

# ASX Announcement



30 November 2021

## **QANTM 2021 ANNUAL GENERAL MEETING ADDRESSES**

QANTM Intellectual Property Limited (QANTM), in accordance with ASX Listing Rule 3.13, today releases the addresses to shareholders to be given by the Chair and the CEO and Managing Director at QANTM's virtual Annual General Meeting to be held this morning as well as supporting presentation slides.

A webcast of the event will be available to view live via the following link:

<https://web.lumiagm.com/361120028>

**This announcement has been authorised by the QANTM Board for release through the ASX Market Announcements Platform.**

### **For further information, please contact:**

#### **Craig Dower**

Chief Executive Officer and Managing Director

Tel: +61 3 9254 2666

[www.qantmip.com](http://www.qantmip.com)

### **About QANTM Intellectual Property**

QANTM Intellectual Property Limited (QANTM, ASX: QIP) is the owner of a group of leading intellectual property (IP) services businesses operating in Australia, New Zealand, Singapore and Malaysia under five key brands - Davies Collison Cave, FPA Patent Attorneys, Cotters Patent and Trade Mark Attorneys and Advanz Fidelis IP and Sortify.tm Ltd (including Sortify's brands - DIY Trademarks, Trademarks Online and Trademark Planet). With more than 150 highly qualified professionals, the businesses within the QANTM Group have a strong track record in providing a comprehensive suite of services across the IP value chain to a broad range of Australian and international clients, ranging from start-up technology businesses to Fortune 500 multinationals, public research institutions and universities.



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Addresses by Richard England, Chair and Craig Dower, CEO and Managing Director

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**Richard England, Chair**

At the outset, I would like to convey that this will be my last AGM as Chair.

Item 3 of the formal business is a resolution for my re-election as a director. It is worth making some brief remarks at the outset in this regard.

As the company announced to the ASX on 22 October, I intend to retire as Chair and a non-executive director of the company in the first half of the 2022 calendar year. Sonia Petering, a current non-executive director, will succeed me as the Chair of QANTM.

I will ask Sonia to speak at the end of today's formal proceeding. I am sure it will be informative for shareholders to hear Sonia's perspectives of the company, her role as Chair and her observations on board evolution.

So shareholders understand the reasons for me seeking re-election as director – and remaining as chair, even if for only a short period – let me convey the Board's thinking on this matter.

Firstly, the company expects to be in a position over the next two to three months to announce at least one, if not two, new non-executive director appointments. This is in the context of two directors resigning during the past twelve months, and not being replaced.

It is appropriate for the board to have its three current non-executive directors – assuming my re-election today – continue as directors. This will ensure continuity of board functioning and allow the induction of the new directors, as well as the smooth transition to our new Chair.

Secondly, I am the only director on the Audit, Risk and Compliance Committee with formal accounting qualifications. The board consider it appropriate that I remain in this role to overview the half year financial results to be released in February. Even if we have a new director with accounting qualifications before that time, the Board considers it would be unfair to expect that person to adopt this responsibility so soon in their tenure as a director.

**QANTM Business Situation**

Now, I would like to make some brief comments on the current state of affairs of the company. I do this in the context of shareholders having had access to the full year financials and annual report for the year ended 30 June 2021.

First, I observe that the company is in a very sound financial position and is performing well.

QANTM had a strong 2021 year, despite foreign currency head winds and the continuing, often severe restrictions, imposed by the COVID-19 pandemic.

Service charge revenue increased 2.3 per cent or what would have been 7.3 per cent on a constant currency basis.

Total revenues increased by 2.1 per cent.

Operating cash flow strengthened and was up 31.1 per cent to \$19.8 million.

Net debt reduced, strengthening the company's balance sheet along with increased funding capacity, currently A\$20 million undrawn, for potential use in business expansion activities.

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Fully franked dividends were 7.4 cents (an increase over the prior year).

Return on shareholders' equity was 16.7 per cent.

Importantly, some of the underlying indicators of business performance now and into the future are favourable.

Group patent applications increased by 11 per cent in 2021 to the highest level the company has recorded since its listing in 2016.

Australian patent applications increased by 9.7 per cent; a multiple of market growth with a corresponding increase in QANTM's overall market share.

