 Service Charges sourced from each client type

Australian PCT applications filed in CY16



Source: DCC and FPA management analysis and estimates based on WIPO data (PCT applications filed at IP Australia as the receiving office) as at 8 February 2017. Patent applications are generally not filed until at least 18 months from the earliest filing date. Accordingly, the total number of PCT applications filed in any 12 month period may not be known until 18 months or more subsequent to the conclusion of that period.

H1 FY17 Financial Results Detail



H1 FY17 Financial Results Detail

Summary pro forma P&L

Pro forma	Historical			Forecast	Historical	
Y/E 30 June (A$m)	**FY14**	**FY15**	**FY16**	**FY17**	**H1 FY16**	**H1 FY17**
Service Charges	67.2	73.7	81.6	86.0	39.7	40.2
Associate Charges	22.9	23.4	25.5	26.0	11.3	11.3
Revenue	**90.1**	**97.1**	**107.1**	**112.1**	**51.1**	**51.5**
...growth (%)		*7.8%*	*10.3%*	*4.7%*		*0.9%*
Other income	2.8	4.6	5.1	2.0	2.2	1.5
Expenses						
Compensation	(39.8)	(40.9)	(42.3)	(43.2)	(22.6)	(22.3)
Recoverable expenses	(20.7)	(21.2)	(23.2)	(23.8)	(10.2)	(10.2)
Occupancy	(5.6)	(5.5)	(6.0)	(6.7)	(2.9)	(3.3)
Other	(10.8)	(13.2)	(14.1)	(13.0)	(6.0)	(5.5)
Total expenses	**(77.0)**	**(80.8)**	**(85.6)**	**(86.6)**	**(41.7)**	**(41.3)**
EBITDA	**15.9**	**20.9**	**26.6**	**27.5**	**11.5**	**11.8**
...growth (%)		*31.5%*	*27.3%*	*3.4%*		*2.3%*
Depreciation	(0.8)	(0.8)	(0.9)	(0.9)	(0.5)	(0.4)
EBITA	**15.2**	**20.2**	**25.7**	**26.5**	**11.0**	**11.3**
Interest expense	(0.9)	(0.9)	(1.0)	(0.9)	(0.4)	(0.5)
PBTA	**14.2**	**19.3**	**24.7**	**25.6**	**10.6**	**10.8**
Tax expense	(4.3)	(5.8)	(7.4)	(7.7)	(3.2)	(3.3)
NPATA	**10.0**	**13.5**	**17.3**	**17.9**	**7.4**	**7.5**
...growth (%)		*35.4%*	*28.1%*	*3.5%*		*1.3%*
Amortisation	(1.0)	(1.0)	(0.9)	(1.0)	(0.4)	(0.4)
NPAT	**9.0**	**12.5**	**16.4**	**16.9**	**7.0**	**7.1**

Comments on H1 FY17

Revenue:

- Key drivers of revenue growth included:
  - Service Charge growth of approximately 1%,
    - growth in core IP life cycle Service Charges of 5%
    - offsetting decline in associated advisory Service Charges of 7%, reflecting activity in the market
  - the number of new patent cases secured by the Firms in H1 FY17 increased by 7.5% compared with H1 FY16
  - growth in local revenue generated in Singapore including cases won from local competitors
- Average exchange rate of US$0.75 for the half (US$0.72 for H1 FY16)
  - negative impact on H1 FY17 revenue versus H1 FY16
  - $0.6m of other income ($1.2m in H1 FY16) represents realised FX gains. USD receivables were fully hedged at 31 December 2016; unrealised FX gains and losses netted off to nil

Expenses:

- Operating expenses consistent with last year reflecting positive cost control
- Synergistic cost savings (not included in prospectus forecast) have been identified and savings to commence in H2
  - migration to a single ICT platform complete
  - savings from back-office rationalisation

