

Bell Potter Emerging Leaders Conference



Sydney, 24 October 2017

Leon Allen, Managing Director and CEO



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1. QANTM and Intellectual Property
2. QANTM Business Model
3. Priorities and Outlook

1 QANTM and Intellectual Property (IP)

IP Protection

The Cornerstone of Modern Economies



Agribusiness, Food and Nutrition



Clean Technology and Energy



Nanotechnology



Pharmaceuticals and Chemistry

The protection of IP rights is considered essential to asset, brand and trade mark preservation by corporations, government agencies, institutions, technology providers and entrepreneurs and for protecting the R&D investment of these organisations.

- Electrical vehicles
- Agricultural goods
- Health services
- Pharmaceutical products
- Bio-medical research
- Mining and mining services
- Consumer electronics
- Fashion brand products
- Educational/research services
- Entrepreneurial/start up services
- Mobile phone technology
- Power generation and storage



Medical Devices and Technology

IP Sector

Attractive Investment Characteristics



The listed IP sector typically displays the following investment market characteristics:

- Favourable industry dynamics
 - historical compound annual growth rate of patent applications of 3.3% (1999 to 2017)
 - higher recent growth rates in ASEAN and other economies (>10% in some cases)
- Generally predictable earnings profile from IP patent, trade marks
- Attractive cash flow and dividend yield characteristics
 - high cash conversion
 - low working capital requirements and low gearing levels
 - low levels of bad and doubtful debts
- Low capital investment for sustaining business operations
- High barriers to entry associated with the importance of:
 - reputable, technically qualified patent attorneys
 - long term client relationships
 - information systems for patent recording and monitoring

- Listed 31 August 2016
- \$200 million market capitalisation
- Formed from two experienced, long established and reputable IP firms
 - Davies Collison Cave (DCC) – 130 years experience
 - equal #1 market position in Australian patents; #1 in trade marks, litigation
 - FPA – patent and design services; former arrangement with Freehills
- 135 professional staff – lawyers, patent attorneys, principals, consultants
- Technical skills across industry sectors, including 44 PhDs
- ~40% of revenue from Australian based patent business
 - clients include Australian corporations, government, research institutions
- Asian presence – office in Singapore as basis for expanding regional presence
- Attractive financial characteristics
 - margins, cash generation, yield, low debt, balance sheet capacity
 - attributes of a more defensive, high yield form of investment

A horizontal band across the middle of the slide features a background of a glowing blue circuit board. A person's fingers are visible, with one finger pointing towards a bright blue light source on the board. The text '2 Business Model and Financial Characteristics' is overlaid in white on a semi-transparent dark grey bar.

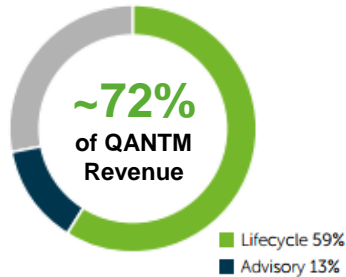
2 Business Model and Financial Characteristics

Business Model Characteristics

Factors influencing revenues, and cash flow

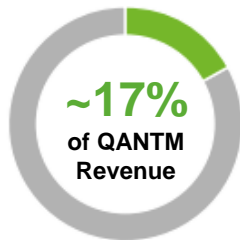


PATENTS



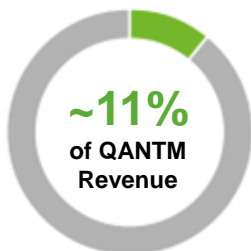
- long life cycle business – often 20 years+
- large numbers (~50,000 p.a.) of lower value (average \$1,200) invoices
- additional advisory and consultant services
- reciprocal fees for patents lodged for overseas associates in Australia and overseas
- highly stable and diverse client base ~2,900 clients

TRADE MARKS



- similar model and financial characteristics as Patents
- DCC leading filer of trade marks since 1999
- highly stable client base

