QANTM Intellectual Property Limited

HALF-YEAR RESULTS PRESENTATION

6 MONTHS TO 31 DECEMBER 2018

22 February 2019

Leon Allen, Managing Director and CEO

Martin Cleaver, Chief Financial Officer

Structure

1. Business and Financial Summary
2. Market and Business Overview
3. Financial Results
4. Business Initiatives and Priorities

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1 Business and Financial Summary

Business Summary

QANTM continues to outperform the Australian market

- Continued evidence of restoration of business trends, following strengthening market conditions in 2H FY18
- Favourable 1H performance, including EBITDA growth, expansion of EBITDA margins
- Improved contributions across all parts of the business
  - Total patent applications filed up 10.5% (14.5% including AFIP[1]) vs 1H 2018; up 9.2% (13% including AFIP) vs 2H 2018
  - Australian patent applications (62% of QANTM's total) up 16.6% vs 1H 2018; up 4.7% from 2H 2018
  - DCC Trade Marks re-established #1 market position; service charge revenue up 9.3% (14.8% including AFIP) vs 1H 2018
  - Legal/litigation record contribution: strong case load; new legal team contribution; revenue up 41%

Expansion of Asian business

- Advanz Fidelis (Malaysia) acquisition, integration and initial revenue contribution of $1.1 million
- Establishment of FPA Singapore office, complementing DCC presence
- 25% increase in all-Asia patent applications (exclusive of AFIP) vs 1H 2018; 42% increase vs 2H 2018 (inclusive of AFIP)

Potential industry-transforming merger announced with Xenith IP Group

- Combines #2 and #3 Australian IP players
- Creates a leading Australian position for merged group in terms of IP service offering
- Benefits to all stakeholders – customers, employees and shareholders

Note

[1] Advanz Fidelis IP Sdn Bhd (AFIP) acquired 2 July 2018.

Financial Summary – Underlying Results[1]

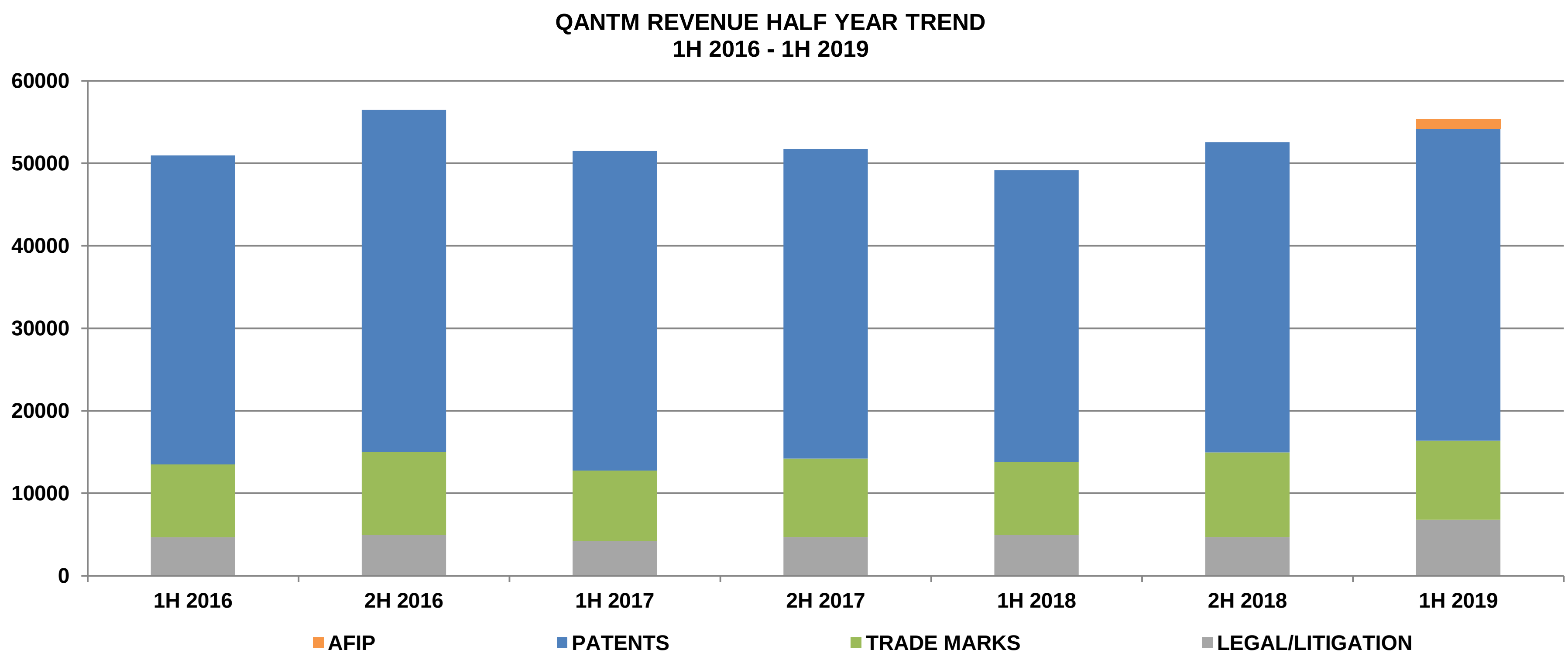
- **Total revenue** $55.3 million, **up 12.4%** (1H 2018: $49.2 million), 10.2% excluding AFIP
- **Service Charges** of $43.0 million, **up 13.2%** (1H 2018: $38.0 million), 10.7% excluding AFIP
- **Foreign Associate Charges** of $12.3 million, **up 9.8%** (1H 2018: $11.2 million)
  (net after recoverable expenses of $1.0 million vs $0.7 million)
- **Total Net Revenue** of $45.1 million, **up 13.6%** (1H18: $39.7 million)
- **Total underlying operating expenses** $33.4 million, up 10.2% (1H 2018: $30.3 million), 8.6% excluding AFIP
- **EBITDA pre FX** of $11.7 million, **up 24.5%** (1H 2018: $9.4 million), 19.2% excluding AFIP
- **EBITDA after FX** of $12.2 million, **up 29.8%** (1H 2018: $9.4 million), 24.5% excluding AFIP
- **EBITDA margin** (on Service Charges Revenue) 28.4% (1H 2018: 24.7%)
- **Net Profit after Tax** $7.5 million, **up 36.4%** (1H 2018: $5.5 million); statutory $4.6 million (1H 2018: $3.6 million)
- **Operating cash flow** of $3.4 million, down 59% (1H 2018: $8.3 million); $5.1 million tax payments in the half (1H 2018: nil)
- **Net debt** $16.2 million (30 June 2018: $8.3 million); gearing 19.1% (30 June 2018: 10.6%)
- **Interim dividend** of 3.5 cents per share, 100% franked; 1H 2018 dividend of 2.8 cents, 100% franked.

