

ASX Announcement
27 April 2018

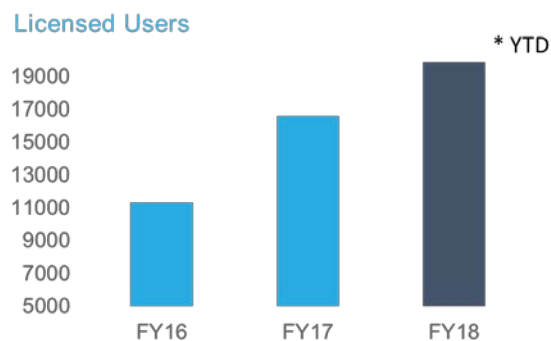
QUARTERLY REPORT & APPENDIX 4C 31 MARCH 2018

CURRENT HIGHLIGHTS

- New contracts signed in January 2018 for \$6m over 3 to 5 years, with revenue and cash inflows commenced
- Licensed users over 19,900 at Mar'18, giving 30+% yoy growth
- Further significant increase in users expected in the June 2018 quarter as Singtel and Optus contracts are implemented
- Project costs and development spend increased in line with new contract activities
- Cash balance of \$1.1 million at 31 March 2018

Knosys Ltd (ASX: KNO) (“Knosys” and “Company”) is pleased to report on a successful quarter with significant sales success and expanded use of the Knosys knowledge management solution.

The total user licence count at March 2018 was over 19,900, representing a 30+% increase compared to March 2017. Further significant growth in user numbers will occur in the June 2018 quarter when the new contracts are fully implemented. This continues the excellent growth in user license numbers as shown in the chart below.



Singtel and Optus contracts signed and now producing revenue and cash inflows

As announced in the last quarterly report Knosys was formally selected as the successful tenderer in January 2018 for the provision of a knowledge management system for Singtel and Optus. The contracts are for 3 to 5 years, with a total value of over \$6m, and were executed in January 2018. The Knosys Knowledge Management system is being implemented in Singtel and Optus in separate but complementary projects. Implementation is expected to complete over the next 3 months. These projects will result in a significant increase in operating cash inflows in the June quarter and in reported revenues for the half year to June 2018.

The Singtel and Optus contracts are also expected to substantially increase recurring revenues in the June quarter and for the next financial year, as a result of increased user numbers. The expected increase in recurring revenue will also improve the regular operating cash inflows of the business.



Appendix 4C Quarterly statement of cash flows

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

Cash balance at 31 March 2018 was \$1.1 million after incurring net operating cash outflows for the March 2018 quarter of \$622k. The net operating outflows for the quarter included inflows of \$206k from sales revenues and \$40k from government grant funds. Gross operating cash outflows were below the estimates from the previous quarterly Appendix 4C and include higher R&D and project activities related to the new contract wins.

As required in Section 9 of the Appendix 4C, gross operating outflows for the June 2018 Quarter are estimated at \$825k. The Appendix 4C does not allow for estimates of operating cash inflows. Readers of this report and the Appendix 4C should note that the Company estimates that the gross operating cash outflows will be offset and exceeded by operating cash inflows in the June quarter. Current trade receivables at 31 March 2018 were \$850k. In addition to collecting these trade receivables in the June quarter, additional operating cash inflows are expected in the June Quarter from the Singtel and Optus contracts, from annual licence renewal payments from an existing major customer and from a research and development tax rebate.

The Company's revenue model 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 cash 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. The addition of Singtel and Optus as major customers should now provide larger monthly recurring cash inflows to Knosys, giving the Company a more balanced quarterly cashflow profile in the future.

ABOUT KNOSYS

The Knosys **KnowledgeIQ** 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. **KnowledgeIQ** 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 learning 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:

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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 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	206	626
1.2 Payments for		
(a) research and development	(79)	(213)
(b) product manufacturing and operating costs	(73)	(73)
(c) advertising and marketing	(52)	(100)
(d) leased assets	-	-
(e) staff and consultant costs	(465)	(1,439)
(f) administration and corporate costs	(205)	(500)
1.3 Dividends received (see note 3)		
1.4 Interest received	25	31
1.5 Interest and other costs of finance paid	(19)	(19)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives (net)	40	40
1.8 Other – Additional listing fees Oct'17, GST re FY17 revenue	-	(86)
1.9 Net cash from / (used in) operating activities	(622)	(1,733)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(38)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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	-	(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	1,692	2,841
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(622)	(1,733)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,070	1,070

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	110	97
5.2	Call deposits	324	482
5.3	Bank overdrafts	-	-
5.4	Other – Term deposits	636	1,113
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,070	1,692

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
-
-

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	(80)
9.2 Product manufacturing and operating costs	(100)
9.3 Advertising and marketing	(40)
9.4 Leased assets	-
9.5 Staff and consultant costs	(495)
9.6 Administration and corporate costs	(110)
9.7 Other –	-
9.8 Total estimated cash outflows	(825)

Note: June quarter estimated gross operating cash outflows are expected to be offset by estimated revenues flowing from existing and new customers in the June quarter. **Current trade receivables at 31 March 2018 were \$850k.** In addition to collecting these trade receivables, further operating cash inflows from the Singtel and Optus contracts, annual licence renewal payments from an existing major customer and an R&D tax rebate are estimated to be received in the June quarter.

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: 27 April 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.