

HALF YEAR RESULTS PRESENTATION

6 MONTHS TO 31 DECEMBER 2020



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25 February 2021

STRUCTURE



1. Business and Financial Highlights
2. Financial Results
3. Market and Business Overview
4. Business Transformation
5. Summary and Outlook



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BUSINESS AND FINANCIAL HIGHLIGHTS

BUSINESS HIGHLIGHTS



Strong Portfolio Performance

- Team performed exceptionally well under challenges of COVID-19
- Growth in revenue across main business areas: patents, trade marks, legal/litigation
- Life cycle contribution of portfolio (prosecution, advisory, litigation and renewals) offset flat applications and filings
- Revenue, earnings, operating cash flow above pcp; adverse FX movement impacted bottom line reported earnings
- Strong underlying cash flow and business performance; Board has agreed to pay an interim dividend of 4.0 cents fully franked (21% up on pcp)

Investment in People and Clients

- Continued emphasis on support for our people; emphasis on flexibility
- Quality of client services remains high; continued investments underway
- Implementing world-class client engagement platform (backed by investment in technology, people and processes)

Strategy and Business Transformation

- Group strategic framework developed, key components include: Technology Road Map and Group M&A Strategy
- Substantial progress on business transformation and technology modernisation activities → migration to the cloud well underway
- Core capabilities in M&A, technology leadership, data/analytics, program management and organisational change now in place
- Substantial progress on M&A strategy, pipeline identification and evaluation progressing → momentum building

FINANCIAL SUMMARY – UNDERLYING RESULTS¹



- **Service charges** of \$46.6 million, up 4.0% (1H20: \$44.8 million)
- **Total net revenue** \$48.3 million, up 3.6% (1H20: \$46.6 million)
- **Operating expenses** \$33.8 million, up 2.4% (1H20: \$33.0 million)
- **EBITDA before FX** \$14.5 million, up 6.6% (1H20: \$13.6 million)
- **EBITDA after FX** of \$13.5 million, down 2.2% (1H20: \$13.8 million, inclusive of \$0.2m FX gain)
- **EBITDA margin** (on Service Charges) 29.0% (1H20: 30.8%); on Total Revenue 23.0% (1H20: 24.0%)
- **Net profit after tax** \$6.5 million, down 1.5% (1H20: \$6.6 million)
- **Statutory net profit after tax** \$6.0 million, up 36.4%
- **Operating cash flow** of \$9.2 million, up 61.4% (1H20: \$5.7 million)
- **Interim dividend** of 4.0 cents per share, 100% franked; (1H20: 3.3 cents)
- **Net debt** of \$17.2 million (31 December 2019: \$15.1 million); gearing (net debt/net debt + equity) 18.9% (2H20 18.0%)

Note:

¹ A reconciliation of Statutory to underlying results is included in Slide 13. Underlying results are shown to facilitate comparisons period-to-period.

BUSINESS OVERVIEW



PATENT SERVICE CHARGES

↑ UP 3.2%

\$31.9m 1H21 vs \$30.9m 1H20 ²

- IP industry continued to show resilience.
- QANTM observed early signs of increased innovation by Australian clients; including IP protection activities into overseas jurisdictions.
- DCC and FPA breadth and depth of expertise/full service offering positioned favourably in context of COVID business conditions (i.e. volatility across sectors and jurisdictions creates greater balance).

TRADE MARK SERVICE CHARGES

↑ UP 3.9%

\$7.9m 1H21 vs \$7.6m 1H20 ²

- Volatility in various business sectors (e.g. Malaysia), although continued strong performance by DCC.

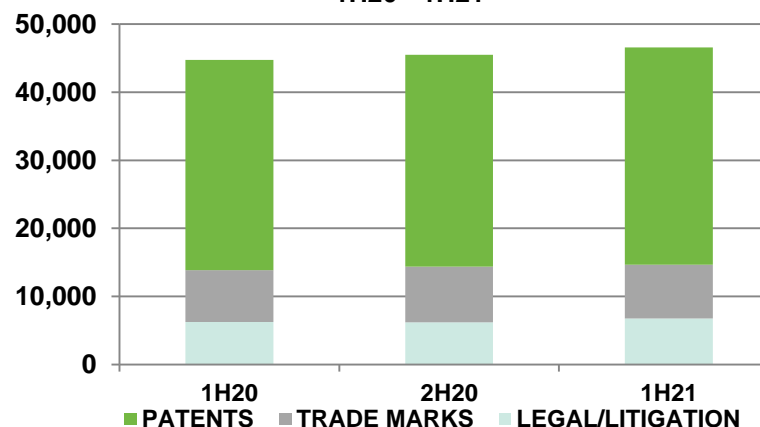
LEGAL/LITIGATION SERVICE CHARGES

↑ UP 7.9%

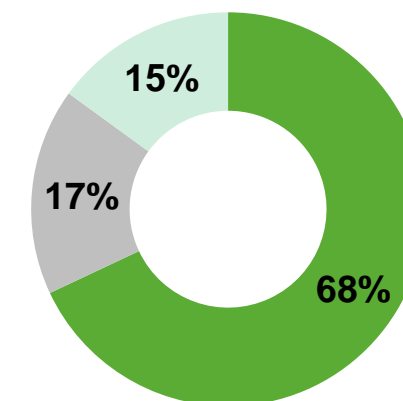
\$6.8m 1H21 vs \$6.3m 1H20 ²

- Australian court system continued to function well, despite disruption.
- DCC Law continued to experience strong case load.

