

ASX Announcement
15th December 2020

Knosys enters new growth phase through acquisition of a leading SaaS intranet provider, GreenOrbit

Key Highlights

- **100% scrip acquisition:** Knosys to issue 37m shares to acquire GreenOrbit Pty Ltd
- **Attractive acquisition multiple:** Total implied purchase price of approx. \$5m equates to an annualised recurring revenue (ARR) multiple of around 2 times
- **Global revenue footprint:** GreenOrbit has a global network of more than 260 customers and 340,000 licenced users, in over 20 countries
- **Multi-SaaS offering:** Building a diversified SaaS product offering with shared services model
- **International sales & support:** 3 sales office locations and established off-shore support capabilities for cost-effective shared services
- **Accretive:** Expanded sales team and lean operating structure should contribute to revenue growth and profitability

Knosys Limited (ASX:KNO), an innovative provider of Software as a Service (SaaS) Knowledge Management solutions, is pleased to announce that it has executed a conditional sale and purchase agreement to acquire all the issued shares in GreenOrbit Pty Ltd ("**GO**"), a leading SaaS Intelligent Intranet software provider.

GO is a leading provider and operator of intranet solutions which facilitate efficient and secure internal communications and information sharing for over 260 clients, with more than 340,000 licenced users across more than 20 countries. GO has a diverse revenue base targeting both SMEs and blue-chip clients such as Harvey Norman, Webjet, Cotton-On and Audi. Clients generally pay an annual subscription licence fee based on the number of licences.

GO currently generates approximately \$2.8m in annualised recurring revenue (ARR) and is headquartered in Melbourne. GO has 20 employees across sales offices in Australia, US and UK and also a support operation in India with 20 engineers providing shared services for the GO group covering customer support, customer success and specialised Microsoft development capabilities.

The acquisition of GO is in line with the Knosys growth strategy to deliver multiple SaaS offerings with a shared services model. Knosys' KnowledgeIQ solution and the GreenOrbit Intelligent Intranet solution will form the first 2 pillars of this diversified SaaS product offering. This growth strategy should enable Knosys to scale into a global operation using its expanded sales office footprint and a cost-effective shared services model.

An **Investor Presentation** titled **“Acquisition of GreenOrbit”** is attached with this announcement.

Transaction summary

Key Acquisition Terms	<ul style="list-style-type: none"> Knosys will acquire 100% of the issued capital in GreenOrbit Pty Ltd, including subsidiary companies in US, UK and India GO vendor will receive 36.978 million fully paid ordinary shares in Knosys as consideration for the acquisition (“Consideration Shares”). The issue of the Consideration Shares is subject to Knosys shareholder approval. The acquisition terms value GO at approximately \$5.0 million, based on the \$0.135 price of Knosys shares on ASX at close on 14 Dec 2020.
Strategic Rationale	<ul style="list-style-type: none"> Building a diversified SaaS product offering Scaling into a global operation Establishing off-shore support capabilities in India Accelerating revenue growth and profitability Attractive acquisition multiple
Financial Impact	<ul style="list-style-type: none"> Operating synergies in the order of \$250,000 are expected by Knosys in the first 12 months following completion of the acquisition Additional investment in personnel is contemplated by Knosys over the first 12 month period post acquisition to accelerate revenue growth
Ownership Impact	<ul style="list-style-type: none"> Based on the current number of Knosys shares on issue, the issue of the Consideration Shares will result in existing Knosys shareholders holding approximately 80.1% of Knosys, with 19.9% then held by the GO vendor
Timing	<ul style="list-style-type: none"> The acquisition of GO is expected to complete in February 2021, subject to satisfaction of certain conditions precedent, including Knosys shareholder approval. A general meeting of Knosys shareholders is expected to be convened in late January or early February 2021 to approve the issue of the Knosys shares

Knosys’ Managing Director, John Thompson, said: “GO will accelerate the growth of Knosys’ Intelligent information management and workplace platform by delivering an exciting new solution to current and future customers. This acquisition fast-tracks our product roadmap with an aligned technology solution. We are particularly excited about the opportunity to target organisations with mid-sized and large workforces via GreenOrbit’s employee communication, collaboration and information solution. It fits perfectly within our vision to deliver the right information at the right time.”

