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2024 Half Year Results Presentation

6 months to 31 December 2023

QANTM INTELLECTUAL PROPERTY

Craig Dower (CEO) and Brenton Lockhart (CFO)

19 February 2024

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1H24 Overview

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1. 1H24 Business Highlights
2. 1H24 Financial Results
3. Market and Industry Overview
4. Strategic Initiatives
5. Summary and Outlook
6. Appendices

The QANTM Group

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Broad services portfolio: Patents, Trade Marks, Designs; Legal and Litigation services; Platform-based services; AI-powered / Software Attorney Tools

DAVIES COLLISON CAVE

One of Asia Pacific's largest and longest established patent and trade marks attorney firms

DAVIES COLLISON CAVE LAW

A leading specialist IP law firm and provides the full spectrum of IP related legal services

FPA Patent Attorneys

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

Sortify.tm

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

IP

380+

employees located across five key countries, servicing major global markets

Hong Kong
Malaysia
Singapore
Australia
New Zealand

1H24 Business Highlights

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1H24 Highlights - Overview

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- ✓ Strongest result since listing – recent upgrade v analyst's FY24 estimates
- ✓ Revenue (service charges) growing strongly, earnings growing faster than revenue
- ✓ Aligned to target range of low 30s - achieved 30.6% for 1H24 underlying results, expect this to continue
- ✓ Earnings per share was 5.29 cents (1H23: 2.47 cents) at highest levels since listing, up 114%+ on pcp
- ✓ Improved cash position and stronger cash management disciplines, with further retirement of debt and capacity for increased dividends
- ✓ Net debt down by 33.4% to $21.2m (1H23: $31.8m) following improved financial disciplines
- ✓ Continued high employee retention levels relative to industry
- ✓ Continued excellence in client service delivery
- ✓ Strategic investments making progress - several further technology modernisation and business simplification milestones delivered
- ✓ AI policy and strategy developing which will leverage unique Sortify.tm capabilities across the Group
- ✓ Dividend at 4.9 cents (80% of NPATA) – up 75% from pcp (2.8 cents)

1H24 Highlights - Financial

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Service Charges Revenue

^ 9.2%

$56.8M
(1H23: $52.0M)

Underlying EBITDA

^ 25.7%

$17.3M
(1H23: $13.8M)

Underlying NPAT

^ 43.4%

$9.6M
(1H23: $6.7M)

Net Debt

v 33.4%

$21.2M
(1H23: $31.8M)

Earning Per Share

^ 114.2%

5.29 cents
(1H23: 2.47 cents)

Dividend

^ 75.0%

4.9 cents
(1H23: 2.8 cents)

1H24 Highlights - Business

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PATENT SERVICE CHARGES

⬆ 6.6%

$37.8m 1H24 vs $35.4m 1H23 [1]

- Solid increase in patent service charges across DCC and FPA

TRADE MARKS SERVICE CHARGES

⬆ 7.0%

$11.1m 1H24 vs $10.4m 1H23 [1]

- Strong growth in Sortify.tm online platforms and increase in advisory services by DCC

LEGAL/LITIGATION SERVICE CHARGES

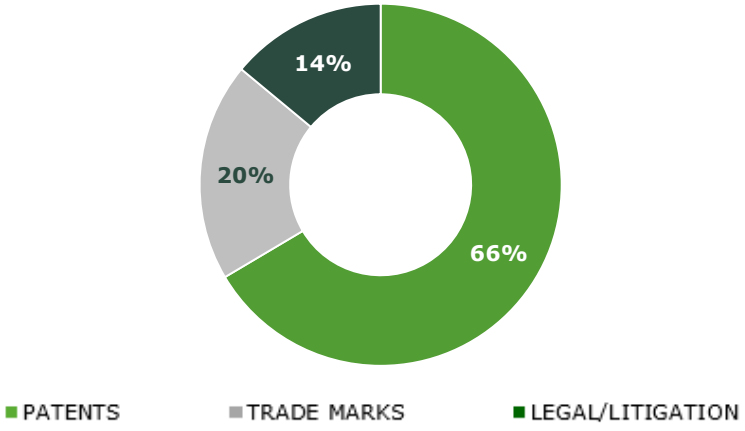
⬆ 27.3%

$7.9m 1H24 vs $6.2m 1H23 [1]

