

HALF YEAR RESULTS PRESENTATION

6 MONTHS TO 31 DECEMBER 2022



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23 February 2023

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THE QANTM GROUP

Broad services portfolio: Patents, Trade marks, Designs, Legal and Litigation Services, Platform-based services, Software-based Attorney Tools



Leading attorney practice servicing the Asia Pacific region



Leading IP law firm in Australia



One of the leading and most innovative patent firms in Australia, New Zealand and Singapore



Developer and provider of AI-powered IP systems for attorneys and leading online trade mark registration platforms



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1H23 HIGHLIGHTS

1H23 HIGHLIGHTS

- ✓ **Strong performance across all business units**, with market share gains across portfolio
- ✓ **Strong revenue and earnings growth**, with cost out and strategic investments starting to deliver margin improvement
- ✓ **Retained key people**, whilst successfully recruiting for growth
- ✓ **Sortify the market leader in Australia¹**, with strong momentum in UK and a strategic differentiator for QANTM
- ✓ **Re-envisaged work practices and premises**, with new office opened in Melbourne and other offices planned over next 12 months
- ✓ **Several major technology milestones delivered**, with strategic investment soon to yield operational efficiencies
- ✓ **Fully franked dividend payment of 2.8c declared**

1H23 HIGHLIGHTS – FINANCIAL

TOTAL REVENUE

 up 9.5%
\$68.6m
(1H22: \$62.7m)

UNDERLYING EBITDA

 up 7.6%
\$13.8m
(1H22: \$12.8m)

UNDERLYING EBITDA MARGIN

 up 0.4%
26.5%
(1H22: 26.1%)

GROUP PATENT APPLICATIONS

 up 6.2%
5,304
(1H22: 4,993)

GROUP TRADE MARK APPLICATIONS

 up 11.1%
2,963
(1H22: 2,668)

NPATA

 up 3.8%
\$6.7m
(1H22: \$6.5m)

1H23 HIGHLIGHTS – BUSINESS

PATENT SERVICE CHARGES

↑ UP 5.8%

\$35.4m 1H23 vs \$33.4m 1H22¹

- Solid increase in patent applications across Australia, Asia and Rest of World applications.

TRADE MARKS SERVICE CHARGES

↑ UP 9.1%

\$10.3m 1H23 vs \$9.5m 1H22¹

- Continued contribution from Sortify.

