

HALF YEAR RESULTS PRESENTATION

6 MONTHS TO 31 DECEMBER 2021



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24 February 2022

STRUCTURE



1. Business and Financial Highlights
2. Financial Results
3. Market and Business Overview
4. Strategic Initiatives
5. Summary



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1

BUSINESS AND FINANCIAL HIGHLIGHTS

BUSINESS HIGHLIGHTS



Strong Business Performance







- QANTM business continued with strong underlying business performance despite the challenges of COVID
- Continued revenue growth period to period across the patents practice, based on the strength of the DCC, FPA and Advanz Fidelis businesses
- Very strong growth in trade marks reflecting an excellent performance in DCC and the inclusion of Sortify business
- Patent applications show strong growth compared to the prior corresponding period – with downstream revenue benefits also expected
- Substantial increase in trade mark filings – at all time high post the acquisition of Sortify
- Strong direct/local client base with opportunities for continued growth of outbound filings, including to QANTM businesses in Asia
- Legal/litigation is lower relative to a solid prior corresponding period
- Interim dividend of 3.0 cents fully franked (1H21: 4.0 cents)

Investment in People, Clients and Technology

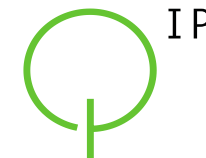
- Continued focus on support for our people; emphasis on flexibility and wellness resulting in high engagement, retention and new talent attraction
- Investments in growth and business development: examples include DCC US sales office, new talent, traineeships, world-class business development program (pilot complete, now being rolled out)
- Technology modernisation underway – some transition and one-off costs, plus impact of IFRIC ruling
- Positioned to deliver earnings growth as transformation and productivity initiatives build momentum

STRONG BUSINESS & PORTFOLIO PERFORMANCE



GROUP PATENT APPLICATIONS  up 11.9%	TRADE MARK APPLICATIONS  up 48%	ASIAN PATENT APPLICATIONS  up 35%
SERVICE CHARGES REVENUE  up 4.9% \$48.9m (1H21: \$46.6m)	TOTAL REVENUE  up 7.0% \$62.7m (1H21: \$58.6m)	UNDERLYING EBITDA  down 5.0% \$12.8m (1H21: \$13.5m)

BUSINESS OVERVIEW



PATENT SERVICE CHARGES

↑ **UP 4.8%**

\$33.5m 1H22 vs \$31.9m 1H21 ²

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

TRADE MARKS SERVICE CHARGES

↑ **UP 20.7%**

\$9.5m 1H22 vs \$7.9m 1H21 ²

- Initial contribution from Sortify and a recovery in Advanz Fidelis.

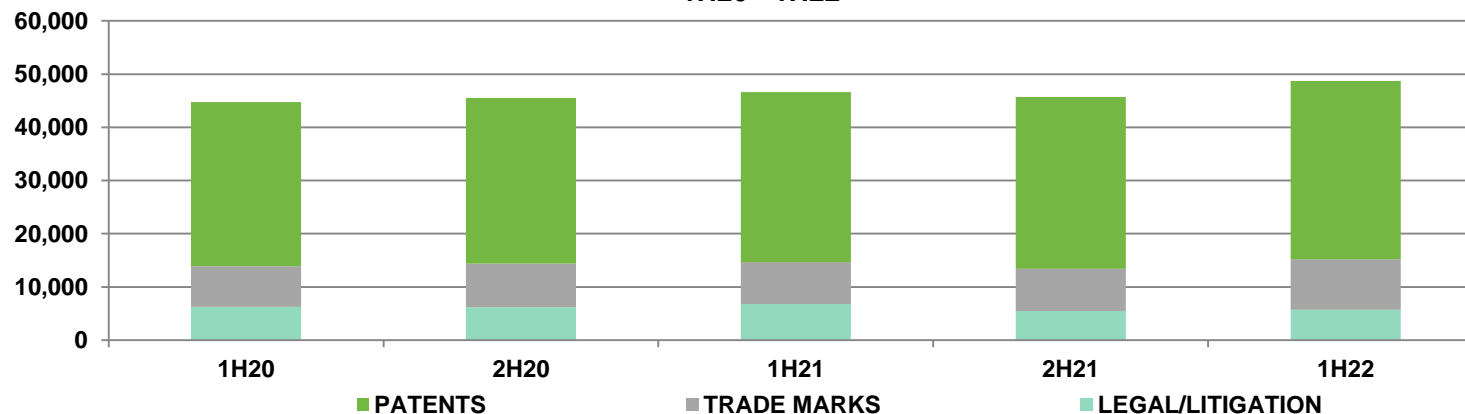
LEGAL/LITIGATION SERVICE CHARGES

↓ **DOWN 15.6%**

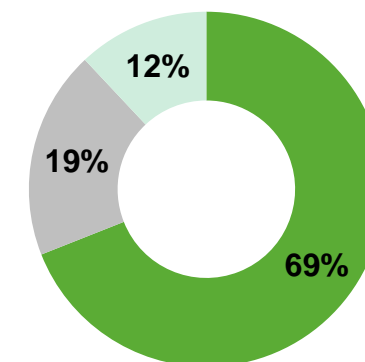
\$5.7m 1H22 vs \$6.8m 1H21 ²

- DCC has continued with a substantial case load.