IP LEGAL SERVICES



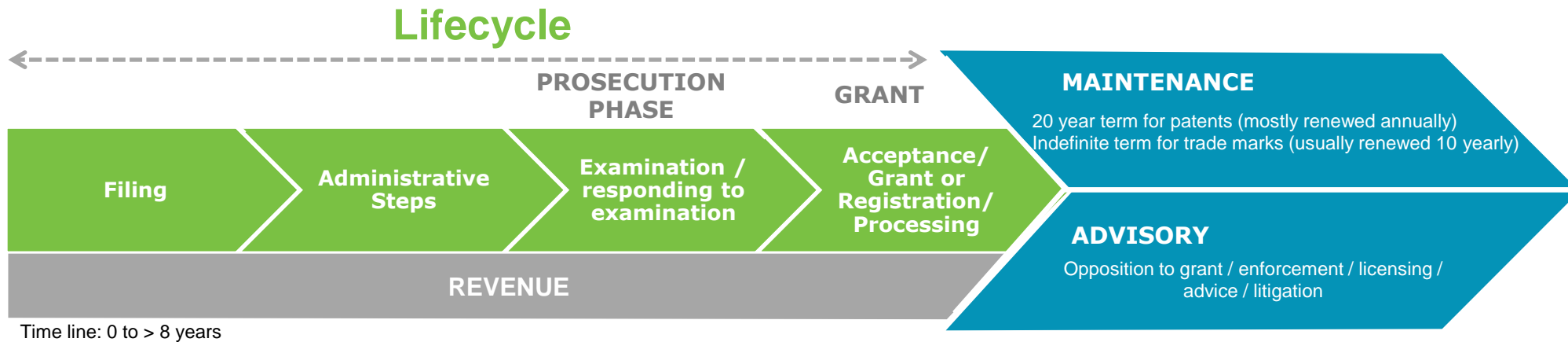
- litigation services for all forms of IP - patents, designs, trade marks, copyright litigation
- structuring advice – shareholder, JV, technology acquisition, divestment agreements
- commercial law - trade secrets, e-commerce, labelling, due diligence, IP trade practice
- revenue generation - higher margin but less predictable¹

¹ Note: Litigation services are fee based; QANTM does not operate on a "no-win, no-fee basis" and with no analogies to class action law firms

IP – Lifecycle Revenue Stages



Revenue generation at various stages of obtaining, maintaining and enforcement of Intellectual Property Rights



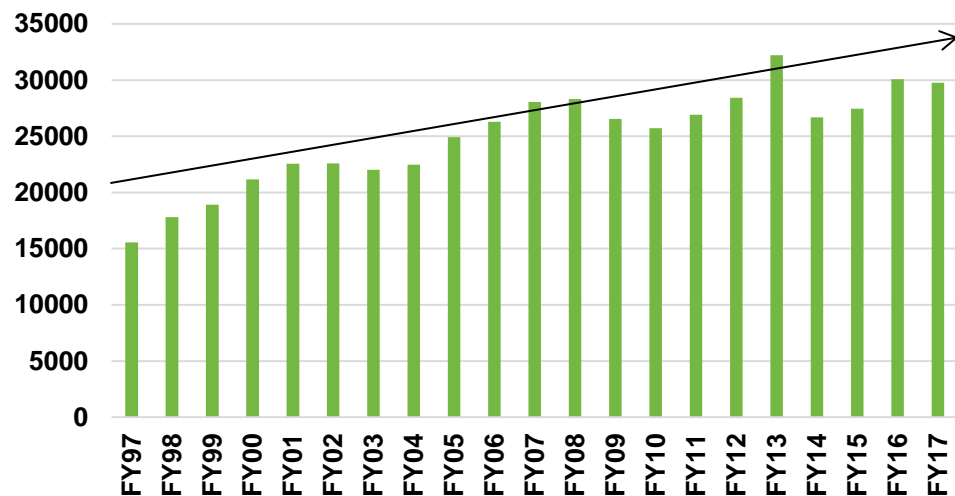
This chart demonstrates the main revenue components of the IP rights filing, prosecution and maintenance/renewal phases, with potential for opposition, advisory and legal/litigation services. It excludes originating application work for new inventions, at a pre-filing stage, which also generates revenue.

