

ASX Announcement



19 February 2024

QANTM FINANCIAL RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

Continued improved margins and strong organic growth in revenue, earnings and EPS

- Strong growth in revenue with Service Charges up 9.2%. Total Revenue increased by 8.1%.
- Underlying EBITDA up 25.7%. This is due to the strong 9.2% service charges growth, and continued improved financial disciplines, with a minor increase in operating costs of 2.7% (mainly increased investment in technology and employees).
- Half-year underlying EBITDA margin of 30.6% (1H23: 26.5%).
- Net debt at 31 December 2023 was down to \$21.2m (1H23: \$31.8m).
- Earnings per share was 5.29 cents (1H23: 2.47 cents).
- Interim dividend of 4.9 cents per share, fully franked (FY23 interim dividend: 2.8 cents).

1H24 Underlying Results - Summary

\$m	1H24	1H23	Change
Service Charges	56.8	52.0	9.2%
Total Revenue	74.2	68.6	8.1%
Underlying EBITDA	17.3	13.8	25.7%
Underlying EBITDA margin ¹	30.6%	26.5%	15.5%
Underlying Net Profit before Tax	9.6	6.7	43.4%
Interim Dividend (cps)	4.9	2.8	75.0%

¹ Margin is on Service Charges



Key Financials

- Service Charges of \$56.8m (1H23: \$52.0m)
 - Patent Service Charges up 6.6% to \$37.8m (H123: \$35.4m)
 - Trade Marks Service Charges up 7.0% to \$11.1m (H123: \$10.4m)
 - Legal Service Charges up 27.3% to \$7.9m (H123: \$6.2m)
- Total Revenue (Service Charges and Associate Charges) increased 8.1% to \$74.2m (1H23: \$68.6m).
- Total Net Revenue of \$58.8m (1H23 \$54.1m), increased by 8.7%, and is after recoverable expenses from Associate Charges of \$16.6m (1H22 \$15.7m).
- Underlying operating expenses of \$41.5m (1H23: \$40.3m). Operating expenses include an extra \$0.5m in technology expenses due to cloud hosting implemented in January 2023.
- Underlying EBITDA was \$17.3m (1H23: \$13.8m).
- Statutory net profit after tax of \$7.4m (1H23: \$3.4m) an increase of 117.2%.
- Underlying net profit after tax of \$9.6m (1H23: \$6.7m) an increase of 43.4%. The appendix provides a reconciliation from statutory to underlying NPAT.
- Net debt at 31 December 2023 was \$21.2m (1H23: \$31.8m). The ratio of net debt to underlying EBITDA was 0.61 at 31 December 2023 (30 June 2023: 0.85). At 31 December 2023, the Group held cash and cash equivalents of \$6.2m (1H23: \$1.7m).
- Cash Flow before acquisitions, financing activities and tax was significantly higher at \$14.0m (1H23: \$3.5m) due to: better financial discipline having been put in place; a \$1.1m reduction in property fit out costs; and \$1.0m in EST payments being issued in shares and not settled in cash.

CEO Commentary

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

"The first half of FY24 has seen us deliver our best financial results since listing. We have seen strong organic growth in revenue and earnings across most of the Group. Our continued focus on improving financial disciplines has delivered greater margins, with our medium term goal of being in the low 30's (underlying EBITDA as a percentage of service charges) now being delivered. Our balance sheet and cash flow have improved, with a reduction in debt and an increase in our overall cash position. Our earnings per share is our strongest since listing, and this is reflected in our dividend of 4.9c, which is up 75% against the 2.8c dividend in the same period last year.

We delivered a number of milestones on our technology modernisation and business simplification programs, with upgrades to our IP management platforms and continued migration of production systems to the Microsoft Azure platform. We are developing an overall AI strategy and policy framework, which will leverage the unique capabilities that exist within Sortify.tm, as well as tap into the technical and IP experience of practitioners across the Group. We are piloting several aspects of AI, as well as continuing to evolve the online registration platform within Sortify.tm.

The foundations of these results are the past several years of investing in our strategic initiatives and our continuously improving financial disciplines, and are a testament to the teamwork and commitment from all of our people.

Our employee retention levels are high relative to industry, and we continue to take a "people-first" approach to all that we do, with many People and Culture initiatives across the Group aimed at making QANTM the best place to work in the IP sector.

We have seen some fluctuation in filings in the first half: local Australian trade mark filings continue to be solid, with a drop off in international filings – this is consistent with broader market trends. Sortify.tm continues to be the #1 filer of trade marks in Australia, and #2 in New Zealand. On patent filings, we experienced a soft first quarter and an improved second quarter. We are seeing solid momentum in patent filings early on in the second half of FY24. Whilst patent and trade mark filings can be a useful indicator, they are one component of total revenue: they usually represent only 10% - 15% of our revenue in any given period, and they need to be looked at over a longer cycle (e.g. 12-24 months), as they can fluctuate when looked at on a monthly, quarterly, or even a 6-month basis.

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. Our focus for such opportunities remains in Asia".

Outlook

"We expect our strong first-half momentum to continue, and recently advised the market of an upgrade in our earnings outlook for the FY24 full year compared to the analyst estimate. Trading performance in January has been strong and we maintain that positive outlook. We also continue to maintain a positive outlook for the industry as a whole, and expect to see continued growth across our three businesses: DCC, FPA and Sortify.tm. This is now the fourth consecutive period of margin improvement, after a period of substantial investments in our strategic initiatives, and we expect to see underlying margins continue to be in the low 30's."

Dividends

Directors have approved an interim dividend of 4.9 cents per share, fully franked, with a payment date of 3 April 2024 for shareholders registered as at 26 February 2024.

QANTM's Appendix 4D, Half Year Financial Report for the half year ended 31 December 2023, and the Half Year Investor Presentation provide more detailed information on the Company's half 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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Brenton Lockhart
Chief Financial Officer

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

Tuesday, 20 February 2024 at 9:30am Australian Eastern Daylight 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: **4979479**

Participant Dial-In Numbers:

Australia Toll Free: 1800 571 226

Any other country or mobile phone: +61 2 8088 0946

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.tm's brands - DIY Trademarks, Trademarks Online and Trademark Planet). With more than 150 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

	Half Year ended 31-Dec-23 \$'000	Half Year ended 31-Dec-22 \$'000
Statutory NPAT	7.4	3.4
add: interest	1.7	1.8
add: depreciation and amortisation	3.6	4.3
add: tax	3.3	1.7
EBITDA	16.0	11.2
add: retention/restructuring payments	0.2	1.2
add: technology costs	0.9	1.2
add: business acquisition costs	0.2	0.2
Underlying EBITDA	17.3	13.8
less: depreciation and amortisation	(2.3)	(2.9)
less: interest	(1.7)	(1.6)
less: tax	(3.7)	(2.6)
Underlying NPAT	9.6	6.7

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