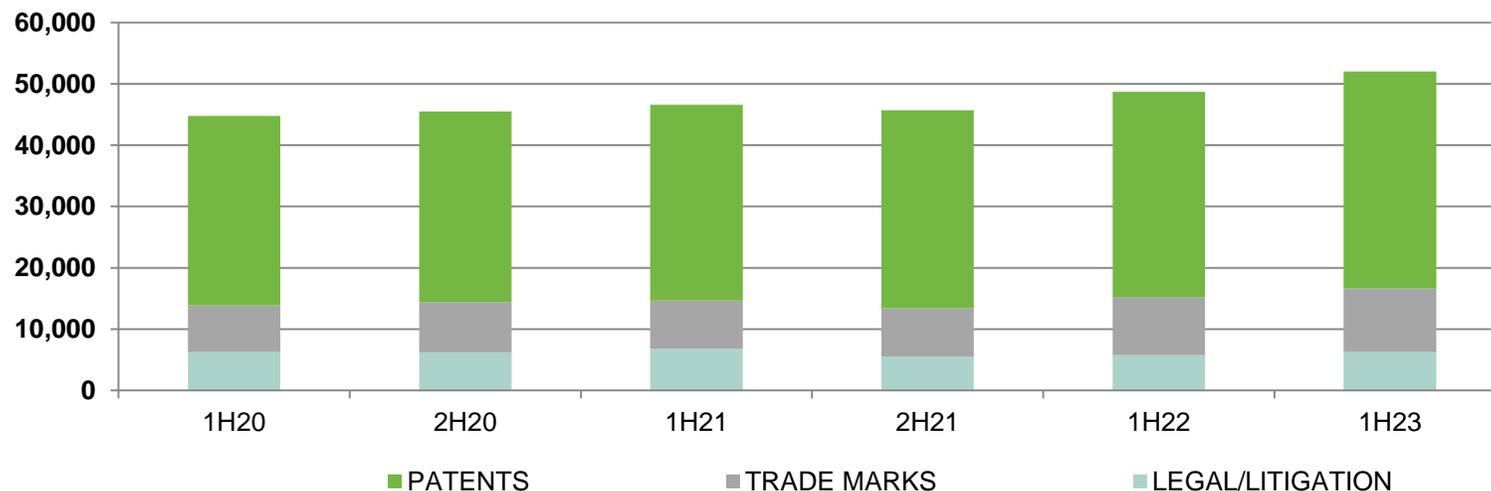
LEGAL/LITIGATION SERVICE CHARGES

↑ UP 8.9%

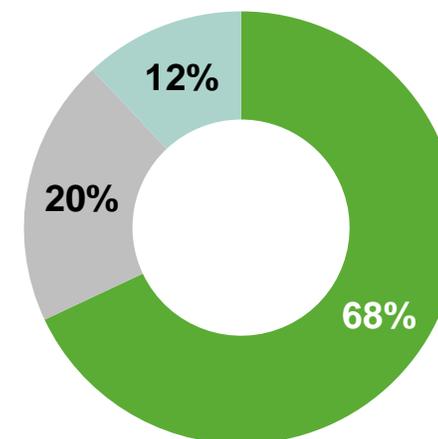
\$6.2m 1H23 vs \$5.7m 1H22¹

- DCC Law's strong case load work contributed to strong half year result.

**QANTM SERVICE CHARGES REVENUE HALF YEAR TREND
1H20 - 1H23**



**PERCENTAGE OF AGGREGATE
QANTM SERVICE ¹
CHARGES 1HFY23**



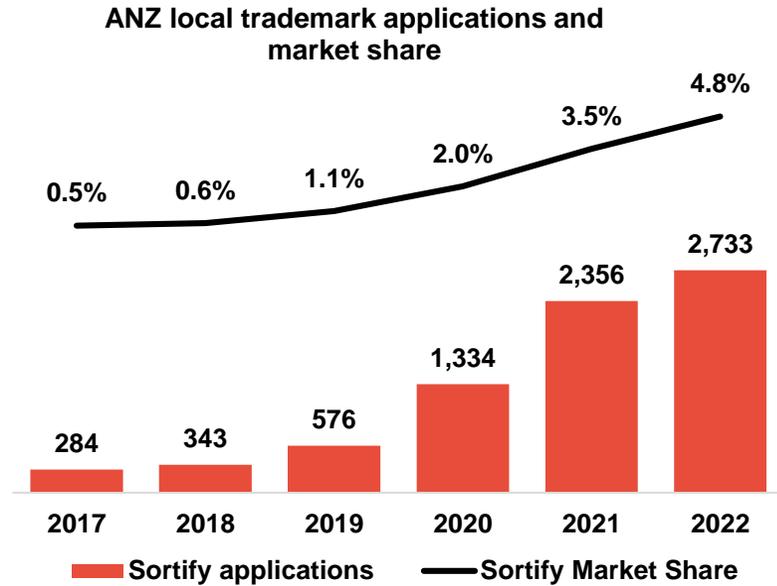


OUR VISION: To make trademark protection accessible for everyone

- Fast growing, New Zealand based legal tech company that is automating the entire trademarking process
- Sortify.tm's fully automated trademarking websites enable businesses to protect their brands themselves online
- Currently the #1 trade mark filer in Australia and the #2 trade mark filer in NZ
- Focused on capturing small and mid sized enterprises and businesses yet to protect their brands

Beyond Australasia

- United Kingdom – trademark applications up 250% in 2022
- Singapore and Malaysia – expansion in 2022, 2-3 new markets in 2023



1H23 HIGHLIGHTS - PEOPLE

A number of Diversity & Inclusion Initiatives across the Group

- ✓ Investment in leadership development, e.g. the Great Managers Academy
- ✓ Investment in training, e.g. Business Development Program, Unconscious Bias and Sexual Harassment
- ✓ DCC awarded Inclusive Employer Status by the Diversity Council Australia for 2022/23
- ✓ Mental Health First Aid Certification
- ✓ Investment in communication & collaboration capabilities
- ✓ New Hybrid model blending Work from Home, Work from Office post COVID