The trademarks business had mixed fortunes during the year, with an 8 per cent increase in Australian filings even though overall filings were 7.6 per cent lower – in large part due to COVID-related restriction impacting our Malaysian business.

These outcomes are positive for future revenue growth given the life cycle characteristics of our business.

These financial and business outcomes were achieved in the context of significant business adjustments required to deal with COVID-19 restrictions, which particularly impacted the Melbourne operations, but also the Sydney office and most severely our Malaysian business.

Craig has spoken elsewhere about the agility and response made by our people. The entire workforce adapted in a short space of time to working remotely and has continued to do so very effectively. I endorse Craig's comments and thank our people for their magnificent effort.

The strong underlying business performance is a testament to the resilience of the intellectual property sector generally, but in particular to the QANTM Group and our people.

I would now like to make some observations on key areas of evolution and advancement of QANTM in the five years since its listing.

### **Partnership to Public Company**

The transition from a partnership structure to a public company in the professional services area is never going to be a straightforward process. The culture and practices of a professional firm and a public-listed company are quite different. Despite some initial challenges, the Board is proud of the transition that has occurred. The QANTM of today operates in every respect as a listed public company with a high degree of alignment to the ASX Corporate Governance Principles.

### **Broader Portfolio**

QANTM now has a much broader business portfolio than in 2016 at the time of listing. Craig will speak to this during his address. I consider this reflects not only great continuity in client relationships, but also advances in securing new clients and involvement in new industry sectors with the addition of new capabilities and business opportunities through the acquisitions of Advanz Fidelis, Cotters and most recently Sortify.

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## **Asia**

As part of our business evolution, the growth of QANTM's Asian presence remains a key strategic focus. Our Asian business has grown, notwithstanding extreme COVID-19 restrictions impacting our Malaysian operations, particularly in 2021. Asian Patents now constitute 14 per cent and Asian revenues 6 per cent of those for the Group. The board and management are confident that our Asian presence provides a strong base to build over the next few years.

## **Strategic Framework**

Under our Chief Executive Officer, Craig Dower, we have adopted a comprehensive approach to developing an integrated strategic framework, with key business initiatives, as well as associated financial metrics.

As part of 18 months of work, we have looked critically at our own business attributes, including shortcomings. We have surveyed the existing and emerging competitive environment. We have sought to understand the potential bases for disruption and disaggregation of traditional business models in IP. This has included how we might play a role in this disruption ourselves, while preserving our core competitive advantages.

Importantly, we have sought to link strategic areas of focus to value outcomes, specifically revenue growth, eps accretion and total shareholder return metrics.

This work will continue to be the foundation for management and board deliberations for future business initiatives.

## **Culture**

The QANTM culture seeks to ensure the attraction and retention of the best possible people-capability in the intellectual property sector. As Craig has conveyed, we have a range of processes and initiatives in place designed to enhance the professional careers, flexibility in work arrangements and skills of our people. The alignment, commitment and professional dedication of our people – I believe – is and will be a hallmark for the QANTM business entities and their standing in their markets.

## **Management**

We have strengthened our management capabilities to more appropriately match QANTM's growth phase as a public company.

I make this observation both for the corporate management team and the management groups within the separate professional entities.

At the corporate level, it is appropriate and valuable that we now have some key functions resourced which are central to business outcomes. Examples are our Head of Risk and M&A, our General Counsel and Chief Transformation Officer, as well as increased capabilities in IT and human resources. The skills and areas of focus embodied in these roles – and others – are central to how we will grow as a public listed company.

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### **Business Systems**

Our internal processes, business systems and information technology architecture have been vastly improved since listing.

To date this has required a significant investment, with this investment essential to our internal capabilities and ability to continuously improve our service offering to clients.

Craig will make reference to a couple of areas, namely the establishment of a US Sales Desk by DCC and the implementation of a Group-wide business client methodology, where this investment can be expected to generate client and revenue benefit outcomes.

### **Board and Governance**

In terms of the Board and Governance, we are taking a robust approach to board renewal to respond to current and future business needs. We intend to take full advantage of the board renewal process to ensure QANTM is fit for purpose in a dynamic business environment.