- Increased service charge contribution from higher case loads and expanded team

QANTM REVENUE HALF YEAR TREND 1H21 - 1H24

PERCENTAGE OF AGGREGATED QANTM SERVICE [1] CHARGES 1H24



Note [1] DCC, DCC Advanz, FPA and Sortify.tm management analysis

Investment into people and operations

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Multi-year investments into processes, technology and offices have continued to simplify and streamline our operations while providing an environment that allows our employees to excel

Focus on recruitment in key growth areas, with a strong emphasis on **fostering diversity within our workforce**

New office **spaces designed to encourage collaboration** among employees and enhance client service

Migration of infrastructure to Microsoft Azure and upgraded **IP management platforms** for improved workflow and productivity

Technology investments have enabled a flexible work from anywhere culture promoting efficiency and agility

Ongoing commitment to professional development, well-being initiatives and employee engagement to promote employee retention

1H24
Financial Results

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Profit & Loss

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- Service charges grew by 9.2% on PCP
  - Patents up 6.6% to $37.8m
  - Trade Marks up 7.0% to $11.1m
  - Legal Services up 27.3% to $7.9m
- Underlying operating costs increased 2.7% to $41.5m
  - Employee compensation was slightly up 1.6%
  - Technology expenses increased $0.5m due to cloud hosting that was implemented in January 2023
- Underlying EBITDA increased by $3.5m with margin improved to 30.6%
- D&A was down 20% with all of the Cotters brand names having been amortised in 1H23

Half Year ended 31 December 2023 ($m)	1H24 Statutory Income Statement	Adj	Underlying Earnings 1H24	1H23 Statutory Income Statement	Adj	Underlying Earnings 1H23	FY % Change
Service charges	56.8		56.8	52.0		52.0	9.2%
Associate charges	17.4		17.4	16.6		16.6	4.9%
Total Revenue	**74.2**		**74.2**	**68.6**		**68.6**	**8.1%**
Other income	1.2		1.2	1.2		1.2	(0.8%)
Recoverable expenses	(16.6)		(16.6)	(15.7)		(15.7)	5.7%
Net Revenue	**58.8**		**58.8**	**54.1**		**54.1**	**8.7%**
Employee compensation	32.3	(0.2)	32.1	32.7	(1.2)	31.6	1.6%
Business acquisition costs	0.2	(0.2)	-	0.1	(0.1)	-	-
Technology	4.1	(0.9)	3.2	3.9	(1.2)	2.7	18.5%
Other	6.2		6.2	6.0		6.0	3.5%
Total Operating Expenses	**42.8**	**(1.3)**	**41.5**	**42.8**	**(2.5)**	**40.3**	**2.7%**
EBITDA	**16.0**	**1.3**	**17.3**	**11.2**	**2.5**	**13.8**	**25.7%**
Depreciation & amortisation	3.6	(1.3)	2.3	4.3	(1.4)	2.9	(20.0%)
Finance costs	1.7		1.7	1.8	(0.3)	1.6	7.1%
Profit Before Tax	**10.7**	**2.6**	**13.3**	**5.1**	**4.2**	**9.3**	**43.2%**
Income tax expense	3.4	0.3	3.7	1.7	0.9	2.6	42.6%
Net Profit After Tax	**7.4**	**2.2**	**9.6**	**3.4**	**3.3**	**6.7**	**43.4%**
EBITDA % of service charge revenue	28.2%		30.6%	21.6%		26.5%	4.1%

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

Cash flow Statement

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- Cash conversion increased from 32% to 87% due to increased cash collection from better financial disciplines
- Operating capital expenditure was down by $1.1m due to a reduction in property fit out costs
- Lease payments were reduced with DCC and FPA both moving offices in Sydney
- Net borrowing repayments increased as a voluntary $3.0m repayment of the working capital facility, in addition to the amortisation on the acquisition facility