The global market for corporate SaaS solutions is expanding rapidly, driven by increased demand for digital workplace ‘cloud’ solutions and the increasing need for high employee efficiency, engagement, and greater flexibility in operations.”



Mr Thompson commented further: “The combination of the joint capabilities of GO and Knosys will create an enhanced information management and digital workplace solution company which Knosys is confident should open up greater opportunities. GO is built on the same Microsoft technology platform as is KnowledgeIQ, thereby offering strong product and sales channel synergies going forward.” said Mr Thompson.

ABOUT KNOSYS

Knosys is an Australian cloud software company that is simplifying enterprise knowledge to improve the productivity of employees and improve customer experience. Our KnowledgeIQ software and KIQ Cloud service are transforming the digital workplace by ensuring all forms of knowledge is accurate, relevant to the user, compliant and easy to find. It is an organisation-wide solution for all industries, trusted by businesses and enterprises in the banking, telecommunications, and government sectors.

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Investor Presentation (KNO:ASX) – Acquisition of GreenOrbit

15 December 2020

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Benefits of the deal



Highly Complimentary Solution

- Cloud SaaS product enabling organisations to rapidly configure and launch an 'intranet'
- Strong customer value proposition in the mid-market and enterprise space
- Solution based on Microsoft core technology common to Knosys

Global Footprint

- Expands Sales offices to UK, US, and India
- Customer Success and Development Centre in India



Customers

- Global customer base including North American and Europe
- Clients across multiple industries
- Extends our addressable market

Revenue

- SaaS business model
- Strong Annual Recurring Revenue profile

Who we are today



Knosys is an Australian SaaS software company that is simplifying knowledge management to improve the productivity of employees and drive better customer experiences

“Making Knowledge Management Simple”

Who we will be tomorrow

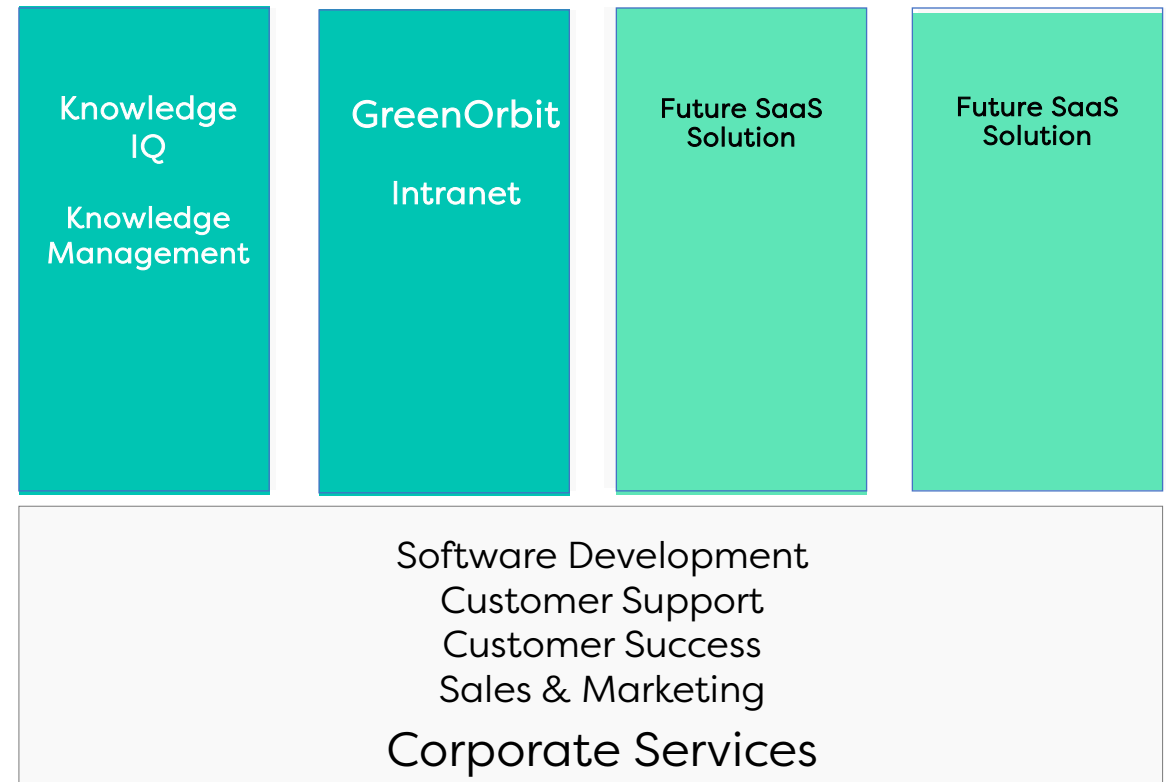
Knosys will be a global software-as-a-service (SaaS) information technology company offering a range of software solutions designed to boost productivity, collaboration and connectivity in the digital workplace.