Note

1 A reconciliation of statutory to underlying results is included in Slide 21.

2 Market and Business Overview

Revenue by Source of Business



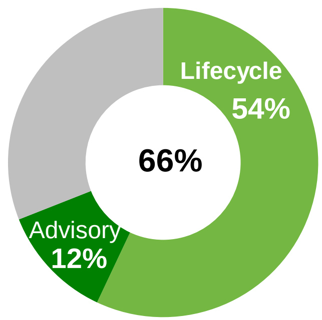
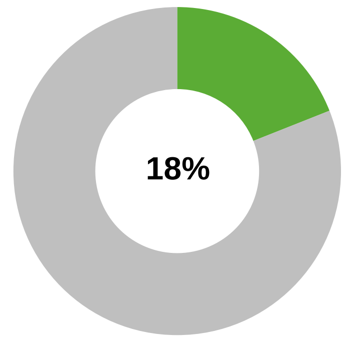
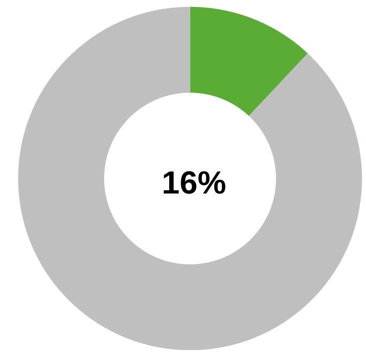
Positive half on half revenue growth

- 1H 2019 total revenue of $55.3m increased by 12.4% vs 1H 2018 ($49.2m) and 5.3% vs 2H 2018 ($52.5m)
- Service charge revenue of $43.0m increased by 13.2% vs $38.0m in 1H 2018 and 11.7% vs 2H 2018 ($38.5m)
- Associate charges revenue of $12.3m increased by 9.8% vs 1H 2018 ($11.2m).

Note:

Includes both service charge revenue and foreign associate revenues.

Business Overview

BUSINESS AREAS	PATENTS AND DESIGNS LIFECYCLE/ADVISORY	TRADE MARKS	LEGAL / LITIGATION
Percentage of aggregate QANTM Service Charges revenue 1H FY 2019[1]			
1H 2019 vs 1H 2018 • **Service Charges Revenue** • **Service and Foreign Associates Charges Revenue**	$28.3 m vs $26.3 m $38.4 m vs $35.4 m	$7.8 m vs $6.8 m $10.0 m vs 8.9 m	$6.9 m vs $4.9 m
Main Factors	• Higher QANTM Australian and foreign sourced Australian patent business • Australian domestic patent applications filed up 16.6% • Overall Group patent applications up 10.5% (14.5% including AFIP)	• Trade mark business growth, despite lower filings • Strong performance of DCC Australia trade mark business in generally slower market	• Continued strength in client litigation/ legal work; aided by initial contribution from new legal team
Market Position[2]	• DCC equal #2 firm • QANTM #3 group	• DCC #1 individual firm • QANTM #2 group	• DCC legal services