QANTM SERVICE CHARGES REVENUE
HALF YEAR TREND
1H20 - 1H22



PERCENTAGE OF AGGREGATE
QANTM SERVICE ¹
CHARGES 1H22



NOTE:

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

2

FINANCIAL RESULTS

SUMMARY PROFIT AND LOSS



Half Year ended	1H22 Statutory Income Statement	Adjustments	Underlying Earnings 1H22	1H21 Statutory Income Statement	Adjustments	Underlying Earnings 1H21	HY % Change
31 December 2021							
Service charges	48.9		48.9	46.6		46.6	4.9%
Associate charges	13.8		13.8	12.0		12.0	14.9%
Total Revenue	62.7		62.7	58.6		58.6	7.0%
Other income	1.0		1.0	1.0		1.0	2.8%
Recoverable expenses	(13.1)		(13.1)	(11.3)		(11.3)	16.1%
Net Revenue	50.6		50.6	48.3		48.3	4.8%
Compensation	30.7	(0.1)	30.6	28.5	(0.3)	28.2	8.5%
Occupancy	1.1		1.1	1.0		1.0	3.3%
Business acquisition costs	0.8	(0.8)	-	0.1	(0.1)	-	n.m
Technology	4.0	(1.4)	2.6	2.2	(0.3)	1.9	35.0%
Other	3.6		3.6	3.7		3.7	-3.4%
Total Expenses	40.1	(2.3)	37.8	35.5	(0.7)	34.8	8.5%
EBITDA	10.5	2.3	12.8	12.8	0.7	13.5	-5.0%
Depreciation & Amortisation	4.3	(1.2)	3.1	3.7	(0.6)	3.1	-0.6%
Interest	1.1		1.1	0.7		0.7	61.3%
Profit before Tax	5.1	3.5	8.6	8.4	1.3	9.7	-11.2%
Income Tax expense	1.7	0.5	2.1	2.4	0.2	2.6	-18.4%
Net Profit after Tax	3.4	3.0	6.5	6.0	1.1	7.1	-8.5%
EBITDA %	21.5%		26.1%	27.4%		28.9%	-2.7%

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

COMMENTS

- Service charges grew by 4.9%
 - Patents up 4.8% to \$33.5m on strong performance across all our brands
 - Trade Marks up 20.7% to \$9.5m with strong client activity and the addition of Sortify
 - Legal Services 15.6% lower at \$5.7 relative to a strong prior period
- Operating costs increased \$3.0m, reflecting
 - further investment in people with a 3.7% increase in staff*
 - increased leave provisions \$1.0m due to COVID
 - technology costs include \$0.4m for transitional costs to a tier-1 global service provider
- EBITDA reduced by \$0.7m, impacted by temporary and transitional operating costs
- Underlying NPAT of \$6.5m, includes \$0.6m charge to correct prior periods, primarily AASB16 lease accounting
- Statutory NPAT \$3.4m includes increased amortisation of acquisition intangibles
 - *staff numbers excluding Sortify

CASH FLOW STATEMENT



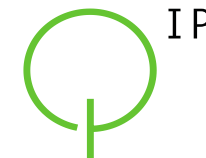
As at 31 December 2021

\$m

	1H22	1H21	COMMENTS
Receipts from customers	68.5	61.0	Cash provided by operating activities Decrease of \$1.9m due mainly to: <ul style="list-style-type: none"> \$1.4m of transformation program costs expensed in the half, up from \$0.3m in 1H21 \$1.8m of employee share trust contributions settled in cash during in the half Partially offset by a lower level of tax payments
Payment to suppliers and employees	(58.2)	(48.7)	
Interest and finance costs paid	(0.7)	(0.4)	
Income tax paid	(2.3)	(2.7)	
Net cash provided by operating activities	7.3	9.2	
Payments for property, plant and equipment	(0.2)	(0.7)	Cash used in investing activities <ul style="list-style-type: none"> Acquisition of Sortify.tm settled on 30 September 2021 Transformation program capitalised software of \$0.3m
Payments for intangible assets	(0.3)	(0.5)	
Business acquisition related costs	(6.7)	(0.1)	
Net cash used in investing activities	(7.2)	(1.3)	
Proceeds from bank borrowings	11.0	3.0	
Repayment of bank borrowings	(1.4)	(2.6)	Cash used in financing activities <ul style="list-style-type: none"> Final FY21 dividend \$4.6m Funding of Sortify.tm acquisition Cash balance increased \$2.7m from June 21.
Payment of lease liabilities	(2.4)	(2.5)	
Dividends paid	(4.6)	(5.1)	
Net cash used in finance activities	2.6	(7.2)	
Net increase in cash	2.7	0.7	

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

SUMMARY BALANCE SHEET



As at 31 December 2021
\$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-21