QANTM SERVICE CHARGES REVENUE
HALF YEAR TREND
1H20 - 1H21



PERCENTAGE OF AGGREGATE
QANTM SERVICE ¹
CHARGES 1H21



NOTE:

^{1,2} DCC, FPA and Advanz management analysis. Includes Cotters, acquired 22 May 2020,

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FINANCIAL RESULTS

SUMMARY PROFIT AND LOSS



Half-year ended 31 December 2020 \$m	Statutory 1H21	Adj	Underlying 1H21	Statutory 1H20	Adj	Underlying 1H20	HY % Change
Revenue							
Service charges	46.6		46.6	44.8		44.8	4.0%
Associate charges	12.0		12.0	12.8		12.8	-6.3%
Total Revenue	58.6		58.6	57.6		57.6	1.7%
Other income excl FX	1.0		1.0	1.1		1.1	-9.1%
Recoverable expenses	(11.3)		(11.3)	(12.1)		(12.1)	-6.6%
Net Revenue	48.3		48.3	46.6		46.6	3.6%
Operating expenses							
Compensation – normal	28.5	(0.3)	28.2	26.6	(0.5)	26.1	8.0%
Compensation - acquisition earn out	-		-	1.2	(1.2)	-	-
Occupancy	1.0		1.0	1.1		1.1	-9.1%
Business acquisition costs	0.1	(0.1)	-	0.7	(0.7)	-	-
Technology	2.2	(0.3)	1.9	1.7		1.7	11.8%
Other	2.7		2.7	4.1		4.1	-34.1%
Total Operating expenses	34.5	(0.7)	33.8	35.4	(2.4)	33.0	2.4%
EBITDA before FX	13.8	0.7	14.5	11.2	2.4	13.6	6.6%
Foreign exchange	(1.0)		(1.0)	0.2		0.2	-600.0%
EBITDA after FX	12.8	0.7	13.5	11.4	2.4	13.8	-2.2%
Dep'n and amort'n	3.7		3.7	3.4		3.4	8.8%
Interest	0.7		0.7	0.9		0.9	-22.2%
Profit before tax	8.4	0.7	9.1	7.1	2.4	9.5	-4.2%
Tax expense	2.4	0.2	2.6	2.7	0.2	2.9	-10.3%
Net profit after tax	6.0	0.5	6.5	4.4	2.2	6.6	-1.5%
Amortisation	0.6		0.6	0.6		0.6	0.0%
NPATA	6.6	0.5	7.1	5.0	2.2	7.2	-1.4%
EBITDA % after FX - service charge revenue	27.5%		29.0%	25.4%		30.8%	
EBITDA % after FX - total revenue	21.8%		23.0%	19.8%		24.0%	

COMMENTS

- Service charge revenue growth of 4.0% on pcp, growth of 2.4% on 2H20:
 - benefit of Cotters acquisition (\$0.9m), more than offset by currency headwinds (\$1.1m)
 - growth across all products - Patents growth 3.2% and trade marks growth 3.9%. Legal growth 7.9%, with minimal COVID disruption
- Employee costs increase of 8.0% or \$2.1m on pcp, increase of \$1.0m on 2H20:
 - increase in Corporate (\$0.5m) with strengthening of IT and M&A capabilities
 - increase in employee leave provisions due to COVID (\$0.8m)
 - addition of Cotters (\$0.8m)
- Other costs reduced 34.1% or \$1.4m mainly in reduced travel and marketing spend due to COVID restrictions
- EBITDA before FX of \$14.5m - growth of 6.6% on pcp, 2.8% growth on 2H20
- Strengthening AUD resulted in \$1.0m FX loss compared to \$0.2m gain in pcp and \$1.0m loss in 2H20
- Additional depreciation and amortisation with completion of various IT initiatives and laptop rollout for remote working
- Statutory NPAT of \$6.0m, 36% increase on pcp and 20% above 2H20

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

CASH FLOW STATEMENT



Half Year ended 31 December 2020

\$m	1H21	1H20	COMMENTS
Receipts from customers	61.0	63.1	Cash provided by operating activities <ul style="list-style-type: none"> • Increase of \$3.5m due mainly to: <ul style="list-style-type: none"> — \$1.3m of one-off retention payments in prior period — \$1.4m of employee share trust contributions settled by issue of shares rather than cash • Lower level of tax payments
Payment to suppliers and employees	(48.7)	(53.2)	
Interest and finance costs paid	(0.4)	(0.9)	
Income tax paid	(2.7)	(3.3)	
Net cash provided by operating activities	9.2	5.7	
Payments for property, plant and equipment	(0.7)	(0.4)	Cash used in investing activities <ul style="list-style-type: none"> • Additional payments for PPE mainly purchases of laptops for all staff to enable remote working • Commencement of transformation program resulting in capitalisation of software development • Lower external outlay on M&A activities, partly due to investment in internal resources
Payments for intangible assets	(0.5)	-	
Business acquisition related costs	(0.1)	(0.7)	
Net cash used in investing activities	(1.3)	(1.1)	
Proceeds from bank borrowings	3.0	6.9	Cash used in financing activities <ul style="list-style-type: none"> • Final FY20 dividend paid at top end of range
Repayment of bank borrowings	(2.6)	(1.0)	
Payment of lease liabilities	(2.5)	(2.3)	
Dividends paid	(5.1)	(6.4)	
Net cash used in finance activities	(7.2)	(2.8)	
Net increase in cash	0.7	1.8	

