Half Year Results Presentation

Six months to 31 December 2017

QANTM INTELLECTUAL PROPERTY

QANTM

22 FEBRUARY 2018

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Structure

1. Key Business Features and Financial Summary
2. Business Overview
3. H1 2018 Financial Results
4. Forecast and Business Priorities

Key Business Features and Financial Summary

Key Business Features

- Total revenue decline of 4.5% to $49.2 million vs pcp reflecting:
  - patent filing, advisory and prosecution revenues declined by 8.5% to $35.4 million
  - November/December revenues weaker than expected – notably incoming overseas work
  - trade mark revenues increased by 3.5% to $8.9 million
  - litigation/ legal revenues increased by 16.7% to $4.9 million
- Operating expenses declined by 2.3% to $30.3 million
  - lower occupancy and technology cost
  - staff costs reduced 2.2% despite CPI increase, new lateral recruits and strengthening of key corporate functions
  - increase in business development marketing expenditure (future period revenue generation potential)
- Corporate restructuring to generate annualised cost savings of approximately $3.9 million
  - alignment of resources with business requirements
  - reduction in positions; overhead costs
  - restructuring costs in period of $1.9 million
  - 2H net cost benefit of approximately $0.9 million, full benefit in 2019 financial year
- Lateral recruitment of 2 experienced IP teams in trade mark and patent advisory/prosecution
- Low debt, balance sheet flexibility

Financial Summary – Underlying Results

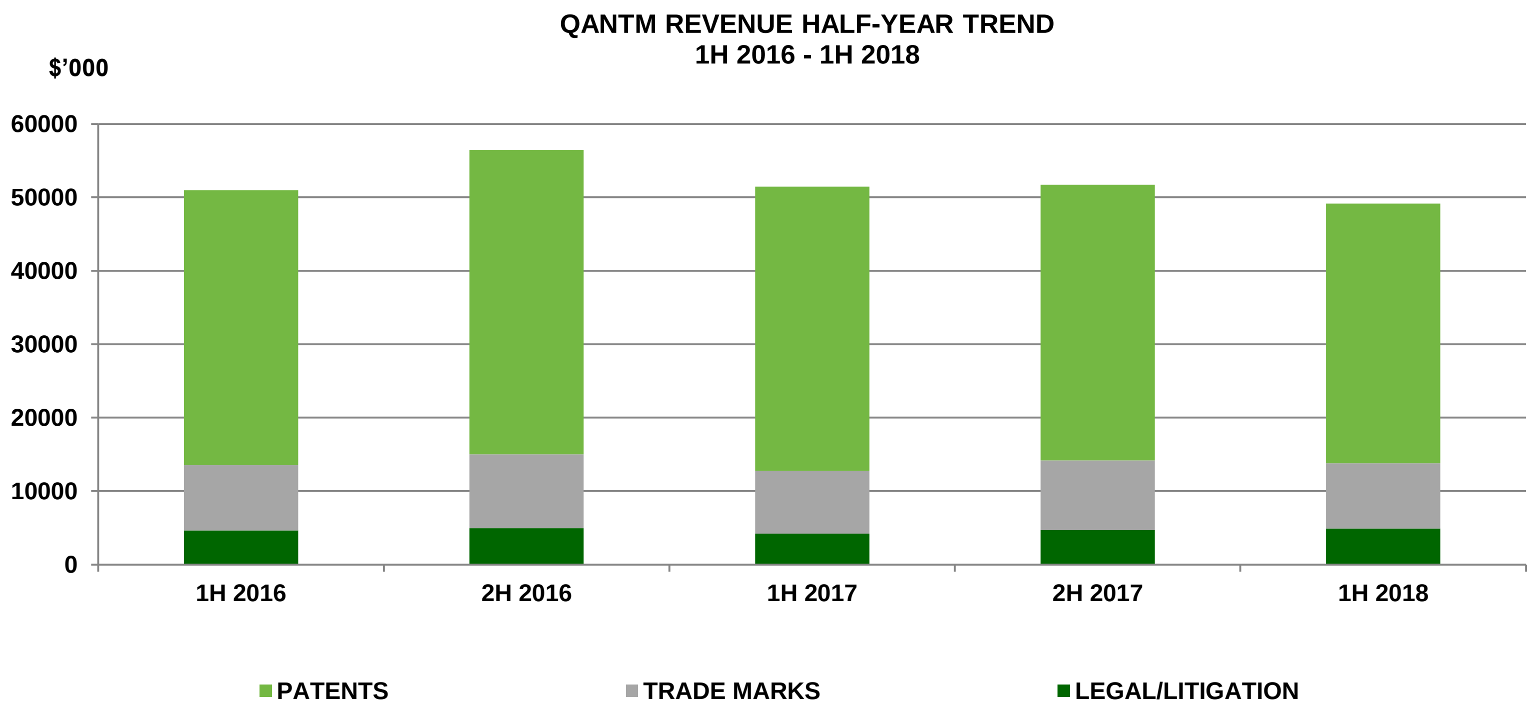
- **Total net revenue** $49.2 million, 4.5% decline (1H 2017: $51.5 million), comprising:
  - **Service Charges** of $38.0 million vs $40.2 million
  - **Foreign Associate Charges** stable at $11.2 million
- **Operating expenses** $30.3 million, down 2.3% (1H 2017: $31.0 million)
- **Restructuring costs** of $1.9 million
- **EBITDA pre FX** of $9.4 million, down 16.1% (1H 2017: $11.2 million)
- **EBITDA after FX** of $9.4 million (1H 2017: $11.8 million)
- **EBITDA margin** (on Service Charge Revenue) 24.7%, down from 29.4%
- **Underlying Net Profit after Tax** $5.5 million (1H 2017: $7.1 million)
- **Operating cash flow** of $8.3 million (1H 2017: $10.8 million)
- **Interim dividend** of 2.8 cents per share, 100% franked (1H 2017: 3.6 cents)
- **Net debt** of $6.7 million (1H 2017: $12.4 million); gearing (net debt/net debt + equity) 9.1%