Source: DCC, FPA and AFIP management analysis

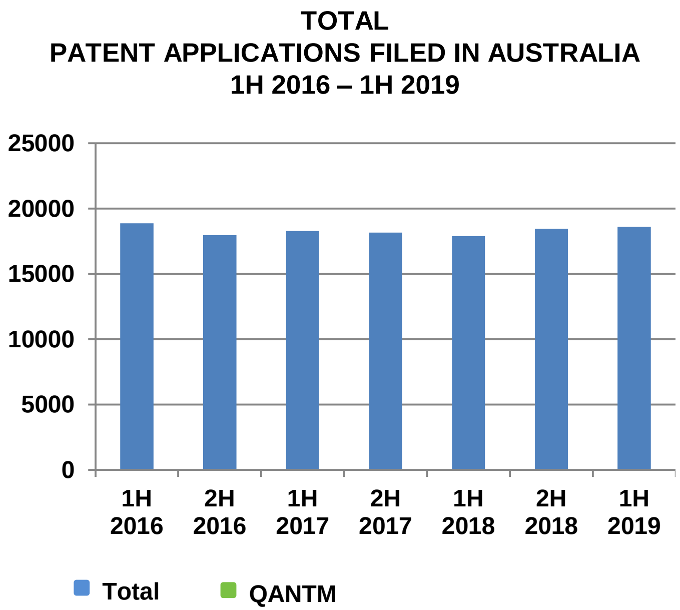
Notes:

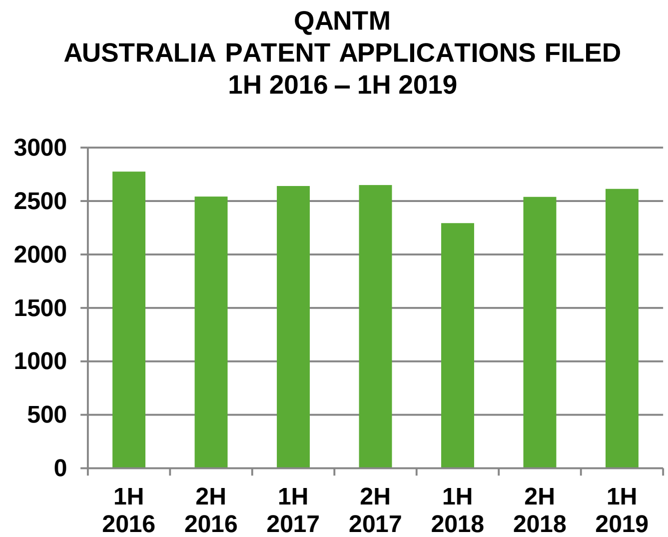
1. Excludes Associate Charges.
2. Market position analysis is based on the total number of patent or trade mark applications filed in Australia in 1H 2019 and assumes the Group and two additional competitor groups of businesses both operated in their current form.

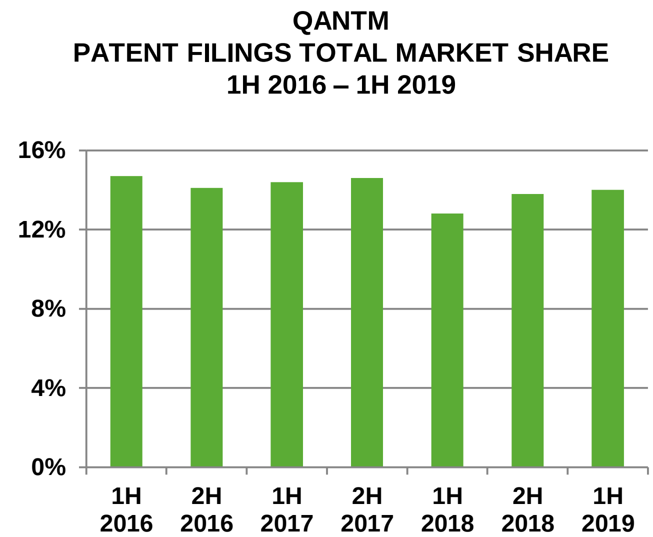
Patents and Designs Life Cycle / Advisory

