ASX Announcement

29 August 2018

QANTM FULL YEAR FINANCIAL RESULTS TO 30 JUNE 2018

Highlights

- EBITDA (after FX) of $20.1 million, within guidance of 13 February 2018.
- Improvement in most financial performance measures in second half.
- 4.3 cents final dividend (total dividend for the year 7.1 cents) fully franked.

Full Year Financial Underlying[1] Results – Summary

$m	FY 2018	FY 2017	% Change
Service Charges Revenue	76.5	80.4	(4.9)
Associate Charges Revenue[2]	25.2	22.8	10.5
Total Revenue	**101.7**	**103.2**	**(1.5)**
Operating Expenses	61.1	61.7	(1.0)
EBITDA pre FX	19.3	23.6	(18.2)
EBITDA after FX	20.1	24.5	(18.0)
EBITDA margin % (service revenue)	26.3	30.5	(13.8)
Net Profit after Tax	11.9	14.8	(19.6)
Operating Cash Flow	11.3	21.3	(47.0)
Net Debt	8.3	7.4	(12.2)
Gearing % (net debt/net debt + equity)	10.6	9.4	(12.8)
EPS (cps) - underlying	9.0	11.1	(18.9)
EPS (cps) - statutory	7.1	5.4	31.5
Dividend (cps) – 100% franked	7.1	8.9	(20.2)

Key Features

- Total Revenue declined by 1.5% for the full year, with second half 2018 up 6.7%;
- Service Charges revenue declined by 4.9%, mainly reflecting a reduction of foreign derived, Australian prosecution and advisory patent work;
- trade mark and legal revenues increased, with trade mark revenue up 2.7% to $14.3 million legal revenue up 7.5% to $9.6 million;
- second half Services Charges revenue, up 1.3% (2H 2018 vs 1H 2018), while higher second half Associate Charges, up 25%;
- reduction in total operating expenses;
- reconfiguration activities resulted in restructuring costs of $1.9 million as announced at the half year;
- net profit after tax of $11.9 million (2017: $14.8 million);
- net debt as at 31 June 2018 was $8.3 million; gearing (net debt/net debt + equity) of 10.6%.

[1] 2018 underlying results are shown with 2017 pro forma numbers. This is designed to facilitate comparisons period-to-period. In 2018 adjustments of $3.2 million were made associated with: one-off incentive payments to attract and retain new Principals via a newly established Employee Share Trust ($0.9 million), and restructuring and corporate acquisition costs ($2.3 million). The Appendix provides a reconciliation of statutory to underlying results. For detailed financial results, refer to the 4E.

[2] Associate charges relate to revenue from recharging the cost of foreign agents that lodge applications in countries outside those in which QANTM acts; the revenue is offset by recoverable expenses which for 2018 were $23.4 million (2017: $19.9 million).

Managing Director Commentary

Leon Allen, QANTM's Managing Director stated:

"The full year EBITDA after FX result of $20.1 million is in line with the Company's revised full year earnings expectations, as announced in February of this year. The lower year-on-year result reflects an industry wide trend of lower foreign originating prosecution and advisory patent revenue. There was an increase in year-on-year trade mark and legal/litigation business revenues.

The Group saw an improvement in financial performance in the second half of 2018, in large part related to a stabilisation of patent advisory and prosecution work, and a continued strong second half for trade mark revenues. Second half 2018 Service Charges revenue increased 1.3 per cent while Total Revenue (including Associate charges) increased by 6.7 per cent in the second half.

Business Overview

Overall Group patent applications in 2018 remained relatively stable, declining by 0.6 per cent, with PCT and rest of world applications both higher and at record levels for the Group. However, QANTM's Australia patent applications were down 6.2 per cent year-on-year, although Australian patent applications in the second half of 2018 increased by 12.0 per cent compared to the first half of 2018.

The second half improvement in Australian patent applications and the PCT and rest of world application levels are potentially favourable trends for future prosecution and advisory revenues.

QANTM's trade mark filings increased by 3.0 per cent, a favourable industry outcome, reflecting the market position of professional services provided by DCC. Trade mark revenues increased for the year by 2.7 per cent. Legal revenues increased 7.5 per cent, as a result of a strong level of case load work, which is expected to continue into the 2019 financial year.

Overall operating expenses, year-on-year, were slightly lower (down 1.0 per cent). The business reconfiguration initiatives announced in the first half resulted in a reduction of a number of positions. $2.3 million in one-off costs were incurred associated with this exercise, as well as business acquisition costs.