“Delivering the right information at the right time”

M&A Growth Strategy



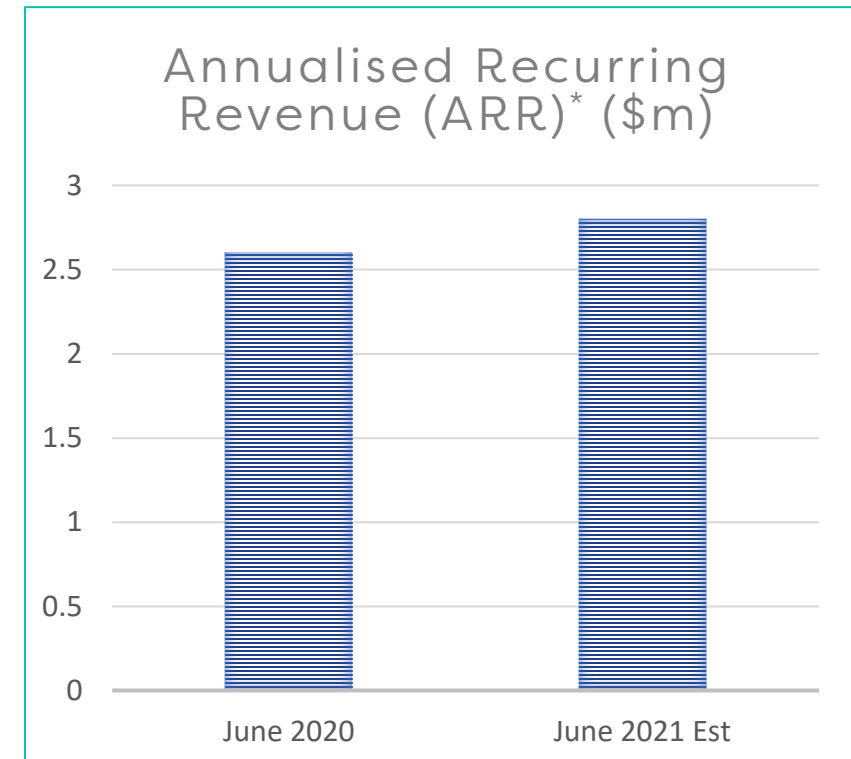
- Acquire multiple aligned/adjacent SaaS solutions to our core KM offering
- Focus on opportunities with operational scale and corporate services to support existing KM business
- Preference for companies with a global footprint
- Operating in a growing and addressable market
- Clear opportunity to accelerate growth by being a part of Knosys



GreenOrbit Overview



- GreenOrbit is a provider of “off-the-shelf” intranet solutions (SaaS and On-premise)
- GreenOrbit has over 260 clients across more than 20 countries. The top 10 customers account for 13% of FY21 renewals with no single client risk.
- GreenOrbit has 20 employees across sales offices in Australia, US and UK and a support operation in India with 20 FTE engineers.
- GreenOrbit to generate approximately \$2.8m in annualised recurring revenue (ARR) based on subscription license fees.
- ARR is growing circa 10% per annum with potential to grow more rapidly with existing customer uplift and new customers
- Around 50% of revenue is from clients in the \$10K-\$20K per annum range.