Half year ended 31 December 2023 ($m)	**31-Dec-23**	**31-Dec-22**
Statutory EBITDA	**16.0**	**11.2**
Non-cash movements	0.1	0.7
Change in working capital	(1.0)	(6.2)
Operating capital expenditure	(1.2)	(2.3)
Cash Flow before acquisitions, financing activities and tax	**14.0**	**3.5**
Cash Conversion ratio	**87%**	**32%**
Income taxes paid	(3.0)	(2.2)
Net interest paid	(1.3)	(1.4)
Free cash flow	**9.7**	**(0.1)**
Dividends paid	(4.9)	(4.8)
Undistributed free cash flow	**4.8**	**(4.9)**
Payments for acquisition related transactions	(0.7)	(0.6)
Lease payments	(2.0)	(2.2)
Net borrowing proceeds / (repayments)	(4.0)	1.9
Net cash flow	**(1.9)**	**(5.8)**

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

Balance Sheet

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- Cash and Cash equivalents increased $4.5m to $6.2m
- Debtors reduced $2.1m even with 9.2% revenue growth
- Property, plant and equipment increased due to the fit out of our 2 new premises in Sydney for DCC and FPA
- Net Debt to Underlying EBITDA decreased to 0.61 (30 June 2023: 0.85)
- Undrawn acquisition facility USD $18.4m (AUD $26.9m)

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

As at 31 December 2023 ($m)	31-Dec-23	31-Dec-22
Current assets		
Cash and cash equivalents	6.2	1.7
Trade and other receivables	38.8	40.9
Other assets	3.3	3.5
Current tax asset	0.0	0.6
Total current assets	**48.3**	**46.7**
Non-current assets		
Property, plant and equipment	3.3	3.1
Right-of-use assets	9.7	8.4
Intangible assets	79.7	82.8
Total non-current assets	**92.7**	**94.3**
Total assets	**141.0**	**140.9**
Current liabilities		
Trade and other payables	11.1	11.7
Provisions	8.6	8.5
Borrowings	2.9	1.5
Lease liability	3.7	4.0
Other financial liabilities	3.2	1.4
Total current liabilities	**29.5**	**27.0**
Non-current liabilities		
Provisions	0.6	0.1
Borrowings	24.5	32.0
Lease liability	7.8	6.5
Other financial liabilities	-	-
Deferred tax liabilities	1.9	3.6
Total non-current liabilities	**34.8**	**42.2**
Total liabilities	**64.3**	**69.2**
Net assets	**76.7**	**71.7**

Statutory to Underlying NPAT

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Half Year ended ($m)	31-Dec-23	31-Dec-22
Statutory NPAT	7.4	3.4
add: interest	1.7	1.8
add: depreciation and amortisation	3.6	4.3
add: tax	3.3	1.7
EBITDA	**16.0**	**11.2**
add: retention/restructuring payments	0.2	1.2
add: technology costs	0.9	1.2
add: business acquisition costs	0.2	0.2
Underlying EBITDA	**17.3**	**13.8**
less: depreciation and amortisation	(2.3)	(2.9)
less: interest	(1.7)	(1.6)
less: tax	(3.7)	(2.6)
Underlying NPAT	**9.6**	**6.7**

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

Market and Industry Overview

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QANTM Market Share

Some filing fluctuations with a soft Q1, stronger Q2, and continuing solid momentum in January

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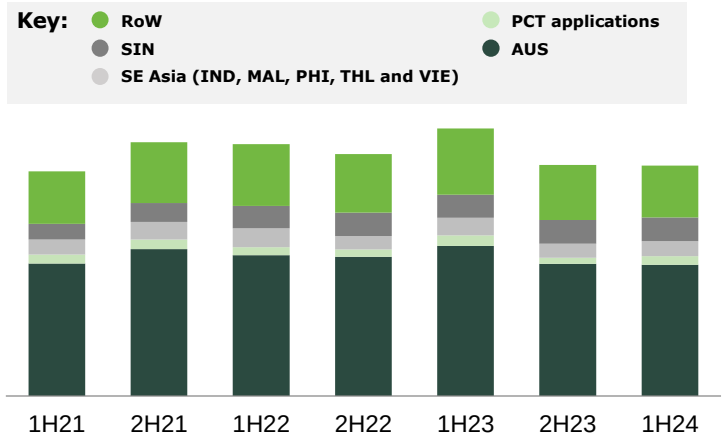
QANTM Group Total New Patent Applications

