

# ASX Announcement



28 November 2019

## **QANTM 2019 ANNUAL GENERAL MEETING**

QANTM Intellectual Property Limited (QANTM) will hold the 2019 Annual General Meeting of Shareholders today in Melbourne, Victoria.

Shareholders are expected to consider five resolutions as outlined in the Notice of Meeting. The approval of the Remuneration Report, the re-elections of Mr Cameron Judson and Ms Sonia Petering as non-executive directors, the approval of the Employee Incentive Plan and approval of additional capacity under ASX Listing Rule 7.1A. The results of the voting on these resolutions will be disclosed to the ASX separately.

A transcript of the addresses and presentation delivered by the Chairman, Richard England and Managing Director, Leon Allen, are attached.

### **For further information:**

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Chief Financial Officer and Company Secretary  
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### **Attachments:**

Annual General Meeting Addresses and Presentation, November 2019

### **About QANTM Intellectual Property**

QANTM Intellectual Property Limited (QANTM, ASX: QIP) is the owner of a group of leading intellectual property (IP) services businesses operating in Australia, New Zealand, Singapore and Malaysia under three key brands - Davies Collison Cave (DCC), FPA Patent Attorneys (FPA) and Advanz Fidelis IP Sdn Bhd (AFIP), as well as an IP consultancy company, ipervescence Pty Ltd. With more than 140 highly qualified professionals, the QANTM Group has a strong track record in providing a comprehensive suite of services across the IP value chain to a broad range of Australian and international clients, ranging from start-up technology businesses to Fortune 500 multinationals, public research institutions and universities.



## **Chairman's Address**

My comments today will be made in the context of an important milestone for QANTM. That is the decision by Leon Allen to retire as managing director and chief executive officer, effective 13 January 2020.

Leon retires after a professional career of just under 40 years. This included 21 years as a patent attorney with Davies Collison Cave, where he also served as managing partner and chairman of that firm's management board.

Leon oversaw the combination of DCC and FPA Patent Attorneys, which in turn led to the incorporation of QANTM Intellectual Property on 17 May 2016 and its subsequent public listing on 31 August 2016. Leon has led QANTM and overseen the management and direction of the company for the last three and a half years.

I will say more about Leon and his contribution shortly. We are not losing Leon's professional expertise and knowledge. He will continue to serve the interests of the Group, its clients and shareholders as a non-executive director.

I am very pleased to welcome Craig Dower, QANTM's CEO-elect, who is attending today's AGM and who will take up the role of managing director and CEO on 13 January. Again, I will speak a little later about Craig.

In terms of the 2019 financial year, Shareholders will have seen the Company's results release and the Annual Report – copies of which are available here today. The Annual Report provides the details of the statutory results, as well as a summary of three years of financial results for the Group.

I am pleased that the financial performance of QANTM Group has shown a marked improvement in the 2019 financial year and that for the last three, six monthly reporting periods, there has been a progressive strengthening in financial performance. This reflects the excellent work done within Davies Collison Cave and FPA, and the first year contribution of Advanz Fidelis.

Clearly, 2018 was a weaker year and a degree of recovery would have been expected in the 2019 financial year. However, directors find it encouraging that in 2019 the Group recorded a number of impressive business outcomes. These include the following:

- Group patent applications increased by just under 12 per cent and are at the highest levels since listing;
- Australian patent applications increased by 6.6 per cent in an overall market where patent applications increased by only 0.9 per cent;
- This, in turn, has contributed to an increase in QANTM's market share from 13.8 per cent to 14 per cent;
- While trade mark filings decreased 2.4 per cent on a group basis and 7.4 per cent in Australia; the latter was in the context of an overall market decline of

over 8 per cent. And despite the lower filing levels; the services charges revenue of the Trade Mark part of the business actually increased by 9.1 per cent;

- I would also refer to the excellent contribution from DCC Law. Its revenue contribution increased by 35 per cent to a new record level. Its efforts to broaden its service offering to clients meant that a new commercial team also made a material contribution to its revenues.