30-Jun-21

COMMENTS

8.4	5.7
35.6	37.2
1.2	1.9
0.7	-
45.9	44.8
2.0	2.3
10.8	13.2
86.00	74.7
98.8	90.2
144.7	135.0
10.7	13.5
8.9	7.7
1.7	2.0
4.5	4.5
0.0	-
1.9	0.8
27.7	28.5
0.3	0.4
29.7	19.9
8.9	10.8
1.2	-
4.1	2.6
44.2	33.7
71.9	62.2
72.8	72.8

- Net debt \$23.1m, an increase of \$6.9m from 30 June. Increase of \$5.9m from 1H21.
- Cash on hand \$8.4m.
- Increase in borrowings during the period resulting in a \$9.5m increase in facilities drawn. Funds used for the acquisition of Sortify and increased cash holdings.
- Debtor book remains in very good quality with minimal bad debts
- Provisions increased mainly due to the increase in employee leave provisions with limited leave taken in the half due to COVID lockdowns.
- Net Debt to EBITDA remains conservative at 0.90 (30 June 21: 0.62)
- Undrawn acquisition facility USD\$13.8m (AUD\$20m)

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

INCOME STATEMENT RECONCILIATION

STATUTORY TO UNDERLYING



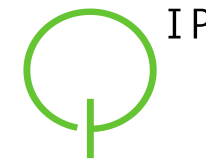
	Half Year ended	
	31-Dec-21 \$'m	31-Dec-20 \$'m
Statutory NPAT	3.4	6.0
add: interest	1.1	0.7
add: depreciation and amortisation	4.3	3.7
add: tax	1.7	2.4
EBITDA – QANTM Group	10.5	12.8
add: retention/restructuring payments	0.1	0.3
add: transformation	1.4	0.3
add: business acquisition costs	0.8	0.1
Underlying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

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

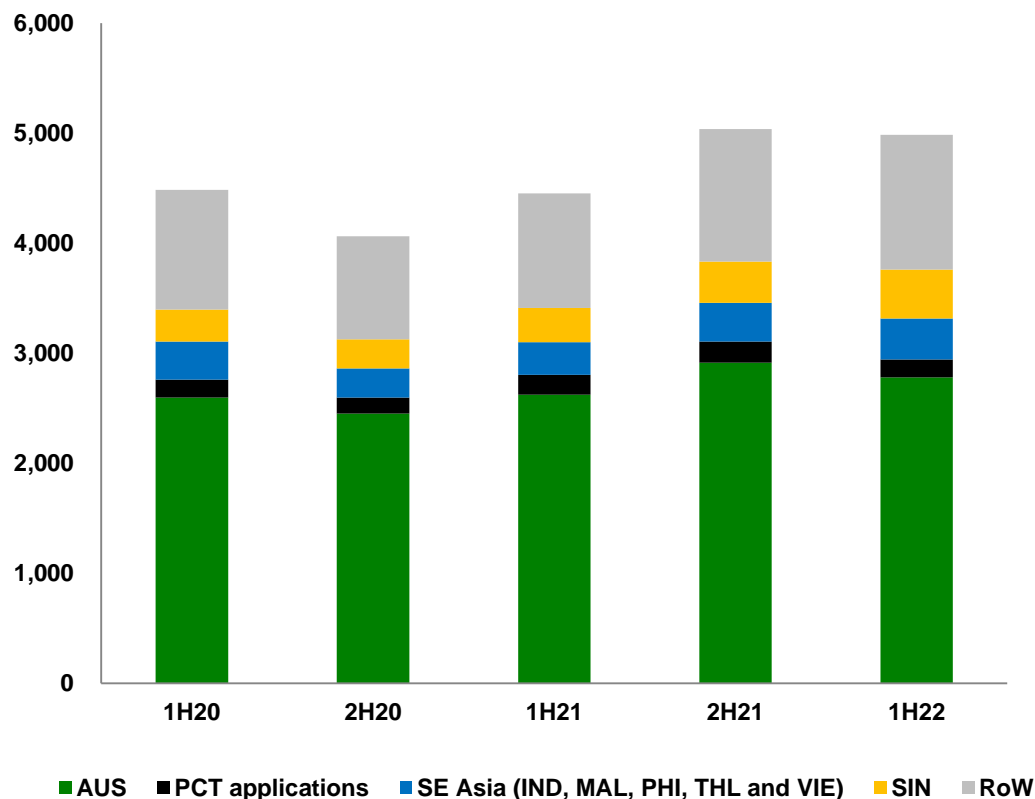
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MARKET AND BUSINESS OVERVIEW

PATENT APPLICATIONS – GROUP TOTAL



QANTM
GROUP TOTAL NEW PATENT CASES
1H20 - 1H22



- Group patent applications 11.9% higher vs pcp (although down 1% on the strong finish to FY21 shown by 2H21)
- Australian patent applications (56% of Group total) up 6.0% on pcp although down 4.5% on 2H21
- Asian patent applications (16% of Group total) up 35% on pcp, mainly due to recovery on Malaysian filings and continued growth in Singapore
- Rest of World applications (24.5% of Group total) up 17.2% vs pcp and 1.6% up on 2H21
- PCT applications (3% of Group total) down 11% on pcp (although pcp was second highest half since listing)

