Full Year Results Presentation

12 months to 30 June 2018

QANTM INTELLECTUAL PROPERTY

QANTM

29 AUGUST 2018

Leon Allen, Managing Director and CEO

Martin Cleaver, Chief Financial Officer

Structure

1. 2018 – Summary Features
2. Market and Business Overview
3. Financial Results
4. Business Initiatives
5. Priorities

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IP

2018 – Summary Features

2018 – Summary

- Full year EBITDA after FX within guidance range as advised February 2018
- Stronger 2H financial performance following 1H weakness
- Trade mark and legal revenue growth, partially offset patent revenue decline for the year
- Positive trend in patents evident in 2H with Australian applications up 12% on 1H 2018
- Overall Group patent applications down 0.6%
  - Australian patent applications down 6.2%, reflecting weakness in 1H
  - PCT applications up 19.8% to record level
  - Asian applications down 9.3% with decline in Singapore (due to previous year transfers) and growth in the rest of Asia
  - RoW (rest of World) applications up 13.7%
- Acquisition of Malaysian IP firm, Advanz Fidelis, finalised 2 July 2018
- Measures for internal alignment, retention and career advancement of personnel
- Focus on revenue generation; increased marketing / business development investment
- Maintenance of low debt and balance sheet flexibility

Financial Summary – Underlying Results[1]

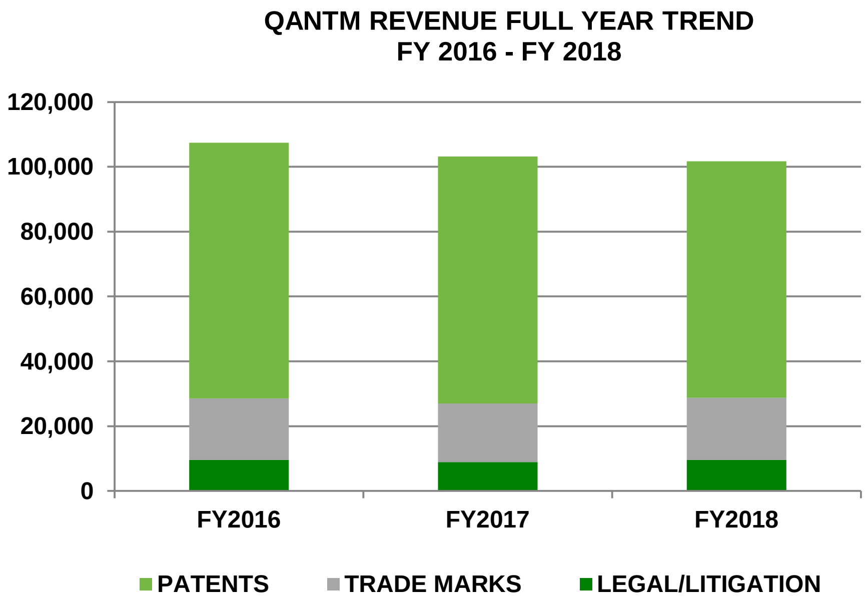
- **Total revenue** $101.7 million, down 1.5% (2017: $103.2 million), 2H up 6.7% on 1H
  - **Service Charges** of $76.5 million vs $80.4 million, down 4.9%, 2H up 1.3% on 1H
  - **Foreign Associate Charges** of $25.2 million vs $22.8 million, 2H up 25.0% on 1H (net after recoverable expenses of $1.8 million vs $2.9 million)
- **Operating expenses** $61.1 million, down 1.0% (2017: $61.7 million)
- **Restructuring costs,** as advised at the half year of $1.9 million
- **EBITDA pre FX** of $19.3 million (2017: $23.6 million), 2H up 5.3% on 1H
- **EBITDA after FX** of $20.1 million (2017: $24.5 million), 2H up 13.8% on 1H
- **EBITDA margin** (on Service Charges Revenue) 26.3% (2017: 30.5%), 2H 27.8%
- **Net Profit after Tax** $11.9 million (2017: $14.8 million), 2H up 16.4% on 1H
- **Operating cash flow** of $11.3 million (2017: $21.3 million)
- **Final dividend** of 4.3 cents per share, 100% franked; total 2018 dividends of 7.1 cents (2017: 8.9 cents)
- **Net debt** of $8.3 million (2017: $7.4 million); gearing (net debt/net debt + equity) 10.6%