Patent Applications and Trade Mark Filings

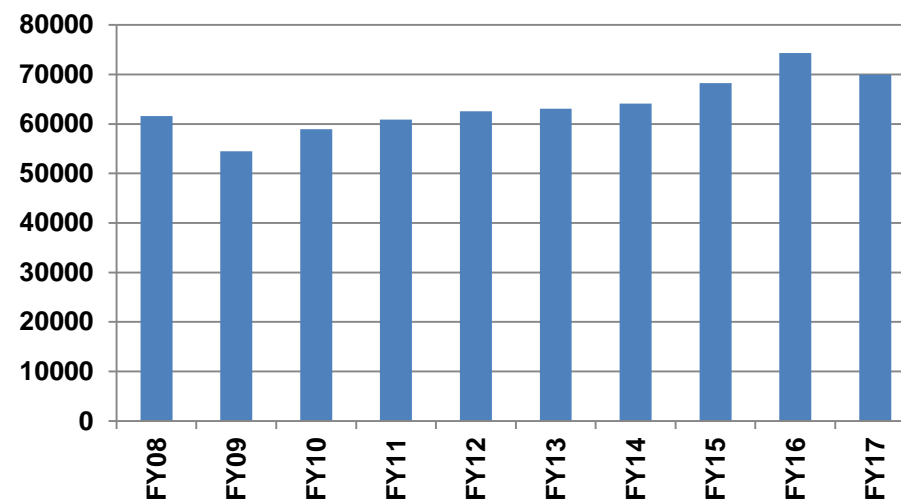
Long Term GDP+ Growth Trend



PATENT APPLICATIONS FILED IN AUSTRALIA 1997 – 2017
HISTORICAL CAGR 3.3%



TOTAL NUMBER OF TRADE MARK FILINGS
IN AUSTRALIA FY08 – FY17



Source: QANTM analysis from IP Australia data

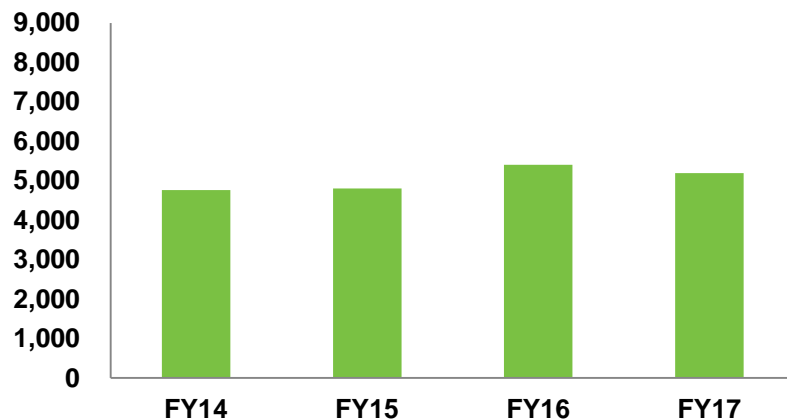
Note: Lag for International Registrations Designating Australia means that FY17 will increase

Patent Applications Australia

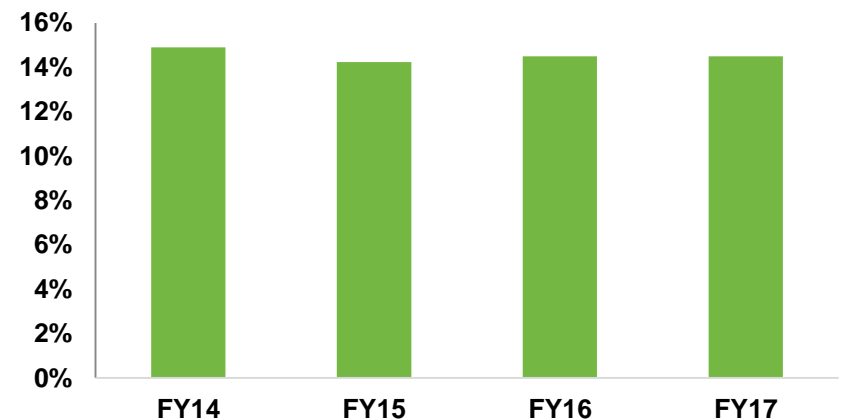
Stable market share – market linked growth