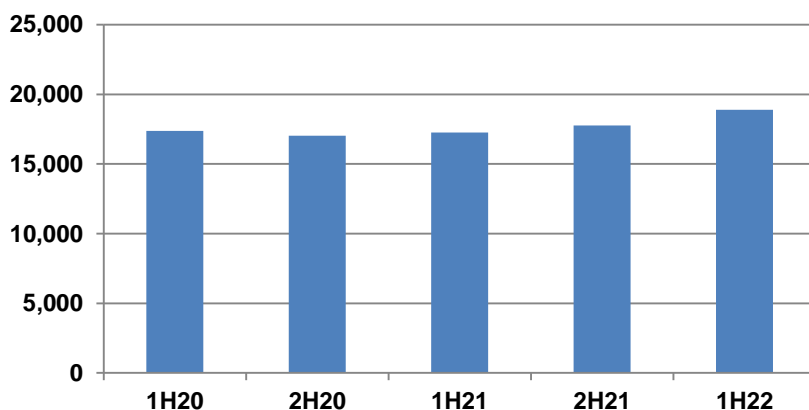
Patent applications are one indicator of future period patent Service Charges. Revenue derived from patent applications typically constitutes ~15% to 20% of QANTM's annual patent Service Charges and is the early stage of life cycle revenue from prosecution, advisory, litigation and renewal work that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

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

PATENT APPLICATIONS – AUSTRALIA



TOTAL PATENT APPLICATIONS FILED IN AUSTRALIA
(excluding Innovation Filings)
1H20 - 1H22



Source: IP Australia

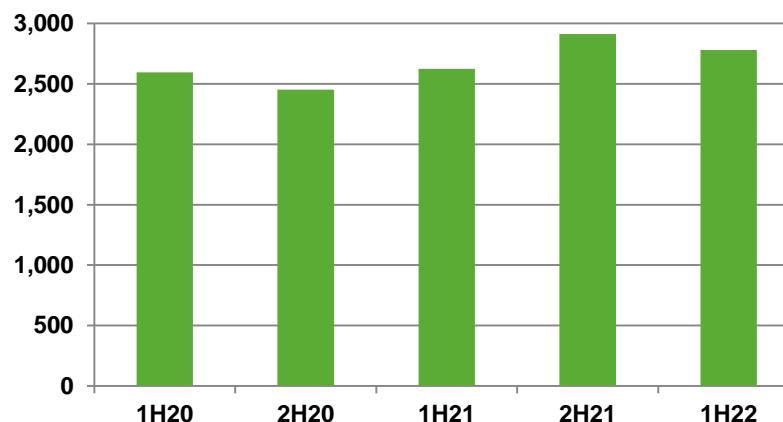
- Patent application increase (excluding Innovation patents) in Australia for 6 months to 31 December vs pcg was 9.4%
- Increase compared to 2H21 was 6.2%
- The 1H22 market increase includes filings from applicants who may have previously utilised the innovation patent system (market otherwise remains largely flat or low growth)

NOTE

Innovation patents are excluded from the above analysis – they were phased out from August 2021 and accelerated filings prior to the phase out had distorted the patent filings market when viewed inclusive of innovation filings.

Based on IP Australia data at conclusion of each filing period.

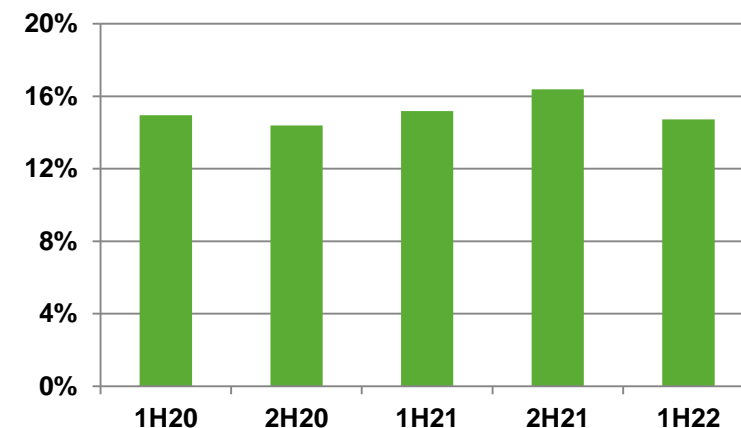
QANTM AUSTRALIA PATENT APPLICATIONS
(excluding Innovation Filings)
1H20 - 1H22



Source: DCC, FPA and Cotters management analysis

- QANTM's Australian patent market applications were up 6.0% relative to 1H21
- QANTM's 1H21 patent applications were 4.5% lower than 2H21