Note:

A reconciliation of Statutory to underlying results is included in Slide 22. Underlying results are shown to facilitate comparisons period-to-period. 1H 2017 included IPO and associated listing costs; 1H 2018 includes $1.9 million restructuring costs and share based payments of $0.6 million.

Business Overview

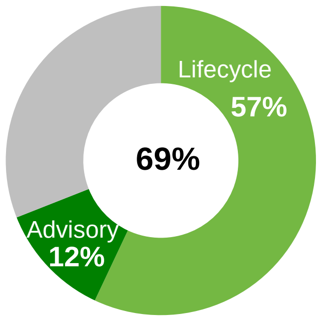
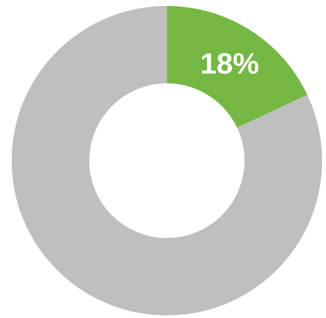
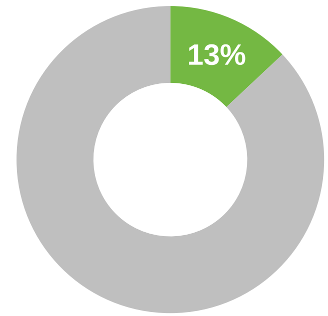
Revenue by Source of Business



Note:

Includes both service charge revenue and associate fees.

Business Overview

BUSINESS AREAS	PATENTS AND DESIGNS LIFECYCLE/ADVISORY	TRADE MARKS	LEGAL / LITIGATION
Percentage of aggregate QANTM Service Charges revenue in 1H 2018[1]			
1H 2018 vs 1H 2017 Service and Associated Charges Revenue	$35.4m vs $38.7m	$8.9m vs $8.6m	$4.9m vs $4.2m
Main Factors	• Lower level of foreign sourced, Australian patent work, particularly prosecution and advisory • Australian domestic patent activity declined moderately	• Strong DCC Australia trade mark market position • Trade mark business growth	• Increase in client litigation/ legal work; expected continuity into 2H 2018
Market Position[2]	• DCC equal #2 firm • QANTM #3 group	• DCC #1 individual firm • QANTM #2 group	• DCC legal services

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 CY17 and assumes the Group and two additional competitor groups of businesses both operated in their current form in CY17