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

SUMMARY BALANCE SHEET



As at 31 December 2020

\$m

CURRENT ASSETS

Cash and cash equivalents
Trade and other receivables
Other assets
Current tax asset

TOTAL CURRENT ASSETS

NON-CURRENT ASSETS

Property, plant and equipment
Right-of-use assets
Intangible assets

TOTAL NON-CURRENT ASSETS

TOTAL ASSETS

CURRENT LIABILITIES

Trade and other payables
Provisions
Borrowings
Lease liability
Current tax liabilities
Other financial liabilities

TOTAL CURRENT LIABILITIES

NON-CURRENT LIABILITIES

Provisions
Borrowings
Lease liability
Other financial liabilities
Deferred tax liabilities

TOTAL NON-CURRENT LIABILITIES

TOTAL LIABILITIES

NET ASSETS

31-Dec-20

30-Jun-20

COMMENTS

	6.9	6.2
	34.8	33.7
	3.0	1.7
	0.3	-
	<u>45.0</u>	<u>41.6</u>
	2.4	2.4
	15.5	15.8
	75.7	75.7
	<u>93.6</u>	<u>93.9</u>
	<u>138.6</u>	<u>135.5</u>
	10.1	11.2
	8.2	6.5
	1.0	2.5
	4.4	4.3
	-	1.0
	0.6	0.7
	<u>24.3</u>	<u>26.2</u>
	0.1	0.3
	23.1	21.1
	13.3	13.6
	0.6	0.6
	3.5	2.5
	<u>40.6</u>	<u>38.1</u>
	<u>64.9</u>	<u>64.3</u>
	73.7	71.2

- Net debt \$17.2m, a decrease of \$0.2m from 30 June despite payment of final dividend during period. Increase of \$2.1m from pcp. Gearing 18.9%, down from 19.6% at 30 June. Cash on hand \$6.9m
- New banking facilities negotiated during the period resulting in a \$5m increase in facilities:
 - \$20m working capital facility (currently \$3.8m undrawn)
 - US\$ 25.5m acquisition facility (currently US\$ 19.4m undrawn)
 - \$5m overdraft facility (undrawn)
- Debtor book remains of good quality with no increase in bad debts due to COVID
- Other assets increased \$1.3m due mainly to the prepayment of insurance premiums
- Provisions increased mainly due to the increase in employee leave provisions with limited leave taken due to COVID

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

INCOME STATEMENT RECONCILIATION

STATUTORY TO UNDERLYING



Statutory NPAT to Underlying NPAT reconciliation	31-Dec-20	31-Dec-19
	\$m	\$m
Statutory NPAT	6.0	4.4
add: interest	0.7	0.9
add: depreciation and amortisation	3.7	3.4
add: tax	2.4	2.7
EBITDA – QANTM Group	12.8	11.4
add: remuneration related to business acquisition	-	1.2
add: new business establishment costs	-	0.3
add: retention payments	0.3	0.3
add: transformation costs	0.3	-
add: business acquisition costs	0.1	0.6
Underlying EBITDA – QANTM Group	13.5	13.8
less: depreciation and amortisation	(3.7)	(3.4)
less: interest	(0.7)	(0.9)
less: tax	(2.6)	(2.9)
Underlying NPAT - QANTM Group	6.5	6.6

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

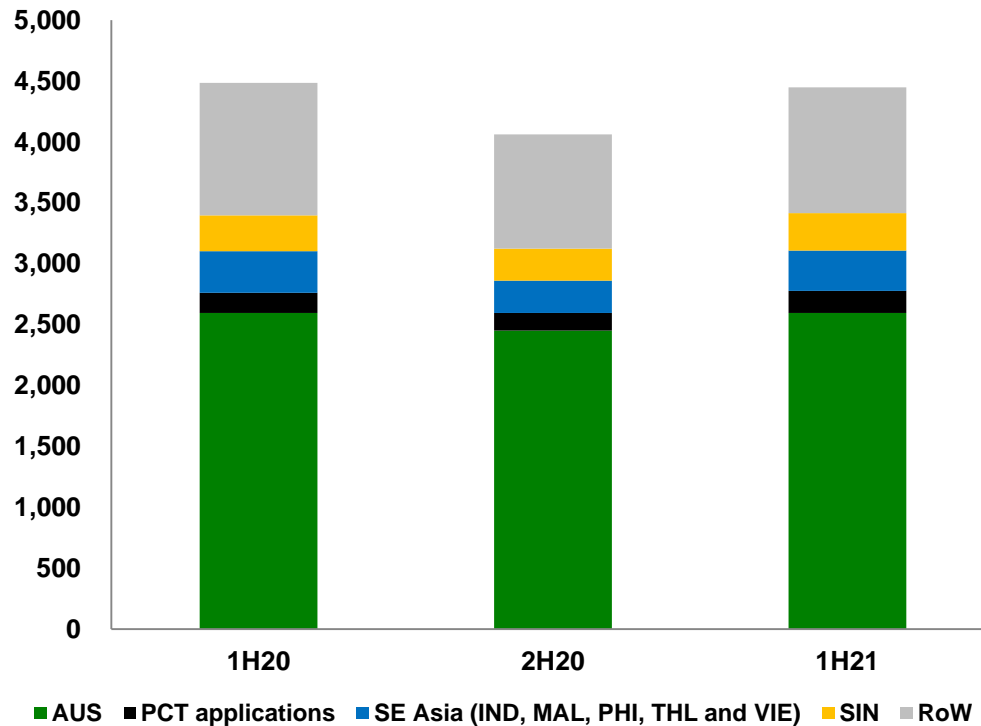
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MARKET AND BUSINESS OVERVIEW