On behalf of my fellow directors, I would like to acknowledge the efforts of the managing principals of DCC and FPA in achieving these outcomes. Despite the distractions at a corporate level associated with the proposed merger with Xenith IP, the teams within DCC and FPA, as well as Advanz Fidelis, remained focused on business and client outcomes

A review of the financial results over a three year period shows very robust financial performance. I say this recognising some of the headwinds the Group had post-listing and which, in share price terms, we have not yet recovered from. Key achievements include:

- An average three-year EBITDA margin of 28 per cent on service charge revenue;
- An average return on equity of 13.2 per cent on a statutory basis; or 19.7 per cent on an underlying basis; and
- Moderate debt and gearing levels, strong bank facilities and interest coverage.

This is obviously a good position to be in during periods of economic uncertainty but it also provides a capacity that can be used in pursuit of growth opportunities.

These all point to the Group's sound financial position and ability to pay fully franked dividends to shareholders, at what can be considered an attractive yield.

I believe there are several features in this year's results which are favourable for the further delivery of revenue growth and, in turn, the generation of shareholder value.

These emanate from the strong brand and client position of DCC and FPA; the work undertaken in both entities to enhance client relationships; build new business associations and, in some cases, broaden the service offering.

I am confident that the potential of our Asian presence will be realised increasingly in financial terms. Advanz Fidelis has been an important addition during the last financial year. I am very pleased at how well the integration has been completed, and my thanks to our new colleagues, particularly Jern Chuah, for their co-operative approach. DCC and FPA both now have an Asian presence, with FPA establishing an office in Singapore during the year.

QANTM remains focused on opportunities to grow its business through organic growth; and lateral recruitment, as well as new service offerings. Our recent launch of an IP locum consultancy business, ipervescence, is an example of this. The establishment of a New Zealand office by DCC, and FPA in Singapore, also expands

our geographical and client presence. Merger and acquisition activity where it makes both strategic and financial sense, as in the case of Advanz Fidelis, will be progressed.

Clearly for an intellectual property or professional services firm, the quality and commitment of our people is of paramount importance. The approach to this is multi-faceted: recruitment and retention; professional education and career advancement; as well as remuneration arrangements which incentivise and align our people's interests with the best client outcomes and shareholder interests.

During 2019, 4 promotions to the role of principal occurred. And in Advanz Fidelis, since the end of the financial year, three new principals have been announced.

Short profiles of twelve of the most recently appointed principals of DCC and FPA are contained in the Annual Report. They are certainly worth looking at. It is an impressive group of people. There is a depth of IP practitioner experience in areas of considerable technical and intellectual law complexity. The cross-section of expertise reflected in these principals encompasses engineering, agricultural and life sciences, biotechnology, pharmaceuticals, computer software and industrial design, to name only some. The academic qualifications are equally noteworthy: six masters' degrees and five PhDs, reflecting the high level of specialist academic grounding.

The calibre of these people and our wider professional group very much reflect the core of QANTM's own intellectual property.

I would like to make particular mention of one of our senior principals of many years standing. Marion Heathcote, Principal of Davies Collison Cave, received the International Trademark Association's prestigious President's Award on 19 November.

The President's Award is INTA's highest volunteer award. Marion has been recognised by INTA as a leading trade mark attorney and indigenous rights advocate and the award pays tribute to Marion's significant contribution to INTA over many years, in particular her tireless work in championing indigenous rights regionally and globally. This is a significant achievement and Marion is to be congratulated.

It is noteworthy, I believe, that this group, as well as those promoted to principal position in the last two years has done three things:

- it has regenerated the principal talent pool, with 22 new principals since listing.
- it has significantly contributed to the diversity of the senior personnel in the Group; in terms of gender, age profiles, and cultural backgrounds, as well as professional capabilities; and
- I think it has also contributed yet another enthusiastic and committed new cohort of principals, for which management has structured a share incentive scheme to reward behaviours and outcomes consistent with the achievement of client and financial outcomes.