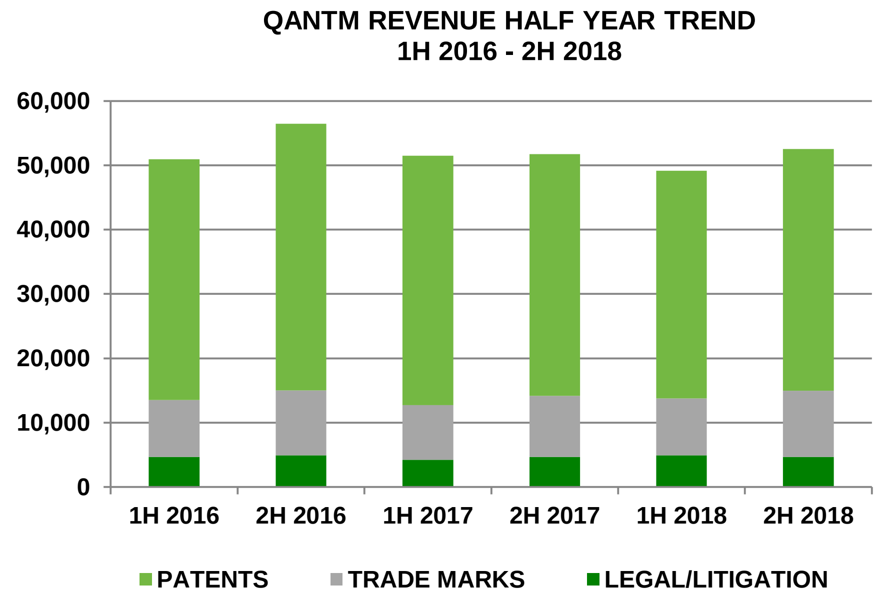
Note

[1] A reconciliation of Statutory to underlying results is included in Slide 20. Underlying results are shown in 2018 to facilitate comparisons period-to-period.

Market and Business Overview

Revenue by Source of Business



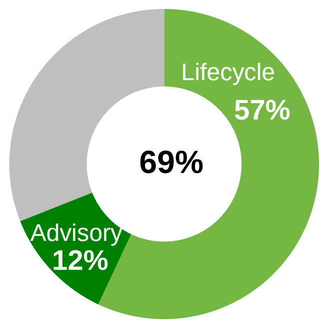
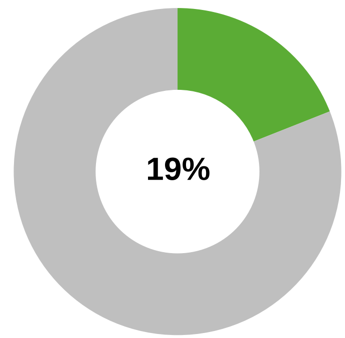
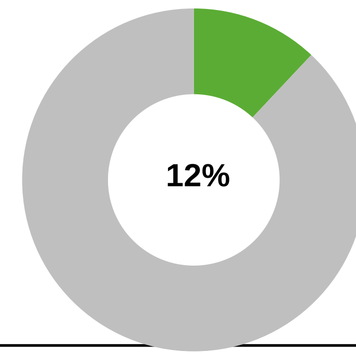


- Total patent revenue down 4.2%; service charges revenue down 8.6%
- Total trade mark revenue up 5.9%; service charges revenue up 2.7%
- Legal/litigation revenue up 7.5%

- 6.3% increase in total patent revenue 2H 2018 vs 1H 2018; service charges patent revenue up 0.6%
- 15.8% increase in trade mark revenue 2H 2018 vs 1H 2018; service charges revenue up 10.7%
- Trade mark 2H 2018 revenue highest ever
- Legal revenue in 2H 2018 4.9% lower vs 1H 2018, after strong 1H

Note:
Includes both service charge revenue and foreign associate revenues.

Business Overview

BUSINESS AREAS	PATENTS AND DESIGNS LIFECYCLE/ADVISORY	TRADE MARKS	LEGAL / LITIGATION
Percentage of aggregate QANTM Service Charges revenue FY 2018[1]			
2018 vs 2017 • **Service Charges Revenue** • **Service and Foreign Associates Charges Revenue**	\$52.6 m vs \$57.6 m \$73.0 m vs \$76.2 m	\$14.3 m vs \$13.9 m \$19.1 m vs \$18.1 m	\$9.6 m vs \$8.9 m
Main Factors	• Lower level of foreign sourced, Australian patent work, particularly prosecution and advisory • Australian domestic patent applications down 6.2% y-o-y • Overall Group patent applications marginally lower, down 0.6%	• Trade mark business growth, filings up 3% • Strong DCC Australia trade mark business	• Increase in client litigation/ legal work; continuation evident into 1H 2019
Market Position[2]	• DCC equal #2 firm • QANTM #3 group	• DCC #2 individual firm • QANTM #2 group	• DCC legal services