QANTM
AUSTRALIA PATENT APPLICATIONS
FY14 – FY17



QANTM
PATENT FILINGS TOTAL MARKET SHARE
FY14 – FY17



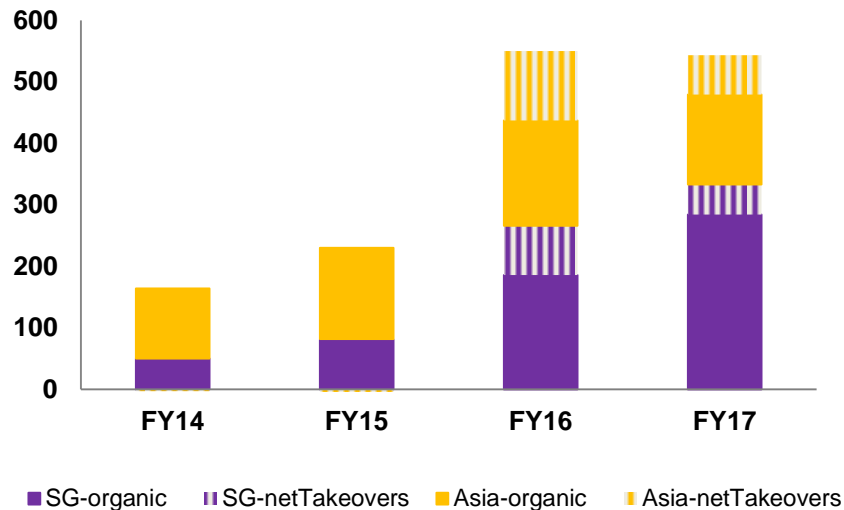
■ QANTM

Patent Applications Australia and International

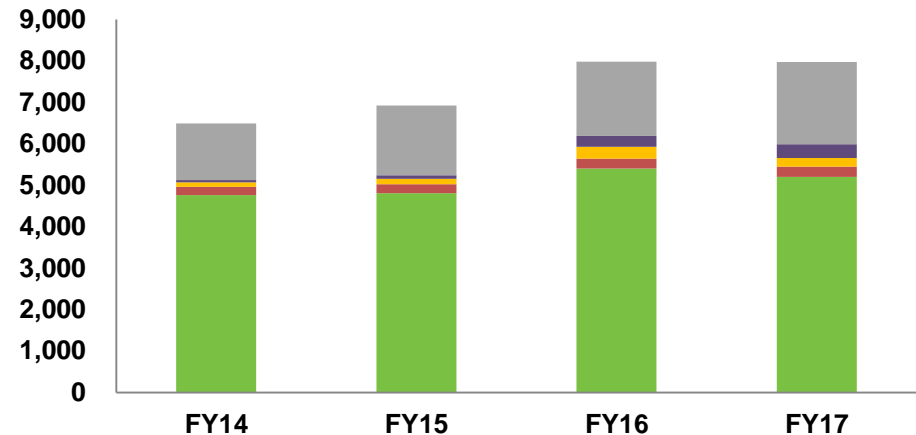
Growth potential from entry footprint in Asia



QANTM
SINGAPORE/ASIA NEW PATENT CASES SECURED
FY14 – FY 17



QANTM
TOTAL NEW PATENT CASES SECURED
FY14 – FY 17



- Singapore patent applications/new cases secured grew FY17 vs FY16
- Overall Asian patent growth, influenced by lateral growth in FY16
- “Takeover” is an application previously the responsibility of another IP firm

- Total patent applications for QANTM were relatively stable FY17 vs FY16
- 5% growth in originating PCT applications and Australian provisional (initiating) applications

■ AUS ■ PCT applications ■ Asia (IND, MAL, PHI, THL and VIE) ■ SIN ■ RoW

Operational and Financial Highlights



- Corporate restructure and IPO August 2016
 - 100% retention of key clients
 - 10 new Principals added since IPO
- QANTM Group retains its patent market share position year-on-year
- Lower market-wide patent applications in 2017 impacted financial outcomes
- EBITDA margin (on Service Charges revenue) of 30.5%
- \$21.3 million cash from operating activities; net increase in cash \$9.1 million
- Net debt of \$7.4 million, 9.4% gearing (net debt/net debt + equity); total undrawn facilities of \$40 million
- Dividend payment 8.9 cents; represents 80% payout of NPAT, 100% franked¹
- Dividend yield of ~6%

¹ Note: Policy is to target a dividend payout ratio between 70% to 90% of NPATA and to frank and impute dividends to the greatest extent possible.

A horizontal band with a blue and green background featuring abstract, futuristic architectural elements and light trails. The text '3 Priorities and Opportunities' is centered in white.