H1 FY17 Financial Results Detail

Statutory to pro forma reconciliation of income statement

A$'000	H1 FY17	H1 FY16
Statutory NPAT – (loss) / profit	**(114)**	**11,930**
add: DCC LLP pre acquisition NPAT	(68)	190
add: FPA pre acquisition NPAT	(2,242)	4,198
NPAT – QANTM Group – (loss) / profit	**(2,424)**	**16,317**
add: Interest	488	498
add: depreciation & amortisation	733	485
add: tax	(178)	-
EBITDA – QANTM Group – (loss) / profit	**(1,381)**	**17,301**
add: IPO expenses	6,574	-
add: share based payments	958	-
add: retention bonuses	4,553	-
add: reorganisation expenses	664	-
add: initial recognition Principal LSL	1,684	-
add: partnership expenditure	157	450
less: notional remuneration adjustment	(1,445)	(5,076)
less: notional public company costs	-	(1,183)
Pro forma EBITDA – QANTM Group – profit / (loss)	**11,764**	**11,493**
less: pro forma depreciation & amortisation	(878)	(919)
less: pro forma interest	(488)	(411)
less: pro forma tax	(3,319)	(3,179)
Pro forma NPAT – QANTM Group – profit / (loss)	**7,079**	**6,984**

H1 FY17 Financial Results Detail
Key Operating Metrics and Seasonality

Key operating metrics

Pro forma	Historical			Forecast	Historical	
Y/E 30 June	**FY14**	**FY15**	**FY16**	**FY17**	**H1 FY16**	**H1 FY17**
Service charge growth (%)		9.6%	10.7%	5.4%		1.3%
EBITDA growth (%)		31.5%	27.3%	3.4%		2.3%
EBITDA margin (% of revenue)[1.]	17.3%	21.1%	24.4%	24.1%	22.1%	22.4%
EBITDA margin (% service charges)	23.7%	28.4%	32.6%	31.9%	28.9%	29.2%

Notes:
1. The metric is calculated as EBITDA divided by the aggregate of total revenue and renewal commission income. Commission income is classified within 'other income' on the income statement

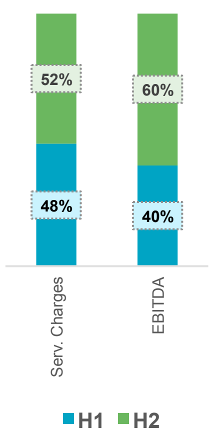
Comments

EBITDA margins:

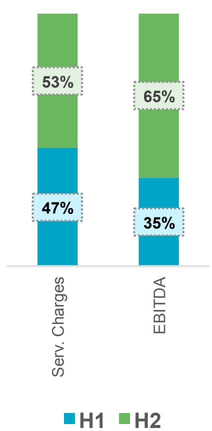
- Slight margin improvement in H1 FY17 versus H1 FY16

Historic seasonality

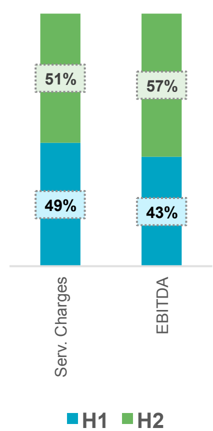
FY14 [1.]



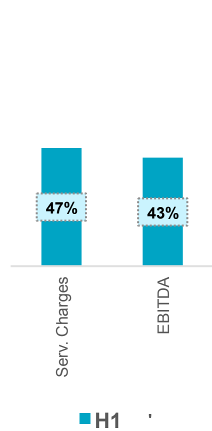
FY15 [1.]



FY16



FY17



Comments

- Service Charges have historically been weighted towards the second half, and operating expenses slightly towards the first half, resulting in EBITDA weighting towards the second half
- H1 FY17 weighting is stated as a % of Prospectus forecasts and is in line with historical performance

Notes:
1. FY14 and FY15 H1 / H2 service charge and EBITDA split is based on unaudited, non IFRS management accounts of DCC and FPA, which have not been reviewed by the auditors. Management have applied appropriate care and judgement to ensure the data is comparable to FY16 and FY17 and that the analysis provides meaningful information to Investors.