Patent Designs, Life Cycle Advisory

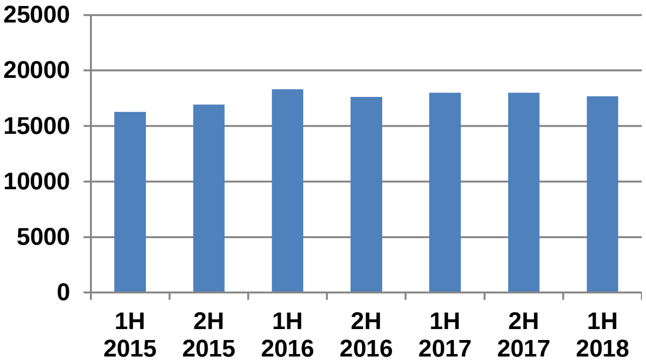
- Market Characteristics
  - total Australian market patent applications declined by 2% vs pcp
  - reduction in offshore-sourced Australia patent filings, prosecution and advisory work
  - weakness evident in November/December vs pcp
- Foreign Associate revenue stable at $11.2 million
- Singapore office revenues up by 44%; positive EBITDA generation
- QANTM patent revenue declined 8.5% vs 1H 2017
- Reflects lower client patent activity, particularly prosecution and advisory
- Overall client base retained; but lower business activity levels across suite of clients

Patent Designs, Life Cycle Advisory

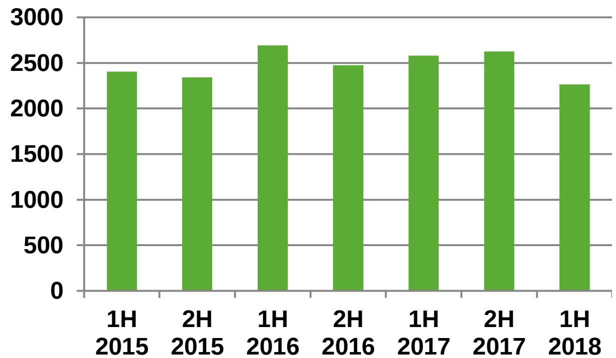
- Short term priorities and initiatives
  - increased business development and marketing expenditure
  - targeted marketing activities designed to attract and retain higher value clients, enhance position in specific geographies and business sectors
  - continued focus on growth of SE Asian business
  - more than 200 principal days devoted to attracting new business during the half – including engagement with large number of multi-nationals
  - new principal and team attracted
  - restructuring and cost reduction initiatives implemented in half; benefits to flow through in 2H 2018 but mainly FY 2019

Patent Applications Australia

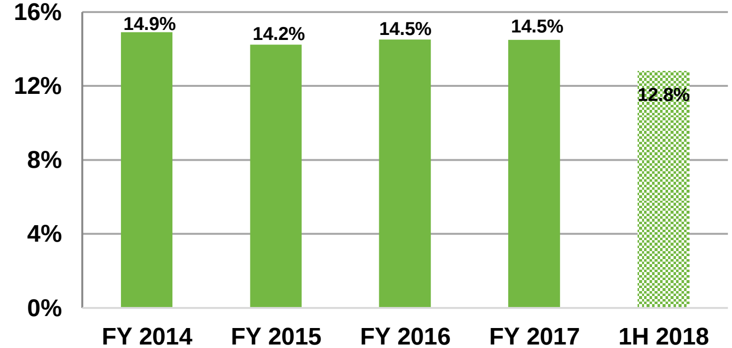
TOTAL
PATENT APPLICATIONS FILED IN AUSTRALIA
1H 2015 – 1H 2018



