ASX Announcement

24 February 2022

QANTM FINANCIAL RESULTS
FOR HALF YEAR ENDED 31 DECEMBER 2021

Strong growth in fees driven by increase in Patent applications - up 11.9% - and Trade Mark applications – up 48%

- Continued momentum in revenue generation
  - Service Charges up 4.9%, Total Revenue up 7.0%
- Patent applications increased 11.9%, based on strength of DCC, FPA, Advanz Fidelis businesses
  - Australian applications up 6.0%
- Trade mark applications increased 48%, with the inclusion of Sortify.tm acquired 30 September 2021
  - Australian applications increased by 62%; market share of 14.5% (compared to 10.5% pcp)
  - DCC no.1 filer in Australia; Sortify no. 2 in New Zealand
- EBITDA down 5.0% with higher operating expenditure, with a number of one-off costs across the technology modernisation program, as well as further investment in people
- Interim dividend of 3.0 cents per share, fully franked (1H21: 4.0 cents).
- IP industry continues to show strong resilience in an increasingly uncertain world.

Half Year Financial Underlying[1] Results – Summary

$m	1H22	1H21	Change
Service Charges	48.9	46.6	4.9%
Total Revenue	62.7	58.6	7.0%
EBITDA[2]	12.8	13.5	-5.0%
EBITDA margin[3]	26.1%	28.9%	-2.8%
Net Profit after Tax[4]	6.5	7.1	-8.5%

[1] The appendix provides a reconciliation from statutory to underlying results.
[2] EBITDA is after foreign exchange $0.1m gain (1H21 1.0m loss). Includes correction of prior period immaterial misstatements $0.3m reduction in Underlying EBITDA
[3] Margin is on Service Charges
[4] Includes correction of prior period immaterial misstatements, a $0.6m reduction in Underlying Net Profit after Tax

Key Financials

- Service Charges of $48.9m (1H21: $46.6m), comprising the following main components:
  - Patent Service Charges up 4.8% to $33.5m (1H21: $31.9m)
  - Trade Marks Service Charges up 20.7% to $9.5m (1H21: $7.9m)
  - Legal Service Charges 15.6% lower at $5.7 million (1H21: $6.8m)
- Total revenue (Service Charges and Associate Charges) increased 7% to $62.7 million (1H21: $58.6m).
- Total net revenue of $50.6m (1H21 $48.3m), which includes other income of $1m, and is after recoverable expenses from Associate Charges of $13.1m.
- Underlying operating expenses of $37.8m, an increase of $3.0m (1H21: $34.8m). Operating expenses include a number of one-off strategic investments in our technology modernisation program, increased marketing expenses, as well as some further investments in people that are being made for the future growth and efficiency of the business.
- Underlying EBITDA was $12.8m (1H21: $13.5m). EBITDA includes FX gains of $0.1m (1H21: FX loss 1.0m).
- Statutory net profit after tax of $3.4m (1H21: $6.0m). Statutory profit includes amortisation of intangibles from acquisitions.
- Underlying net profit after tax of $6.5m (1H21: $7.1m). The appendix provides a reconciliation from statutory to underlying NPAT.
- Operating cash flow was lower at $7.3m (1H21: $9.0m) with increased transformation program expenditure in the half.
- Net debt as at 31 December 2021 was $23.1m, compared to $17.2m as at 31 December 2020 and $16.2m as at 30 June 2021. Net Debt to Underlying EBITDA was 0.90 at 31 December 2021 (30 June 2021 0.62). As at 31 December 2021, cash and equivalents of $8.4m were held on the balance sheet (31 December 2020: $6.9m).

CEO Commentary

Craig Dower, QANTM's Chief Executive Officer, stated:

"QANTM displayed continued, strong underlying business performance relative to the prior corresponding period, demonstrated by solid revenue growth across its patents and, in particular, trade mark businesses. Legal and litigation services revenue were up compared to the immediately preceding half, although lower compared to a strong first-half in FY2021, reflecting timing of case load work.

Our people have continued to display resilience and flexibility, despite the challenges in business and client working arrangements brought about by COVID. There is evidence of both a resurgence in IP-related client demand and the requirement for broader intellectual property advisory services, particularly in areas where the business environment has facilitated innovation in services and new product offerings, as well as strength in QANTM's local clients seeking to file in overseas jurisdictions. This is evident in Trade Marks in particular, where we are seeing large corporates investing further in brands and innovation, as well as increasing new business and product initiatives amongst start-ups and micro-businesses.

The strong core business and client bases of DCC, FPA, Cotters and Advanz Fidelis, has continued to hold QANTM in good stead, while the addition of Sortify during the half has given momentum to our trade mark business. Sortify's automated technology platform also provides a basis for the further expansion of our trade mark services into other geographies, notably the Asia-Pacific Region. This was a major rationale for the acquisition. We are also working to deploy Sortify's capabilities into our core businesses to help drive innovation, productivity and improved client service.

Pleasingly, the COVID enforced restrictions for Advanz Fidelis in Malaysia have largely lifted, with a return to near pre-COVID business activity levels. This, and the continued growth of DCC and FPA in Singapore, including strong foreign filings into South East Asia, have contributed to a 11.5 per cent increase in Asian revenues. Asia constitutes 6 per cent of total Group revenues.