Snapshot of IP Industry Awards



Australian Patent Contentious Attorney Firm of the Year (by MIP)
 Australian Trade Mark Firm of the Year (by MIP)
 Asia Pacific Trans-Tasman IP Firm of the Year (by MIP)
 Patent Firm of the Year (by Asia IP)



Doyle's Guide recognised 7 Principals
 Best Lawyers recognised 18 Principals in IP
 Who's Who Legal named 11 Principals

Investing in our People



50% of fee earner promotions during 1HFY23 have been female



31 Principal appointments since listing



18% of fee earners supported to complete their Masters of IP



Tier 1 ranking for Patent Prosecution (by MIP)
 IAM Patent 1000 awards including 'IP Stars'
 92% of Principals included in IAM Patent 1000 awards in 2022

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FINANCIAL RESULTS

PROFIT AND LOSS

Half Year ended 31 December 2022	1H23 Statutory Income Statement	Adj	Underlying Earnings 1H23	1H22 Statutory Income Statement	Adj	Underlying Earnings 1H22	FY % Change
\$m							
Service charges	52.0		52.0	48.9		48.9	6.4%
Associate charges	16.6		16.6	13.8		13.8	20.4%
Total Revenue	68.6		68.6	62.7		62.7	9.5%
Other income	1.2		1.2	1.0		1.0	17.9%
Recoverable expenses	(15.7)		(15.7)	(13.1)		(13.1)	20.0%
Net Revenue	54.1		54.1	50.6		50.6	6.9%
Employee Compensation	32.7	(1.2)	31.6	30.7	(0.1)	30.6	3.1%
Occupancy	0.9		0.9	1.1		1.1	-13.7%
Business acquisition costs	0.1	(0.1)	0.0	0.8	(0.8)	-	-
Technology	3.9	(1.2)	2.7	4.0	(1.4)	2.6	3.3%
Other	5.1		5.1	3.5		3.6	42.1%
Total Operating Expenses	42.8	(2.5)	40.3	40.1	(2.3)	37.8	6.6%
EBITDA	11.2	2.5	13.8	10.5	2.3	12.8	7.6%
Depreciation & Amortisation	4.3	(1.4)	2.9	4.3	(1.2)	3.1	-6.3%
Finance Costs	1.8	(0.3)	1.6	1.1		1.1	42.9%
Profit before Tax	5.1	4.2	9.3	5.1	3.5	8.6	8.1%
Income Tax expense	1.7	0.9	2.6	1.7	0.5	2.1	23.5%
Net Profit after Tax	3.4	3.3	6.7	3.4	3.0	6.5	3.8%
EBITDA % of service charge revenue	21.6%		26.5%	21.5%		26.1%	0.4%

Comments

- Service charges grew by 6.4%, 8.6% growth on 2H22
 - Patents up 5.8% to \$35.4m on strong performance across all our brands
 - Trade Marks up 9.1% to \$10.4m with the full half year addition of Sortify
 - Legal Services up 8.9% to \$6.2m
- Operating costs increased \$2.4m reflecting
 - Other expenses increased 1.6m which include an additional \$0.7m spent on business development, FX loss of \$0.6m and an increase in the expected credit loss of \$0.2m.
- Underlying EBITDA increased by \$1.0m with margin increasing to 26.5%
- Statutory NPAT of \$3.4m includes increased amortisation of acquisition intangibles.

CASH FLOW STATEMENT

As at 31 December 2022 \$m	1H23	1H22
Statutory EBITDA	11.2	10.5
Non-cash movements	0.7	0.9
Change in working capital	(6.2)	(1.1)
Operating capital expenditure	(2.3)	(0.5)
Cash Flow before acquisitions, financing activities and tax	3.5	9.8
Cash Conversion ratio	32%	93%
Income taxes paid	(2.2)	(2.3)
Net interest paid	(1.4)	(0.7)
Free cash flow	(0.1)	6.8
Dividends paid	(4.8)	(4.6)
Undistributed free cash flow	(4.9)	2.1
Payments for acquisition related transactions	(0.6)	(6.7)
Lease payments	(2.2)	(2.4)
Net borrowing proceeds / (repayments)	1.9	9.6
Net cash flow	(5.8)	2.6