As part of our strategic planning work, and in identifying the principal areas of growth for the company, we have also considered – in depth – the requisite skills composition of the Board of Directors.

As indicated, we expect to make two new non-executive director appointments over the coming months if not weeks. We have been delighted with the calibre of the list of candidates presented to us by our search consultants.

I am confident that Sonia, who will succeed me during the forthcoming year, will bring a fresh perspective and deep knowledge of the business, as well as strong working relationships with Craig and his team and the managing principals and their teams. Importantly her appointment as Chair will provide continuity of corporate memory at board level.

### **In Conclusion**

QANTM has a high level of momentum and an alignment and commitment of purpose. It has been an honour to serve the company, its people and our shareholders.

My only regret as Chair is that all the improvements in the business I have described have not been reflected in the share price performance and therefore total shareholder returns.

I firmly believe that the best years of QANTM are in front of it. I will follow the fortunes of the company with great interest.

In closing I would like to acknowledge the support and counsel of my fellow directors, including the two – Abigail Cheadle and Cameron Judson – who resigned during the year. I also acknowledge the hard work and contribution of the management teams across QANTM and specifically recognise Martin Cleaver, our former CFO, who recently left to take up another career opportunity. My thanks to Craig Dower for his leadership of the company. Finally I pass on my thanks to all of the people who make up the QANTM Group. I believe our clients and shareholders are very well served by the depth of talent and professional commitment of the QANTM team.

Thank you, I will now hand over to Craig.

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**Craig Dower, CEO and Managing Director**

Thank you Richard. I want to start by thanking you for your chairmanship of QANTM over the past five years. I have very much enjoyed working with you and I look forward to continuing to do so over the next several months as we add some new faces to our Board. I also want to thank and congratulate Sonia Petering on taking over the chairmanship in the months ahead. Sonia has a deep understanding of our business and has highly relevant experience in other ASX listed businesses undertaking similar growth and transformation agendas to that of QANTM. I very much look forward to working with you Sonia in your role as Chair.

I will start by stating the obvious – we are a people business, and our people are our greatest asset.

As Richard has outlined, our results in FY21 were outstanding, even more so when you consider the context. More than half of our people are residents of Melbourne, which experienced some of the harshest lockdown conditions anywhere in the world during COVID, with an almost four-month lockdown last year that included a 9pm to 5am curfew, and strict conditions on why and for how long you could leave your home. That was repeated for three months of this year.

In Malaysia, our team has been under some form of mandatory control orders since March last year. Our team in Sydney had three months of lockdown when Delta arrived, and our teams in Singapore, Brisbane and New Zealand have all had various forms of lockdown over the past 18 months.

We have endured all of that and emerged even stronger. During that time, we have been through an enormous amount of change.

When the pandemic first arrived in March last year, most of our people came to an office every day, sat at a desktop computer, and left at the end of the day. Work was a place you went to, as well as something that you did. The hours of work were broadly 9 to 5, as has been the case for many companies over many years.

Today, all of our people are working from anywhere, with new portable devices and home office set-ups, flexible working arrangements that accommodate family and personal needs as well as business needs, and completely new work practices and ways of collaborating. In support of all that, we have implemented an entire suite of people and culture initiatives aimed at supporting the health, safety and well-being of all of our people. This has been driven from the ground up, and fully supported by the Board and the senior leadership team.

An enormous amount of change has been implemented and we continue to flex and test that in new ways.

Throughout all of this – five years of change implemented in a matter of months – our people have pulled together, magnificently. We have maintained our focus on excellence in client service. We have developed new ways of collaborating and delivering outcomes. We have come together in new, virtual formats, to help maintain and improve overall teamwork and engagement. We have overcome many obstacles and solved many problems. And, I am very pleased to say, we have continued to deliver results for our shareholders.

So, to start I want to thank all of our people across the QANTM Group for their continued passion, commitment, and teamwork. It is a privilege to work with you all.

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## **IP Sector Resilience**

The IP sector has proven to be exceptionally resilient over the past two years. On a global basis, we have seen strong growth in trademarks, patents and designs, and it is fair to say that we are seeing bursts of innovation and invention all around the world, in many cases accelerated by COVID.