- QANTM total patent revenues (service charges and associate charges) increased by 8.4% vs 1H 2018
  - Patents service charges increased by 7.6% (7.1% increase 1H 2019 v 2H 2018)
  - Patents associate charges increased 10.8%
- Stronger revenue growth reflects combination of factors
  - Recent QANTM Australian patent applications filed growth in excess of overall market growth of 4%
  - Benefits of increased marketing and business development focus over 12–18 months
  - Strengthening of contribution (from a low base) from Asian business; strengthening New Zealand contribution.
  - Initial revenue contribution from AFIP; and initial benefits of client referrals and transfers.
- Overall group patent applications increased by 10.5% (14.5% with AFIP)
  - Australian patent applications up 16.6%; represent 62% of QANTM's total patent applications
  - PCT applications down 4% (after record increase of 19.8% in FY 2018); 18.7% increase in 1H 2019 vs 2H 2018
  - Asian applications up by 25% (83% including AFIP), representing 11% of QANTM total patent applications (including AFIP), four times level 3 years previously
  - RoW applications stable after 13.7% increase in FY 2018; represent 24% of QANTM patent applications

Patent Applications Australia







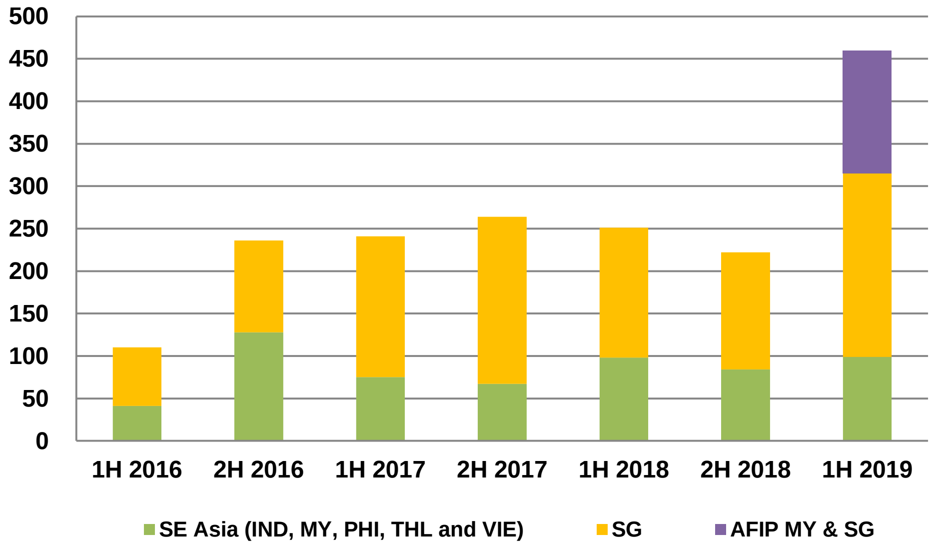
- Total market patent growth of 4% vs pcp; recovery from subdued 1H 2018
- 0.8% increase in patent applications 1H 2019 vs 2H 2018
- 2.8% increase CY 2019 vs CY 2018, trending towards long term growth rate

- 16.6% growth vs pcp (from low 1H 2018)
- Recovery in patent applications evident in 2H 2018 has been maintained in 1H 2019; 4.7% growth vs market growth of 0.8%
- QANTM Australian patent application growth displaying indications of return to more typical longer term trends

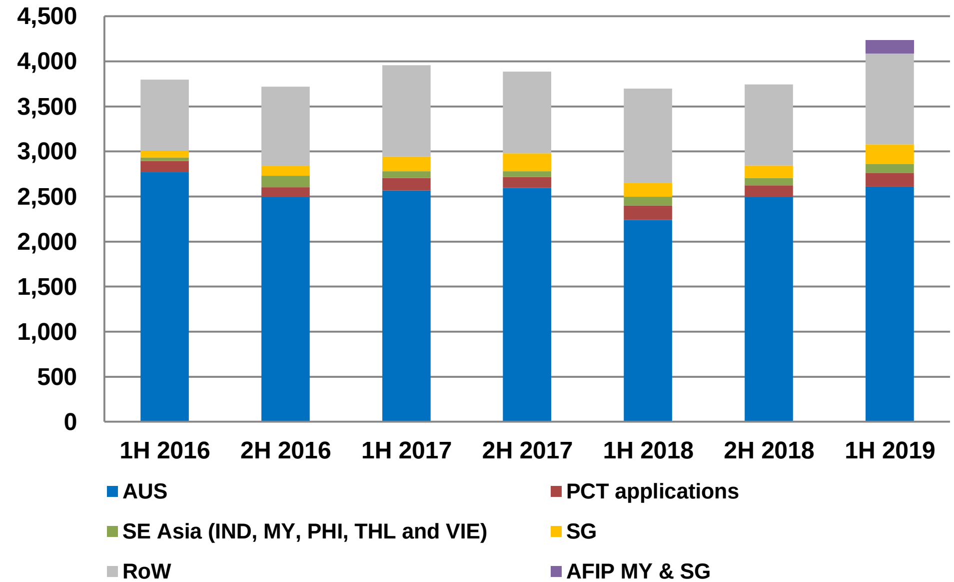
- QANTM market share recovery evident in 2H 2018 continued in 1H 2019
- Increase from 12.8% to 14.0% QANTM market share from 1H 2018