3 Priorities and Opportunities

Priorities and Opportunities



- Operating environment and revenue characteristics – *top line growth*
 - expected reversion to long-term historical growth rates (GDP) in patent and trade mark filings
 - revenue growth in line with the market; with increased contribution from Asian presence
- Continued business and operational efficiencies – *margin expansion potential*
 - addition of principals/professional staff entails higher compensation expenses (and revenue potential)
 - capture of integration synergies being pursued
 - continued automation of processes and technology based efficiencies
- Growth – *well positioned to pursue disciplined, value-accretive opportunities*
 - organic focus - strategically acquire key senior personnel with accompanying lateral growth
 - continued focus on building of Singapore and wider Asian presence
 - M&A / consolidation evaluated subject to strategic fit and financial merit
- Capital management and balance sheet – *attractive yield characteristics*
 - commitment to pay 70% to 90% of NPAT as dividends
 - capital management options kept under review

A horizontal band with a blue and green color scheme. The background features a futuristic, abstract design with glowing lines, circular patterns, and a grid-like structure, suggesting a high-tech or quantum computing environment. The word 'Questions' is centered in a white, bold, sans-serif font.

Questions

The background of the slide is a dark blue, high-contrast image of a mechanical component, possibly a turbine or engine part, with several circular openings and a central hub. A semi-transparent dark blue horizontal band is overlaid across the middle of the image, containing the text 'Supplementary Slides' in white.

Supplementary Slides

Summary pro forma Profit and Loss



Year ended 30 June 2017 \$m	Pro forma ¹			Prosp IPO
	FY17	FY16	% Change	
Revenue				
Service charges	80.4	81.5	-1.3%	86.0
Associate charges	22.8	25.5	-10.6%	26.1
Revenue	103.2	107.0	-3.6%	112.1
Other income excl FX	2.0	2.0	-	2.0
FX gains	0.9	3.1	-71.0%	-
Recoverable expenses	(19.9)	(23.2)	-14.2%	(23.7)
Net total	86.2	88.9	-3.0%	90.4
Net total excl FX	85.3	85.8	-0.6%	90.4
Operating expenses				
Compensation	43.0	42.3	1.7%	43.2
Occupancy	6.7	5.9	13.6%	6.7
Other	12.0	14.1	-14.9%	13.0
Total	61.7	62.3	-1.0%	62.9
EBITDA before FX	23.6	23.5	0.4%	27.5
EBITDA after FX	24.5	26.6	-7.9%	27.5
Dep'n and amort'n	2.0	1.8	11.1%	2.0
Interest	1.0	1.0	-	0.9
Profit before tax	21.5	23.8	-9.7%	24.6
Tax expense	6.7	7.4	-9.5%	7.7
Net profit after tax	14.8	16.4	-9.8%	16.9
EBITDA % after FX - service charge revenue	30.5%	32.6%	-6.6%	32.0%
EBITDA % after FX - total revenue	23.7%	24.9%	-4.5%	24.5%

Note:

1 Pro forma results are presented to highlight underlying performance, adjusted for IPO costs and other one-off expenses associated with reorganisation of the business.

Cash Flow Statement



\$m	Statutory FY17	Pro forma adjustments		Pro forma FY17
		Pre acq	Reorg'n related	
Receipts from customers	108.8	3.5	-	112.3
Payment to suppliers and employees	(86.6)	(1.2)	(0.1)	(87.9)
Net interest paid	(1.1)	-	-	(1.1)
Income tax paid	(2.0)			(2.0)
Net cash provided by operating activities	19.1	2.3	(0.1)	21.3
Net payments for PPE and intangibles	(0.6)	(0.0)	-	(0.6)
Loans to related parties prior to acquisition	(0.5)	0.5	-	-
Cash acquired	2.3		(2.3)	-
Net cash used in investing activities	1.2	0.5	(2.3)	(0.6)
Proceeds from bank borrowings	15.0	0.7	-	15.7
Repayment of bank borrowings	(15.9)	-	-	(15.9)
Proceeds from issue of new shares	30.8	-	-	30.8
Transaction costs relating to issue of new shares	(9.9)	-	-	(9.9)
Repayment of existing owner loans and distributions	(26.9)	0.2	-	(26.7)
Dividend paid	(4.8)			(4.8)
Forward exchange contracts	(0.8)			(0.8)
Net cash provided by financing activities	(12.5)	0.9	-	(11.6)
Net (decrease) / increase in cash and cash equivalents	7.8	3.7	(2.4)	9.1

