ASX Announcement

13 February 2018

TRADING UPDATE

QANTM Intellectual Property Ltd (ASX:QIP) provides an update for the market on its first half trading conditions and 2018 full financial year forecast. The company's half year results will be released on 22 February.

On 30 August 2017, associated with its 2017 full year results, QANTM stated: "The company expects a return in Australian patent and trade mark filing applications to long term historical, GDP, growth rates. This should be associated with revenue growth in line with market growth."

The unaudited results for the 6 months to 31 December 2017 show that the group experienced a further period of reduced patent and patent advisory revenue generation which, despite higher trade mark and intellectual property legal revenue, led to a decline in total unaudited revenues of 4.7% from $51.5 million (pro-forma) in the corresponding 2017 half year to $49.1 million in the first half of 2018.

As part of the company's ongoing focus on ensuring a business configuration appropriate to market conditions and future growth objectives, QANTM implemented a restructuring programme towards the end of the half. This restructuring is expected to generate annualised cost savings of ~$3.9 million. $1.9 million in restructuring costs were incurred in the half, mainly relating to redundancies. Excluding this one-off charge, the company's operating expenses were stable period-on-period. A number of initiatives have commenced to enhance future revenue generation, including a higher level of targeted marketing expenditure.

Unaudited first half EBITDA after foreign exchange (FX) and before restructuring costs was $8.9 million (1H 2017: $11.8 million pro-forma).

QANTM expects revenue and EBITDA to be higher in the second half. The forecast full year EBITDA after FX and before restructuring costs is expected to be in the range of $19.0 million to $22.0 million. This range assumes no material adverse movement in the AUD/USD exchange rate.

Managing Director and CEO, Leon Allen, stated: "Lower patent activity and revenue reflects a number of market factors that the company will address as part of its half year results disclosure. Initiatives related to client attraction and retention, recruitment of lateral principals, as well as incremental expansion of the company's South East Asia business are in train, designed to ensure top line revenue growth. A focus on business efficiency remains a priority. The group's cash flow and balance sheet remain strong and the company retains its intention to pay dividends in the range of 70 – 90 per cent of NPATA."

For further information contact:

Leon Allen
Managing Director and CEO

Tel: +61 3 9254 2806

Martin Cleaver
CFO and Company Secretary

Tel: +61 3 9254 2806