Comments

Cash conversion decrease of \$6.3m is mainly due to:

- \$5.1m decrease in working capital
 - Debtors increased by \$2.1m
 - \$1.2 in one off restructuring costs
 - \$0.7m in business development
 - \$1.6m prepayment not in the prior comparative period
- \$1.8m increase in Operating capital expenditure due to FPA's new Melbourne Premises

BALANCE SHEET

As at 31 December 2022

\$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-22	30-Jun-22
CURRENT ASSETS		
Cash and cash equivalents	1.7	7.4
Trade and other receivables	40.9	38.8
Other assets	3.5	1.8
Current tax asset	0.6	0.2
TOTAL CURRENT ASSETS	46.7	48.1
NON-CURRENT ASSETS		
Property, plant and equipment	3.1	1.6
Right-of-use assets	8.4	8.7
Intangible assets	82.8	84.3
TOTAL NON-CURRENT ASSETS	94.3	94.6
TOTAL ASSETS	140.9	142.7
CURRENT LIABILITIES		
Trade and other payables	11.7	14.1
Provisions	8.5	8.0
Borrowings	1.5	3.6
Lease liability	4.0	3.6
Current tax liabilities	-	-
Other financial liabilities	1.4	1.5
TOTAL CURRENT LIABILITIES	27.0	30.9
NON-CURRENT LIABILITIES		
Provisions	0.1	0.2
Borrowings	32.0	27.6
Lease liability	6.5	7.4
Other financial liabilities	0.0	1.2
Deferred tax liabilities	3.6	3.5
TOTAL NON-CURRENT LIABILITIES	42.2	39.9
TOTAL LIABILITIES	69.2	70.8
NET ASSETS	71.7	71.9

Comments

- Decrease in Cash and cash equivalents to \$1.7m.
- Debtors increased by \$2.1m due to a strong Q2 result. Our Debtor book remains solid, with quality receivables and minimal bad debts incurred over the half.
- Property, plant and equipment increased due to the fit out of new premises.
- Net Debt to EBITDA has increased to 1.15 (30 June 22: 0.90).
- Undrawn acquisition facility USD \$16.4m (AUD \$24.2m).
- New banking facilities negotiated post year-end, including an increase in the multi-currency revolving facility from \$20m to \$25m.

INCOME STATEMENT RECONCILIATION STATUTORY TO UNDERLYING



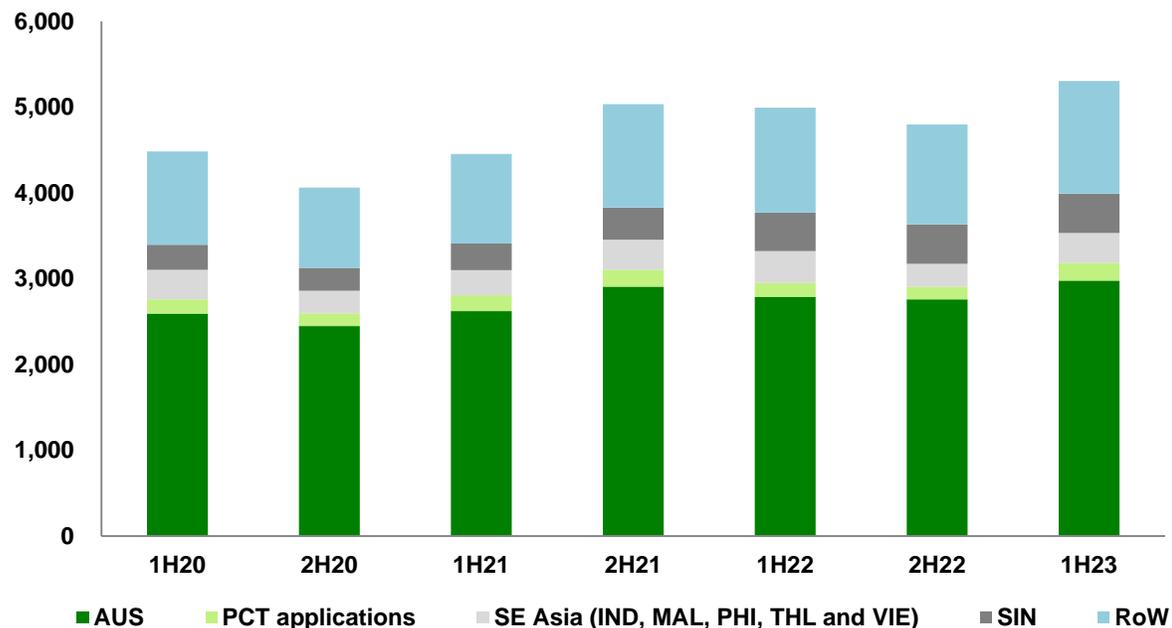
	Year Ended	
	31-Dec-22 \$'000	31-Dec-21 \$'000
Statutory NPAT	3.4	3.4
add: interest	1.8	1.1
add: depreciation and amortisation	4.3	4.3
add: tax	1.7	1.7
EBITDA	11.2	10.5
add: retention/restructuring payments	1.2	0.1
add: SaaS costs	1.2	1.4
add: business acquisition costs	0.1	0.8
Underlying EBITDA	13.8	12.8
less: depreciation and amortisation	(2.9)	(3.1)
less: interest	(1.6)	(1.1)
less: tax	(2.6)	(2.1)
Underlying NPAT	6.7	6.5