Income Statement Reconciliation

Statutory to pro forma



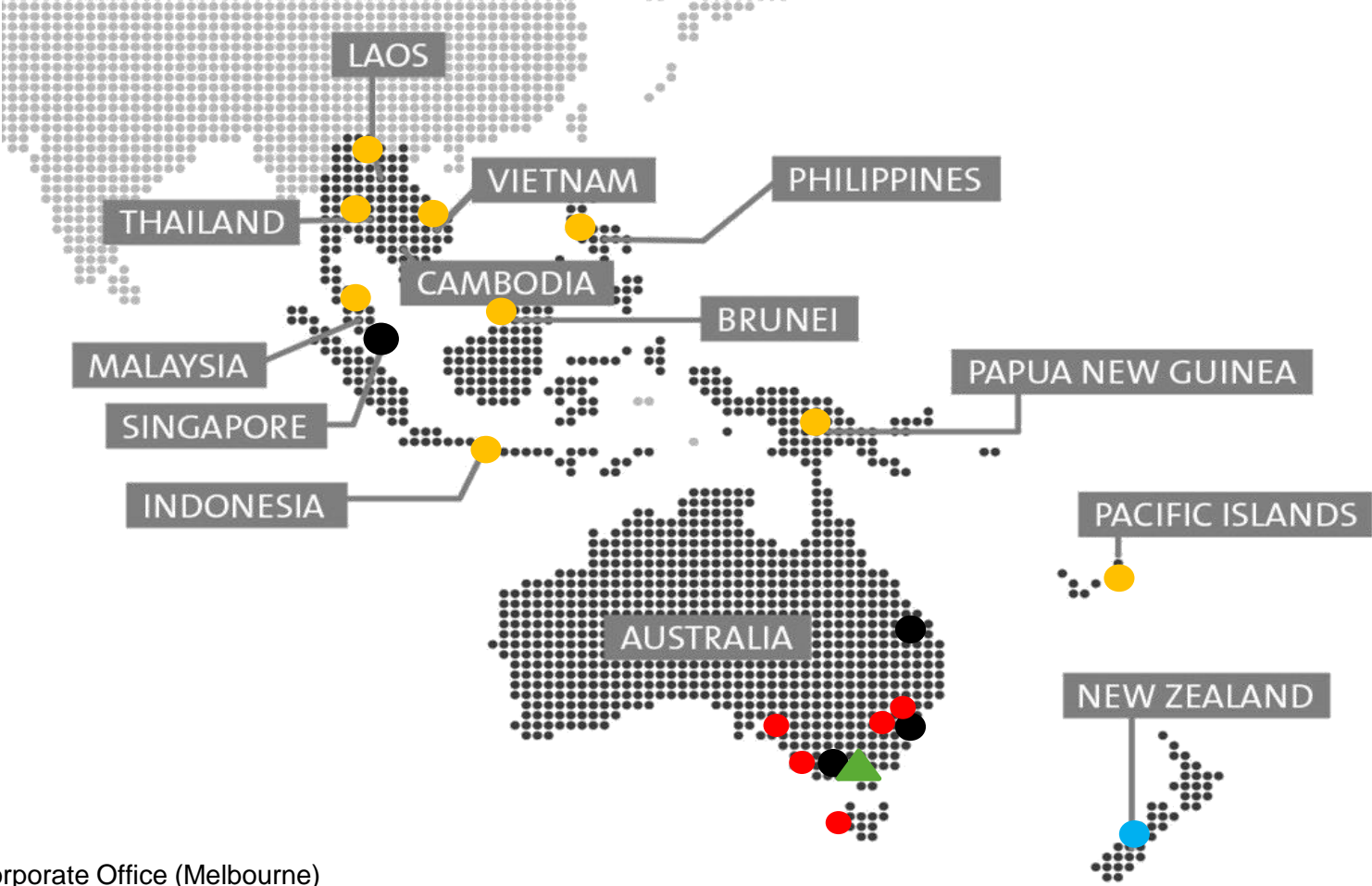
	YEAR ENDED	
	30-Jun-17 \$m	30-Jun-16 \$m
Statutory NPAT	7.2	25.3
add: DCC and FPA pre acquisition NPAT	(2.3)	9.3
NPAT – QANTM Group	4.9	34.6
add: interest	1.0	1.1
add: depreciation and amortisation	1.9	0.9
add: tax	2.8	0.0
EBITDA – QANTM Group	10.6	36.6
add: IPO expenses	6.6	1.5
add: share based payments	1.0	0.0
add: retention bonuses	4.5	0.0
add: reorganisation expenses	1.3	0.3
add: initial recognition Principal LSL	1.7	0.0
add: partnership expenditure	0.2	0.8
less: notional remuneration adjustment	(1.4)	(10.1)
less: notional public company costs	0.0	(2.5)
Pro forma EBITDA – QANTM Group	24.5	26.6
less: pro forma depreciation and amortisation	(2.0)	(1.8)
less: pro forma interest	(1.0)	(1.0)
less: pro forma tax	(6.7)	(7.4)
Pro forma NPAT - QANTM Group	14.8	16.4