I would like to turn now to the process of chief executive officer succession.

CEO succession is probably the major issue a board of directors has to deal with. I think I can say, on behalf of my fellow directors, that we are fortunate with the process that has occurred at QANTM.

The brief context is that as part of the engagement with Xenith IP Group earlier this year for the proposed merger of this company and QANTM, the directors and senior management had the opportunity to engage extensively with Craig Dower in his then role as chief executive officer of Xenith.

Those discussions enabled my fellow directors and me to gain an appreciation of Craig's professional strengths. Discussions I had with Leon at that time reflected his willingness, at a stage in the future and assuming the merger had proceeded, to step down as CEO. Obviously, the planned merger of the two companies did not occur. However, knowing that Craig may become available, the directors were able to assess his suitability when Leon subsequently indicated his desire to move out of the role of CEO.

Your directors determined that Craig was the ideal person to succeed Leon as chief executive officer and oversee the next stage of QANTM's development.

Craig has chief executive experience in two publicly listed companies. He has over thirty years' professional experience across IT consulting, systems integration, professional services and intellectual property. He has lived and worked in Asia, the United States and Australia.

Craig also has a collaborative management approach with a strong emphasis on team building and above all, a recognition that QANTM's business is about its people, with the need to invest in the skills and careers of our people a main priority.

QANTM is a truly global business, with clients all around the world. Craig is very well equipped to ensure the organisational and systems capabilities to service these clients. Furthermore, he is well-experienced to continue QANTM's current efforts for the expansion of its position in Asia as well as the major renewal of systems and processes across the business that Leon referred to at the time of the full year results.

So, your directors are confident that Craig has the appropriate range of skills, experience and also understanding of the IP sector for the next phase of the evolution and growth of QANTM.

I would like to make some comments on Leon Allen.

As I said, Leon's professional experience encompasses an involvement in the intellectual property sector for nearly 40 years. Apart from his senior positions at DCC, which I referred to, Leon's direct patent experience has encompassed physics and engineering working in technologies from the areas of fibre optics and lasers to earth moving equipment, internal combustion engines and building products.

Leon is a past president of the Institute of Patent and Trade Marks Attorneys of Australia, serving on its Council from 1992 to 2013. He also served two terms on the Federal Government Advisory Council on Intellectual Property, including one term as its chair.

Leon has made a major contribution to learning in the area of patent law, teaching in Europe and in Australia with the IPTA Academy of Education and at the University of Melbourne where he is a senior fellow. Leon is also a fellow of the International Federation of Patent Attorneys Academy of Education.

Leon is held in the highest regard for his professional skills as an experienced patent attorney; for his industry associational involvement; and his contribution to professional development and teaching in patent law.

Leon has also had extensive engagement with the principals of many intellectual property companies in South East Asia and more broadly internationally, as part of his efforts in evaluating appropriate potential combinations to grow the Group's market presence.

Accordingly, the last thing we wish to do is to lose Leon's knowledge and skills. As such, Leon has been invited to join the board of directors as a non-executive director following his retirement as CEO and managing director. This will provide the board with access to Leon's depth of intellectual property knowledge and experience. It will also provide Craig with whatever transitional assistance and input to projects in train he may determine useful.

As Leon has demonstrated through his career, he has been adaptable in applying his skills in different roles. I have every confidence he will make the transition to the role of non-executive director and be highly capable and make a valuable contribution in this role.

I would like to ask those present to express their appreciation to Leon for his contribution to QANTM and the intellectual property sector.

I thank all of the employees of the QANTM Group: DCC, FPA, Advanz Fidelis for their commitment and efforts and thank shareholders for their support.