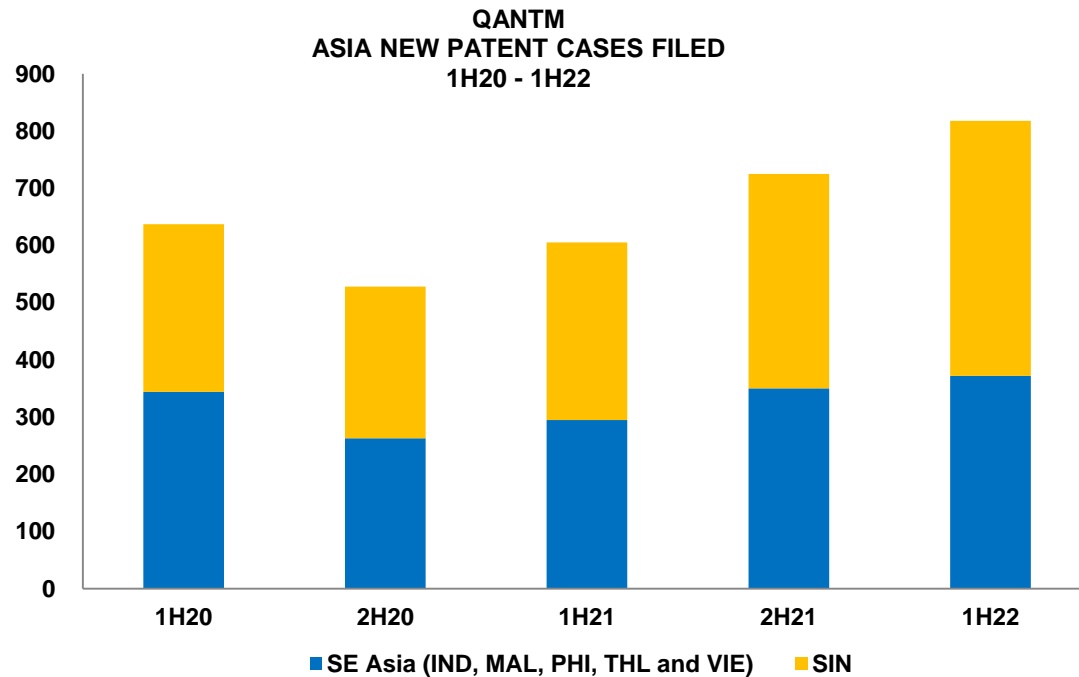
QANTM PATENT FILINGS TOTAL MARKET SHARE
1H20 - 1H22



Source: DCC, FPA and Cotters management analysis

- QANTM's Australian patent market share (excluding innovation patents) for the half was 14.7%, compared with 15.2% for the prior corresponding half and 16.4% for the second half of FY21
- Most recent quarter (Q2) market share 15.9% - significantly improved on a softer start to the financial year in Q1 (13.6%)

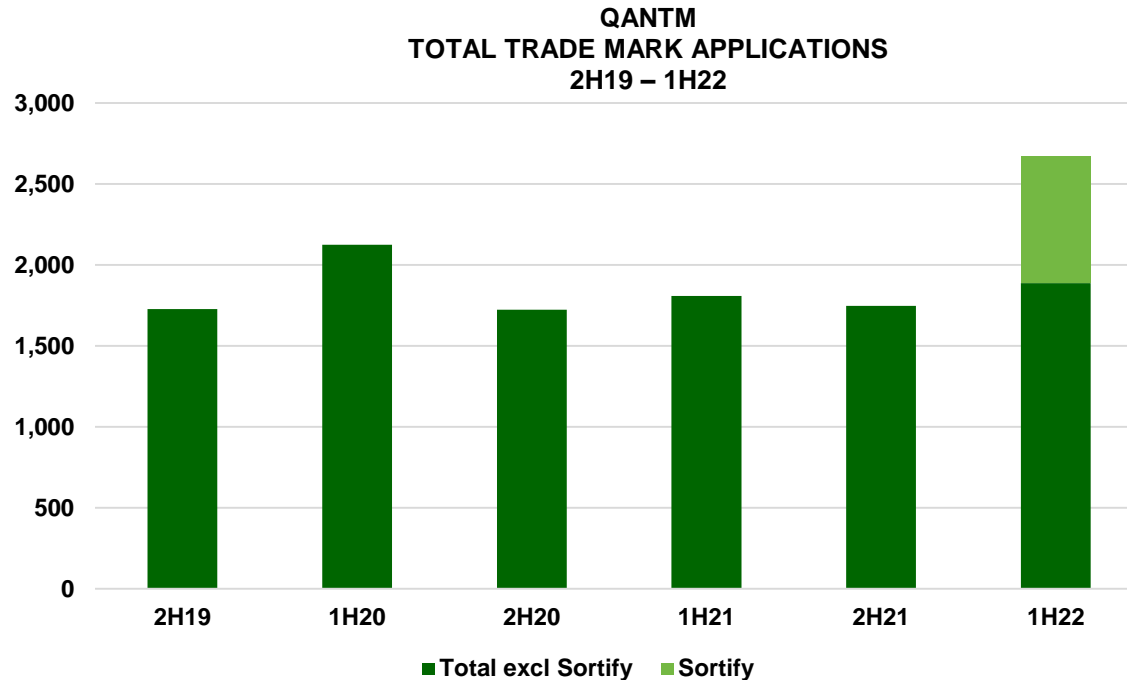
PATENT APPLICATIONS – ASIA



Source: QANTM management information

- Total QANTM Asian patent applications increased 35.2% vs pcp and increased 12.8% on 2H21
- QANTM Asian patent applications represent 16.4% of Group total (up from 13.6% for pcp)
- Singapore patent applications up 44% vs pcp (and 18.9% up on 2H21) with continued growth through DCC and FPA presence
- Rest of SE Asia up 26.1% on pcp – includes recovery in Malaysia filings by Advanz Fidelis (their total patent filings were up 53% on pcp)