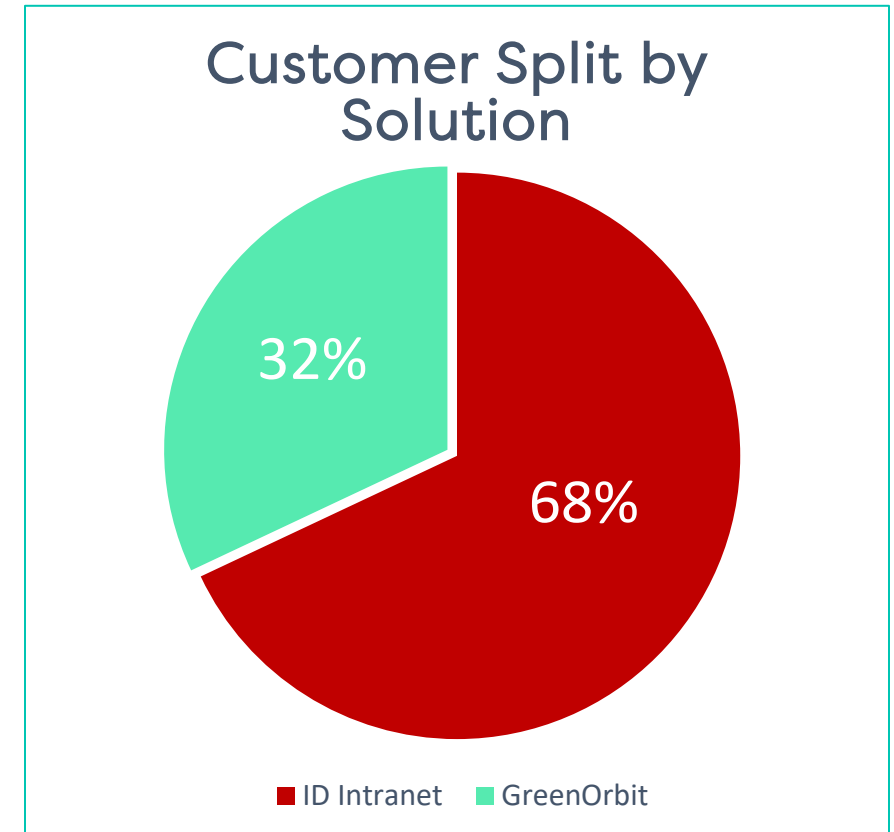


*calculated as contracted licence & support fee revenue for the month, multiplied by 12

