



Knosys Limited ABN 96 604 777 862
Suite 9.08, Level 9, 2 Queen St
Melbourne Vic 3000
www.Knosys.it
(ASX: KNO)

ASX Announcement
31 January 2018

QUARTERLY REPORT & APPENDIX 4C

31 DECEMBER 2017

CURRENT HIGHLIGHTS

- **Significant sales success - \$6m in new contracts commencing January 2018**
- **Launch of SaaS based KnowledgeIQ solution, augmented with Artificial Intelligence**
- **Development spend increased in advance of sales success**
- **Licensed users over 17,800 at Dec'17, giving 50+% yoy growth**
- **Significant additional growth in users expected over the next 6 months as a result of new contracts**
- **Cash balance of \$1.7 million at 31 December 2017**

Knosys Limited (ASX: KNO) ("**Knosys**" and "**Company**") is pleased to report on a successful period of sales growth and expanded use of the Knosys knowledge management solution.

The total user licence count at December 2017 was 17,800, representing a 50+% increase compared to December 2016. Further significant growth in user numbers will occur as a result of sales efforts in the December 2017 quarter, which led to the signing of SBS Bank in New Zealand as a new customer during the quarter and to significant sales success in January 2018.

Singtel and Optus sign up with Knosys

During the December quarter Knosys entered into negotiations with the Singtel and Optus as preferred supplier to deliver their next generation knowledge management platforms. This followed an extensive six-month tender process whereby Knosys competed against local and global software vendors and was considered the superior offering in terms of technology and delivery capability.

Knosys is delighted with the outcome of the tender process and is excited to be moving forward with the Singtel and Optus teams. In the December quarter significant ground work was laid by the Knosys executive and development teams in order that Knosys was not only selected as the successful tenderer, but also that Knosys was well placed to immediately commence the implementation of these projects for these new and valued telecommunications customers, once contracts were awarded and signed in January.

Knosys will deploy its Software-as-a-Service (SaaS) solution, KnowledgeIQ, to Singtel in Singapore and Optus businesses in Australia during the first half of 2018. The contracts will run for 5 and 3 years respectively with a total expected value exceeding \$6m over the life of the contract. KnowledgeIQ will be deployed as two separate instances in the Microsoft Azure cloud and managed by Knosys on their behalf.

Knosys CEO John Thompson commented “We are extremely pleased with the outcome of our activities over the period to December 2017. Knosys has stepped up its efforts in all areas over the last 12 months and has been rewarded with sales success. We look forward to delivering KnowledgeIQ to our new customers and we expect to see real financial benefits flow through over the next two quarters.”

Knosys expanded its development team with additional short-term contractors in the December quarter and this expanded team will be retained for the March 2018 quarter as part of the project team to deliver the Knosys solution to Singtel and Optus.

Knosys augments its platform with Artificial Intelligence

On the back of these significant customer contracts, Knosys plans to invest further in its core KnowledgeIQ technology. It intends to augment its current platform with elements of Artificial Intelligence technologies that truly add value from a customer perspective within the overall KM solution. Mr Thompson said “We plan to go beyond the hype in the market for AI, many of our potential customers have been bombarded with claims by global software vendors as to what they can do for them with AI, unfortunately these potential customers have been underwhelmed by what is actually delivered within their specific business context. Our focus on AI is on those technologies that make our platform anticipate what information may be useful to internal staff or end customers based, not only on their roles, but their behaviour. We want KnowledgeIQ to search and continually improve the quality of the information by understanding and learning from its usage level and alerting the business to an opportunity to improve a process or effectiveness of a piece of information. In our world people still have a role to play and AI simply and efficiently augments how they may conduct business.”