## **Managing Director's Address**

As the outgoing chief executive of QANTM, it is appropriate that my comments today are, for you all, mercifully brief.

The Chairman has provided a perspective of some of the key features of the 2019 financial year.

My main observations include the following.

The sustained efforts of my colleagues in DCC and FPA, particularly in what we have referred to externally as business development, have been very effective. I appreciate their efforts.

DCC and FPA have long established, excellent and well-deserved market positions and client relationships.

Refocused efforts, quality engagement with clients, and new client generation activities, have borne fruit. New service offerings through lateral recruitment and establishment of new offices in Singapore and Wellington, are also making a contribution. And I am sure will continue in the future.

Some of the data the chairman referred to reflect this. They include:

- growth above market trends;
- Asian patent applications increasing 36 per cent, or 96 per cent if Advanz Fidelis is included, are positive for the future;
- revenue growth in trade marks despite lower filings;
- DCC law achieving a record year.

I acknowledge the efforts of my colleagues, not just in the last financial year, but in the preceding two years. It is not an insignificant change to make the transformation from a partnership to a publicly listed company and I thank them for their efforts and enduring support.

The process of recruitment and promotion, as the chairman has mentioned, is very important to the future of the Group. It is the lifeblood of an intellectual property company.

I believe we are fortunate in the quality of the professional and other employees we have. I have sought to ensure that there is support for investment in our people and, more recently, the establishment of a share scheme to ensure that new principals are rewarded and recognised through an equity participation in the company. I am also pleased we have been able to extend the commitment of vendor principals for a further two years.

I can assure shareholders that there has been considerable effort in evaluating and pursuing growth opportunities. This includes through potential combinations with other IP companies. Perhaps the most notable – at least publicly – was the effort with Xenith. This progressed a considerable way.

As you will be aware, at management's recommendation to the board, we stepped away from this opportunity when a higher competing offer was made. QANTM could not justify matching this offer on value terms for shareholders.

A range of other opportunities have been evaluated, particularly in Asia. We were fortunate to conclude the discussions with Advanz Fidelis and to acquire this Malaysian based intellectual property company in July. It broadens our regional platform and business base. As Richard said, the process of integrating systems and processes, as well as broader engagement by Jern Chuah and members of his team with people from DCC and FPA, has been excellent and productive.

IT and process transformation. Perhaps a difficult area to be precise about...but as we said at the results presentation a key area of focus. This area has, in some respects, developed in phases. The initial approaches have been based on implementing common systems; reducing manual handling; and streamlining some back office functions. It has all been necessary and of value.

The next stage is, to use a word which could be subject to over-use, is what we believe will be transformative. That is, it could be more fundamentally transformative in terms of the systems we use for data management and processing of intellectual property applications; facilitating how our professionals interact and execute their roles; automating some functions; and improving some aspects of our interface with clients.

Craig Dower is the ideal person to undertake this next stage. We were fortunate to secure Kylie Sprott, who oversaw IT transformation at Xenith, to the role of Chief Transformation Officer of QANTM in October this year.

I apologise to Kylie if she wished to have the next phase of her career with a different CEO; I am afraid from January you will have Craig as your boss again.

But, I think this it is clearly a major positive for QANTM to have both Craig and Kylie overseeing this important change.

Before making some concluding remarks about the next stage of my involvement with QANTM, let me turn to the outlook for the 2020 financial year.

I will make some brief comments – reiterating the comments we made at the time of the full year results – in relation to the main factors likely to affect the 2020 financial year outcome. These comments are obviously made with the caveat that Craig may determine his own initiatives for the business during the course of the year.

We expect a return in the 2020 financial year to more modest, or perhaps what could be described as more typical levels of revenue growth. 2019 was, as the chairman said, a year of recovery from the weaker financial year 2018 outcomes. As such, we would not expect – in 2020 – a replication of the very strong revenue and EBITDA growth outcomes achieved in 2019.