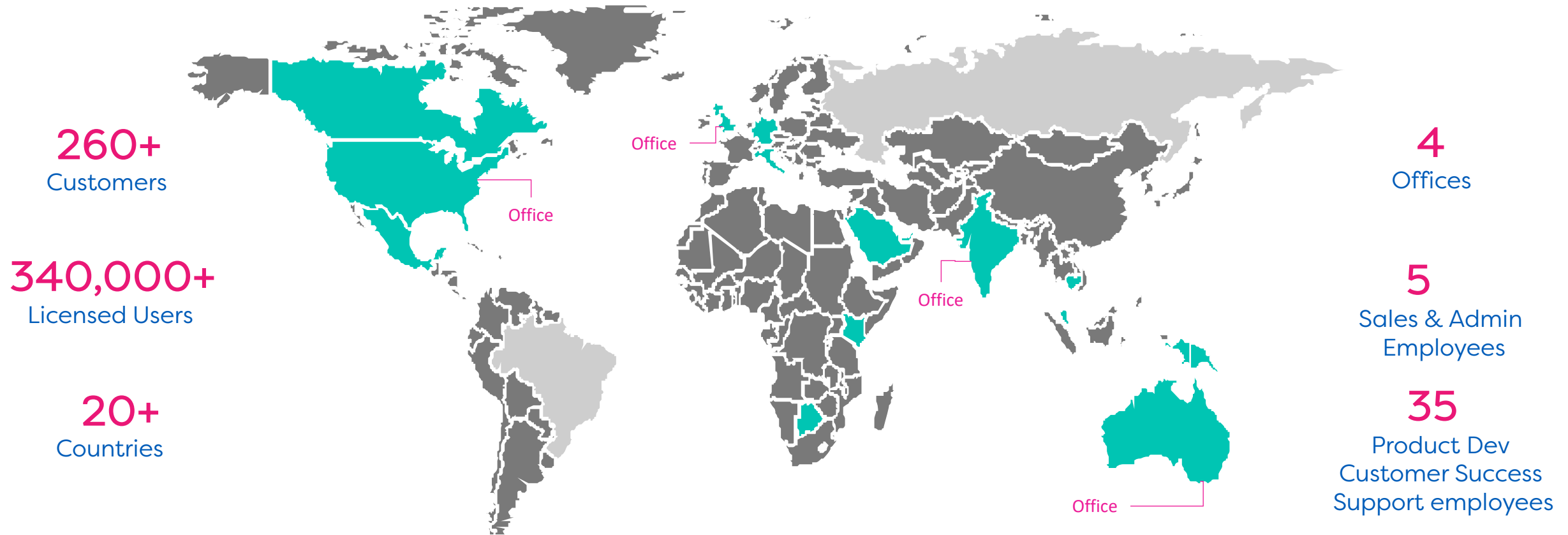
GreenOrbit Intranet Solutions



- GreenOrbit originates from a 25 year old pioneer in the Intranet industry
- GreenOrbit is a social based SaaS intranet hosted in the cloud for organisations to enable employees to manage documents, control workflows, share content and collaborate in real time, launched in 2019.
- Intranet Dashboard (ID), GO's legacy intranet product which services 68% of customers, will continue to be supported as customers upgrade to the next-gen GreenOrbit intranet solution
- GreenOrbit is considered a superior solution that has to-date resulted in an approximate 18% increase in customer spend and a low customer churn rate



GreenOrbit Footprint



GreenOrbit - High Quality Client Brands



Over 340,000 Licensed Users Worldwide

GreenOrbit Transaction Summary



Offer	<ul style="list-style-type: none">• Knosys will acquire 100% of the issued capital in GreenOrbit Pty Ltd (GO), including subsidiary companies in US, UK & India.• GreenOrbit vendor will receive approx. 37m fully paid ordinary shares in Knosys as consideration• This impliedly values GreenOrbit at approx. \$5 million (at 13.5c close price on ASX, 14 Dec 2020)
GreenOrbit overview	<ul style="list-style-type: none">• GreenOrbit is a leading provider of intelligent intranet solutions with over 260 clients and 340,000+ licensed users, across more than 20 countries, with 40 employees.• GreenOrbit has a next generation, social based, SaaS intranet solution, GreenOrbit which is hosted in the cloud for organisations to enable employees to manage documents, control workflows, share content and collaborate.• GreenOrbit guidance is approximately \$2.8m in annualised recurring revenue (ARR) end of FY21.
Strategic Rationale	<ul style="list-style-type: none">• Building a diversified SaaS product offering• Scaling into a global revenue footprint• Establishing international sales offices and customer support and success capabilities in India• Accelerating opportunities for revenue growth and profitability• Attractive acquisition multiple
Financial Impact	<ul style="list-style-type: none">• Operating synergies in the order of \$250,000 are expected by Knosys in the first 12 months post-acquisition• Additional investment in sales & marketing personnel planned in first 12 months post-acquisition
Ownership Impact	<ul style="list-style-type: none">• Existing Knosys shareholders will own approximately 80.1% of KNO after transaction completion with 19.9% held by the Vendor of GreenOrbit, as a new KNO shareholder.• Vendor supports the Knosys growth strategy and currently intends to participate in future capital raisings to maintain their 19.9%
Timing	<ul style="list-style-type: none">• The acquisition is expected to complete in February 2021, subject to satisfaction of conditions precedent including Knosys' shareholder approval at General Meeting of equity consideration.

GreenOrbit Acquisition Highlights



Acquisition of GO – leading provider of Cloud Intranet solutions for employee engagement and communications

Scrip-for-scrip acquisition of 100% of the GreenOrbit company. Vendor currently intends to participate in future capital raises.