Patent Applications filed Australia and International

QANTM
SINGAPORE/ASIA NEW PATENT CASES FILED[1]
1H 2016 – 1H 2019



QANTM
TOTAL NEW PATENT CASES FILED[1]
1H 2016 – 1H 2019



- Singapore cases filed increased 41% vs 1H 2018
- Filings in Asia (excl Singapore) flat (up 150% including AFIP) vs 1H 2018; incl Singapore up 25.5% (83% including AFIP) vs 1H 2018

- Highest level of Group patent cases filed since 2013
- Group patent PCT national phase filing market share in NZ increased from 10.9% to12.7%; #2 position
- PCT filings down 4% vs 1H 2018; 18% increase 1H 2019 vs 2H 2018
- RoW filings flat vs 1H 2018; up 12% 1H 2019 vs 2H 2018

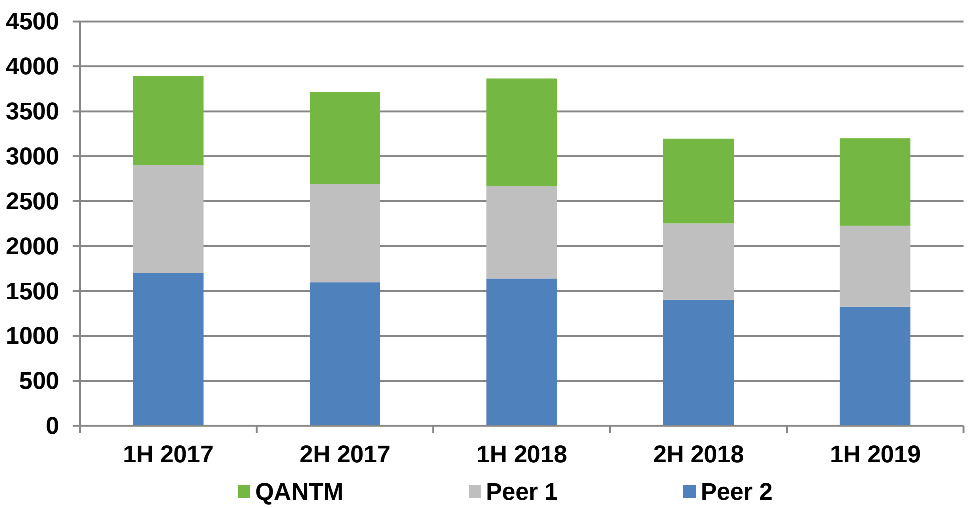
Notes:
1. Source: DCC, FPA and AFIP management analysis of cases filed in the period (excluding transfers).

Notes:

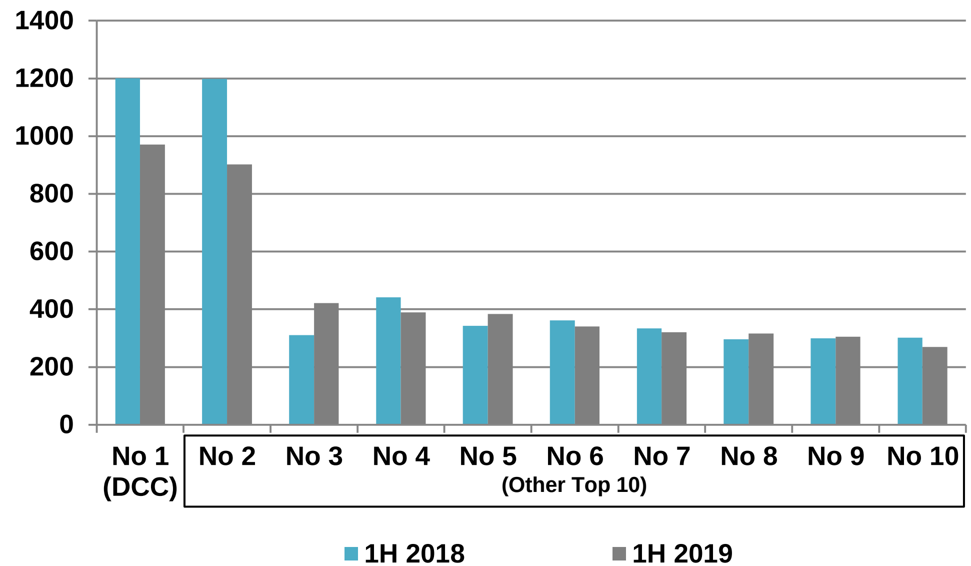
SG	Singapore	MY	Malaysia
RoW	Rest of World	AFIP	Advanz Fidelis IP Sdn Bhd