QANTM
AUSTRALIA PATENT APPLICATIONS
1H 2015 – 1H 2018



QANTM
PATENT FILINGS TOTAL MARKET SHARE
FY 2014 – 1H 2018

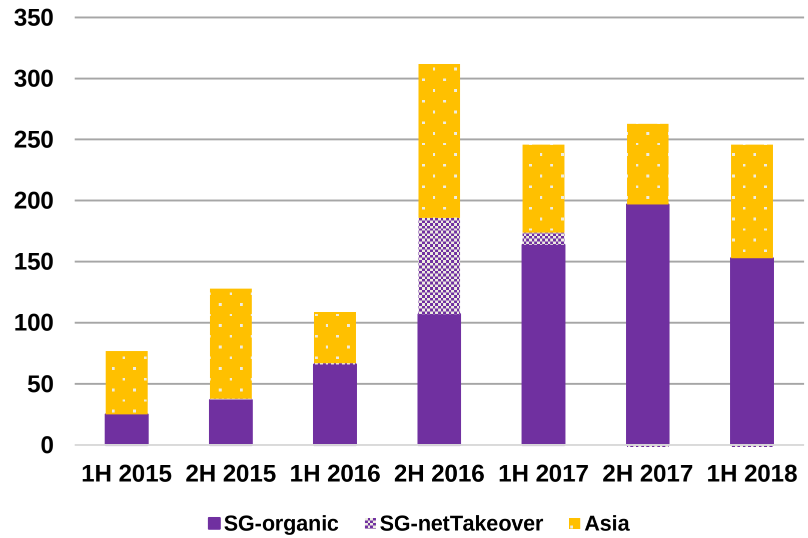


Total QANTM

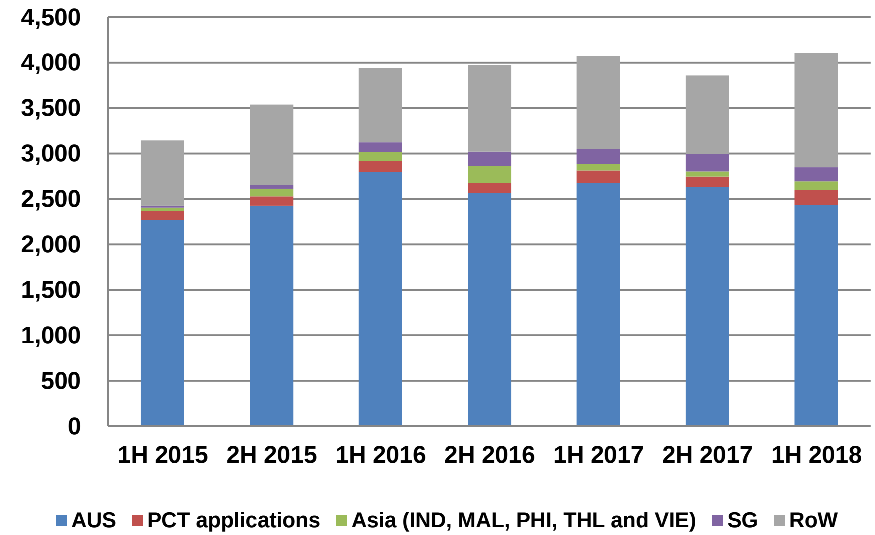
- Patent filings in Australia down 2%
- QANTM Australia patent filings down 12% on pcp
- Lower patent filings reflects lower business activity across mix of clients, not loss of clients
- QANTM market share down 1.7% on pcp and from 2H 2017

Patent Applications Australia and International

QANTM
SINGAPORE/ASIA NEW PATENT CASES SECURED
1H 2015 – 1H 2018



QANTM
TOTAL NEW PATENT CASES SECURED
1H 2015 – 1H 2018



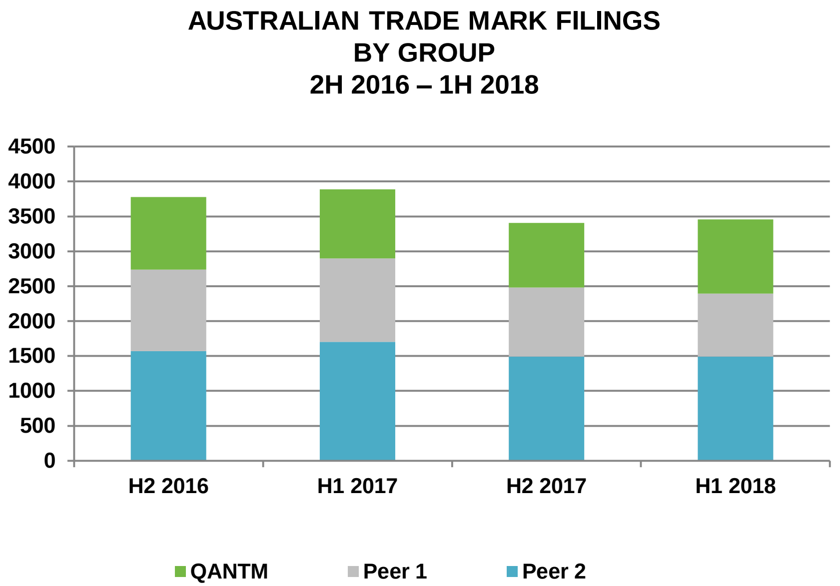
- Singapore cases filed decreased 6.7% on pcp
  (Singapore total filings estimated to have decreased 2%)
- Despite this, Singapore office total patent revenue increased by 32%
- Filings in Asia up 29% on pcp
- Locally sourced Singapore filings stable
- WIPO data shows DCCA PCT filings in SG 5.8% of market
- IPOS survey shows DCCA now in top 10 filing firms in Singapore