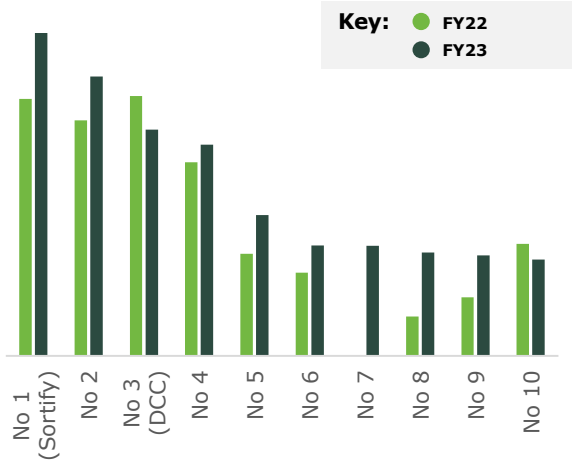
1H21-1H24 (excluding Innovation Filings)



- QANTM's AU patent market applications are down 12.7% relative to 1H23
- QANTM's AU patent market share ~14.4% of the market (1H23: 16.5%)
- Total QANTM ASEAN patent applications is down 4.7% on 1H23
- QANTM ASEAN patent applications represent 16.8% of Group total

Australian Trade Mark Filings by Top 10 Firms

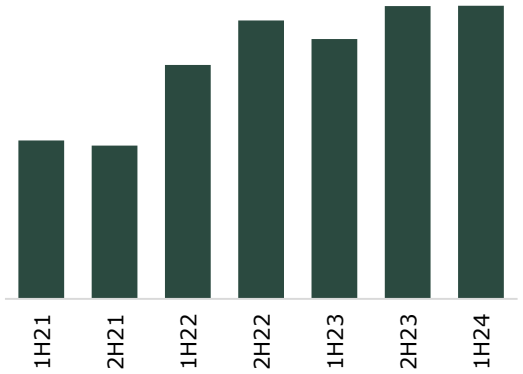
AT 1H24



- Sortify.tm and DCC remain two of the top 3 agents in Australia for trade mark applications
- QANTM AU applications increased by 6.2% (compared to an increase of 23% for the top 50 agents)

QANTM Total Trade Mark Applications

1H21-1H24



- Group total trade mark applications in 1H24 increased by 12.8% vs the prior corresponding period

Note: Whilst patent and trade mark filings can be a useful indicator, they are one component of total revenue: they usually represent only 10% - 15% of our revenue in any given period, and they need to be looked at over a longer cycle (e.g. 12-24 months), as they can fluctuate when looked at on a monthly, quarterly, or even a 6-month basis.