H1 FY17 Financial Results Detail
Cash Flow Statement

(A$m)	Statutory	Pro forma adjustments		Pro forma
6 months to 31 December	**H1 FY17**	**Pre acq**	**Reorg'n related**	**H1 FY17**
Receipts from customers	52.8	3.5	-	56.3
Payment to suppliers and employees	(43.9)	(1.2)	0.1	(45.0)
Net interest paid	(0.5)	-	-	(0.5)
Net cash provided by operating activities	**8.4**	**2.3**	**0.1**	**10.8**
Payments for property, plant and equipment	(0.4)	(0.0)	-	(0.4)
Loans to related parties prior to acquisition	(0.5)	0.5	-	-
Cash acquired	2.3	-	(2.3)	-
Net cash used in investing activities	**1.4**	**0.5**	**(2.3)**	**(0.4)**
Proceeds from bank borrowings	15.0	0.7	-	15.7
Repayment of bank borrowings	(15.8)	-	-	(15.8)
Proceeds from issue of new shares	30.8	-	-	30.8
Transaction costs relating to issue of new shares	(9.9)	-	-	(9.9)
Repayment of existing owner loans & distributions	(26.8)	0.2	-	(26.6)
Net cash provided by financing activities	**(6.7)**	**0.9**	**-**	**(5.8)**
Net (decrease) / increase in cash and cash equivalents	**3.1**	**3.7**	**(2.2)**	**4.6**

Comments

Cash provided by operating activities:
- Strong operating cash flows of $10.8m

Cash used in investing activities:
- Ongoing expenditure of $0.4m reflects the continued investment in maintaining and improving the Group's IT systems

Cash provided by financing activities:
- Existing external borrowings and loans from existing owners paid out, and new facility drawn down, during corporate reorganisation

Dividend
- H1 FY17 dividend of 3.6 cps (fully franked), for the period from 30 August to 31 December 2016. FY17 dividend guidance of 8.9 cps is maintained

Pro forma adjustments
- Add the pre acquisition cash flows of FPA and DCC LLP
- Adjust cash provided by operating activities for retention bonuses and notional remuneration, and remove "cash acquired" from cash used in investing activities

Please refer to the Directors' Report and Note 1(b) to the consolidated financial report for more information

H1FY17 Financial Results Detail

Summary Balance Sheet

(A$m)	As at 30 June 2016	Pro forma adjustments	As at 30 June 2016	As at 31 December 2016
	Statutory		Pro forma	Statutory
Current Assets				
Cash and cash equivalents	0.5	2.0	2.5	3.6
Trade and other receivables	22.9	7.6	30.5	29.5
Other current assets	2.0	0.2	2.2	2.1
Total Current Assets	**25.4**	**9.8**	**35.2**	**35.3**
Non-Current Assets				
Intangible assets	0.0	0.0	0.0	67.3
Property, plant and equipment	2.4	0.4	2.8	2.7
Total non-current assets	**2.4**	**0.4**	**2.8**	**70.0**
Total assets	**27.8**	**10.2**	**38.0**	**105.3**
Current Liabilities				
Trade and other payables	8.3	1.8	10.1	8.0
Provisions	3.3	0.5	3.8	8.4
Loans and borrowings	35.5	6.6	42.1	0.8
Other liabilities	0.0	0.0	0.0	0.3
Total current liabilities	**47.1**	**8.9**	**56.0**	**17.5**
Non-current Liabilities				
Loans and borrowings	1.2	0.0	1.2	15.2
Provisions	2.6	0.4	3.0	2.9
Deferred tax liabilities	0.0	0.0	0.0	1.5
Other liabilities	0.5	0.9	1.4	0.0
Total non-current liabilities	**4.3**	**1.3**	**5.6**	**19.5**
Total liabilities	**51.4**	**10.2**	**61.6**	**37.0**
Net Assets	**(23.6)**	**0.0**	**(23.6)**	**68.3**
Equity				
Issued capital	0.0	0.0	0.0	293.8
Reserves	0.0	0.0	0.0	(222.7)
Retained profits	(23.6)	0.0	(23.6)	(2.8)
Total Equity	**(23.6)**	**0.0**	**(23.6)**	**68.3**