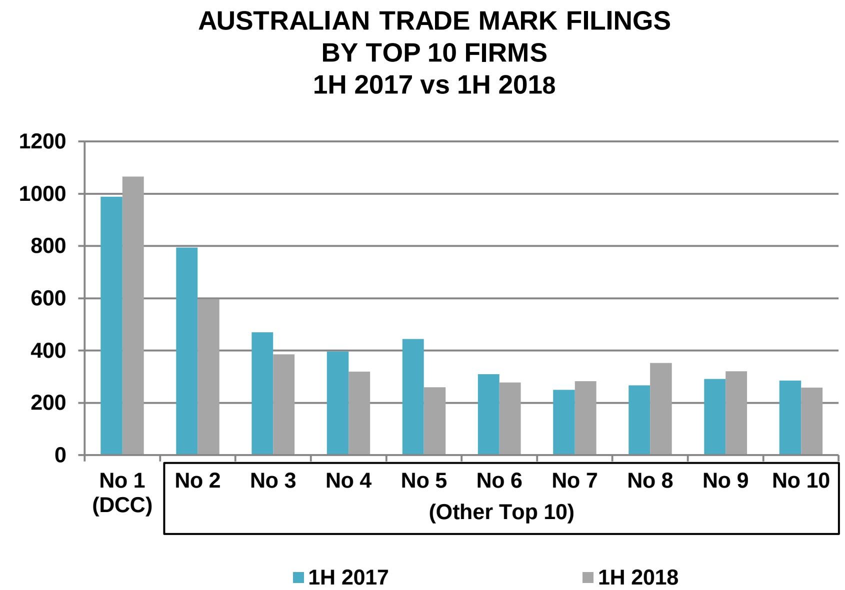
- Highest level of Group patent cases secured since 1H 2015
- Group patent filing market share in NZ improved from 10.2% to 10.9% on pcp
- Growth in PCT filings 24% on pcp
- Growth in RoW filings 23% on pcp

NOTES

WIPO World Intellectual Property Organisation
IPOS Intellectual Property Office of Singapore
SG Singapore
DCCA Davies Collison Cave Asia Pte Ltd
RoW Rest of World