Strengthens and expands Knosys' solutions range.

Providing future organic sales growth, reduces key client risk and diversifies customer base



Creating a global information management group

Delivering increased scale and operational leverage. Delivers global sales, customer support and success teams to support future growth



Attractive financial profile

Acquiring GreenOrbit with guided approx. \$2.8m ARR end of FY21. Lean cost structure will assist the move to profitability.



Highly complimentary product set and client base

The business combination provides increased revenue diversity, greater scale and a platform for accelerated growth



Accelerate Innovation

New innovation and development will be enabled with complimentary KM and Intranet technology stacks and development teams

Intranet Explained



What is it?

An intranet allows companies to build a private, secure network that can only be accessed by that company's employees. The intranet serves as the portal for employees to access internal and external resources, and enables workers to communicate, collaborate, and share documents and other information.

Intranets are Important for Organisations

- they offer a central space for communication and information for employees to search on a daily basis
- they provide improved access to learning and knowledge for employees to be involved in new ideas and crowdsourcing information
- outside of email, it is the most common software used by all employees in an organisation
- social intranets support complete two-way engagement whereby employees don't just passively consume; they can ask questions, discuss, give feedback and share the news



Expanding Global Market Opportunity

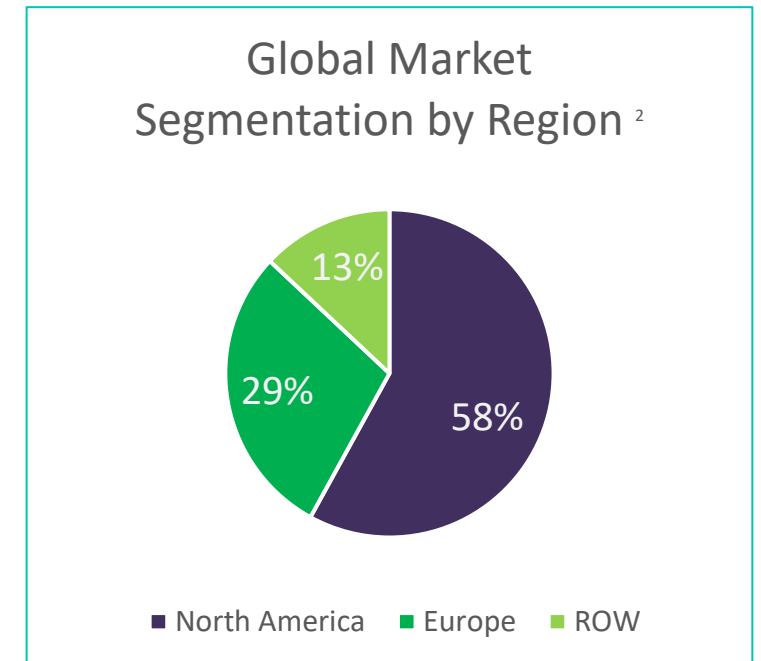


Global Intranet as a Service Market is expected to register a CAGR of 14.2% during the forecast period 2019 to 2025, reaching a value of USD \$5.5 billion in 2024¹

The 'Intranet as a Service' market is driven by:

- ✓ The rising need for high employee efficiency and engagement
- ✓ The rising demand for digital workplace solutions in the market
- ✓ Minimised cost of maintenance
- ✓ Increased flexibility in operations
- ✓ Rising number of SMEs in the world
- ✓ Increased demand for cloud-based solutions

Fragmented competitive landscape provides further acquisition opportunities in this market



¹Market Research Future April 2020

²Gartner, Intranet Research 2020

Competitive Market highlights



The global Intranet “Out of the Box” market is characterized as follows¹:

- ✓ Sample of 20 vendors have average annualized revenue of USD9.8m
- ✓ Sample of 20 vendors have annual revenues ranging from USD4.2m to USD50m
- ✓ Vendor growth rates vary from 30% to 130% per annum
- ✓ Vast majority of deployments (79%) are in the range of 101 users through to 10,000 users
- ✓ Total deployments per vendor range from 28 to 1,000 customers
- ✓ Vendor hosted SaaS solutions represent a 45% share of the market