Borne out of necessity, we have seen a massive and rapid shift towards flexible work, a huge uptake in online shopping, a whole suite of globally available vaccines, disruption occurring across almost all industries, emerging new business models, massive growth in the home delivery market, to name just a few examples.

All of these have positive impacts on and are often underpinned by investing in intellectual property. As Richard noted, we have seen growth in filings and market share across most of our locations throughout FY21. We are optimistic that the sector will see continued growth over the next several years, perhaps even accelerated in some sectors and some geographies. Of course, COVID has not played its final hand yet, as we have seen over the past few days with another new variant of the virus starting to emerge.

## **Progress at QANTM**

In addition to all of our “business-as-usual” activities – if one can even use that term in the midst of a pandemic – we have been getting on with implementing our Strategic Initiatives.

## **Our People**

We continue to invest in the skills, capabilities and careers of our people.

Last year we launched iQ – the QANTM Online Learning platform. This cloud-based platform is becoming the foundation on which all of our learning and development programs will be rolled out over the next several years. Our participation rate in use of the platform has been over 85%, and that will continue to grow as we add further content along the way.

We completed a pilot program around a new business development methodology, and this is now being implemented more broadly across the Group. This enables us to have a much more targeted and focused approach around business development, and a more rigorous application in determining client needs and opportunities, and to engage more deeply in delivering value to our clients. We will see the benefits of that delivered through greater client experience and organic revenue growth, as well as deepening the skills of our people.

We have a number of leadership development programs underway across the business, all aimed at helping improve our business and to develop the next generation of leaders across the Group.

## **Technology**

As I said earlier, all of our people are now fully able to work from everywhere, with new portable devices, monitors and other accessories. We are looking at the next level of ergonomic infrastructure that will continually improve the working environment for our people, regardless of where they work. We are in the midst of a study about improving our office environment, with greater collaboration spaces and tools, and a focus on “making the commute worthwhile” as our people start to return to the office in the new calendar year, and we operate in a more hybrid manner.

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We have rolled out the first phase of a new HR platform – SuccessFactors – which will help further empower our people around the many operational aspects of their jobs.

### **Process**

We have completed a diagnostic analysis across all of our businesses, looking to identify areas of process improvement, with the aim of improving efficiency and productivity as we move to upgrade our IP management platforms, starting next year. This will have a hugely positive impact on our client-facing people, as well as our support staff.

### **Clients**

We continue to focus on excellence in client service delivery as a hallmark of all firms across the Group. Last year, DCC established a US sales desk, aimed at attracting new clients to the firm. Whilst it is early days, that is going well, and is helping to add further structure and process to how DCC approaches business development.

I have previously mentioned the new business development methodology that we are implementing across the Group enabling our people to have richer conversations with our clients.

### **Growth**

On the M&A front, we continue to build a pipeline of opportunities, and we have a number of conversations underway across various parts of Asia, and we would hope to close one or two of those opportunities over the next year or so. We also continue to look at organic growth opportunities in some targeted Asian jurisdictions.

We recently completed the acquisition of Sortify, the world's most advanced AI-powered trademarks goods and services software for trademark attorneys, and a market leading trademark filing platform.

Sortify, led by its founders Alan Potter, Claire Foggo and Narly Kalupahana, along with CTO, Blair Leighton, have built a very high-growth business that has rapidly become the #2 filer of trademarks in New Zealand and the #3 filer of trademarks in Australia. They have recently entered the UK market and are rapidly growing in that market as well.

We have already started using some of their attorney tools within the DCC trademark team, and we are looking to accelerate and expand upon Sortify's already impressive growth, through opening up new market opportunities in Asia. Sortify has built an outstanding team comprised of IP industry professionals as well as software and platform developers, with deep skills in Artificial Intelligence and Machine Learning. Whilst it is a relatively small business today, in revenue terms, its high growth and ability to open up new markets will lead to it becoming a material part of our revenues and a significant contributor to growth over the next several years.

### **Diversity**

We continue to focus on diversity across the Group, and are growing the ranks of female senior leaders quite steadily with 31% of women in senior roles across the Group. We still have continued room for improvement here and it remains a priority at all levels within QANTM. As we complete our Board refresh over the next several months, we expect to get back to the ratios previously experienced, which have been in line with best practice.