Source: DCC and FPA management analysis

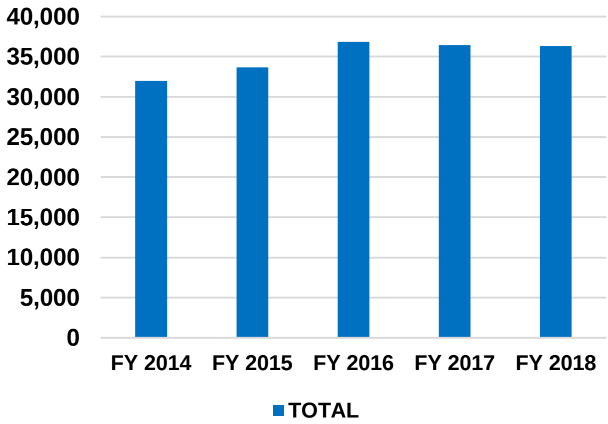
Notes:
1. Excludes Associate Charges.
2. Market position analysis is based on the total number of patent or trade mark applications filed in Australia in FY18 and assumes the Group and two additional competitor groups of businesses both operated in their current form.

Patents and Designs Life Cycle / Advisory

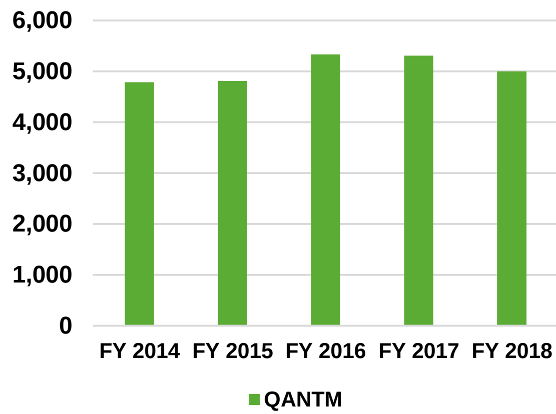
- QANTM total patent revenues (service charges and associate charges) declined 4.2% vs 2017
  - service charges declined 8.6% (0.6% increase in 2H v 1H)
  - associate charges increased 9.6% (offset by higher recoverable expenses)
- Full year revenues reflect lower client prosecution and advisory activity
- Total patent revenues increased 6.3% in 2H vs 1H 2018
- Overall group patent applications down marginally 0.6% in FY18
  - Australian patent applications down 6.2%, weakness evident in 1H
  - PCT applications up 19.8% to record level
  - Asian applications 9.3% lower with decline in Singapore (18%, reflecting prior year transfers) and growth in the rest of Asia (13.5%)
  - RoW applications up 13.7%

Patent Applications Australia

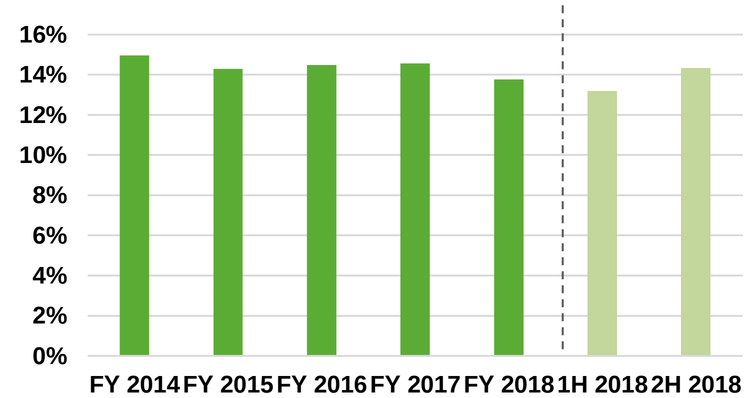
TOTAL
PATENT APPLICATIONS FILED IN AUSTRALIA
FY 2014 – FY 2018



QANTM
AUSTRALIA PATENT APPLICATIONS
FY 2014 – 2018



QANTM
PATENT FILINGS TOTAL MARKET SHARE
FY 2014 – FY 2018



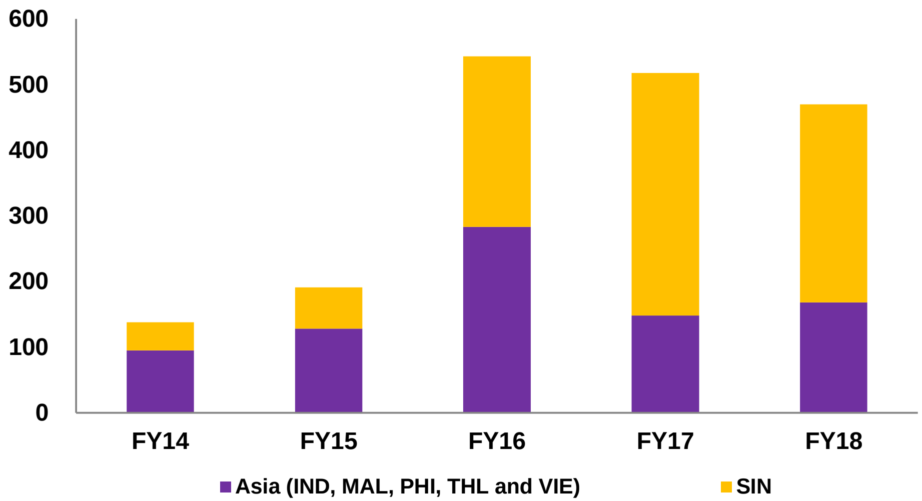
- Overall Australian market patent filings down 0.3% FY 2018 vs FY 2017