Business Performance

Patents has continued strong growth period-on-period:

- Patents Service Charges (which comprises 69% of the Group's total revenue), increased by 4.7%
- Group patent applications increased 11.9 per cent, with Australian applications (56 per cent of the Group total) up 6.0 per cent, on the prior period. This increase compares with an overall market increase (excluding innovation patents) of 9.4 per cent.
- QANTM's overall market share of 14.7 per cent, which while lower than the prior corresponding period (15.2 per cent) and the immediately preceding half (16.4 per cent), improved in the second quarter to 15.9 per cent;
- Asian patents (16 per cent of the Group total) increased by 35 per cent, with applications by our Malaysian business increasing 53 per cent while Singapore patent applications showed a very strong 44 per cent increase, with the DCC sales office in the United States contributing to new Asia and Rest of the World business;
- Rest of World applications (25 per cent of the Group total) were up 17.2 per cent.

Trade Marks recorded a very strong 20.7% increase in Service Charges (20% of the Group total):

- Trade mark applications for the Group increased by 48 per cent, reflecting an excellent performance by the DCC Trade Mark business and the acquisition in September 2021 of the Sortify business;
- Australian trade mark applications (60 per cent of the Group total) increased by 62 per cent;
- New Zealand applications (18 per cent of the Group total), more than doubled through the acquisition of Sortify; and
- Asian applications (6 per cent of the Group total) remained stable period-on-period.

DCC retains the largest market share for trade mark applications in Australia and, with the acquisition of Sortify provides a basis for the expansion of advisory and prosecution services.

Legal and litigation services revenue contribution (11% of the Group total) was 15.6% lower relative to a strong prior period, reflecting the timing of advisory and case load work. DCC Law experienced an increase in revenue generation in 1H21 compared to the immediately preceding half, up 4.7%.

Strategic Initiatives

Material progress has continued to be made in relation to key strategic work streams, which include:

- The implementation of a new HR platform;
- Transition of IT support to a tier-1 global service provider;
- Completion of planning to migrate our core infrastructure to the cloud (via Microsoft Azure); and
- Further engagement on a number on merger and acquisition opportunities, although the ability to finalise these has been temporarily constrained by travel restrictions.

In Conclusion

As investors will appreciate, QANTM has been engaged in the formulation and now implementation of major business improvement processes since I commenced as CEO in January 2020.

This has encompassed the areas of technology modernisation; people; processes; client interface and growth and scale. Initiatives in each of these areas represent essential areas of investment for competitive business and financial outcomes. As I have conveyed, these activities encompass empowering our people; revenue growth through both organic and acquisition routes and comprehensive improvements to business systems, analytics and processes.

Much of the investment supporting these essential business priorities has been represented through operating expenditure, as opposed to capital expenditure. There was a large element of these business transformation costs in the operating expenditure for this half. Investors can take confidence from the underlying trends in our business that these initiatives are starting to have an impact. We are about a third of the way through that modernisation program, with the planning work on our Case Management upgrades now complete, we will start that next phase of implementation during 2022 and expect to start seeing synergies and productivity gains in 2023.

In the meantime, the investments in in our capability to service clients effectively and efficiently – more effective account planning, use of improved client tools (CRM, data and analytics), DCC's USA-based sales desk, and the acquisition of Sortify – are driving top-line growth which will flow through to earnings as our transformation program starts to deliver results."

Dividends

Directors have approved an interim dividend of 3.0 cents, fully franked, with a payment date of 6 April 2022 for shareholders registered as at 3 March 2022.

QANTM's Appendix 4D, Half Year Financial Report for the year ended 31 December 2021, and the Half Year Investor Presentation, provide more detailed information on the Company's half year results, and are available at www.qantmip.com.

For further information, please contact:

Craig Dower
CEO and Managing Director

Peter Loosmore
Chief Financial Officer

Tel: +61 3 9254 2666
www.qantmip.com

WEBCAST AND INVESTOR TELECONFERENCE DETAILS

You are invited to join QANTM's CEO, Craig Dower, and CFO, Peter Loosmore, for a presentation and discussion of the results.

DATE AND TIME

Thursday, 24 February 2022 at 11:00am Australian Eastern Daylight Time

PRESENTERS

Craig Dower, CEO and Managing Director
Peter Loosmore, Chief Financial Officer

DIAL-IN DETAILS

TELECONFERENCE DIAL-IN DETAILS (required to participate in Q&A)

Conference ID: **1757949**

Participant Dial-In Numbers:

Australia (toll free) 1800 123 296	New Zealand (toll free) 0800 452 782
Singapore (toll free) 800 852 8345	Hong Kong (toll free) 800 820 8369
UK (toll free) 0800 279 7147	US (toll free) 1833 239 5972

Any other country or mobile phone: +61 2 8373 2830

WEBCAST

The presentation will be webcast live. You can pre-register for the webcast via this link https://webcast.openbriefing.com/8400/

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.

Appendix: Statutory NPAT to Underlying NPAT

	Half Year ended	
	31-Dec-21 $'m	**31-Dec-20 $'m**
Statutory NPAT	**3.4**	**6.0**
add: interest	1.1	0.7
add: depreciation and amortisation	4.3	3.7
add: tax	1.7	2.4
EBITDA – QANTM Group	**10.5**	**12.8**
add: retention/restructuring payments	0.1	0.3
add: transformation	1.4	0.3
add: business acquisition costs	0.8	0.1
Underlying EBITDA – QANTM Group	**12.8**	**13.5**
less: depreciation and amortisation	(3.1)	(3.1)
less: interest	(1.1)	(0.7)
less: tax	(2.1)	(2.6)
Underlying NPAT - QANTM Group	**6.5**	**7.1**