PATENT APPLICATIONS – GROUP



**QANTM
GROUP TOTAL NEW PATENT CASES
1H20 – 1H21**



Patent applications are one indicator of future period patent Service Charges. Revenue derived from patent applications typically constitutes ~15% to 20% of QANTM’s annual patents Service Charges and is the early stage of life cycle revenue from prosecution, advisory, litigation and renewal work that can extend for 20 years+.

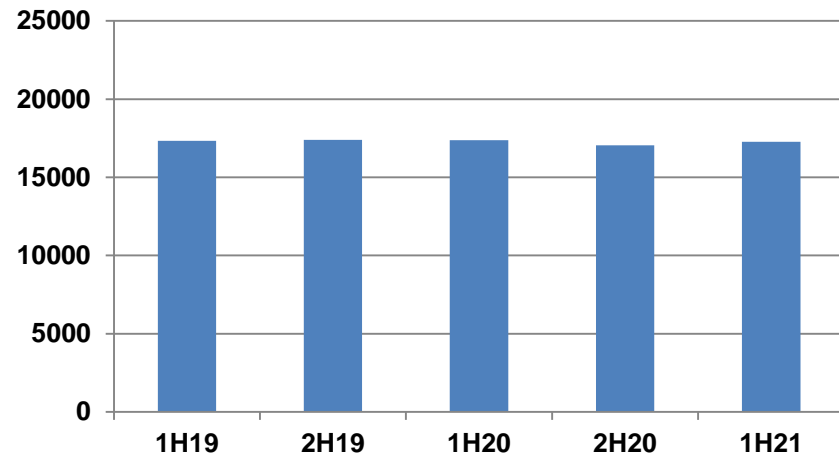
- Group patent applications 1.6% lower vs pcp (up 8.7% on 2H20).
- Australian patent applications (58% of Group total) stable. Up 6.0% on 2H20.
- Asian patents (15% of Group total) down 5.4%, mainly associated with lower Malaysian applications vs a record pcp. However, up 14.2% on 2H20.
- Rest of World applications (23% of Group total) down 5.1% vs pcp. However, up 10.2% on 2H20.
- PCT applications (4% of Group total) up 10.3%.

Source: DCC, FPA, Advanz and Cotters management analysis

PATENT APPLICATIONS – AUSTRALIA

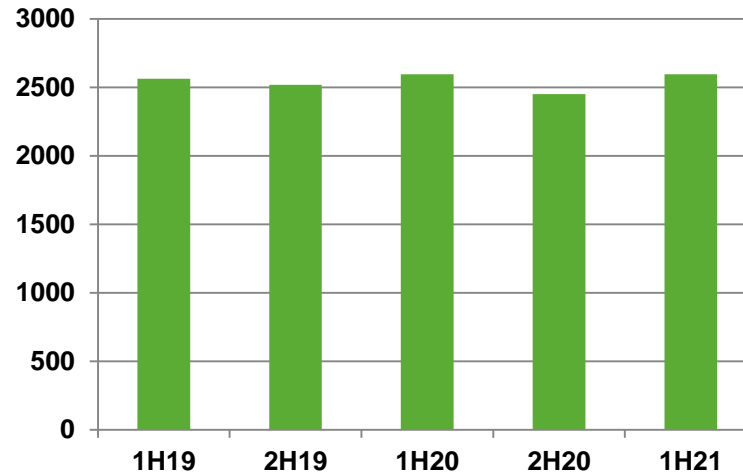


TOTAL PATENT APPLICATIONS FILED IN AUSTRALIA
(excluding Innovation Filings)
1H19 - 1H21



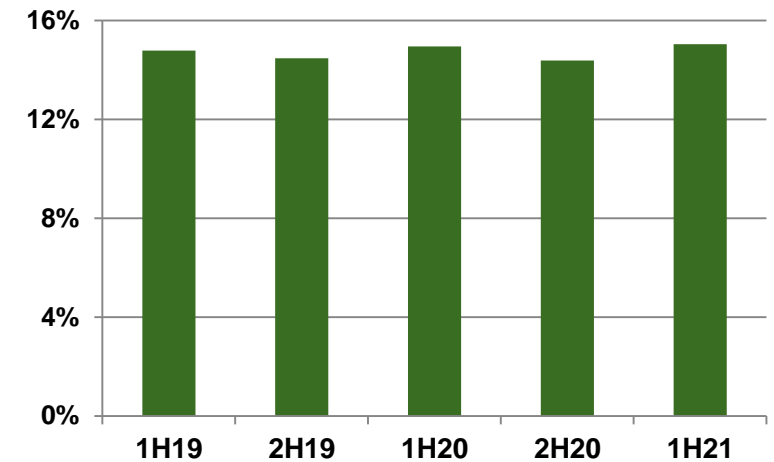
Source: IP Australia

QANTM AUSTRALIA PATENT APPLICATIONS
(excluding Innovation Filings)
1H19 - 1H21



Source: DCC, FPA and Cotters management analysis

QANTM PATENT FILINGS TOTAL MARKET SHARE
(excluding Innovation Filing)
1H19 - 1H21