TRADE MARK APPLICATIONS – GROUP TOTAL



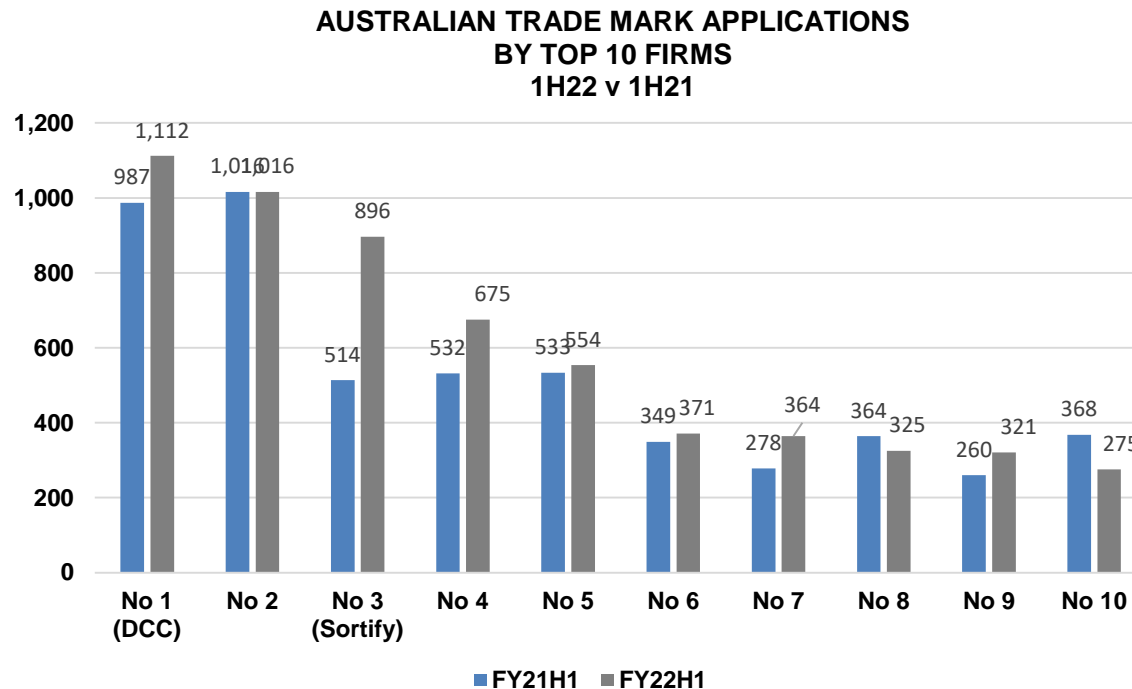
- Group trade mark applications increased by 48% v pcp
- Sortify applications are included from 1 October 2021 although the Group's total applications excluding Sortify also grew by 4.4% v pcp (and 8.0% v 2HFY21)
- Australian applications increased by 62% v pcp
- New Zealand applications more than doubled v pcp
- Rest of the world applications remained stable compared to pcp

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 APPLICATIONS



- Total market applications in Australia decreased slightly but filings by the top 50 agents increased 13.6% v pcp
- QANTM Group firms increase in trade mark market share² : 14.5% vs pcp 10.5%
- DCC AU applications grew in line with the market and maintained #1 market share in Australia for trade mark applications (DCC #4 in New Zealand)
- Sortify growing rapidly in Australia and New Zealand
 - #1 filer in Australia for the Oct-Dec 2021 quarter (#3 in Australia for the half¹)
 - #2 Trade Mark filer in New Zealand for the half

NOTE:

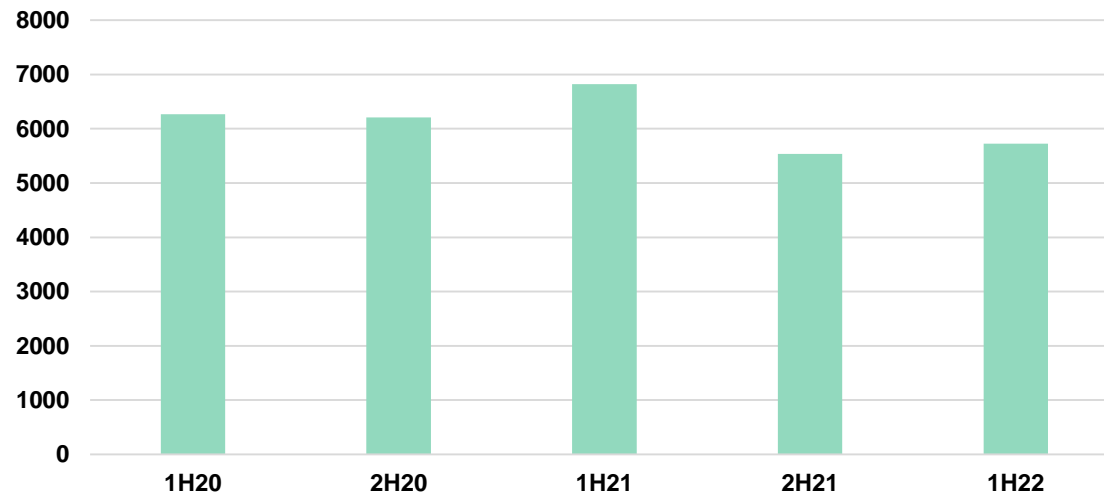
¹ QANTM management analysis including IRDA cases.