Legal/ Litigation Services

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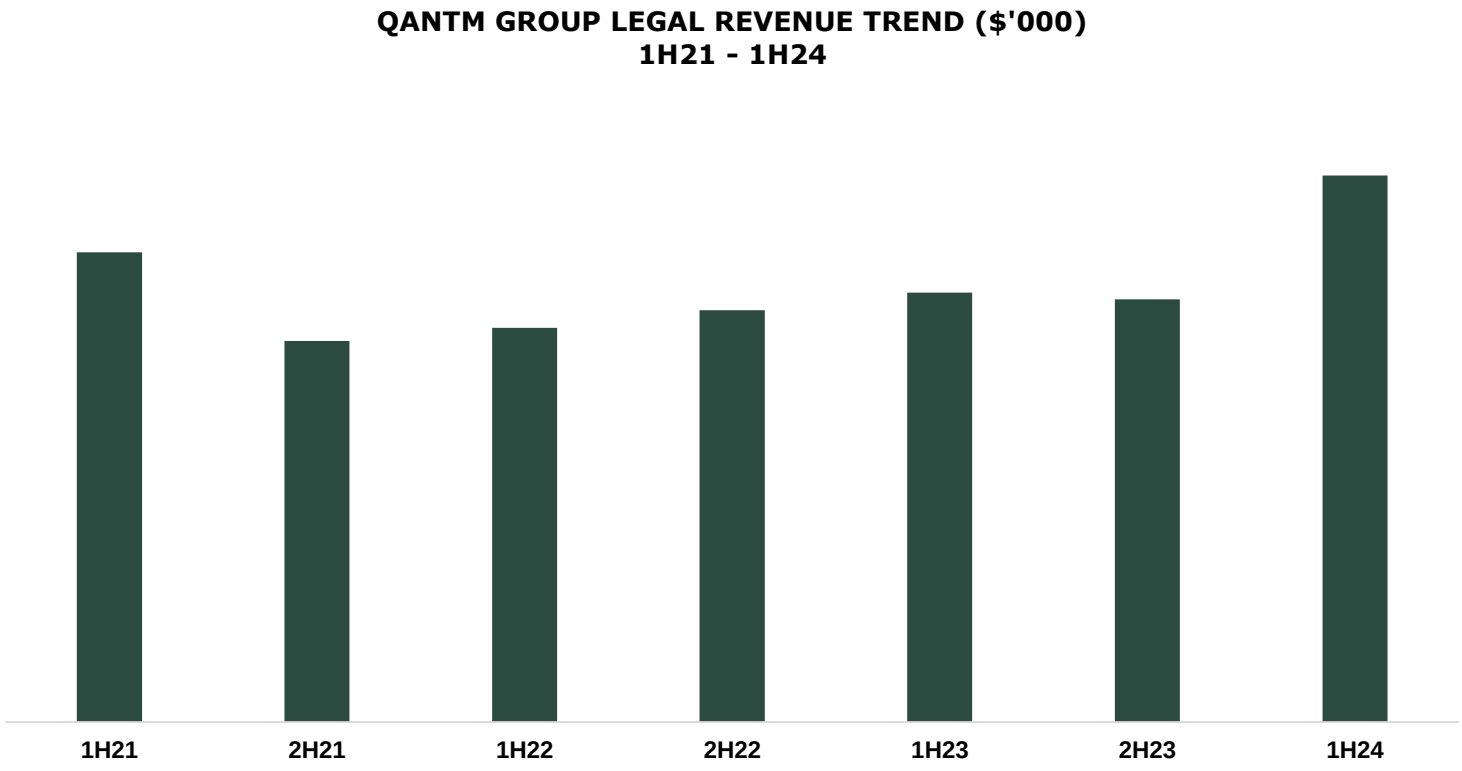
Legal/litigation revenue increased by 27.3% to $7.9m (1H23:$6.2 million)

Increased service charge contribution from higher case loads and expanded team



Strategic Initiatives

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Our Strategy

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Our Vision

To be recognised as the pre-eminent and most innovative IP services group in the Asia Pacific region

Our Mission

Working with the world's greatest innovators, we help develop and protect their ideas

Our Values

COLLEGIALITY, RESPECT

We achieve through teamwork and collaboration

INTEGRITY, COURAGE

We act with integrity, dignity and respect
We embrace change

CARE, EMPATHY

We practise the highest standards around ethics and transparency

COMMITMENT, ENGAGEMENT

We deliver with excellence
We are passionate about innovation and creativity

Our Pathways to Growth

Organic Growth

- Focus on client service excellence
- Diverse capabilities & service offerings
- Targeted sales & marketing

M&A and Strategic Alliances

- EPS accretive acquisitions
- Focus on Asia
- New beachheads

Technology and Simplification

- Adjacent capabilities (e.g. Sortify.tm)
- Automation / Productivity tools
- AI-based platforms and tools

Strategic Initiatives

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INVESTING ACROSS FIVE KEY AREAS – 1H24 CONTINUED PROGRESS

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

Growth & Scale

- Sortify.tm continuing to grow filings and market share
- M&A and Strategic alliance explorations continuing – focus on Asia
- Continued organic growth

Clients

- Continued focus on client service excellence
- New client sector through Sortify.tm acquisition
- Several new client wins

People

- Continued emphasis on wellness and engagement
- Focus on recruitment in key growth areas
- Diversity and inclusion programs across Group

STRATEGIC INITIATIVES

Technology

- Upgraded IP management platforms
- Continued investments in deeper cyber capability
- AI strategy and policy under development, working group established

Process

- Leverage Sortify.tm automation expertise into DCC and FPA platforms
- Implement further productivity tools for client-facing people

*...to help **strengthen and grow our core businesses**, whilst **expanding our presence** across new sectors and geographies.*

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Technology modernisation and business simplification

We are tapping into our capabilities that have the potential to drive further efficiencies and productivity while maintaining a workforce distributed across Australia, New Zealand, Hong Kong, Malaysia and Singapore