Trade mark Filings Australia

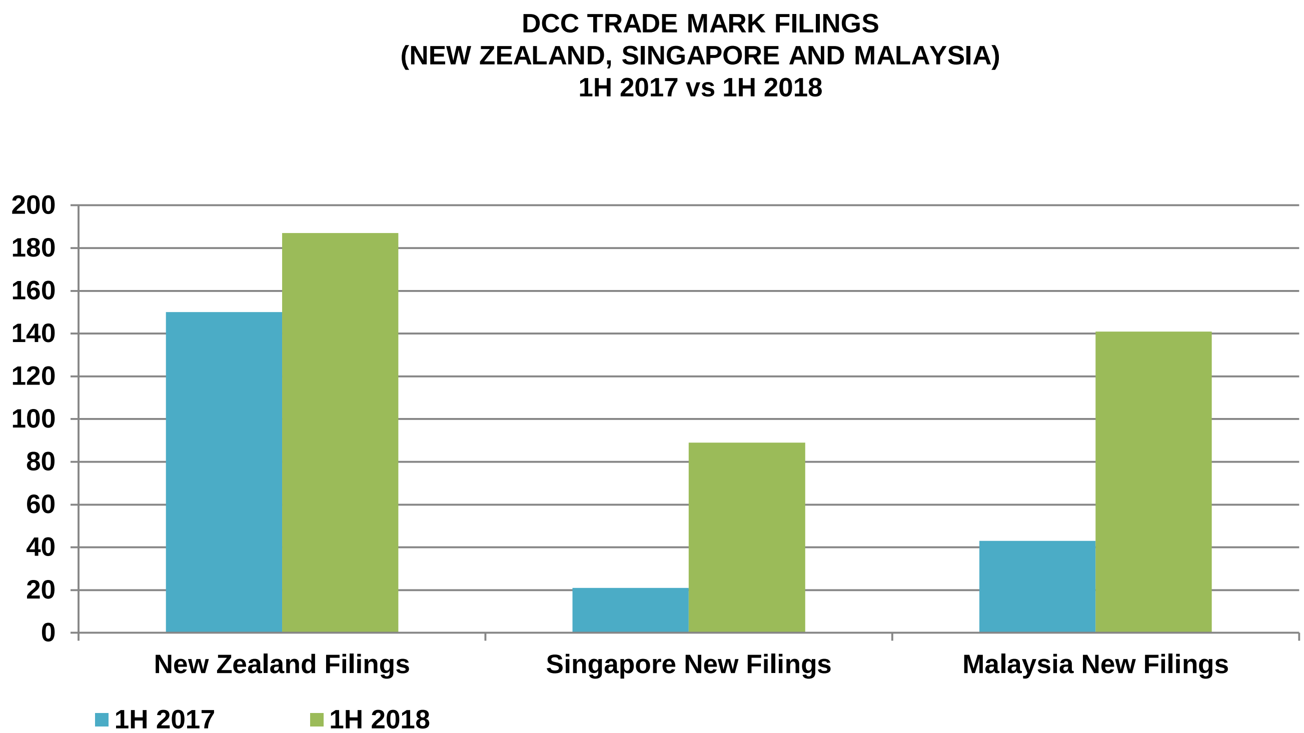




- QANTM trade mark revenue increased 3.5% to $8.9m for the half year
- QANTM Australian trade mark filings up 7.8% on pcp

- DCC no. 1 market position and key capabilities in trade mark applications, design, execution work
- New principal and team attracted

DCC Trade mark Filings



- Singapore office now growing its trade mark business – initial revenues of $200K
- Growth in trade mark filings also in New Zealand and Malaysia

Legal/Litigation Services

- Business Characteristics
  - higher level of client litigation and legal services
  - legal/litigation revenues increased by 16.7% to $4.9 million in the half year
- Highlights
  - continuation of current case load expected to continue into 2H 2018
  - commencement of FPA and DCC referring clients to DCC litigation service

Business Restructuring and Efficiency

- Continued progress in establishing integrated systems across DCC and FPA
  - electronic file and data management system extended across business
  - progress towards completion of common financial reporting system
- Operating expenses 2.3% lower period-on-period
  - occupancy and technology costs down 5.4% vs 1H 2017 ($0.3 million reduction)
  - staff costs (72% of total operating expenses) down by 2.2% despite CPI-related increase and promotions
  - increase in business development and marketing expenditure in period by $0.2 million vs 1H 2017
- Further business reconfiguration and cost reduction initiatives implemented
  - early retirement/redundancies; reduction in back office costs
  - approximately $3.9 million annualised cost benefit from FY 2019
  - aligns business to market conditions

2018 Half Year Financial Results

Summary Profit and Loss

Half Year ended 31 December 2017 $m	Statutory 1H 2018	Adj	Underlying 1H 2018	 1H 2017	 % Change
Revenue					
Service charges	38.0		38.0	40.2	(5.5%)
Associate charges	11.2		11.2	11.3	(0.9%)
Total Revenue	**49.2**		**49.2**	**51.5**	**(4.5%)**
Other income excl FX	1.0		1.0	0.9	11.1%
Recoverable expenses	(10.5)		(10.5)	(10.2)	2.9%
Operating expenses					
Compensation	22.4	(0.6)	21.8	22.3	(2.2%)
Occupancy	3.2		3.2	3.3	(3.0%)
Restructuring	1.9	(1.9)	-	-	0.0%
Other	5.3		5.3	5.4	(1.9%)
Total Operating expenses	**32.8**	**(2.5)**	**30.3**	**31.0**	**(2.3%)**
EBITDA before FX	**6.9**	**2.5**	**9.4**	**11.2**	**(16.1%)**
Foreign exchange	-		0	0.6	(100.0%)
EBITDA after FX	**6.9**	**2.5**	**9.4**	**11.8**	**(20.3%)**
Dep'n and amort'n	1.1		1.1	0.9	22.2%
Interest	0.4		0.4	0.5	(20.0%)
Profit before tax	**5.4**	**2.5**	**7.9**	**10.4**	**(24.0%)**
Tax expense	1.8	0.6	2.4	3.3	(27.3%)
Net profit after tax	**3.6**	**1.9**	**5.5**	**7.1**	**(22.5%)**
Amortisation	0.5		0.5	0.4	25.0%
NPATA	**4.1**	**1.9**	**6.0**	**7.5**	**(20.0%)**
EBITDA % after FX - service charge revenue	18.2%		24.7%	29.4%	(16.0%)
EBITDA % after FX - total revenue	14.0%		19.1%	22.9%	(16.6%)