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 - 1H22



- Legal/litigation revenue decreased by 16% from pcp to \$5.7 million (1H21: \$6.8 million)
- Continuity of Australian Court system operation despite COVID
- DCC Law remains one of the pre-eminent IP Law practices in Australia

4

STRATEGIC INITIATIVES

STRATEGIC INITIATIVES

INVESTING ACROSS FIVE KEY AREAS



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



 TECHNOLOGY	 GROWTH AND SCALE	 PEOPLE	 PROCESS	 CLIENTS
<ul style="list-style-type: none"> • HRIS core platform implemented • IT support transition completed • Program management strengthened • Cloud road-map completed 	<ul style="list-style-type: none"> • Sortify acquisition completed • M&A pipeline developing • Business development program: from pilot to rollout 	<ul style="list-style-type: none"> • Continued emphasis on wellness and engagement • Focus on recruitment in key growth areas 	<ul style="list-style-type: none"> • Group-wide IP diagnostic completed • Process optimisation as next phase 	<ul style="list-style-type: none"> • Continued focus on client service excellence • New client sector through Sortify acquisition



Vision: To make trademark protection accessible for everyone

The company

Sortify.tm Limited is a fast growing, New Zealand based, legal tech company which is automating the entire trademarking process

Founders

Founded by three trademark lawyers, Claire Foggo, Alan Potter and Narly Kalupahana, who combine domain expertise with a drive to shape the trademark industry

Focus

Focused on empowering brand owners, trademark lawyers and trademark registries with first in category innovative solutions

Online Registration

Sortify.tm's fully automated online trademark registration platforms enable businesses to protect their brands themselves

Sortify Attorney

Created the world's only AI-based trademark productivity software suite for trademark lawyers and registries