Source: DCC, FPA and Cotters management analysis

- Patent application decline (excluding Innovation patents) in Australia for 6 months to 31 December vs pcq was 0.6%

- QANTM's Australian patent market applications were stable relative to 1H20
- QANTM's 1H21 patent applications were 6.0% higher than 2H20
- Cotters contributed ~5% of QANTM's Australian patent applications in 1H21

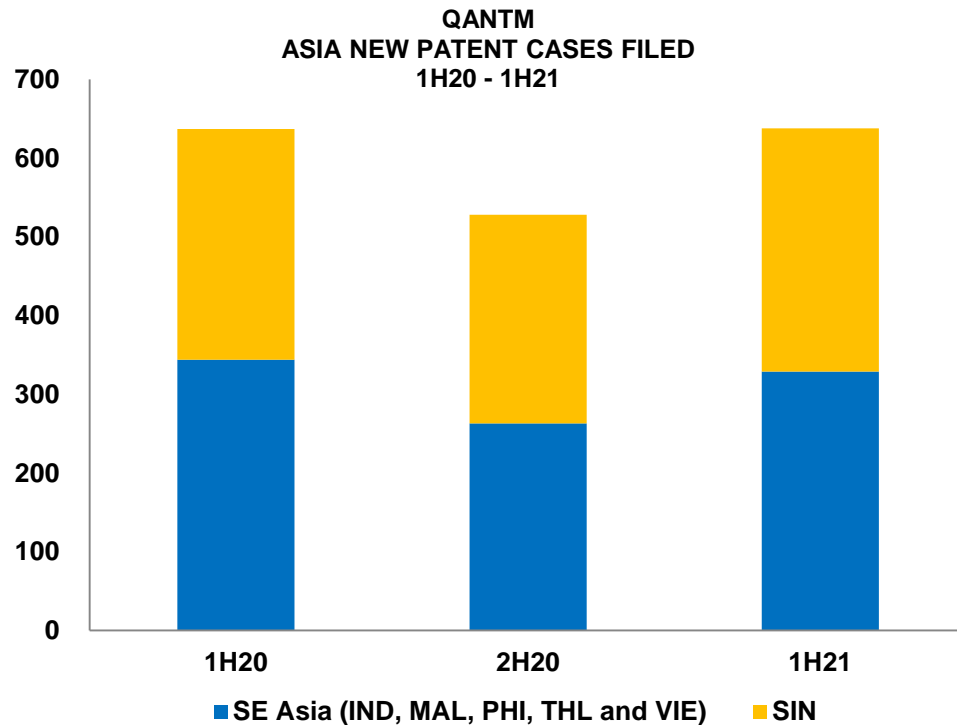
- QANTM's Australian patent market share (excluding innovation patents) for the half was 15.0%, compared with 14.9% for the prior corresponding half and 14.4% for the second half of 2020

NOTE

Innovation patents are excluded from the above analysis, given recent market factors that have stimulated activity in this area, including that innovation patents are being phased out in August 2021; their longevity; generally lower enforceability arrangements and the fact that the fees associated with innovation patents are usually materially less than standard patents. Inclusive of innovation patents, QANTM's Australian patent applications increased by 2.5%. Inclusive of innovation patent applications, the overall increase in total Australian patent applications was 11.1%.

¹ Based on IP Australia at conclusion of each filing year. Not including subsequent international filings allocated.