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BUSINESS OVERVIEW

PATENT APPLICATIONS

**QANTM GROUP
TOTAL NEW PATENT CASES FILED
1H20 - 1H23**



Source: DCC, FPA & DCC Advanz management analysis. AU filings exclude Innovation patent filings

Note: 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 patent Service Charges and is the early stage of life cycle revenue from prosecution, advisory, litigation and renewal work that can extend for 20 years+.

Australia

- QANTM's 1H23 Australian patent market applications were up 6.8% relative to pcp (FY22H1) and 7.9% up on FY22H2
- QANTM's Australian patent market share in 1H23 (excluding innovation patents) represented ~16.5% of the market (pcp : 14.8%)
- 2Q23 market share represented 17.0% of the market, improving from a slightly soft start to the financial year (15.9% for 1Q23)

Asia

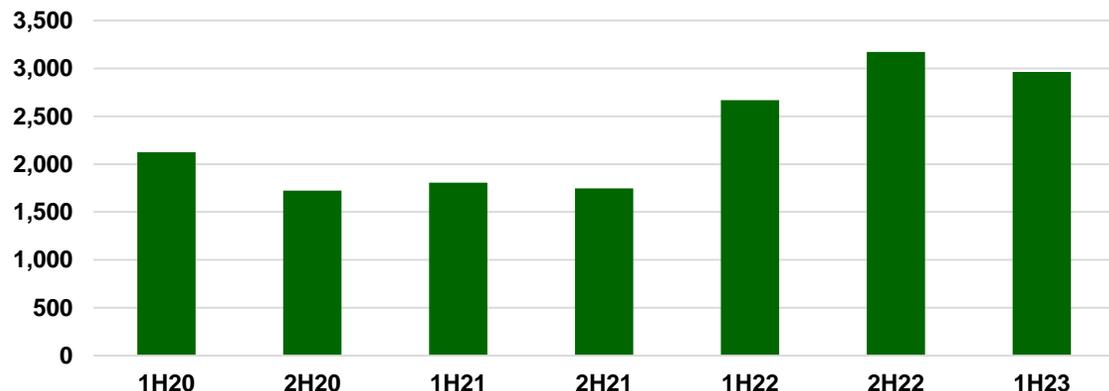
- Total QANTM Asian patent applications at similar level to pcp (which were the highest on record for QANTM) and increased 10.4% from 2H22
- QANTM Asian patent applications represent 15.1% of Group total
- Expanded business presence in Asia remains a key strategic focus (with DCC recently launching Hong Kong SAR office and completing the integration of Advanz Fidelis' Malaysian operations into DCC)