FY24 – year 4 of a 5 year program

- Migration of core production systems to Mircrosoft Azure enhances data security, stability and scalability
- Recently completed upgrades to our IP management platforms will enable further automation of business processes and access to attorney productivity tools
- Implemented several small automation projects aimed at streamlining operations, improving productivity and better tools for client-facility and support team
- Assembled an AI Working Group to examine the potential risks and opportunities that AI presents to the Group and develop AI Strategy
- Strategic investments in cyber capabilities to effectively integrate a culture of cyber preparedness throughout our risk framework
- Finance platform chosen to be implemented over the next 12-18 months

Summary and Outlook

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Summary and Outlook

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- ✓ Continued organic revenue growth, with strong current trading momentum
- ✓ Continued underlying margin improvement as a result of improved financial disciplines, cost management and strategic initiatives – now delivering in target range of low 30s; financial discipline is continued area of focus
- ✓ Continued investment in our people, our aspiration is to be **the** place to work for IP professionals
- ✓ Continued delivery of technology and simplification milestones
- ✓ Continued growth, expansion and leverage of Sortify.tm:
  - AI-based platforms are of increasing relevance; Sortify.tm has deep AI capability, being deployed **today**
  - Group AI strategy and policy framework under development
- ✓ Continued exploration of targeted M&A opportunities, plus strategic alliances, that meet our selection criteria
- ✓ Continued optimism about IP sector resilience and growth
- ✓ Solid dividend payment (4.9c for H1FY24, up 75%) in volatile equities market
- ✓ Outlook: recent upgrade provided relative to analyst expectations; strong January performance reaffirms positive outlook for FY24

Further Information

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Appendices

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IP lifecycle revenue stages

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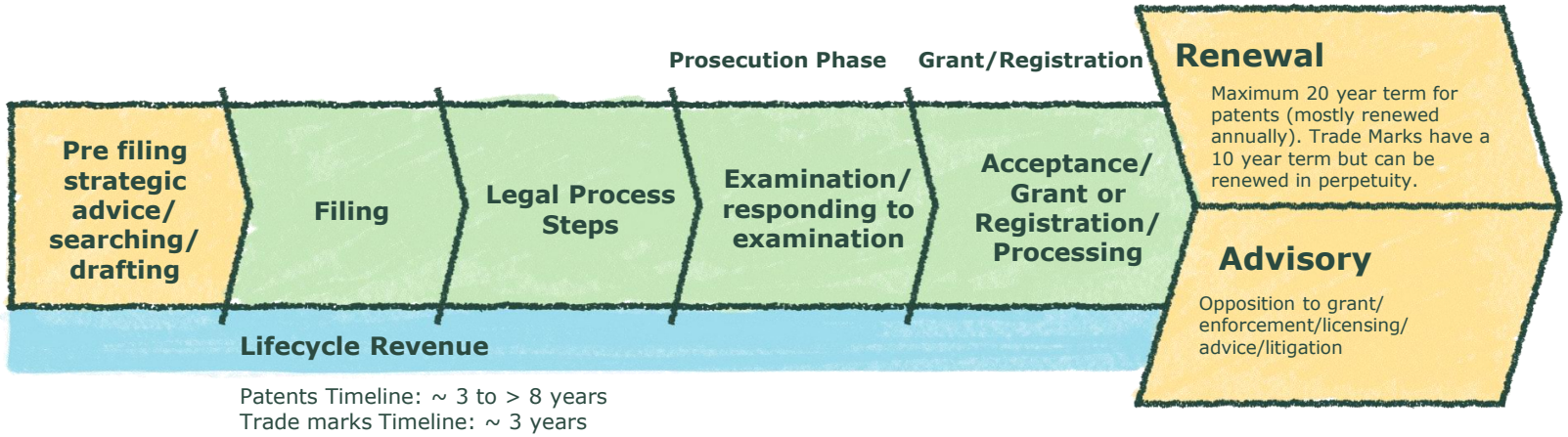
Main revenue components of the IP Lifecycle:

- Filing, prosecution, maintenance/renewal phases, with potential for advisory, legal/litigation services
- Originating application work for new inventions, at a pre-filing stage, also generates revenue

National Application Lifecycle – Patents and Trade Marks



- Revenue generation at initial pre-filing stages of searching or drafting, throughout the filing, prosecution and grant/registration lifecycle, as well as later maintenance and potential advisory stages
- Client relationships tend to be long term and stable – 20 years+
- Client arrangements can be national, regional, multi-national