Figures may vary from those shown in the financial statements due to rounding

COMMENTS 1H 2018 vs 1H 2017

Revenue:

- Service charge revenue decline reflects lower patent revenue, partly in line with weaker market trend
- Patent revenue decline of 8.5% mainly in overseas prosecution revenue
- Partially offset by growth in trade mark revenue of 3.5% and legal/litigation revenue of 16.7%
- Singapore business continues to grow top line revenue (44%) and is now EBITDA positive in its own right
- Associate charges in line with prior period

Expenses:

- Operating expenses 2.3% lower than 1H 2017
  - Staff costs 2.2% lower despite CPI increases, internal promotions and lateral hires
  - Occupancy and technology costs down 5.4%
  - Partially offset by increased marketing spend for BD activities
- Restructuring costs of $1.9m incurred, will have full year savings impact of $3.9m in FY 2019
- FX gains negligible in current half vs $0.6m gain in 1H 2017
- Minor capex spend causing increase in depreciation
- Interest expense reduced due to lower average borrowing volumes

Note:

A reconciliation of Statutory to underlying results is included in Slide 22. Underlying results are shown to facilitate comparisons period-to-period. 1H 2017 included IPO and associated listing costs; 1H 2018 includes $1.9 million restructuring costs and share based payments of $0.6 million.

Cash Flow Statement

Cash Flow Statement $m	1H 2018	1H 2017
Receipts from customers	53.7	56.3
Payment to suppliers and employees	(45.0)	(45.0)
Interest and costs of finance paid	(0.4)	(0.5)
Net cash provided by operating activities	8.3	10.8
Payments for property, plant and equipment	(0.6)	(0.4)
Payments for intangible assets	(0.1)	0.0
Net cash provided by/ (used in) investing activities	(0.7)	(0.4)
Repayment of bank borrowings	(4.0)	(0.1)
Dividends paid	(7.0)	0.0
IPO financing costs	0.0	(5.7)
Net cash provided by / (used in) finance activities	(11.0)	(5.8)
Net increase/(decrease) in cash and cash equivalents	(3.4)	4.6

COMMENTS 1H 2018 vs 1H 2017

Cash provided by operating activities:

- Operating cash flows of $8.3m, slightly lower than 1H 2017 due to lower revenue receipts, high cash conversion
- Low working capital requirements

Cash used in investing activities:

- Ongoing expenditure of $0.6m reflects the continued investment in the Group's IT systems and fitout upgrade costs
- Intangible assets represents investment in software

Cash provided by financing activities:

- Final dividend paid $7m
- Continued reduction in borrowings

Summary Balance Sheet

Half Year ended 31 December 2017	31-Dec-17 $m	30-Jun-17 $m
CURRENT ASSETS		
Cash and cash equivalents	5.0	8.3
Trade and other receivables	26.1	29.6
Other financial assets	0.2	0.3
Other assets	1.9	1.1
TOTAL CURRENT ASSETS	33.2	39.3
NON-CURRENT ASSETS		
Other assets	0.0	0.1
Property, plant and equipment	2.3	2.3
Intangible assets	66.7	67.1
TOTAL NON-CURRENT ASSETS	69.0	69.5
TOTAL ASSETS	102.2	108.8
CURRENT LIABILITIES		
Trade and other payables	6.4	8.1
Provisions	6.6	6.4
Borrowings	0.4	0.6
Current tax liabilities	4.9	3.5
TOTAL CURRENT LIABILITIES	18.3	18.6
NON-CURRENT LIABILITIES		
Provisions	2.6	2.7
Borrowings	11.3	15.1
Deferred tax liabilities	2.0	1.5
TOTAL NON-CURRENT LIABILITIES	15.9	19.3
TOTAL LIABILITIES	34.2	37.9
NET ASSETS	68.0	70.9
EQUITY		
Issued capital	293.8	293.8
Reserves	(222.2)	(222.7)
Retained earnings	(3.6)	(0.2)
TOTAL EQUITY	68.0	70.9