Comments

- **Balance sheet strength has improved since listing. Net debt as at 31 December 2016 was $12.4m, down from $14.6m at IPO (pro forma)**
- **Current Banking Facilities include:**
  - $25m working capital facility ($10m undrawn)
  - $30m acquisition facility (undrawn)
- **Intangible assets reflect the accounting treatment of combining with FPA. Amortisation of the identifiable intangibles non-cash**
- **Provisions predominantly comprise long service leave and annual leave**

Pro forma adjustments

- Add the FPA and DCC LLP balance sheets not included in the comparative statutory balance sheet

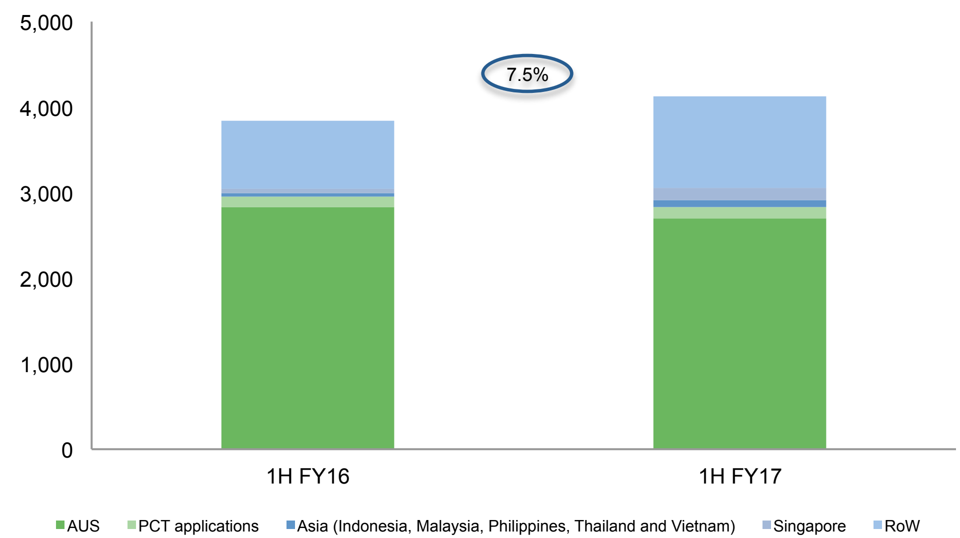
Please refer to the Directors' Report and Note 1(b) to the consolidated financial report for more information.

Outlook and Growth Opportunities

Outlook and Growth Opportunities
Group Patent Case Growth

- **Growth in cases will generate examination / prosecution revenue in FY17 and beyond**
- **Solid net growth in new cases (applications filed and cases transferred to the Firms) between H1 FY17 and H1 FY16**
  - Australian PCT cases have increased
  - RoW applications increased
  - -Strong growth in Asia
    - DCC's Singapore office opening at the start of FY16
    - both Firms successfully attracting the SE Asian work for major clients
    - it should be noted that H2 FY16 was very strong as a number of cases were transferred to the Firms from their competitors
  - Partially offset by a small decline in Australian applications during the H1 FY17 period consistent with the market