IP lifecycle revenue stages

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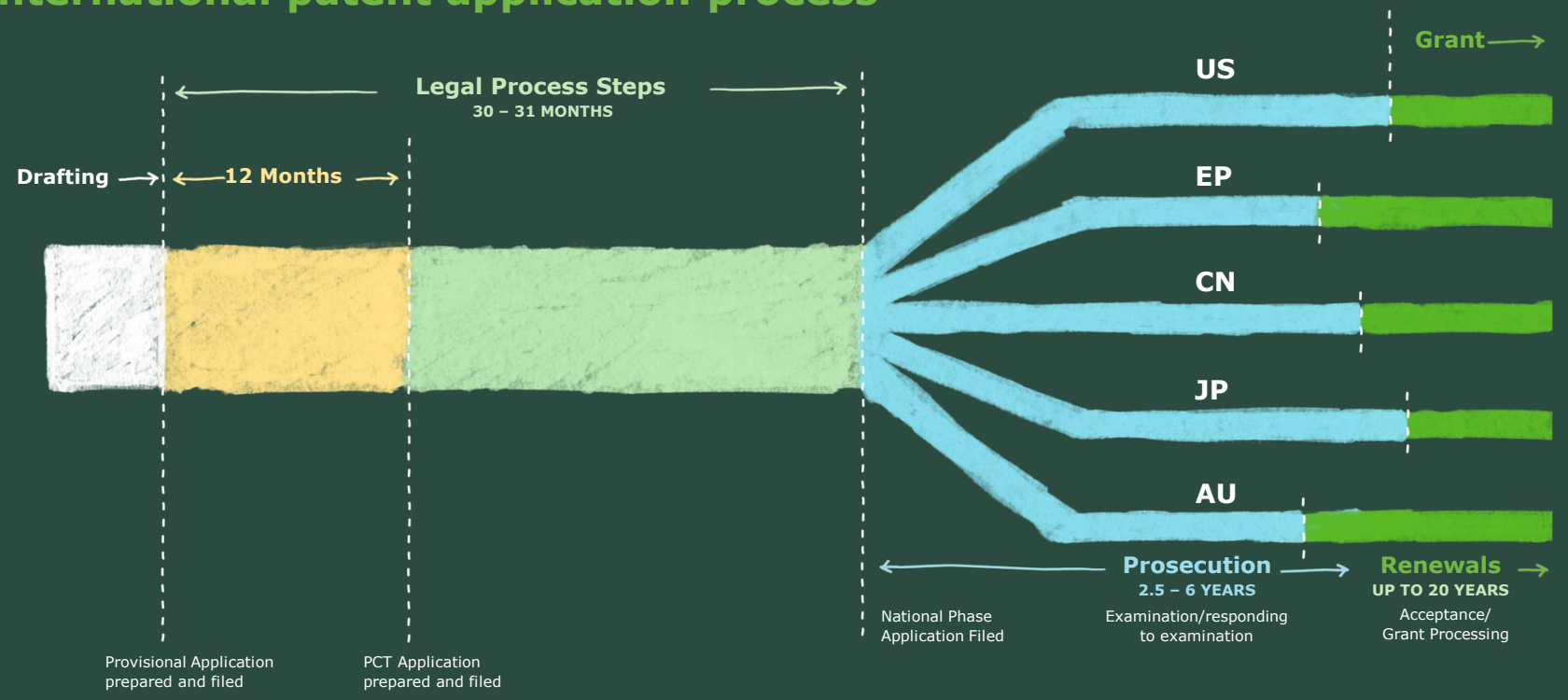
- Single international application matures into separate applications in each country/region of interest.
- Separate patents ultimately granted in each country/region.
- Reciprocal arrangements internationally generate additional revenue streams.