COMMENTS

Balance sheet strength

- Net debt as at 31 December 2017 was $6.7m, down from $12.4m at 1H 2017; and a reduction from $7.4m as at 30 June 2017
- Current banking bacilities include:
  - $25m working capital facility ($14m undrawn)
  - $30m acquisition facility (undrawn)
- Good quality debtor book with low levels of bad and doubtful debts
- Other asset increase mainly due to prepayment of rent at 31 December 2017
- Provisions predominantly comprise long service leave and annual leave

Income Statement Reconciliation
Statutory to underlying

Statutory NPAT to Underlying NPAT reconciliation	Half Year ended 31-Dec-17 $m	Half Year ended 31-Dec-16 $m
Statutory NPAT	**3.6**	**(0.1)**
add: DCC and FPA pre acquisition NPAT	-	(2.3)
NPAT	**3.6**	**(2.4)**
add: interest	0.4	0.4
add: depreciation and amortisation	1.1	0.8
add: tax	1.8	(0.2)
EBITDA	**6.9**	**(1.4)**
add: IPO expenses	-	6.5
add: share based payments	0.6	1.0
add: retention bonuses	-	4.5
add: reorganisation expenses	-	0.7
add: initial recognition Principal LSL	-	1.7
add: partnership expenditure	-	0.2
less: notional remuneration adjustment	-	(1.4)
add: restructuring costs	1.9	-
Underlying EBITDA	**9.4**	**11.8**
less: depreciation and amortisation	(1.1)	(0.9)
less: interest	(0.4)	(0.5)
less: tax	(2.4)	(3.3)
Underlying NPAT	**5.5**	**7.1**

IP

Forecast and Business Priorities

Full Year Forecast

- Higher revenue and EBITDA expected in second half of 2018
- Forecast full year EBITDA in the range of $19 million - $22 million
- Lower end of range assumes:
  - stabilisation of patent revenues in 2H
  - small growth in trade mark revenues in line with historic seasonal growth
  - continuation of 1H trend in 2H for legal/litigation
  - no adverse movement in AUD/USD exchange rate
- H2 operating expenses expected to be lower with initial restructuring savings though marketing spend will be maintained

Priorities

- Revenue generation targeted business development and marketing initiatives
- Bias to incremental, low capital expansion opportunities
- Continued focus on South East Asian presence and utilisation of FPA and DCC client connections through regional offices
- Ongoing focus on organisational structure, resourcing and efficiencies
- Development of programmes for career progression of key professionals

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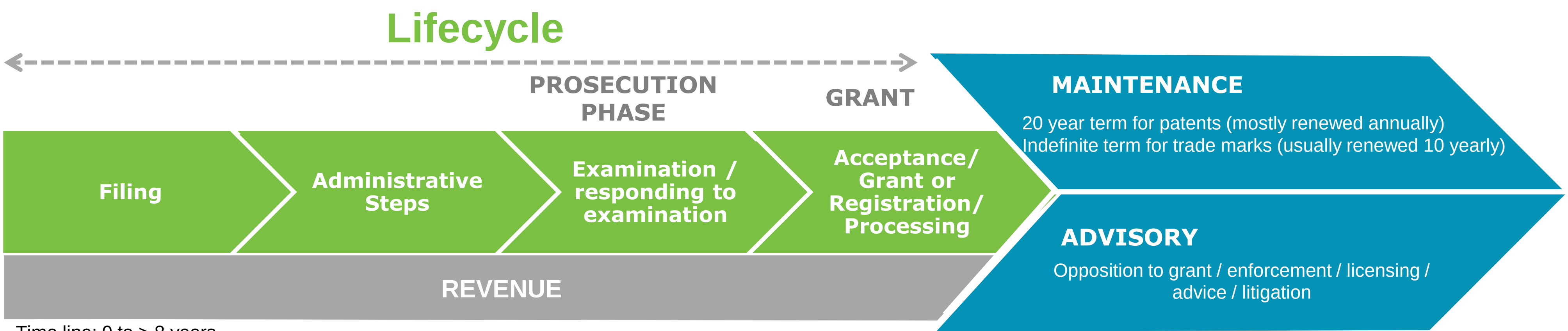
Supplementary Slides

Intellectual Property – Revenue Stages

Revenue generation at various stages of obtaining, maintaining and enforcement of Intellectual Property Rights



Time line: 0 to > 8 years

This chart demonstrates the main revenue components of the IP rights filing, prosecution and maintenance/renewal phases, with potential for opposition, advisory and legal/litigation services. It excludes originating application work for new inventions, at a pre-filing stage, which also generates revenue.

Patent Originating Application Process