Group Patent Case Growth

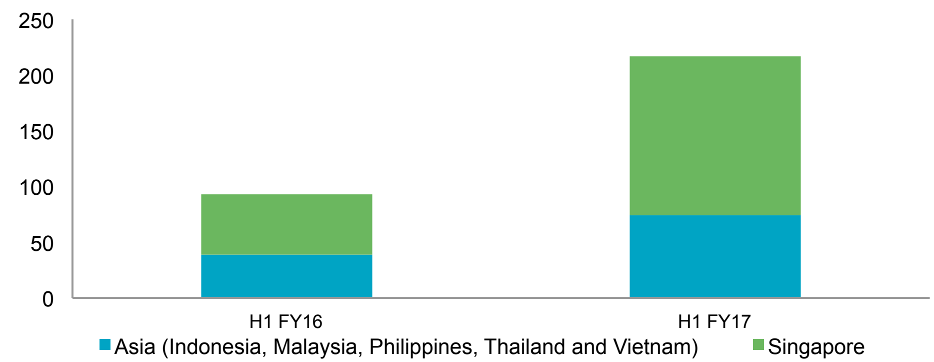


Source: DCC and FPA management analysis and Inprotech data up until 6 February 2017

Outlook and Growth Opportunities
Asian Growth Opportunity

Key target geographies

New Asian patent cases



Source: DCC and FPA management analysis and estimates based on Inprotech data up until 6 February 2017

- **Each Firm has had good early success in Asia with large multinationals including recent client wins post the IPO**
- **DCC has established a presence in Asia with an office in Singapore and established networks in all target Asian markets**
- **Defined Group strategy:**
  - managing clients' Asian IP portfolios and filings, building on the Firms' existing relationships with clients and Foreign Associates throughout Asia
  - building a local origination presence - replicating originating client strategy and drawing on technical expertise in Australia
- **Based in Singapore with a focus on defined targets in selected countries (e.g. Indonesia, Malaysia, Philippines, Thailand and Vietnam)**
- **Opportunity for FPA to leverage DCC's knowledge of Singaporean regulatory and commercial environment and back office and ICT infrastructure in Singapore**

Clearly defined strategy to deliver on growth opportunity by leveraging established presence in Singapore, network relationships in target markets and core capabilities

Outlook and Growth Opportunities
Summary

- Healthy level of filings supports ongoing growth in core IP lifecycle revenues
- Business synergies
  - migration of FPA's data, systems and processes to a common ICT platform has occurred ahead of plan and was completed in Q2 of FY17. Savings have commenced with first impact in H2
  - back office rationalisation has commenced with benefits flowing from H2
- Strong free cash flow and healthy balance sheet are expected to be maintained with WIP and debtors tightly controlled
- No change to FY17 Prospectus earnings forecasts
  - H1 FY17 revenue was ahead of last year despite currency headwinds, but was slightly below budget due primarily to a fall in advisory revenues
  - operational cost savings not included the Prospectus forecast have been identified with savings to commence in H2
  - we expect cost savings will offset any potential revenue shortfall in the forecast period
  - QIP remains subject to the risks outlined in the Prospectus, most particularly the A$:US$ exchange rate
- Maiden interim dividend of 3.6 cents per share (fully franked) for H1 FY17 to be paid in March, final dividend expected to be 5.3 cents per share for the H2 FY17 period, consistent with the Prospectus forecast

Outlook and Growth Opportunities
Growth opportunities

Short and medium term

Common business processes	▪ Numerous synergies identified given level of common business processes
Asian expansion	▪ Execute Asian strategy ▪ Leverage DCC's Singapore office, including enhancing FPA's penetration into SE Asia – managing clients' Asian IP portfolios and filings, building on the Firms' existing relationships with clients and Foreign Associates throughout Asia – building a local origination presence - replicating originating client strategy and drawing on technical expertise in Australia
Increased efficiencies	▪ Ongoing IP process automation and continuous development and improvement of DCC's ICT systems has the potential to drive significant further cost savings and efficiencies ▪ Opportunity for the costs of automation to be shared across both Firms
Growth in emerging technologies	▪ Innovations in agribusiness, biotechnology, nanotechnology, battery and energy storage and fuel cell technology

Medium term

Potential acquisitions	▪ Opportunities to acquire smaller firms and achieve economies of scale ▪ May explore potential acquisitions in Singapore and other Asian countries to accelerate expansion in this region
Favourable local environment and growth in R&D expenditure	▪ Australian Government's National Innovation and Science Agenda ▪ The Firms are leaders in servicing Australian clients