Revenue

QANTM sought to address the softer first half revenue outcome, an industry-wide situation, and position itself for future revenue enhancement through a number of means: focussing on revenue growth by generating new and expanding existing client relationships through marketing and business development activities; lateral recruitment; and evaluating acquisition opportunities that complement existing QANTM service offerings. In the case of the latter, the company announced the acquisition of Malaysian intellectual property firm Advanz Fidelis (AFIP) towards the end of the financial year, with this transaction completed on 2 July 2018. The benefits from the foregoing activities are expected to be evident from the 2019 financial year.

Growth

Organic growth opportunities during 2018 were reflected in the recruitment of two lateral teams and, in the case of DCC Law, the appointment of a corporate law legal team, effective 1 July 2018, to offer a wider range of services, including corporate and private client advisory services, merger and acquisition and tax and property advisory services. These new services are complementary to DCC Law's current offerings and are ones which, from experience, clients have requested and which DCC is now in a position to provide. These initiatives, as well as internal promotions, a higher number of principal days devoted to business development and increased marketing expenditure, are being pursued to enhance future year revenue outcomes.

Asia

The acquisition of AFIP is consistent with QANTM's approach to expand its presence in South East Asia and build upon the Singapore business established in 2015. AFIP has an established customer base in Malaysia and other parts of Asia, including China, as well as Europe. Apart from expanding the customer revenue base in Asia, QANTM will be able to refer to AFIP intellectual property work it originates through both DCC and FPA in Australia, North America, Europe and Asia into Malaysia.

Outlook

We are confident of QANTM's ability to generate improved financial performance and stronger shareholder returns in the coming years. DCC, FPA and AFIP all have an excellent franchise in intellectual property services, backed by a depth of internal expertise and capabilities. Many of the initial post-listing activities, such as establishing common IT systems, are now close to being bedded down. As such, greater organisational focus is being given to business development, organic revenue generation and other logical step-out revenue opportunities, such as the AFIP acquisition. In conjunction with such activities, the company continues to demonstrate sound cash flow generation characteristics, a flexible balance sheet and a differentiated market position in its areas of client servicing."

Dividend Details

Directors determined to pay a 4.3 cents final dividend, fully franked, with a payment date of 3 October for shareholders registered as at 5 September. The full year dividend payment equates to 7.1 cents, fully franked.

QANTM's Appendix 4E, Full Year Financial Report for the year ended 30 June 2018 and Investor Presentation, provide more detailed information on the Company's full year results, available at www.qantmip.com.

For further information, please contact:

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QANTM Results Teleconference

QANTM will be holding a results teleconference today, 29 August 2018 at 10.00am Australian Eastern Standard Time (AEST). Details are as follows:

10:00am – 11:00am AEST on Wednesday 29 August 2018

Conference ID: 2756348

Participant Dial In Numbers:

Australia (toll free)	1800 123 296	New Zealand (toll free)	0800 452 782
Singapore (toll free)	800 616 2288	Hong Kong (toll free)	800 908 865
UK (toll free)	0808 234 0757	US (toll free)	1855 293 1544

Any other country or mobile phone: +61 2 8038 5221

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 (AFIP). 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.

Appendix: Statutory NPAT for the financial to underlying NPAT

The reconciliation table below reconciles statutory NPAT for the financial year to underlying NPAT.

Statutory NPAT to Underlying NPAT reconciliation $'m	**FY 2018**	**FY 2017**
Statutory NPAT	**9.5**	**7.2**
add: DCC and FPA pre acquisition NPAT	-	(2.3)
NPAT – QANTM Group	**9.5**	**4.9**
add: interest	0.8	1.0
add: depreciation and amortisation	2.1	1.9
add: tax	4.5	2.8
EBITDA – QANTM Group	**16.9**	**10.6**
add: IPO expenses	-	6.6
add: share based payments	0.1	1.0
add: employee incentive payments[1]	0.8	-
add: retention bonuses	-	4.5
add: reorganisation expenses	-	1.3
add: initial recognition Principal LSL	-	1.7
add: partnership expenditure	-	0.2
less: notional remuneration adjustment	-	(1.4)
add: restructuring and business acquistion costs	2.3	-
Underlying EBITDA – QANTM Group	**20.1**	**24.5**
less: depreciation and amortisation	(2.1)	(2.0)
less: interest	(0.8)	(1.0)
less: tax	(5.3)	(6.7)
Underlying NPAT - QANTM Group	**11.9**	**14.8**

[1] Represent one-off benefit payments to provide selected employees access to the Company's shares, facilitated through the Company's cash contributions to the Employee Share Trust.