Ultimate aim

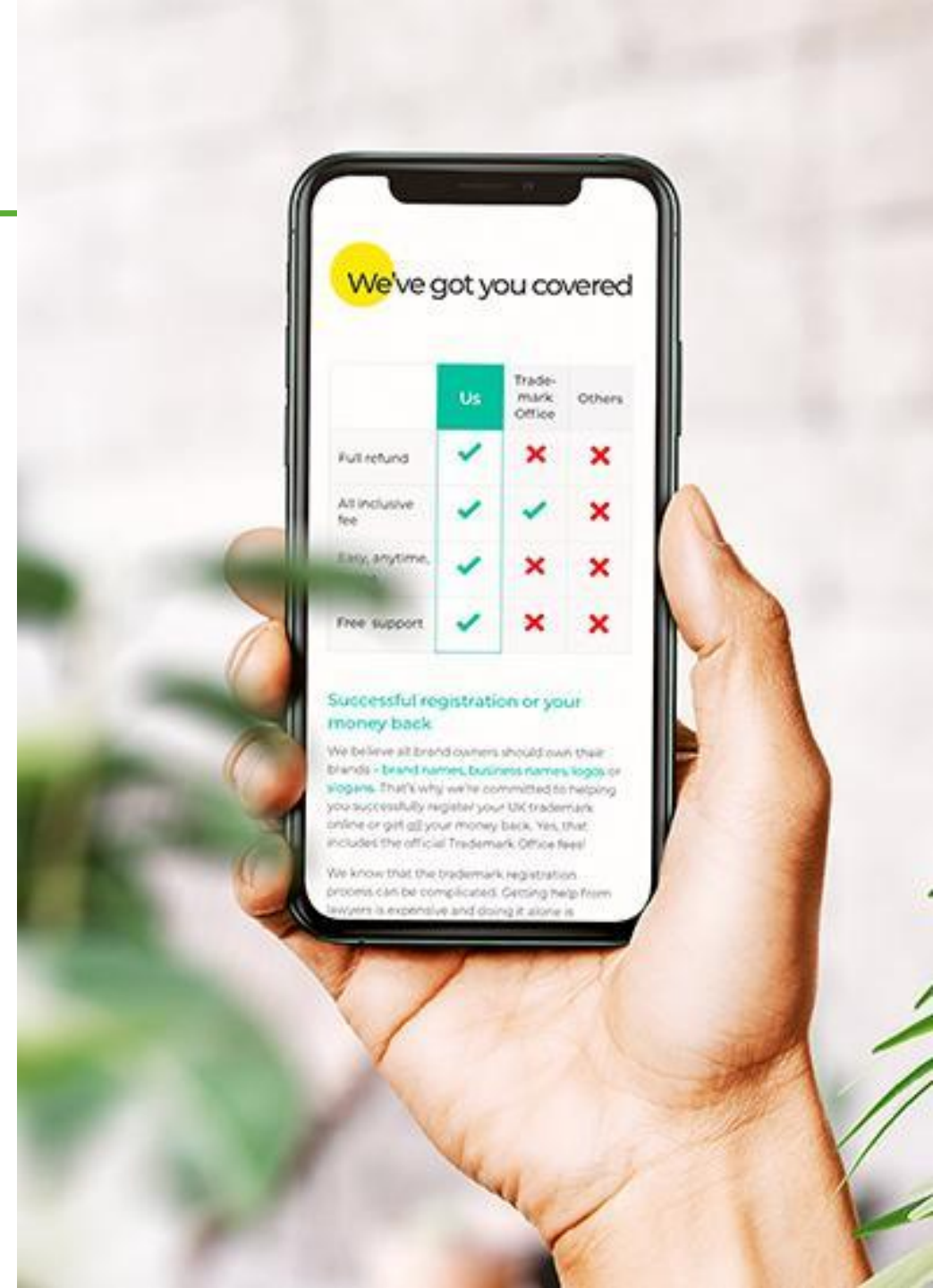
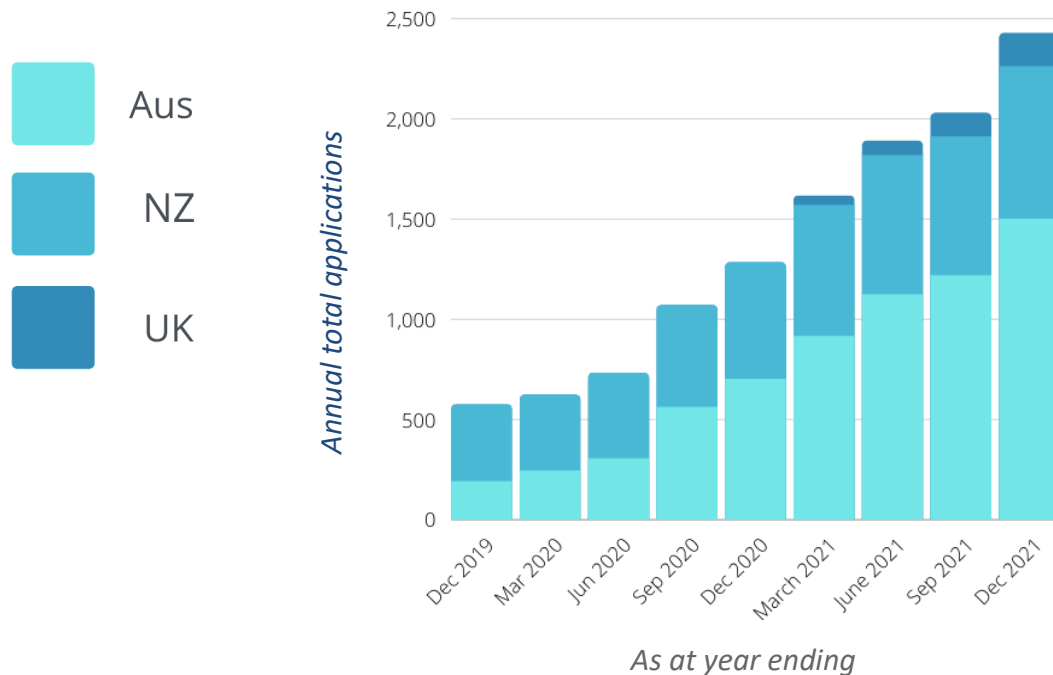
Scale online trademark registration, creating an end-to-end automated trademark protection system

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



THE TEAM



CLAIRE FOGGO
CEO
CO-FOUNDER

Co-founder & Director
Trademark & Commercial
IP Lawyer 20+ years



ALAN POTTER
HEAD OF
PRODUCT
CO-FOUNDER

Co-founder & Director
Trademark & Patent
Attorney 25+ years



NARLY KALUPAHANA
HEAD OF CUSTOMER
SERVICES
CO-FOUNDER

Co-founder & Director
Trademark & Patent
Attorney 20+ years



BLAIR LEIGHTON
CTO

Leads NZ based development
team
Founding developer

5

SUMMARY

SUMMARY



- IP industry continues to show strong resilience in an increasingly uncertain world
- Strong revenue growth across portfolio – standout growth in Trade Marks
- Strong filings from direct/local client base – with downstream revenue benefits
- Investments in clients, people, technology underpinning this
- Benefits will flow through to earnings, starting in 2023
- Sortify acquisition brings: new sector growth, world-class technology capability, innovation and insights
→ opportunity to leverage automation capability across the Group
- Cash flow, balance sheet remain strong and provide support for further growth
- M&A activity continuing



FOR MORE INFORMATION

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