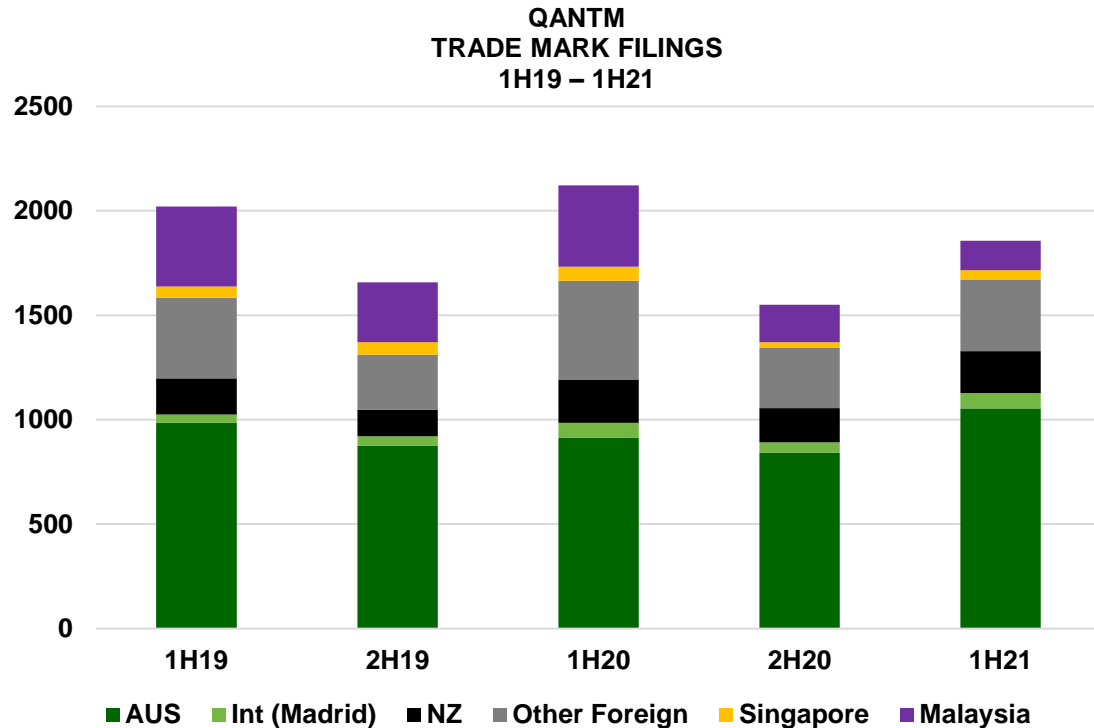
PATENT APPLICATIONS – ASIA



Source: QANTM management information

- Total QANTM Asian patent applications declined 5.4% vs pcp and increased 14.2% on 2H20.
- QANTM Asian patents filings represent 15% of Group total.
- Singapore patent applications up 5.5% vs pcp with continued growth through DCC and FPA presence (up 16.6% on 2H20).
- Lower rest of SE Asia contribution mainly reflected lower Malaysia contribution by Advanz associated with COVID-19 business restrictions (although up 11.8% on 2H20).
- Lower Advanz contribution is relative to a strong 1H20 comparative period, which reflected over a 70% growth in Advanz's patent application growth since QANTM acquisition from 1H19.

TRADE MARK FILINGS - GROUP



Source: Australian filings numbers based on IP Australia data
Other country data sourced from QANTM management information

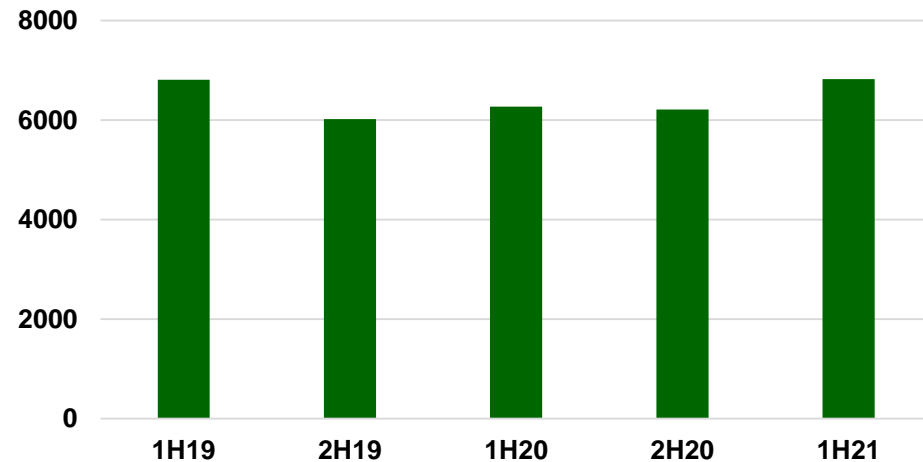
- Group trade mark filings 12.1% lower vs pcp, up 10.5% on 2H20.
- Group Australian trade mark filings, representing 56% of 1H21 total, increased by 15.4% (compared to 16.8% increase by the top 50 filers).
- DCC retained #1 market share position.
- Lower Asian filings (a decline of 58% vs pcp), mainly the result of lower Malaysian filings associated with COVID business restrictions in the half and comparison to a very high pcp.

NOTE:
IRDA – International Registration Designating Australia. Trade mark filings are inclusive of Cotters for the half