Knowledge Management Market Predicted to Grow

Knosys also reviewed external research during the quarter and is pleased to report that the market for knowledge management solutions is expected to reach USD\$33 billion in 2022 and is growing at 12% per annum. The most active sectors appear to be Banking & Financial Services, Telecommunications, and Pharmaceuticals. The largest markets are the United States and Europe, but South East Asia is identified as an emerging market and predicted to have the highest growth rate over the next 5 years. Mr Thompson commented “I think Knosys is well placed now to make an impact locally and globally over this period. We already have captured major customers in two of the growth industries. Our core technology is great and we are winning against highly regarded global vendors. If we continue to add smarts to our technology and invest in expanding overseas then I see Knosys becoming a leader in this space.”

Mergers and acquisitions

During the quarter the Company engaged a corporate consultant to assist with the exploration and review of potential acquisition opportunities which could complement the Knosys business offering and expand its market presence.

Appendix 4C Quarterly statement of cash flows

The ASX Appendix 4C quarterly statement is attached to this report.

Cash balance at 31 December 2017 was \$1.7 million after incurring net operating cash outflows for the December 2017 quarter of \$0.8m. The operational outflows for the quarter reflect the pursuit of Knosys' sales and marketing strategy, the expanded development team and also reflected the receipt of a further \$50k in sales revenue relating to additional license purchases from existing customers.

The Company's revenue model to date has predominantly been based on billing customers annually in advance. This is reflected in the quarterly cash flow fluctuations. Licence fees invoiced annually in advance are recognised as revenue in the financial accounts each month as the revenue is earned evenly over a 12 month period. Higher customer receipts in the June quarter each year, due to large annual licence renewals, and lower receipts in the September, December and March quarters reflect this revenue model.

ABOUT KNOSYS

The Knosys Knowledge*IQ* SaaS platform is an enterprise-grade, knowledge management solution that enables companies through a machine learning approach to discover and deliver personalised information to staff and customers to transform productivity and engagement. Knowledge*IQ* is curated information using Artificial Intelligence ("AI").

The solution is the #1 used app in the life of an information worker being available on their desktop, tablet or smartphone. It drives productivity and optimizes processes by incorporating process wizards, decision guidance, collaboration & feedback while at the same time learns based on user behaviors, patterns and profiles. It also acts as the single knowledge hub from which all digital engagement solutions such as chatbots, web sites, self-service kiosks can consume relevant information to interact with end customers in a consistent manner.

For more information please visit: www.knosys.it

For further information please contact:

John Thompson, CEO

Knosys Limited

T: +61 3 9046 9700

E: cosec@knosys.it

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Knosys Limited

ABN

96 604 777 862

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	50	421
1.2 Payments for		
(a) research and development	(134)	(134)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(3)	(49)
(d) leased assets	-	-
(e) staff and consultant costs	(512)	(974)
(f) administration and corporate costs	(174)	(295)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives (net)	-	-
1.8 Other – Additional listing fees Oct'17, GST re FY17 revenue	(24)	(86)
1.9 Net cash from / (used in) operating activities	(795)	(1,111)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(36)	(38)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property		
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(36)	(38)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,523	2,841
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(795)	(1,111)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(36)	(38)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,692	1,692

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	97	79
5.2	Call deposits	482	831
5.3	Bank overdrafts	-	-
5.4	Other – Term deposits	1,113	1,613
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,692	2,523

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

35

Payments per item 6.1 include:
Non-Executive directors' remuneration.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	0	0
8.2 Credit standby arrangements	0	0
8.3 Other (please specify)	0	0
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(40)
9.2 Product manufacturing and operating costs	(235)
9.3 Advertising and marketing	(20)
9.4 Leased assets	-
9.5 Staff and consultant costs	(465)
9.6 Administration and corporate costs	(170)
9.7 Other –	-
9.8 Total estimated cash outflows	(930)

Note: Estimated operating cash outflows will be partially offset by revenues flowing from existing and new customers. In January 2018 the Company executed new customer contracts for periods of 3-5 years, with total revenue over the period of these contracts expected to be over \$6m.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: 31 January 2018

Print name: Stephen Kerr

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.