To remind shareholders, total revenue increased 10.3 per cent in 2019 while EBITDA increased by 19.4 per cent.

Accordingly, we are expecting a moderation – that is lower revenue growth outcomes for both patents and trade marks, as well as lower legal and litigation revenues following its record year in 2019.

Pleasingly, the commencement to the 2020 financial year is in line with our expectations.

Increased investment in the business will be a feature in 2020, with a corresponding budgeted increase in operating expenses, year-on-year. As would be expected in a business where the key assets are our people, remuneration payments are a key part of this investment. The areas of increased expenditure include a continuation in the process commenced in 2019 of the

## **QANTM INTELLECTUAL PROPERTY LIMITED** ASX ANNOUNCEMENT

re-alignment of principal remuneration of former partners of DCC and FPA, given the elapse of three years since the public listing of QANTM. Recent promotions of personnel within DCC and FPA, as well as aligning three Advanz Fidelis personnel to principal-equivalent level status, will also influence compensation expenditure in 2020.

In addition, the investment in a transformation of the Group's business systems and processes will entail a higher level of expenditure, with benefits expected to be realised, in efficiencies and revenue-enhancement, in subsequent years.

Finally, and as the chairman said, I made the decision that this is an appropriate stage of what has been a long career in intellectual property to step down as CEO. I believe it is the right time. The last four years including the listing process, has been an extremely busy time. It has been intense and challenging but equally rewarding. After some difficult times, the business is now on a strong trajectory for the future. A good time to hand over the helm.

As the chairman has said, we are fortunate to have secured the services of Craig Dower to take on the role. Craig knows how important the success of QANTM is to all of us and I am confident of the future under his leadership.

I am very pleased to have been asked by the Chairman to assume a role as a non-executive director. I considered whether I should quietly disappear in the sunset but came to the view that given my long history in the industry and the business, there is more I can contribute. Although perhaps in a different way. I look forward to being at a different end of a management report or a budget presentation; and it may be me that asks the penetrating questions of management rather than the other way around!

Don't worry Craig, I will have some empathy for your role as CEO.

I look forward to working with my fellow directors and in assisting Craig wherever it may be appropriate and useful to him in his efforts. I am very confident that he, along with the executive team, and the managing principals will make a formidable leadership group for QANTM and its individual entities.

In concluding, I would like to thank Richard and my fellow directors for their support; my immediate team and colleagues at QANTM and my colleagues and wider employee group at DCC, FPA and Advanz Fidelis. It has been a remarkable experience and I truly believe the best is before you all.

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**IP Protection**  
the cornerstone of  
modern economies

QANTM INTELLECTUAL PROPERTY LIMITED (ASX:QIP)

**2019 ANNUAL GENERAL MEETING**

# 2019 Financial Summary



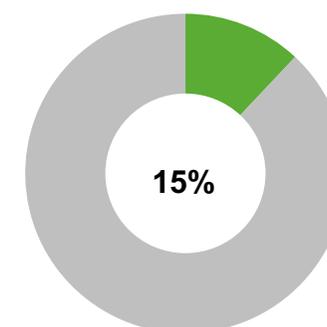
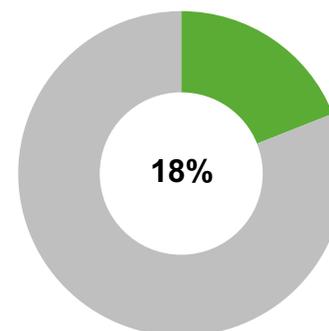
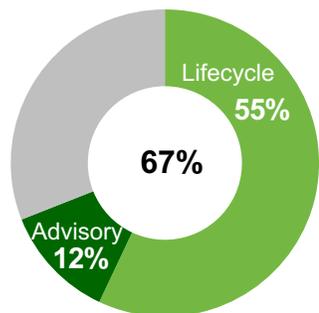
Year ended 30 June 2019 \$m (underlying)	FY19	FY18	FY19 vs FY18 % Change
Revenue			
Service charges	86.5	76.5	13.1%
Associate charges	25.7	25.2	2.0%
<b>Total Revenue</b>	<b>112.2</b>	<b>101.7</b>	<b>10.3%</b>
<b>EBITDA after FX</b>	<b>24.0</b>	<b>20.1</b>	<b>19.4%</b>
<b>Net profit after tax</b>	<b>14.8</b>	<b>11.9</b>	<b>24.4%</b>
EBITDA % after FX - service charge revenue	27.7%	26.3%	5.3%
Return on equity	21.0%	17.1%	22.8%