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## **Summary**

As you can see, across all five of our strategic priorities, we are making steady progress. These are all investments, and they do take time to deliver a return. However, we feel that we have the right mix of strategic, longer-term investments and focus on the here and now to deliver continued and sustainable growth in revenue and earnings over the years ahead.

## **Outlook**

Before handing back to Richard, I want to make a couple of quick remarks about our outlook. Our business performance year to date is broadly in line with expectations. As we have said in earlier presentations, filing numbers bounce around in any 3 to 6 month period but are more stable over a year or so. Business activity levels across the Group remain high, with a bounce back in recent months in each of Advanz Fidelis and Cotters, who were more impacted by COVID than our other businesses.

Richard covered our financial results in detail in his comments. I felt it worth recapping a few highlights for our shareholders:

- Our service charges revenues grew by 2.3% - 7.3% if adjusted for currency
- Operating cash flow strengthened by 31.1%, to \$19.8m
- Fully franked dividends were 7.4 cents (up from the prior year)
- Group patent applications increased by 11% - the highest level the company has recorded since listing
- We have laid the foundations for our technology transformation, with fully flexible workforce capabilities now in place
- We are making solid progress on our M&A program, with the acquisition of Sortify completed and other opportunities in train

## **In closing**

I again want to thank all of our people across the Group for their incredible teamwork and commitment during a very challenging year. I know that we are all looking forward to a break over the Christmas and New Year period, which for many people will include seeing family members and friends that we have not seen for quite some time.

I also want to thank our shareholders for your continued interest in and support of the company. I know that many of you have been very patient whilst we have been working to build momentum on our growth and transformation strategy. I can tell you that we are absolutely making progress on that. However, the cultural attributes of teamwork and collaboration that exist across all parts of the group will ensure the right outcomes are delivered over the next several years.

--ENDS--

Exceptional **IP** starts with  
exceptional **people**



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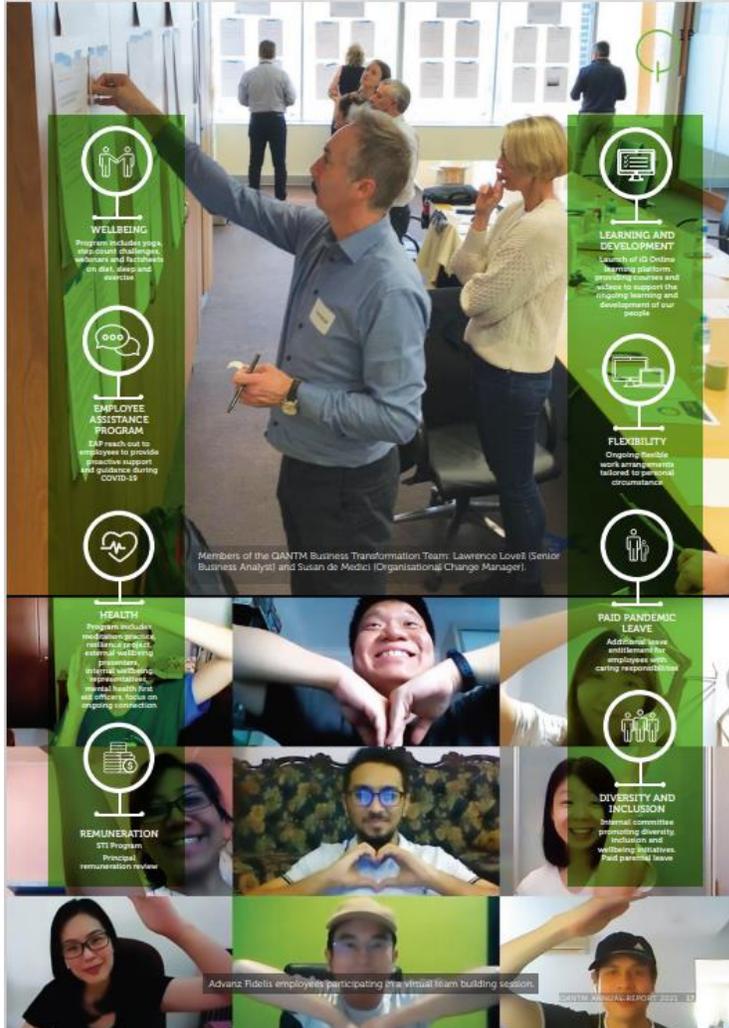
# FINANCIAL HIGHLIGHTS