LEGAL/LITIGATION SERVICES



QANTM GROUP LEGAL REVENUE TREND (\$'000)
1H19 - 1H21



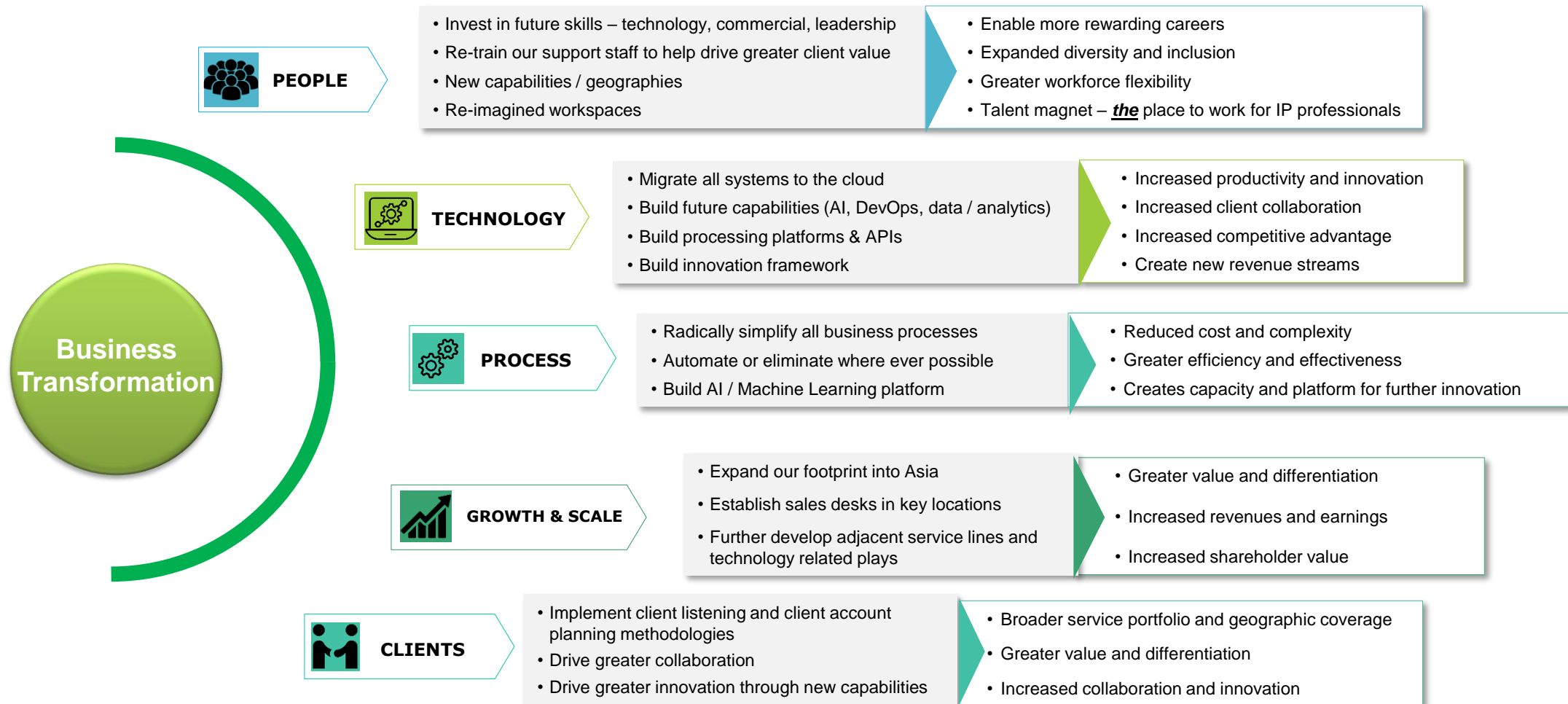
- Legal/litigation revenue increased by 7.9% from pcp to \$6.8 million (1H20: \$6.3 million).
- Continuity of Australian Court system operation despite COVID.
- DCC Law strong case load work contributed to strong half year result.
- DCC Law remains one of the pre-eminent IP Law practices in Australia.

4

BUSINESS TRANSFORMATION

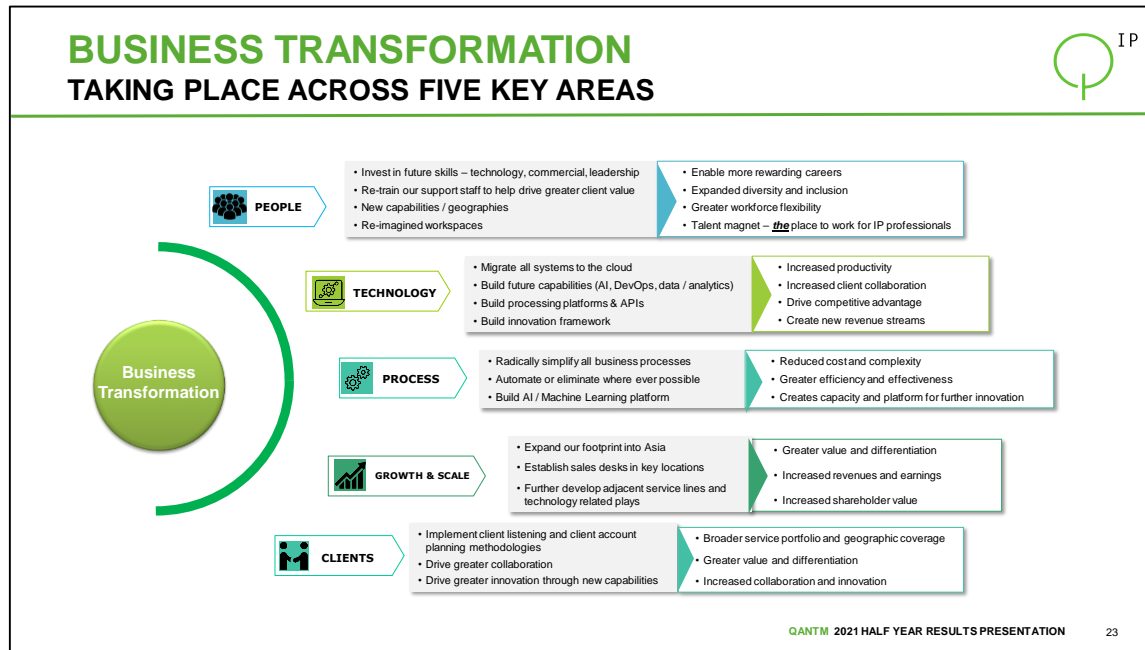
BUSINESS TRANSFORMATION

TAKING PLACE ACROSS FIVE KEY AREAS



BUSINESS TRANSFORMATION

WILL DELIVER SUSTAINABLE COMPETITIVE ADVANTAGE



Business case for transformation:

Financial

- \$8m - \$10m investment over 2-3 years
- \$4m - \$6m p.a. recurring benefits
- Financial benefits will start to flow in FY22, ramping up to year 3; payback within 2-3 years
- Productivity and workplace benefits already starting to flow