- QANTM Australian patent applications down 6.2% from FY 2017
- QANTM patent applications 12.0% higher 2H vs 1H 2018
- 2H 2018 applications in line with 2H 2017

- Decline in annual market share, with soft 1H 2018
- Recovery in 2H market share to similar levels to prior years (2015-2017)

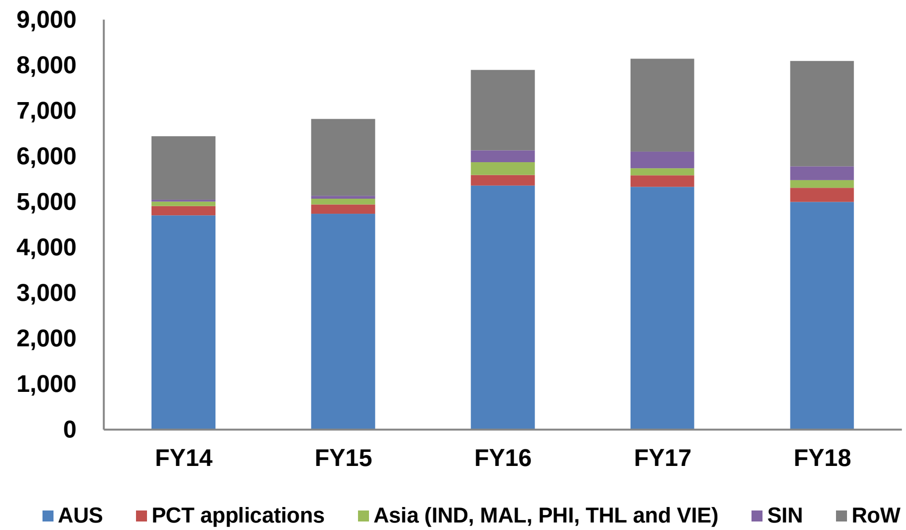
Patent Applications Asia and International

QANTM
SINGAPORE/ASIA NEW PATENT CASES SECURED
FY 2014 – FY 2018



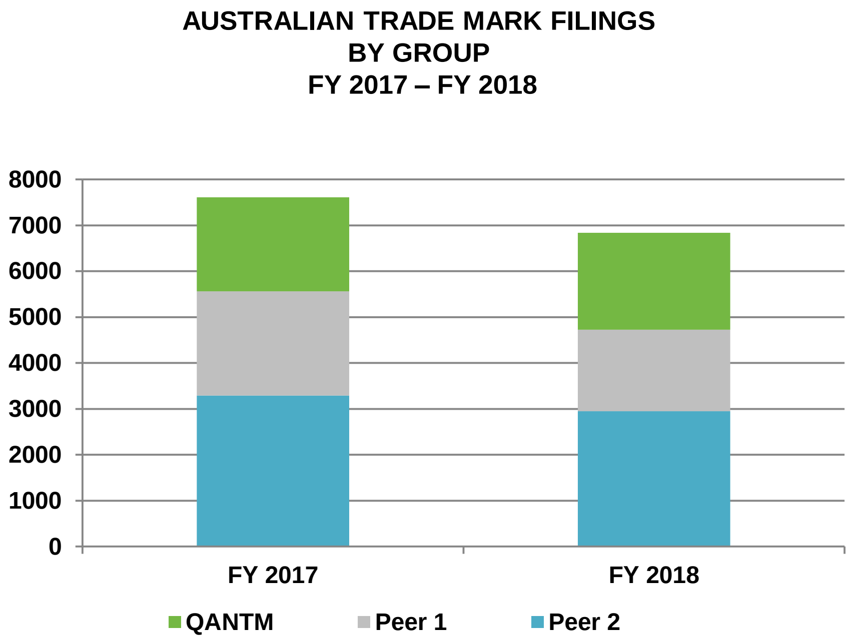
- Singapore cases filed decreased 18.4% on pcp (Singapore total filings estimated to have decreased)
- Filings in Asia (ex Singapore) up 13.5% on pcp
- Total Asia filings down 9.3%