International patent application process



Depth and breadth of industry coverage

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Serviced **~5,000** clients in ~60 countries across the Group in FY23

No individual client accounts for **>2% of revenue**

Local and International clients

Longstanding relationships **5, 10, 20+ years**

- Agriculture, agrichemicals, food, nutrition
- Arts, Marketing, Media
- Biotechnology
- Building & Construction
- Clean Technology, Energy
- Industrial Chemicals
- Materials Science
- Medical Devices & Technology
- Mining & Resources
- Nano Technology
- Consumer Products & Design
- Electrical & Electronic Engineering
- Fashion, Architecture & Design
- Food, Beverages, FMCG
- ICT & Software
- Pharmaceuticals & Chemistry
- Physics & Engineering
- Plant Breeder's Rights
- University & Applied Research
- DCC Law

The role of IP in innovation

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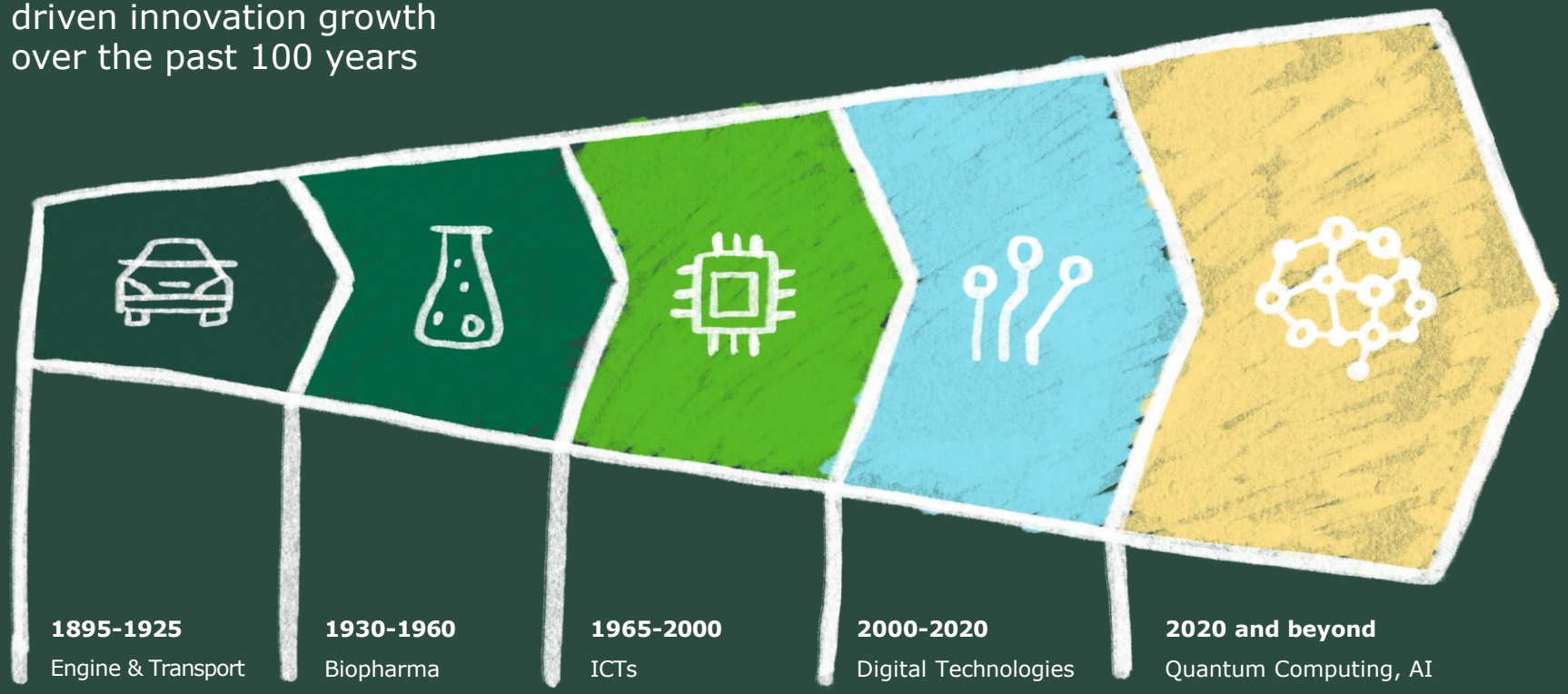
For more than a century innovation activity has grown substantially around the world.

Driven by a series of technological breakthroughs from the internal combustion engine, to information and communication technologies, innovation has become one of the most powerful tools at our disposal for advancing overall welfare and wellbeing.

Daren Tang
Director General
World Intellectual Property Organization (WIPO)

Diverse technologies have driven innovation growth over the past 100 years

Source: World Intellectual Property Report, 2022