Benefits

- Increased productivity
- Increased revenue and margins
- Deeper client collaboration
- Ability to quickly integrate acquisitions and drive greater value

Non-financial

- Will deliver sustainable competitive advantage
- All innovation is taking place within the cloud – QANTM will be at the forefront of industry innovation

PEOPLE AND CULTURE

CONTINUING TO INVEST IN OUR PEOPLE



WELLBEING

Program includes meditation practice, resilience project, external wellbeing presenters, internal wellbeing representatives, mental health first aid officers, focus on ongoing connection



EMPLOYEE ASSISTANCE PROGRAM

EAP reach out to employees to provide proactive support and guidance during COVID-19



HEALTH

Program includes yoga, step count challenges, webinars and factsheets on diet, sleep and exercise



REMUNERATION

STI Program
Principal remuneration review



FLEXIBILITY

Ongoing flexible work arrangements tailored to personal circumstance



LEARNING AND DEVELOPMENT

Launch of iQ Online learning platform, providing courses and videos to support the ongoing learning and development of our people



PAID PANDEMIC LEAVE

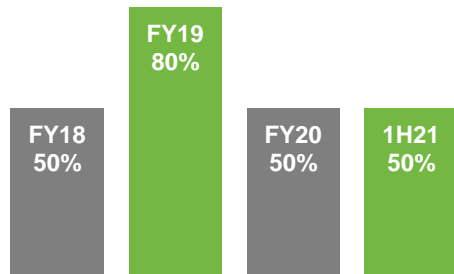
Additional leave entitlement for employees with caring responsibilities



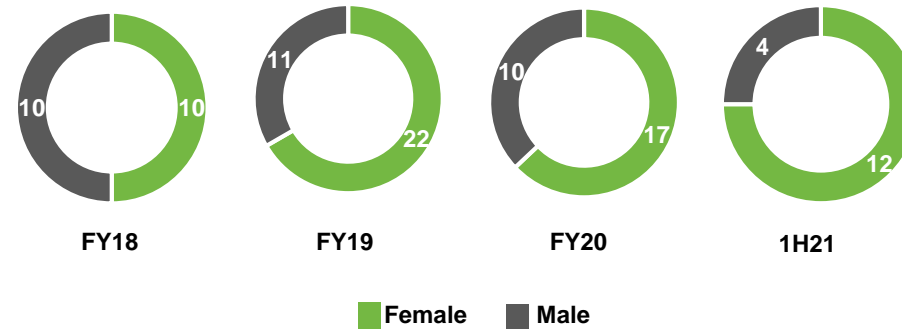
DIVERSITY AND INCLUSION

Internal committee promoting diversity, inclusion and wellbeing initiatives
Paid parental leave

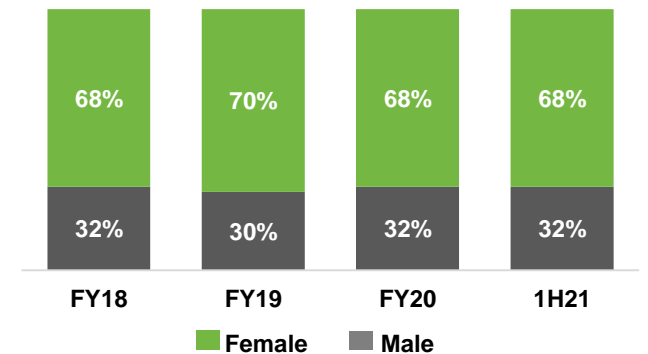
PROMOTIONS OF FEMALE EMPLOYEES TO MANAGER POSITIONS



EMPLOYEE PROMOTIONS



HEADCOUNT



MERGERS & ACQUISITIONS

STRATEGIC FRAMEWORK



- Group M&A strategic framework developed and implemented
- Emphasis on growth in Asia, with an opportunistic lens to other markets
- Several horizons of accretive M&A opportunities identified:

HORIZON 1 Existing business expansion and growth, logical add-on opportunities, within current funding capability

HORIZON 2 Adjacent and complementary activities – allied business areas that will strength and diversify product offering

HORIZON 3 Step-out and transformative business opportunities

- A solid pipeline of opportunities in progress
- Target opportunities in Horizon 1 identified and being evaluated (strategic fit, business and cultural fit, integration, financials, capital management and risk management considerations)
- Engagement continues with several potential opportunities → momentum building

5

SUMMARY AND OUTLOOK

- Strong first half:
 - Business performing well; our people managing well through challenging circumstances
 - Benefits evident from ‘life-cycle’ characteristics of portfolio; strength of brand, full service offering and market positions of DCC and FPA
- Solid progress in strategic initiatives (M&A, business transformation) → momentum building
- Recent business conditions expected to continue in the second half
 - FX likely to remain an adverse influence on reported results
 - Continued business disruptions of COVID may have some isolated effects (e.g. Malaysia)
 - Will continue to monitor and respond accordingly
- Board has agreed to pay a dividend of 4.0 cents per share to be paid on 31 March 2021 to shareholders on the register as at 4 March 2021
 - Represents a payout of 82% of NPATA; attractive yield characteristics
- Thank you to the QANTM team for encouraging first half performance



FOR MORE INFORMATION

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www.qantmip.com