Summary Balance Sheet



\$m	Statutory		Pro forma adjustments	Pro forma
	30 Jun 2017	30 June 2016		30 June 2016
Current Assets				
Cash and cash equivalents	8.3	0.5	2.0	2.5
Trade and other receivables	29.6	22.9	7.6	30.5
Other current assets	1.4	2.0	0.2	2.2
Total Current Assets	39.3	25.4	9.8	35.2
Non-Current Assets				
Intangible assets	67.1	0.0	0.0	0.0
Property, plant and equipment	2.3	2.4	0.4	2.8
Other non current assets	0.1	0.0	0.0	0.0
Total non-current assets	69.5	2.4	0.4	2.8
Total assets	108.8	27.8	10.2	38.0
Current Liabilities				
Trade and other payables	8.1	8.3	1.8	10.1
Provisions	6.4	3.3	0.5	3.8
Loans and borrowings	0.6	35.5	6.6	42.1
Other liabilities	3.5	0.0	0.0	0.0
Total current liabilities	18.6	47.1	8.9	56.0
Non-current Liabilities				
Loans and borrowings	15.1	1.2	0.0	1.2
Provisions	2.7	2.6	0.4	3.0
Deferred tax liabilities	1.5	0.0	0.0	0.0
Other liabilities	0.0	0.5	0.9	1.4
Total non-current liabilities	19.3	4.3	1.3	5.6
Total liabilities	37.9	51.4	10.2	61.6
Net Assets	70.9	(23.6)	0.0	(23.6)
Equity				
Issued capital	293.8	0.0	0.0	0.0
Reserves	(222.7)	0.0	0.0	0.0
Retained profits	(0.2)	(23.6)	0.0	(23.6)
Total Equity	70.9	(23.6)	0.0	(23.6)

Asia Pacific Presence

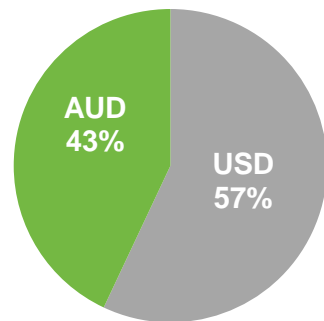


Foreign Currency Impact

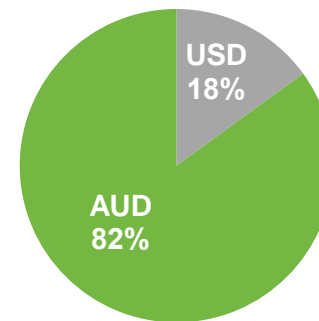


- A substantial portion of Service Charges (55% - 60%) is generated in USD
- The balance sheet includes receivables and liabilities denominated in USD
- As at 30 June 2017 net assets with USD exposure amounted to \$12.6m (2016: \$11.1m)
- Adverse movements of the AUD against the USD can have a potentially significant impact on results. Selective hedging is used to mitigate the currency movement on USD denominated invoices

SERVICE CHARGE REVENUE FY17



NET ASSETS AT 30 JUNE 2017



- The FX result in the pro forma profit and loss statement represents the movement in rates from revenue booking to the collection of the debt, adjusted for any hedge impact



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