# 2019 Business Overview



BUSINESS AREAS	PATENTS AND DESIGNS LIFECYCLE/ADVISORY	TRADE MARKS	LEGAL / LITIGATION
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Percentage of aggregate QANTM Service Charges Revenue FY19



## FY19 vs FY18

Service Charges Revenue

Service and Foreign Associates Charges Revenue

\$57.9 m vs \$52.6 m

\$78.7 m vs \$73.0 m

\$15.6 m vs \$14.3 m

\$20.5 m vs \$19.1 m

\$13.0 m vs \$9.6 m

## Main Factors

- Group patent applications up 8.2% (excl AFIP); 11.9% (incl AFIP)
- Australian domestic patent applications up 6.6%, after FY18 was down 6.2% vs FY17
- Higher level of foreign sourced, Australian patent work, particularly prosecution and advisory
- Trade mark revenue growth of 9.1% in context of softer overall market
- DCC trade mark franchise strength and business generation
- Increase in client litigation/ legal work and contribution from lateral commercial team recruited FY19

Source: DCC and FPA management analysis

# Managing Principals



**DAVID WEBBER**

*LLB, BEng (Hons)  
Patent Attorney  
Lawyer*

Managing Principal  
- Patents

DCC

Joined DCC: 1985

**MICHAEL WOLNIZER**

*LLB (Hons), LL.M  
Lawyer, Trade Marks  
Attorney*

Group Managing  
Principal

DCC

Joined DCC: 1994

**JERN ERN CHUAH**

*LLB (Hons), Lawyer,  
Patent Attorney,  
Trade Mark Attorney*

Managing Principal

AFIP

Joined AFIP: 2000

**ADAM SEARS**

*LLB (Hons),  
Lawyer*

Managing Principal  
- Trade Marks

DCC

Joined DCC: 1988

**CHRIS JORDAN**

*LLB, LL.M, BA,  
Lawyer*

Managing Principal  
- Law

DCCL

Joined DCC:1989

**JAMES CHERRY**

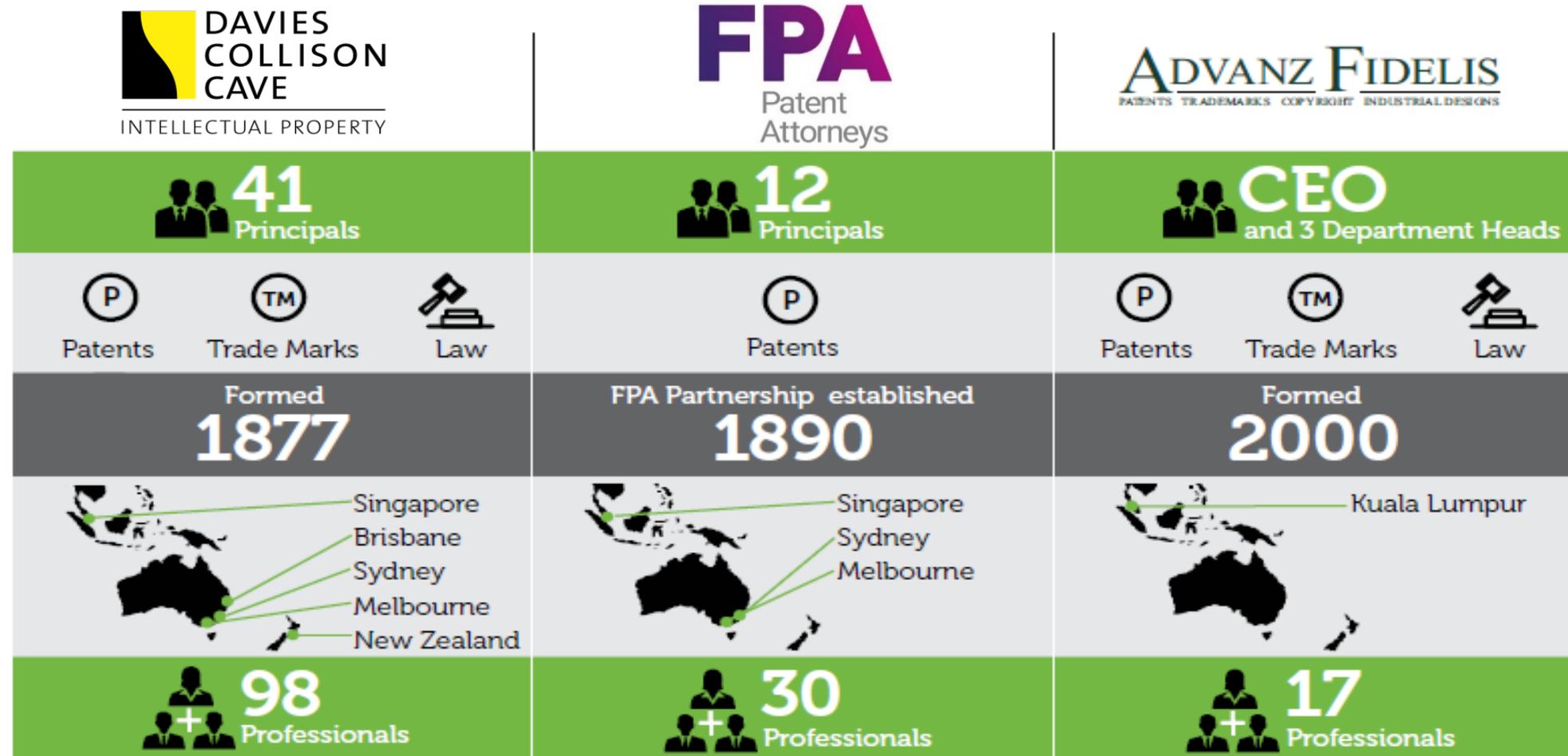
*BSc(Biochem),  
LLB (Hons),  
Patent Attorney*