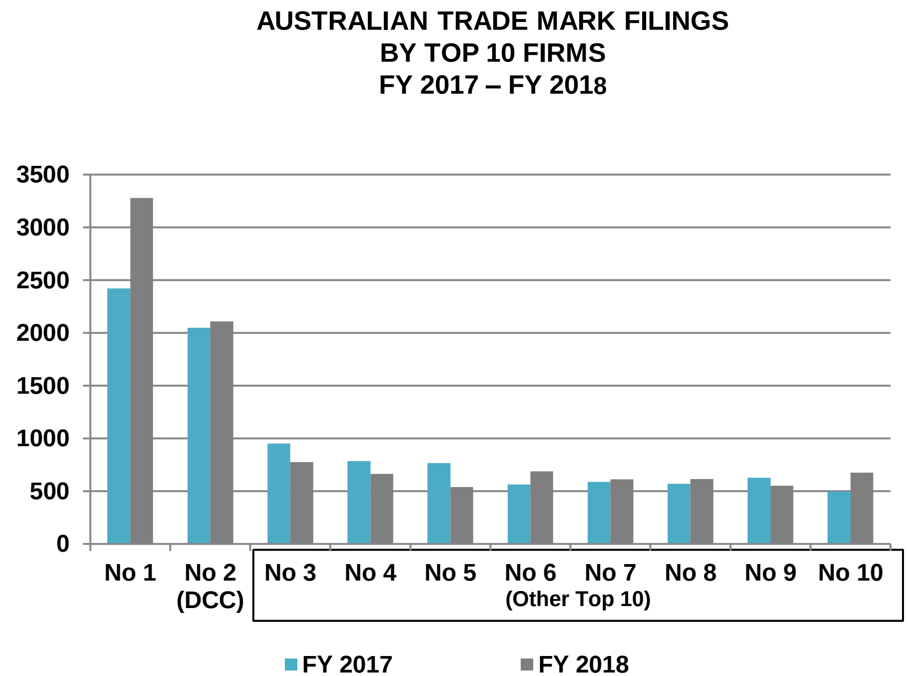
QANTM
TOTAL NEW PATENT CASES SECURED
FY 2014 – FY 2018



- Group patent cases stable year-on-year (down 0.6%), despite lower activity level in Asia
- Group patent filing market share in NZ higher
- Growth in PCT filings 19.8% on pcp; to record level
- Growth in RoW filings 13.7% on pcp; to record level