# PEOPLE AND CULTURE

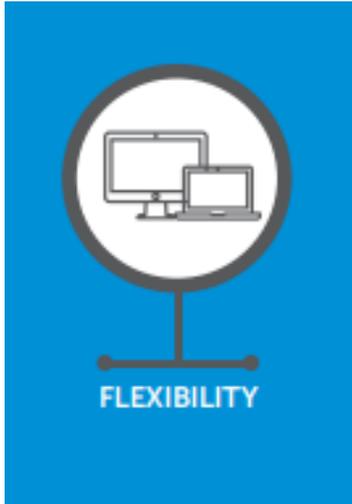


**85%+**  
BELIEVE THAT THE MENTAL HEALTH AND WELLBEING OF OUR EMPLOYEES IS A PRIORITY FOR QANTM



**85%+**  
PARTICIPATION IN ONLINE LEARNING THROUGH IQ ONLINE

**90%**  
FLEXIBLE WORKFORCE



**31%**  
WOMEN IN SENIOR ROLES ACROSS THE GROUP

# STRATEGIC INITIATIVES

## INVESTING ACROSS FIVE KEY AREAS



Focused investments in **Growth and Transformation**, with **People** at the core of all that we do



 <b>TECHNOLOGY</b>	 <b>GROWTH AND SCALE</b>	 <b>PEOPLE</b>	 <b>PROCESS</b>	 <b>CLIENTS</b>
<ul style="list-style-type: none"> <li>Migrate to the cloud → access to innovation</li> <li>Build future capabilities (AI, DevOps, data / analytics)</li> <li>Build innovation framework</li> </ul>	<ul style="list-style-type: none"> <li>Organically grow existing businesses</li> <li>Expand footprint into Asia</li> <li>Develop adjacent service lines and technology related plays</li> </ul>	<ul style="list-style-type: none"> <li>Invest in future skills – technology, commercial, leadership</li> <li>Re-imagined workspaces; greater workforce flexibility</li> <li>Culture and values – <i>the</i> place to work for IP professionals</li> </ul>	<ul style="list-style-type: none"> <li>Radically simplify all business processes</li> <li>Automate or eliminate where ever possible</li> <li>Reduce cost and complexity</li> </ul>	<ul style="list-style-type: none"> <li>Implement client listening and account planning methodologies</li> <li>Drive greater collaboration and innovation</li> <li>Continued focus on excellence</li> </ul>

