

# ASX Announcement



30 August 2017

## QANTM Full Year Financial Results to 30 June 2017

### Key Features of Pro-forma Results<sup>1</sup>

The following provides information on the QANTM Intellectual Property Limited (QANTM) 2017 financial results. QANTM was listed on 31 August 2016. For more detailed information, refer to the Financial Report for the Year Ended 30 June 2017.

- Service Charges revenue (patents, trademarks, legal advisory/litigation) of \$80.4 million, a 1.3% decline (2016: \$81.5 million), reflecting lower patent applications in 2017 – an overall market trend – with corresponding lower patent advisory fees and lower patent prosecution revenues, due to timing.
- Total Revenue (including Associate Charges) of \$103.2 million, a 3.6% decline (2016: \$107.0 million).
- Other income (exclusive of Foreign Exchange) of \$2.0 million, stable year-on-year.
- Foreign Exchange (FX) gain in 2017 of \$0.9 million, compared with \$3.1 million in 2016.
- Operating Expenses of \$61.7 million, a 1.0% decline (2016: \$62.3 million), partially offsetting the lower Service Charges revenue.
- EBITDA excluding FX of \$23.6 million, a 0.4% increase (2016: \$23.5 million).
- EBITDA including FX of \$24.5 million, a 7.9% decrease (2016: \$26.6 million).
- EBITDA margin (EBITDA/Service Charges revenue) including FX of 30.5%
- Net profit after tax of \$14.8 million, down 9.8% (2016: \$16.4 million).
- Operating cash flow of \$21.3 million.
- Net debt as at 30 June of \$7.4 million; gearing (net debt/debt + equity) of 9.4%<sup>2</sup>
- Final dividend of 5.3 cents per share, fully franked. Full year dividend of 8.9 cents per share, fully franked.

<sup>1</sup> The additional information to IFRS measures included in this release, including use of pro forma information, is considered relevant and useful in measuring the financial performance of the Group. Pro forma results are presented to highlight underlying performance, adjusted for Initial Public Offering (IPO) costs and other one-off expenses associated with reorganisation of the business.

<sup>2</sup> Gearing excluding Reorganisation Reserve is 2.5%



**Dividend**

The Directors have determined to pay a final dividend of 5.3 cents per share, fully franked. The payment date is 4 October 2017 for shareholders registered as at 1 September 2017. The total dividend payments for 2017 will be 8.9 cents per share, fully franked.

**Summary Full Year Pro forma Financial Results – Highlights**

<b>\$m</b>	<b>2017</b>	<b>2016</b>	<b>% Change FY17 vs FY16</b>	<b>IPO Prospectus Forecast</b>
<b>Revenue</b>				
Service Charges (patents, trademarks, advisory, litigation)	80.4	81.5	(1.3)	86.0
Associate Charges	22.8	25.5	(10.6)	26.1
<b>Total</b>	<b>103.2</b>	<b>107.0</b>	<b>(3.6)</b>	<b>112.1</b>
Other Income excl FX	2.0	2.0	-	2.0
FX gain	0.9	3.1	(71.0)	-
Recoverable Expenses	(19.9)	(23.2)	(14.2)	(23.7)
<b>Total Revenue incl FX</b>	<b>86.2</b>	<b>88.9</b>	<b>(3.0)</b>	<b>90.4</b>
<b>Total Revenue excl FX</b>	<b>85.3</b>	<b>85.8</b>	<b>(0.6)</b>	<b>90.4</b>
<b>Operating Expenses</b>	61.7	62.3	(1.0)	62.9
<b>EBITDA incl FX</b>	<b>24.5</b>	<b>26.6</b>	<b>(7.9)</b>	<b>27.5</b>
<b>EBITDA excl FX</b>	<b>23.6</b>	<b>23.5</b>	<b>0.4</b>	<b>27.5</b>
Net Profit after Tax	14.8	16.4	(9.8)	16.9
Dividend – cents per share	8.9	n.a.	n.a.	8.9

Refer Appendix 1 for a reconciliation of statutory NPAT to pro forma NPAT. FX reflects the revenue gain from the date of booking income to the date of receipt of income, adjusted for FX hedging.

**Managing Director and CEO Commentary**

Leon Allen, QANTM’s Managing Director and CEO stated:

“QANTM’s transition to public ownership progressed smoothly, through the joint ownership of long-established firms Davies Collison Cave (DCC) and FPA Patent Attorneys. We communicated with our clients about the transition and I am pleased to observe that all major clients were retained and we added to our professional capabilities.