Rest of World

- Rest of World applications (25% of Group total) up 7.3% on prior year

TRADE MARK APPLICATIONS

**QANTM
TOTAL TRADE MARK APPLICATIONS 1H20-1H23**



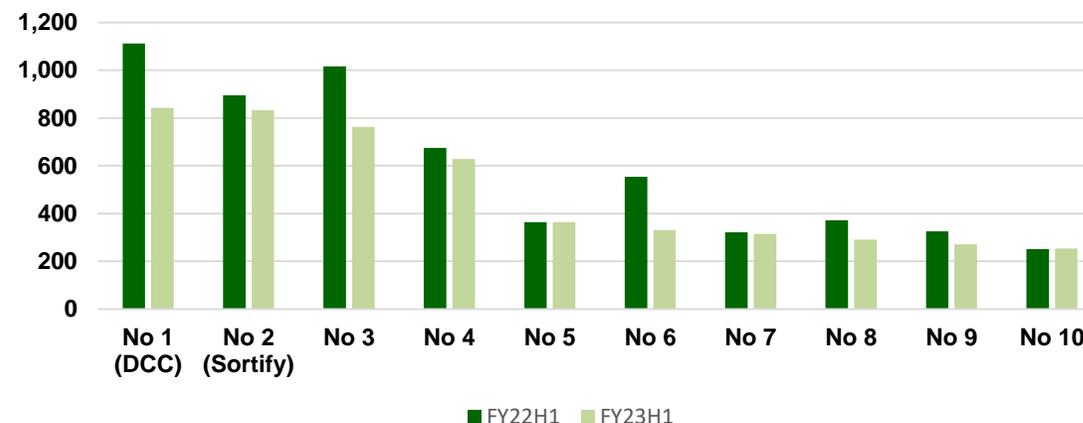
- Group total trade mark applications in FY23H1 increased by 11.1% vs the prior corresponding period (with Sortify applications included from 1 October 2021)

Source: QANTM management information

NOTE:

Trade mark applications are inclusive of Sortify from 1 October 2021 (Sortify was acquired by QANTM on 30 September 2021). Applications include International and Madrid applications but do not include all countries separately designated from a Madrid application

**AUSTRALIAN TRADE MARK FILINGS
BY TOP 10 FIRMS
1H23 v 1H22**



- DCC and Sortify remain the top 2 agents in Australia for trade mark applications. QANTM AU applications increased by 4.7%² (compared to a reduction of 12.6% for the top 50 agents and 25% in total applications)
- Sortify also #2 agent for applications in New Zealand
- Sortify also launched in Singapore and Malaysia and continued growth in UK

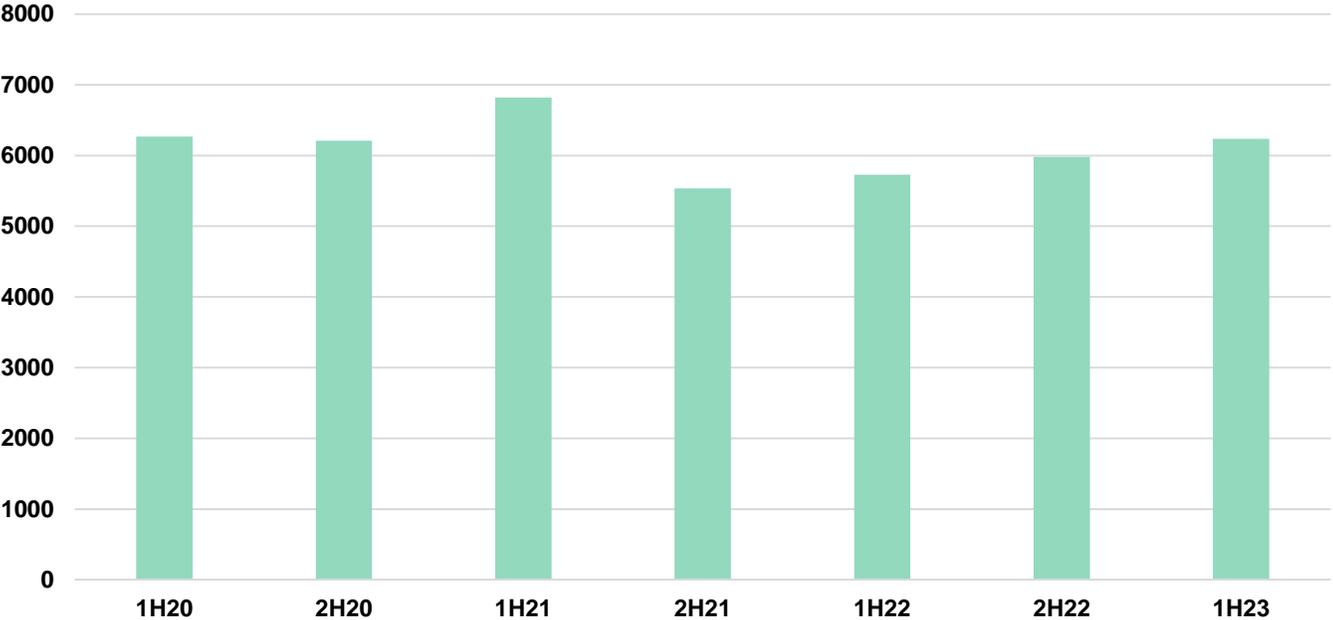
NOTE:

¹ QANTM management analysis including IRDA cases.

² QANTM management analysis and analysis of IP Australia Data and includes Sortify applications since 1 October 2021. Market share based on share of national applications for top 50 agents including IRDA cases.

LEGAL/LITIGATION SERVICES

QANTM GROUP LEGAL REVENUE TREND (\$'000)
1H20 - 1H23



- Legal/litigation revenue increased by 8.9% from pcp to \$6.2 million (1H22: \$5.7 million)
- DCC Law strong case load work contributed to strong half year result
- DCC Law is one of the pre-eminent IP Law practices in Australia

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STRATEGIC INITIATIVES

STRATEGIC INITIATIVES

INVESTING ACROSS FIVE KEY AREAS – FY23 FOCUS



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



To help strengthen and grow our core businesses, whilst expanding our presence across new sectors and geographies

TECHNOLOGY MODERNISATION

	Phase 1: Foundations FY21	Phase 2: Resilience FY22	Phase 3: Growth FY23	Phase 4: Optimise FY24+
Projects	<ul style="list-style-type: none"> Laptop program Collaboration platforms Flexible work policies High-level IT planning Cyber security upgrade 	<ul style="list-style-type: none"> Vendor assessment Technical architecture Partner selection Program planning Client engagement platform Sortify acquisition 	<ul style="list-style-type: none"> Migration to Microsoft Azure IP platform upgrades Automation projects Finance platform selection End-user tools 	<ul style="list-style-type: none"> Further integrations Further automation Mobile applications suite Digitisation Data and analytics
Impacts	<ul style="list-style-type: none"> Work from anywhere Stability and growth through COVID Security enhanced New work practices Greater collaboration 	<ul style="list-style-type: none"> Clear pathway ahead Technical hurdles identified and addressed Unique capability established (Sortify) 	<ul style="list-style-type: none"> Improved workflow and productivity Reduced cost of support Greater stability and scalability Improved client service 	<ul style="list-style-type: none"> Increased productivity Reduced cost of operations Greater scalability at lower cost Improved client service Improved margins Data as a strategic capability
Costs	\$1.8m	\$3.2m	\$2.5–\$3.0m	\$1.0–\$2.0m
Benefits	Business resilient during COVID	New capabilities established (partners, software development)	Some financial benefits starting to flow in 2023 (productivity, client service)	Major benefits being delivered Competitive advantage \$2m - \$3m gains in FY24 \$4m+ per annum gains in FY25 and beyond

Currently on track to realise \$4m+ per annum in technology-related gains by FY25 and beyond

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SUMMARY

OUTLOOK

- ✓ **Expect continued organic revenue growth**, on the back of current trading momentum
- ✓ **Expect continued strong market share in Australia**, with further growth in Asia
- ✓ **Continue to invest in our people**, our aspiration is to be **the** place to work for IP professionals
- ✓ **Expect continued margin improvement** as a result of cost management and strategic initiatives
- ✓ **Expect cash conversion to normalise in 2H23** due to timing of receipts and one-off costs
- ✓ **Continue to deliver technology modernisation milestones**, with several on track for 2H23
- ✓ **Continue to explore pipeline of targeted M&A opportunities** that meet our selection criteria
- ✓ **Investor Day planned for 9 May in Sydney**, details to be provided shortly

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**FOR MORE
INFORMATION**



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