Trade Mark Filings Australia

AUSTRALIAN TRADE MARK FILINGS
BY LISTED GROUPS
1H 2017 – 1H 2019



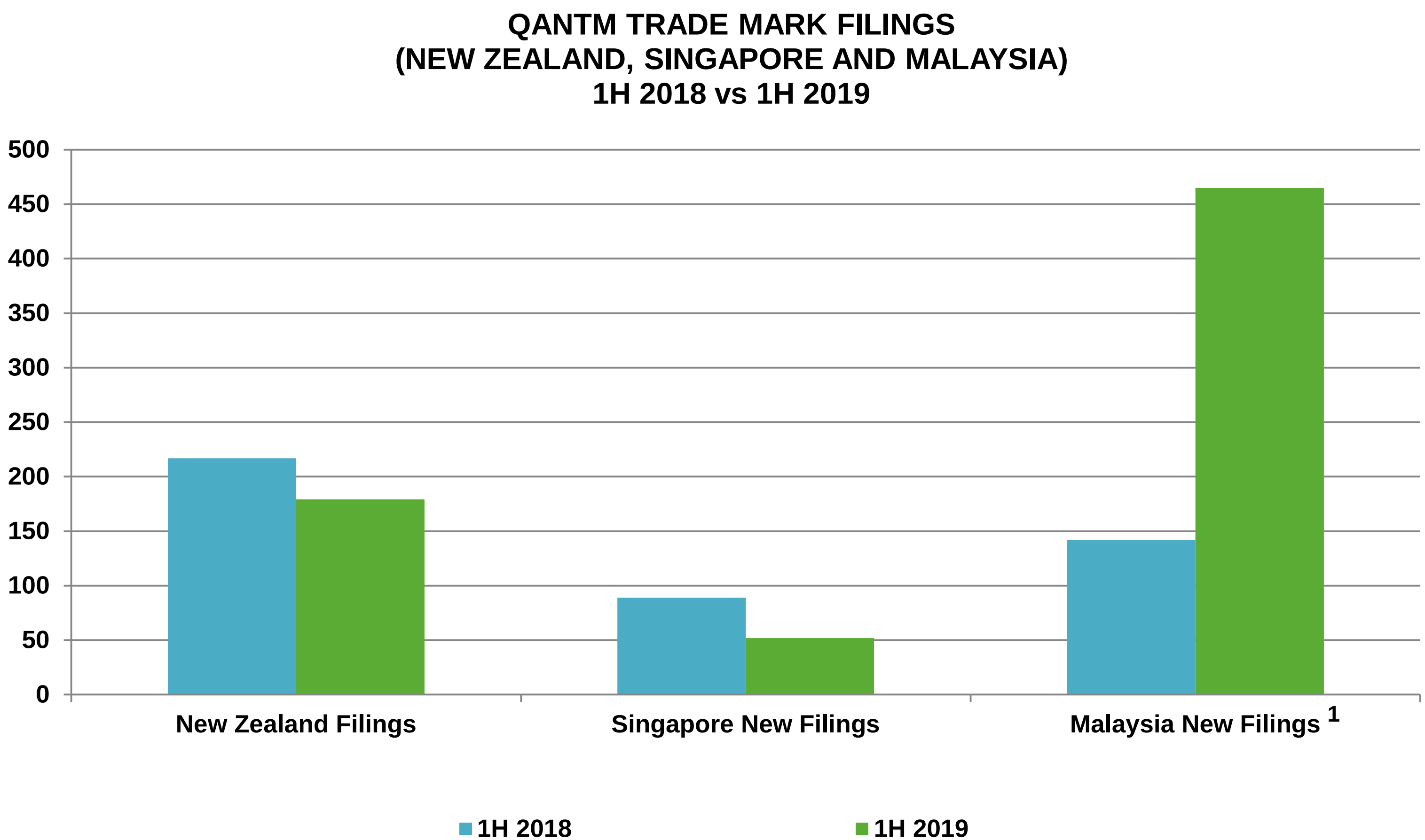
AUSTRALIAN TRADE MARK FILINGS
BY TOP 10 FIRMS
1H 2018 – 1H 2019



- Overall Australian trade mark filings declined from 1H 2018 to 1H 2019
- QANTM Australian trade mark filings also declined vs 1H 2018; but increased 1H 2019 vs 2H 2018

- DCC re-established #1 market position in Australia, following move to #2 after prior period combination of three competitor firms into one
- DCC recognised as providing industry-leading capabilities in trade mark applications, design, execution work

QANTM Trade Mark Filings
New Zealand, Singapore, Malaysia



Notes:
1. Total Malaysia New Filings 1H 2019 of 465 includes 318 filings by AFIP.