Trade Mark Filings Australia



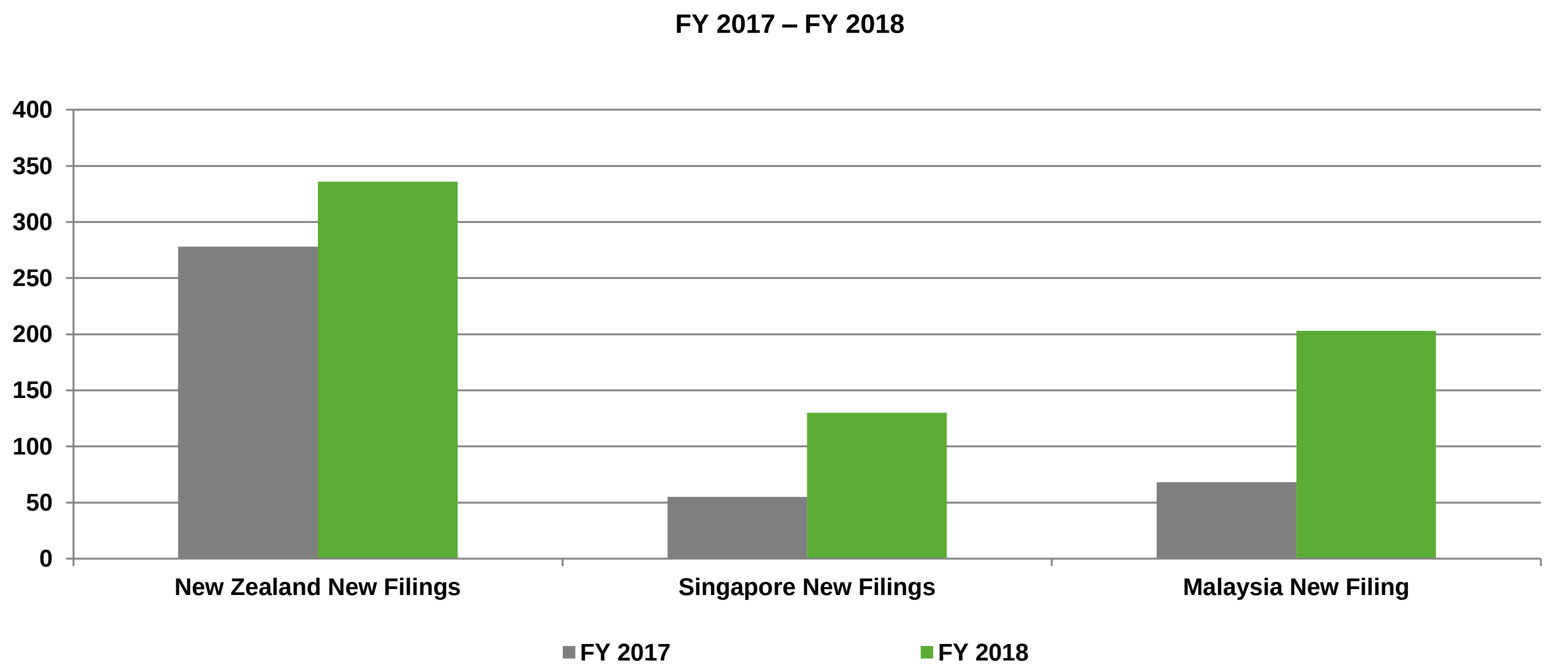


- QANTM Australian trade mark filings up 3% on pcp
- Strong relative performance compared to main peers
- QANTM service charge trade mark revenue increased 2.7% to $14.3 m

- DCC retained leading market position and key capabilities in trade mark applications, design, execution work; combination of 3 competitor firms into one caused DCC to move from #1 to #2 market position despite growth in business

DCC Trade Mark Filings

New Zealand, Singapore, Malaysia



- New Zealand trade mark filings up 20.9%
- Singapore filings up 136.4%
- Malaysian filings up nearly three fold

Legal/Litigation Services

- DCC Law recognised as representing largest number of IP cases in Federal Court in 2017 (Lawyerly, 10 August 2018)
- Solid case load of client IP litigation and legal services
- Legal/litigation revenues increased by 7.5% to $9.6 million
- Continuation of current case load expected into 1H 2019
- Recruitment of corporate law legal team and development of new service offering to fulfil identified client requirements, established early FY 2019

Financial Results

Summary Profit and Loss

Year ended 30 June 2018 $m	Statutory FY18	Adj	Underlying FY18	Pro forma FY17	FY % Change	H2 v H1 % Change
Revenue						
Service charges	76.5		76.5	80.4	-4.9%	1.3%
Associate charges	25.2		25.2	22.8	10.5%	25.0%
Total Revenue	**101.7**		**101.7**	**103.2**	**-1.5%**	**6.7%**
Other income excl FX	2.1		2.1	2.0	5.0%	
Recoverable expenses	(23.4)		(23.4)	(19.9)	17.6%	
Operating expenses						
Compensation	44.8	(0.9)	43.9	44.2	-0.7%	1.4%
Occupancy	6.5		6.5	6.7	-3.0%	
Restructuring and business acquisition	2.3	(2.3)	-	-	-	
Other	10.7		10.7	10.8	-0.9%	
Total Operating expenses	**64.3**	**(3.2)**	**61.1**	**61.7**	**-1.0%**	**1.7%**
EBITDA before FX	**16.1**	**3.2**	**19.3**	**23.6**	**-18.2%**	**5.3%**
Foreign exchange	0.8		0.8	0.9	-11.1%	
EBITDA after FX	**16.9**	**3.2**	**20.1**	**24.5**	**-18.0%**	**13.8%**
Dep'n and amort'n	2.1		2.1	2.0	5.0%	
Interest	0.8		0.8	1.0	-20.0%	
Profit before tax	**14.0**	**3.2**	**17.2**	**21.5**	**-20.0%**	**17.7%**
Tax expense	4.5	0.8	5.3	6.7	-20.3%	
Net profit after tax	**9.5**	**2.4**	**11.9**	**14.8**	**-19.6%**	**16.4%**
Amortisation	1.0		1.0	0.9	11.1%	
NPATA	**10.5**	**2.4**	**12.9**	**15.7**	**-17.8%**	**15.0%**
EBITDA % after FX - service charge revenue	22.1%		26.3%	30.5%	-13.8%	12.6%
EBITDA % after FX - total revenue	16.6%		19.8%	23.7%	-16.7%	6.8%

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

COMMENTS

Revenue:

- Service charge revenue decline reflects lower patent revenue, mainly offshore derived prosecution and advisory
- Patent revenue decline of 8.6%, partially offset by growth in trade mark revenue of 2.7% and legal/litigation revenue growth of 7.5%
- Associate revenue growth offset by higher recoverable expenses
- H2 improvement, patent revenue stabilised and strong growth in trade mark revenue

Expenses:

- Operating expenses 1.0% lower
  - Staff costs 0.7% lower despite CPI increases, internal promotions, lateral hires and new principal incentives. Some restructuring benefit in H2
  - Occupancy costs down 3.0%
  - Other costs flat with reduction in technology costs offset by increased marketing and travel for BD activities
- Restructuring and business acquisition costs of $2.3m incurred
- Capex spend within expected range
- Interest expense reduced due to lower average borrowing volumes.