The company, as with the industry overall, experienced a slower period of patent application, advisory and prosecution revenues. The company advised of this trend in its May 2017 market update. QANTM’s financial outcomes, while generally higher than the May market update ranges, were lower than IPO Prospectus forecasts. This reflects the more subdued market conditions. Encouragingly, a recovery in the months of May and June was recorded in terms of patent application, advisory and prosecution, as well as legal revenues.

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

DCC and FPA maintained their market share position in patent applications and DCC in trademark work. Lower Associate Charges reflect the timing of patent prosecution in foreign jurisdictions which, from application, can have a lead time of several years. Net revenue in this area, after recoverable expenses, increased in 2017 relative to 2016. The company experienced a marginal growth in underlying EBITDA year-on-year, excluding the gains from foreign exchange.

QANTM generated an operating cash flow of \$21.3 million on a pro-forma basis and reduced the level of debt from the half year to net debt of \$7.4 million at 30 June 2017. Total dividends of 8.9 cents per share, fully franked, represent an 80 per cent payout relative to net profit after tax, in line with the IPO prospectus forecast.

The company reduced operating expenses, both relative to prospectus forecasts and 2016 levels, with an initial efficiency contribution from the implementation of a common information and communications technology platform, along with rationalisation of back office services.

QANTM's Singapore office, which represents the initial stages of the company's expansion into Asian markets, made encouraging progress with an increase in patent applications and the recruitment of two lateral principals. The reinvestment of revenues is occurring as a basis for providing a platform for high margin, revenue growth over the medium term.

The company expects a return in Australian patent and trade mark filing applications to long term historical, GDP, growth rates. This should be associated with revenue growth in line with market growth. Operating expenses in 2018 are expected to be flat, subject to the revenue environment."

### **QANTM Results Teleconference**

QANTM will be holding a results teleconference today, 30 August 2017 at 11.00am (Australian Eastern Standard Time). Details are as follows:

**11:00am – 12:00pm (AEST) on Wednesday 30 August 2017**

**Conference ID: 6747 7445**

**Participant Dial In Numbers:**

Australia (toll free)	1800 123 296	New Zealand (toll free)	0800 452 782
Singapore (toll free)	800 616 2288	Hong Kong (toll free)	800 908 865
UK (toll free)	0808 234 0757	US (toll free)	1855 293 1544

Any other country or mobile phone: +61 2 8038 5221

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**APPENDIX 1 – Statutory to Pro forma NPAT Reconciliation**

	Year ended	
	30-Jun-17	30-Jun-16
	\$m	\$m
<b>Statutory NPAT</b>	<b>7.2</b>	<b>25.3</b>
add: pre acquisition NPAT	(2.3)	9.3
<b>NPAT – QANTM Group</b>	<b>4.9</b>	<b>34.6</b>
add: interest	1.0	1.1
add: depreciation & amortisation	1.9	0.9
add: tax	2.8	0.0
<b>EBITDA – QANTM Group</b>	<b>10.6</b>	<b>36.6</b>
add: IPO expenses	6.6	1.5
add: retention bonuses	4.5	0.0
add: other pro forma expenses	4.2	1.1
less: notional remuneration adjustment	(1.4)	(10.1)
less: notional public company costs	0.0	(2.5)
<b>Pro forma EBITDA – QANTM Group</b>	<b>24.5</b>	<b>26.6</b>
less: pro forma depreciation & amortisation	(2.0)	(1.8)
less: pro forma interest	(1.0)	(1.0)
less: pro forma tax	(6.7)	(7.4)
<b>Pro forma NPAT – QANTM Group</b>	<b>14.8</b>	<b>16.4</b>

**About QANTM Intellectual Property**

QANTM Intellectual Property Limited (ASX: QIP) is a listed intellectual property company which owns Davies Collison Cave Pty Ltd (DCC) and FPA Patent Attorneys (FPA). Through these two leading intellectual property firms, QANTM provides services in relation to the creation, protection, commercialisation, enforcement of intellectual property for a range of Australian and international clients, including Fortune 500 corporations, Australian listed companies, research institutions and universities. The company also provides services in relation to patent designs and trademarks and through DCC, a litigation service in relation to patent protection.