Legal/Litigation Services

- Record half year performance by DCC Law
- Legal/litigation revenues increased by 41% to $6.9 million (1H 2018: $4.9 million); 45% increase 1H 2019 vs 2H 2018
- Continuing solid case load with high utilisation
- Initial favourable contribution from new corporate law legal team, commenced 1 July 2018

People and Professional Development

- Promotion of 23 professionals in July 2018; 65% female
- Employee Share Trust established - $1.1 million investment (1H 2018: nil)
  - Investment in retention, alignment of new senior professionals
- Investment in cultural and leadership programs
  - Including business development skills
  - Strategy and leadership development
  - Senior leader professional development, Harvard Advanced Management Program
  - Professional headcount of 150, an increase of 11 (excluding AFIP increase of 18)
  - Minimal professional turnover in line with historical rates

3 Financial Results

Summary Profit and Loss

Half-year ended 31 December 2018 $m	Statutory 1H 2019	Adj	Underlying 1H 2019	Statutory H1 2018	Adj	Underlying H1 2018	1H19 v 1H18 % Change
Revenue							
Service charges	43.0		43.0	38.0		38.0	13.2%
Associate charges	12.3		12.3	11.2		11.2	9.8%
Total Revenue	**55.3**		**55.3**	**49.2**		**49.2**	**12.4%**
Other income excl FX	1.1		1.1	1.0		1.0	10.0%
Recoverable expenses	(11.3)		(11.3)	(10.5)		(10.5)	7.6%
Net Revenue	**45.1**		**45.1**	**39.7**		**39.7**	**13.6%**
Operating expenses							
Compensation	25.8	(1.7)	24.1	22.4	(0.6)	21.8	10.6%
Occupancy	3.4		3.4	3.2		3.2	6.2%
Restructuring and business acquisition	1.2	(1.2)	-	1.9	(1.9)	-	n/a
Other	5.9		5.9	5.3		5.3	11.3%
Total Operating expenses	**36.3**	**(2.9)**	**33.4**	**32.8**	**(2.5)**	**30.3**	**10.2%**
EBITDA before FX	**8.8**	**2.9**	**11.7**	**6.9**	**2.5**	**9.4**	**24.5%**
Foreign exchange	0.5		0.5	0.0		0.0	n/a
EBITDA after FX	**9.3**	**2.9**	**12.2**	**6.9**	**2.5**	**9.4**	**29.8%**
Dep'n and amort'n	1.1		1.1	1.1		1.1	0.0%
Interest	0.5		0.5	0.4		0.4	25.0%
Profit before tax	**7.7**	**2.9**	**10.6**	**5.4**	**2.5**	**7.9**	**34.2%**
Tax expense	3.1		3.1	1.8	0.6	2.4	29.2%
Net profit after tax	**4.6**	**2.9**	**7.5**	**3.6**	**1.9**	**5.5**	**36.4%**
Amortisation	0.6		0.6	0.5		0.5	20.0%
NPATA	**5.2**	**2.9**	**8.1**	**4.1**	**1.9**	**6.0**	**35.0%**
EBITDA % after FX - service charge revenue	21.6%		28.4%	18.2%		24.7%	15.0%
EBITDA % after FX - total revenue	16.8%		22.1%	14.0%		19.1%	15.7%

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

A reconciliation of statutory to underlying results is included at Slide 21. Adjustments to statutory results include restructuring and business acquisition costs and contingent payments for a business acquisition accounted for as remuneration.

COMMENTS

Revenue

- Service charge revenue growth of 13.2% reflecting increased activity across all businesses (10.1% excluding AFIP)
- Patent revenue increase of 7.6% with filings growth well above market
- Trade mark revenue growth of 14.7% and legal/litigation growth of 41%, a record half
- $1.1m revenue contribution from AFIP
- Favourable FX environment

Expenses

- Operating expenses 10.2% higher than 1H 2018 (8.6% excluding AFIP):
  - Staff costs impacted by full half of 3 lateral teams, $1.1m EST contributions (1H 18: nil) and additional professional headcount offsetting the pcp restructure benefits
  - Other costs increased with uplift in general business activity but mainly in travel related BD expenses
- FX benefit from lower AUD
- Interest expense increase due to higher average borrowing volumes
- EBITDA margin increase to 28.4%

Cash Flow Statement

Half-year ended 31 December 2018 $m	1H 2019	1H 2018
Receipts from customers	59.1	53.7
Payment to suppliers and employees	(50.1)	(45.0)
Interest and costs of finance paid	(0.5)	(0.4)
Income tax paid	(5.1)	-
Net cash provided by operating activities	**3.4**	**8.3**
Payments for property, plant and equipment	(0.3)	(0.6)
Payments for intangible assets	(0.9)	(0.1)
Payments for business acquisitions	(3.1)	-
Business acquisition related costs	(1.2)	-
Net cash used in investing activities	**(5.5)**	**(0.7)**
Proceeds from bank borrowings	7.3	-
Repayment of bank borrowings	-	(4.0)
Dividends paid	(5.7)	(7.0)
Net cash provided by / (used in) finance activities	**1.6**	**(11.0)**
Net decrease in cash and cash equivalents	**(0.5)**	**(3.4)**

