

ASX Announcement



24 August 2023

QANTM FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2023

Strong organic growth in revenue and earnings, margins continuing to improve

- Strong growth in revenue with Service Charges up 7.4%. Total Revenue increased by 7.6%
 - Patent Service Charges up 7.6% to \$69.9m
 - Trade Mark Service Charges up 8.3% to \$21.5m
 - Legal Service Charges up 5.7% to \$12.4m
- Record number of new patent applications, with South East Asia patent applications increasing to 15.7% of total Group applications. Group patent applications have now grown by 4% over the last two years
- Trade Mark applications up 8.0% with record filings in Sortify. Sortify now holds the #1 position in Australia and #2 in New Zealand for Trade Mark filings. DCC is the #2 filer of Trade Marks in Australia.
- Underlying EBITDA up 8.2%. Increased technology and business development costs, balance sheet related foreign exchange loss and an increase in the expected credit loss allowance on the back of adjusted judgement and estimates considering current economic environment, offsetting strong revenue growth over the full year. Underlying EBITDA increased by 6.6% in 2H23 (compared to 1H23).
- Full year underlying EBITDA margin of 27.4% (FY22: 27.2%). Underlying EBITDA margin increased to 28.4% in 2H23.
- Final dividend of 3.5 cents per share, fully franked (FY22 final dividend: 3.5 cents). Full year dividend 6.3 cents (FY22: 6.5 cents).

FY23 Underlying Results - Summary

\$m	FY23	FY22	Change
Service Charges	103.8	96.6	7.4%
Total Revenue	137.0	127.3	7.6%
Underlying EBITDA	28.5	26.3	8.2%
Underlying EBITDA margin ¹	27.4%	27.2%	0.8%
Underlying Net Profit before Tax	20.3	18.1	12.3%
Final Dividend (cps)	3.5	3.5	-

¹ Margin is on Service Charges



Key Financials

- Service Charges of \$103.8m (FY22: \$96.6m)
 - Patent Service Charges up 7.6% to \$69.9m (FY22: \$65.0m)
 - Trade Marks Service Charges up 8.3% to \$21.5m (FY22: \$19.8m)
 - Legal Service Charges up 5.7% to \$12.4m (FY22: \$11.7m)
- Total Revenue (Service Charges and Associate Charges) increased 7.6% to \$137.0 million (FY22: \$127.3m).
- Total Net Revenue of \$108.3m (FY22 \$101.2m), increased by 7.1%, and is after recoverable expenses from Associate Charges of \$31.1m (FY22 \$29.3m).
- Underlying operating expenses of \$79.9m (FY22: \$74.9m). Operating expenses include increased investment in business development which remains under pre-COVID levels, further investment in technology, mainly cloud hosting and cyber security, balance sheet related foreign exchange loss and an increase in the expected credit loss allowance.
- Underlying EBITDA was \$28.5m (FY22: \$26.3m). EBITDA increased by 6.6% in 2H23 relative to 1H23.
- Statutory net profit after tax of \$7.9m (FY22: \$7.1m) including an impairment loss recognised on Sortify CGU.
- Underlying net profit after tax of \$14.7m (FY22: \$12.8m). The appendix provides a reconciliation from statutory to underlying NPAT.
- Operating cash flow was \$16.3m (FY22: \$16.0m).
- Net debt at 30 June 2023 was \$24.2m (FY22: \$23.8m). The ratio of net debt to underlying EBITDA was 0.85 at 30 June 2023 (FY22: 0.90). At 30 June 2023, the Group held cash and cash equivalents of \$8.0m (FY22: \$7.4m).

CEO Commentary

Craig Dower, QANTM's Chief Executive Officer and Managing Director stated:

"These are a very pleasing set of results, with continued excellence in client service delivery, further growth in market share in both Australia and Asia, continued improvements in margins, and a continued trajectory of earnings growth. Our patent market share in Australia is the highest since listing, and we have had several new client wins across both DCC and FPA.

Our employee retention and engagement levels remain very high, and we continue to take a "people-first" approach to all that we do, with a number of continuing investments such as facilitating professional development through education, courses and involvement in professional associations; and where practicable, role or geographical rotation.