Cash Flow Statement

Year ended 30 June 2018 $m	FY 18	FY 17
Receipts from customers	105.9	112.3
Payment to suppliers and employees	(89.2)	(87.9)
Interest and costs of finance paid	(0.8)	(1.1)
Income tax paid	(4.6)	(2.0)
Net cash provided by operating activities	**11.3**	**21.3**
Payments for property, plant and equipment	(1.5)	(1.3)
Proceeds from sale of property, plant and equipment	-	0.7
Payments for intangible assets	(0.2)	-
Net cash provided by/ (used in) investing activities	**(1.7)**	**(0.6)**
Proceeds from bank borrowings	-	15.7
Repayment of bank borrowings	(4.2)	(15.9)
Proceeds from issue of new shares	-	30.8
Transaction costs relating to issue of new shares	-	(9.9)
Repayment of previous owner loans and distributions	-	(26.7)
Dividends paid	(10.8)	(4.8)
Settlement of forward exchange contracts	-	(0.8)
Net cash used in finance activities	**(15.0)**	**(11.6)**
Net increase/(decrease) in cash and cash equivalents	**(5.4)**	**9.1**

COMMENTS

Cash provided by operating activities:

- Operating cash flows of $11.3 million, with additional income tax and restructuring payments plus impact of higher recoverable expenses
- Low working capital requirements

Cash used in investing activities:

- Capex expenditure of $1.5 million reflects the continued investment in the Group's IT systems, computer hardware and fitout upgrade costs
- Intangible assets represents investment in software

Cash provided by financing activities:

- Increased dividend cash outlay vs 2017
- Borrowing levels better managed with repayments where possible

Summary Balance Sheet

As at 30 June 2018 $m	FY 2018	FY 2017
CURRENT ASSETS		
Cash and cash equivalents	3.1	8.3
Trade and other receivables	31.6	29.6
Other financial assets	-	0.3
Other assets	1.2	1.1
TOTAL CURRENT ASSETS	35.9	39.3
NON-CURRENT ASSETS		
Property, plant and equipment	2.7	2.3
Intangible assets	66.3	67.1
Other assets	-	0.1
TOTAL NON-CURRENT ASSETS	69.0	69.5
TOTAL ASSETS	104.9	108.8
CURRENT LIABILITIES		
Trade and other payables	9.5	8.1
Provisions	6.4	6.4
Borrowings	0.2	0.6
Current tax liabilities	3.2	3.5
Other financial liabilities	0.1	-
TOTAL CURRENT LIABILITIES	19.4	18.6
NON-CURRENT LIABILITIES		
Provisions	2.8	2.7
Borrowings	11.2	15.1
Deferred tax liabilities	1.8	1.5
TOTAL NON-CURRENT LIABILITIES	15.8	19.3
TOTAL LIABILITIES	35.2	37.9
NET ASSETS	69.7	70.9
EQUITY		
Issued capital	293.8	293.8
Reserves	(222.6)	(222.7)
Retained earnings	(1.5)	(0.2)
TOTAL EQUITY	69.7	70.9

COMMENTS

Balance sheet strength

- Net debt as at 30 June 2018 was $8.3 million, up from $7.4 million as at 30 June 2017
- Current banking facilities include:
  - $25 million working capital facility ($14 million undrawn)
  - $30 million acquisition facility (undrawn)
- Good quality debtor book with low levels of bad and doubtful debts. Increase at year end with higher billings and some one-off customer system changes impacting debtor book
- Trade and other payables increase mainly represents principal incentive accruals to be paid to the newly established Employee Share Trust
- Provisions predominantly comprise long service leave and annual leave

Income Statement Reconciliation

Statutory to underlying

Statutory NPAT to Underlying NPAT reconciliation $m	FY 2018	FY 2017
Statutory NPAT	**9.5**	**7.2**
add: DCC and FPA pre acquisition NPAT	-	(2.3)
NPAT – QANTM Group	**9.5**	**4.9**
add: interest	0.8	1.0
add: depreciation and amortisation	2.1	1.9
add: tax	4.5	2.8
EBITDA – QANTM Group	**16.9**	**10.6**
add: IPO expenses	-	6.6
add: share based payments	0.1	1.0
add: employee incentive payments[1]	0.8	-
add: retention bonuses	-	4.5
add: reorganisation expenses	-	1.3
add: initial recognition Principal LSL	-	1.7
add: partnership expenditure	-	0.2
less: notional remuneration adjustment	-	(1.4)
add: restructuring and business acquistion costs	2.3	-
Underlying EBITDA – QANTM Group	**20.1**	**24.5**
less: depreciation and amortisation	(2.1)	(2.0)
less: interest	(0.8)	(1.0)
less: tax	(5.3)	(6.7)
Underlying NPAT - QANTM Group	**11.9**	**14.8**

Notes:

[1] Represent one-off benefit payments to provide selected employees access to the Company's shares, facilitated through the Company's cash contributions to the Employee Share Trust

Business Initiatives

Business Initiatives

- Business reconfiguration and cost reduction initiatives, advised at half year, implemented
- Post IPO reconfiguration and business efficiency measures now largely in place
  - incremental efficiency improvements continue
- Increased re-investment in revenue generation
  - new lateral team hires
  - continued higher marketing and business development expenditure in 2019
- 7 new principals promoted; 2 lateral recruitments in 2018; 12 new principals since listing
- Arrangements for incentivising, retaining and the career advancement of professionals
  - incentive payments to attract and retain new Principals, facilitated via newly established Employee Share Trust
  - 40 internal promotions; of the July 2018 promotions entailed 65% were female representation
- Year-on-year operating expenses expected to remain relatively stable

Acquisition of Advanz Fidelis, Malaysia

- Advanz Fidelis provides IP services (consultancy, advisory application, prosecution and renewal services) in Malaysia to local and foreign clients
- Established 2000; 19 fee-generating professionals
- Geographical spread of revenue (32% Malaysia derived)
- QANTM strategic and business rationale:
  - expands QANTM's position in S.E. Asian market, building upon Singapore presence
  - consolidation of QANTM IP work sent from Australia
  - ability to leverage QANTM client relationships in overseas locations through Malaysia
- QANTM business priorities include:
  - integrated Singapore/Malaysia service offering (including fee structure) for DCC and FPA clients
  - marketing QANTM capabilities to Advanz clients and prospects
- Transaction finalised 2 July 2018; initial payment of A$3.05 million
- Additional payments representing 6.5 times normalised EBITDA, subject to earn out over 18 months

Growth Initiatives

- Recruitment of two lateral teams (patents and trademarks)
- DCC Law recruitment of corporate law legal team (effective 1 July 2018)
- Provision of expanded services sought by clients:
  - corporate and private client advisory services
  - mergers and acquisitions
  - tax and property services
- Marketing and business development activities:
  - increase in budgeted marketing expenditure following 2018 increase
  - lead times typically long but evidence of traction in terms of business generation
- Integration of new Malaysian business with DCC and FPA for interchange of case work
- FPA Singapore office establishment; complementing DCC presence
- New Zealand in-country presence being established (QANTM has 10% market share in New Zealand)

Priorities

Priorities

- Revenue generation through targeted business development, marketing initiatives and potential acquisition opportunities
- Build S.E. Asian presence, utilisation of FPA and DCC client connections through regional offices
- Integration of Advanz Fidelis with QANTM client relationships
- Further development of programmes for career progression of key professionals; enhancement of current depth of IP expertise and service offering
- Continued focus on business efficiency and alignment of internal capabilities to market development

FOR MORE INFORMATION CONTACT:

Leon Allen
Managing Director

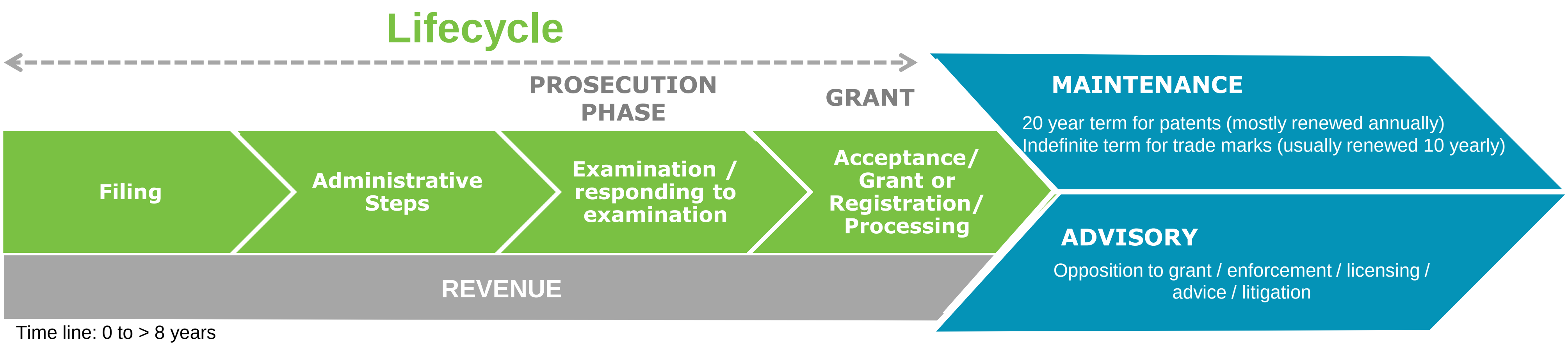
Martin Cleaver
Chief Financial Officer
+61 3 9254 2806

www.qantmip.com

Supplementary Slides

Intellectual Property – 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 Originating Application Process