Managing Principal

FPA

Joined FPA:1990

# A leading IP provider; extensive industry experience



# CEO Succession



**Craig Dower, CEO-Elect**

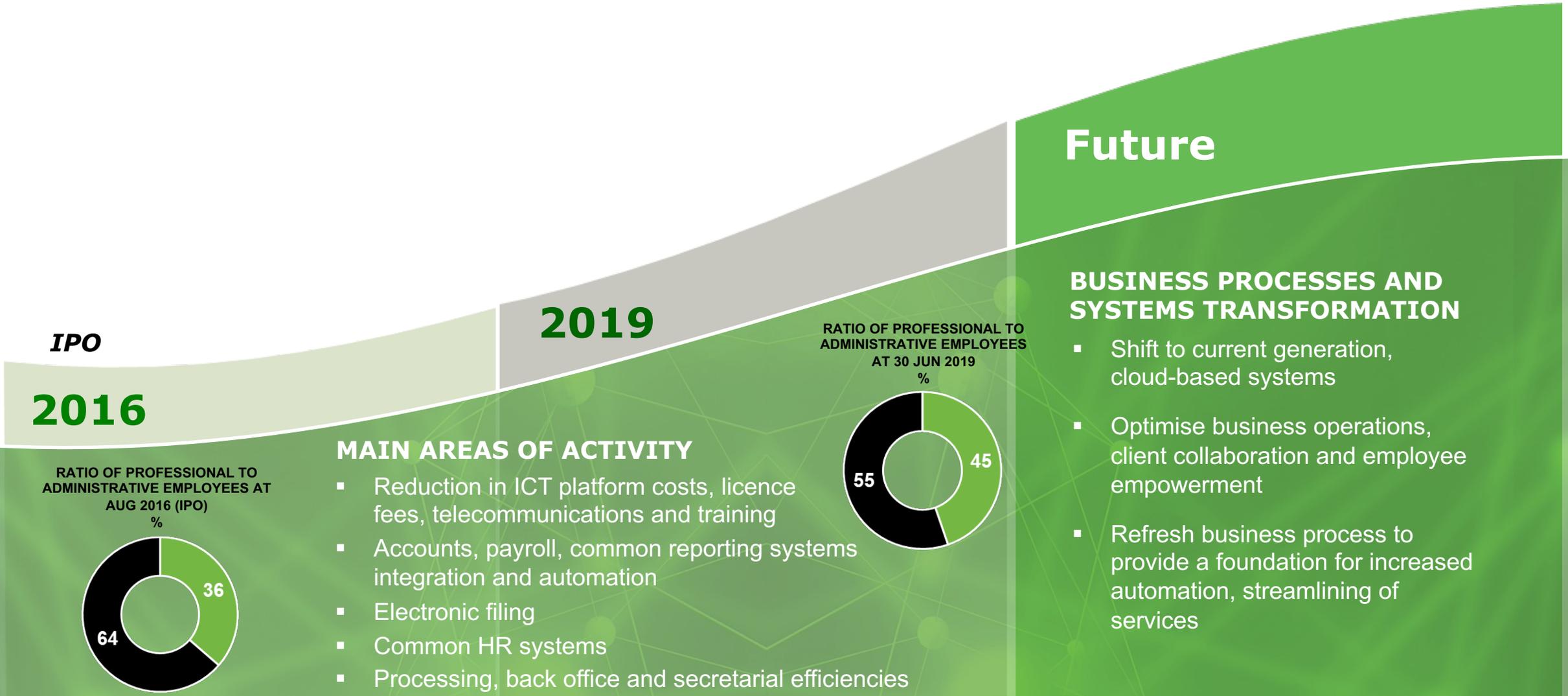
- Craig Dower, former CEO of Xenith IP, to succeed Leon Allen on 13 January 2020
- Systems engineer with experience in project management, professional services, consulting and integration, IT transformation
- Two public company CEO roles and worked in Asia Pacific (based in Singapore)



**Leon Allen, MD and CEO**

- Craig gained depth of understanding of QANTM business model during proposed QIP–Xenith merger discussion and due diligence process in 2019
- Leon Allen’s depth of IP experience (40 years) to be retained by appointment as non-executive director

# Business process and systems transformation



## MAIN AREAS OF ACTIVITY

- Reduction in ICT platform costs, licence fees, telecommunications and training
- Accounts, payroll, common reporting systems integration and automation
- Electronic filing
- Common HR systems
- Processing, back office and secretarial efficiencies

■ Professional = principals, associates and other direct fee generating and client servicing personnel

■ Administrative = back office services including finance, human resources and ICT as well as executive support services in DCC, FPA and AFIP

- Following strong financial outcomes in 2019
  - return to more moderate levels of revenue growth in patents and trade marks
  - improved contribution from Asia
  - lower legal/litigation contribution from record FY19 result
  - higher operating expenditure from increased investment in our people and business processes
  
- Continue to build on strong recovery
  - business development initiatives
  - focus on acquisition opportunities
  - progressive benefits from systems improvement