"Sortify continue to break new ground, with record volumes in existing markets, continued growth in more recently opened markets, and establishing new platforms in Hong Kong and Benelux. Sortify is now the #1 filer of trade marks in Australia, #2 in New Zealand, and is approaching the top 10 in the UK (which is a very large market). Sortify's mission of making trade mark protection available to anyone continues to ring true, and we are thrilled with the progress they are making.

"From a strategic capability perspective, Sortify is delivering actual services based upon AI, and our capabilities are accelerating at a time when there is much market discussion about the impacts of AI. We see Sortify as a strategic differentiator in our business, both now and in the years to come.

"We delivered a number of critical milestones in our technology and simplification program over the past year, with our core production systems now migrated to Microsoft Azure, a next-generation network infrastructure established, and upgrades of our core IP platforms across the Group either completed or in train. We have continued to invest in cyber capabilities – people, process and technology – and both the Board and Group Executive are actively embedding cyber preparedness in the risk culture throughout the business – it is not just within the realms of IT (although IT plays a critical supporting role).

"We made progress on our business simplification program, with the integration of Advanz Fidelis into DCC Advanz and the integration of Cotters into DCC (trade marks) and FPA (patents). We have continued to improve our financial disciplines on a number of fronts, leading to several cost reduction initiatives that have improved margins.

"We continue to look for EPS accretive M&A opportunities that are the right strategic fit, and can be funded from within our existing facilities. The focus of this is around Asia. In the meantime, we continue to grow our Asian filings, revenue and market share through organic growth within DCC and FPA, as well as new platform launches (e.g. Benelux and Hong Kong) through Sortify.

Outlook

FY23 has been a strong year for the Qantm Group, with increased revenue, filings, market share and earnings. We maintain a positive outlook for the industry as a whole, and expect to see continued growth across our three businesses: DCC, FPA and Sortify. This is now the third consecutive period of margin improvement, after a period of substantial investments for growth, and we expect to see continued margin growth in the year ahead, as some of those strategic investments start to deliver.

Dividends

Directors have approved a final dividend of 3.5 cents per share, fully franked, with a payment date of 4 October 2023 for shareholders registered as at 4 September 2023.

QANTM's Appendix 4E, Full Year Financial Report for the year ended 30 June 2023, and the Full Year Investor Presentation provide more detailed information on the Company's full year results, and are available at www.qantmip.com.

QANTM INTELLECTUAL PROPERTY LIMITED ASX ANNOUNCEMENT

This announcement has been authorised by the QANTM Board for release through the ASX Market Announcements Platform.

For further information, please contact:

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WEBCAST AND INVESTOR TELECONFERENCE DETAILS

You are invited to join QANTM's CEO, Craig Dower, and CFO, Brenton Lockhart, for a presentation and discussion of the results.

DATE AND TIME

Thursday, 24th August 2023 at 11:00am Australian Eastern Standard Time

PRESENTERS

Craig Dower, CEO and Managing Director
Brenton Lockhart, Chief Financial Officer

DIAL-IN DETAILS

TELECONFERENCE DIAL-IN DETAILS (required to participate in Q&A)

Conference ID: **4271991**

Participant Dial-In Numbers:

Australia Toll Free: 1800 571 226
Any other country or mobile phone: +61 2 8088 0946

WEBCAST

The presentation will be webcast live. You can pre-register for the webcast via this link
<https://webcast.openbriefing.com/qip-fyr-2023/>

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, Malaysia and Hong Kong under key brands - Davies Collison Cave, DCC Advanz Malaysia, Davies Collison Cave Law, FPA Patent Attorneys and Sortify.tm Ltd (including Sortify's brands - DIY Trademarks, Trademarks Online and Trademark Planet). With more than 140 highly qualified professionals, the businesses within the QANTM Group have 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.

Appendix: Statutory NPAT to Underlying NPAT

	Year ended 30-Jun-23 \$'000	Year ended 30-Jun-22 \$'000
Statutory NPAT	7.9	7.1
add: interest	3.6	2.4
add: depreciation and amortisation	7.8	8.2
add: tax	4.2	3.9
EBITDA	23.4	21.6
add: retention/restructuring payments	1.5	0.4
add: SaaS costs	3.0	3.2
add: Impairment	0.5	-
add: business acquisition costs	0.1	1.1
Underlying EBITDA	28.5	26.3
less: depreciation and amortisation	(4.5)	(5.8)
less: interest	(3.6)	(2.4)
less: tax	(5.7)	(5.3)
Underlying NPAT	14.7	12.8

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