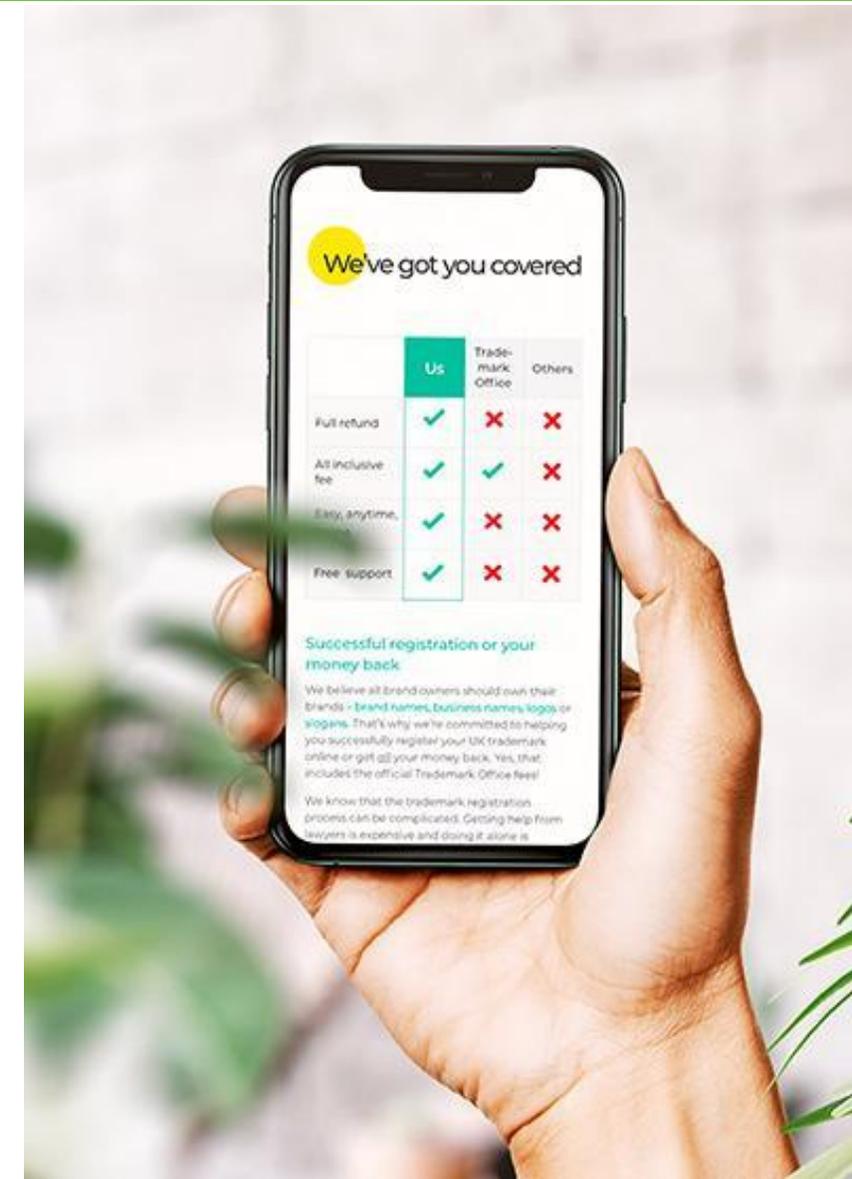
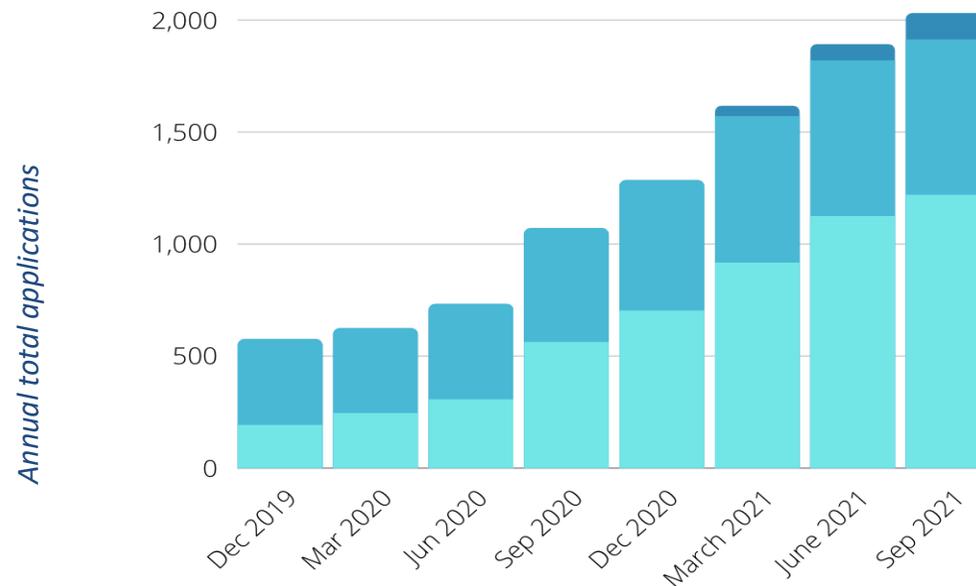
## ONLINE TRADEMARK REGISTRATION

Sortify.tm files more trademarks for local businesses than any other agent in Australasia.

**Australia** - Trademarks Online is the No. 3 filer of trademarks

**New Zealand** - DIY Trademarks is the No. 2 filer of trademarks

## Trademark Applications - High Growth



# KEY HIGHLIGHTS



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- Group patent applications increased by 11% - the highest level the company has recorded since listing
- The foundations for our technology transformation, with fully flexible workforce capabilities, now in place
- Solid progress on our M&A program, with the acquisition of Sortify completed and other opportunities in train