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

COMMENTS

Cash provided by operating activities

- Operating cash flows of $3.4m, lower than 1H 2018 primarily due to $5.1m tax payments
- Impact of $2m EST contributions (1H 2018: nil)

Cash used in investing activities

- Intangible assets represents investment in software projects including completion of common finance platform and SOE upgrade
- Payment of $3.05m to acquire AFIP in Malaysia
- Significant outlay on M&A related costs

Cash provided by financing activities

- Increase in borrowings to fund outlays noted above
- Dividend paid at 90% NPATA

Summary Balance Sheet

As at 31 December 2018 $m	31-Dec-18	30-Jun-18
CURRENT ASSETS		
Cash and cash equivalents	2.7	3.1
Trade and other receivables	31.8	31.6
Other assets	2.5	1.2
TOTAL CURRENT ASSETS	**37.0**	**35.9**
NON-CURRENT ASSETS		
Property, plant and equipment	2.7	2.7
Intangible assets	70.3	66.3
TOTAL NON-CURRENT ASSETS	**73.0**	**69.0**
TOTAL ASSETS	**110.0**	**104.9**
CURRENT LIABILITIES		
Trade and other payables	7.3	9.5
Provisions	8.8	6.4
Borrowings	0.2	0.2
Current tax liabilities	1.1	3.2
Other financial liabilities	0.2	0.1
TOTAL CURRENT LIABILITIES	**17.6**	**19.4**
NON-CURRENT LIABILITIES		
Provisions	2.5	2.8
Borrowings	18.7	11.2
Deferred tax liabilities	2.6	1.8
TOTAL NON-CURRENT LIABILITIES	**23.8**	**15.8**
TOTAL LIABILITIES	**41.4**	**35.2**
NET ASSETS	**68.6**	**69.7**
EQUITY		
Issued capital	294.1	293.8
Reserves	(222.9)	(222.6)
Retained earnings	(2.6)	(1.5)
TOTAL EQUITY	**68.6**	**69.7**

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

COMMENTS

Balance sheet strength

- Intangible asset increase due to AFIP acquisition
- Net debt as at 31 December 2018 of $16.2m, an increase from $8.3m at 30 June 2018, refer cash flow comments
- Current banking facilities include:
  - $25m working capital facility ($6.5m undrawn)
  - $30m acquisition facility (undrawn)
- Good quality debtor book with low levels of bad and doubtful debts. Increase in debtors minimal despite revenue growth
- Provisions increased due to the contingent consideration on business acquisition

Income Statement Reconciliation
Statutory to underlying

Statutory NPAT to Underlying NPAT reconciliation	Half-year ended 31-Dec-18 $m	Half-year ended 31-Dec-17 $m
Statutory NPAT	**4.6**	**3.6**
add: interest	0.5	0.4
add: depreciation and amortisation	1.1	1.1
add: tax	3.1	1.8
EBITDA	**9.3**	**6.9**
add: employee incentive payments	-	0.6
add: remuneration related to business acquisition [1]	1.7	-
add: restructuring and business acquistion costs [2]	1.2	1.9
Underlying EBITDA	**12.2**	**9.4**
less: depreciation and amortisation	(1.1)	(1.1)
less: interest	(0.5)	(0.4)
less: tax	(3.1)	(2.4)
Underlying NPAT	**7.5**	**5.5**

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

1 Represents contingent payments for business acquisition costs accounted for as remuneration.

2 1H 2019 costs relate to business acquisition costs. 1H 2018 costs relate to redundancy costs.

4 Business Initiatives and Priorities

Business Initiatives and Priorities

Organic Business Growth – Australia/New Zealand

- Investment in marketing and business development
- Increased re-investment in professional capabilities and revenue generation
  - Continued focus on new lateral team opportunities
  - Potential for New Zealand expansion

Expansion of Asian Business

- AFIP integration activities ongoing, DCC and FPA referring client work
- FPA Singapore office established, complementing DCC presence
- Further Asian business development opportunities

Proposed Merger with Xenith

- Finalisation of scheme regulatory arrangements for Xenith merger by scheme of arrangement
- Scheme booklet approved and released, shareholder vote scheduled for 3 April
- Merger integration planning for delivery of key benefits and integration priorities
- Joint investor update planned for March

Outlook

- Continuing favourable business trajectory in core patent business
  - Patent application growth – an expected favourable indicator for future (18–24 months) revenue profile
- Trade marks – stable outlook
- Legal/Litigation – difficult to replicate record 1H 2019, expecting solid 2H with growing contribution from new commercial law practice
- Further business development opportunities being pursued

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