GreenOrbit Revenue Growth

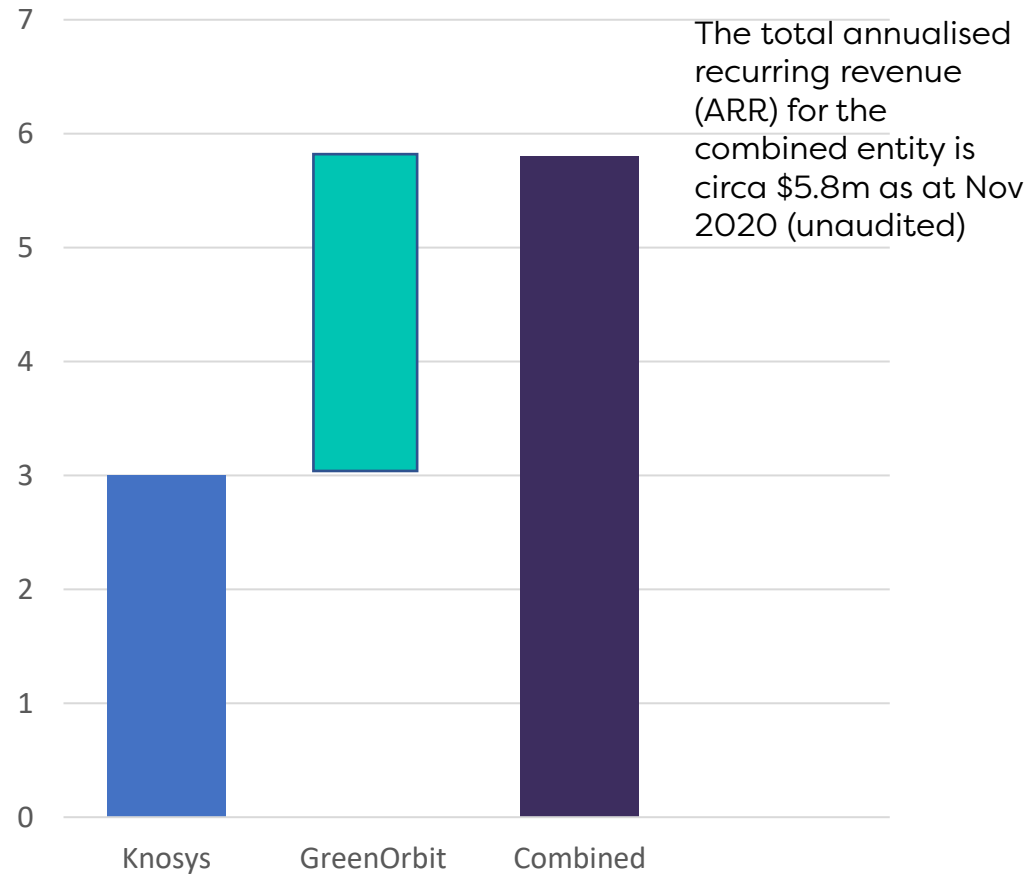


Pivot from restructuring to growth strategy	GreenOrbit has focused on restructuring since mid 2019. The Knosys team will redefine the corporate growth strategy for execution by the now freed up middle management team
Increase Investment in Sales & Marketing	Current GreenOrbit S&M spend is <5% of ARR vs industry standard of 28%. Knosys will invest in resources, a more targeted sales strategy including digital marketing campaigns and industry events.
Maximise retention through renewal process and price uplift	In FY21, over 50% of clients using Intranet Dashboard are expected to upgrade to the next-gen GO solution, which to-date includes an average 18% price increase. Churn risk is managed through a new active customer engagement program.
Intranet as Service is a growing market, vendors achieve good annualized growth	GreenOrbit operates in the global market and already has circa. \$1.3m in ARR derived from the North American market. Competitors are growing at circa 30% (Jostle) with others at 130% (Livetiles) based on research data.
Strong Customer value proposition “Out of the Box”	GreenOrbit deploys intranets swiftly, at significantly lower cost, with significantly better employee experience than custom developed Intranets

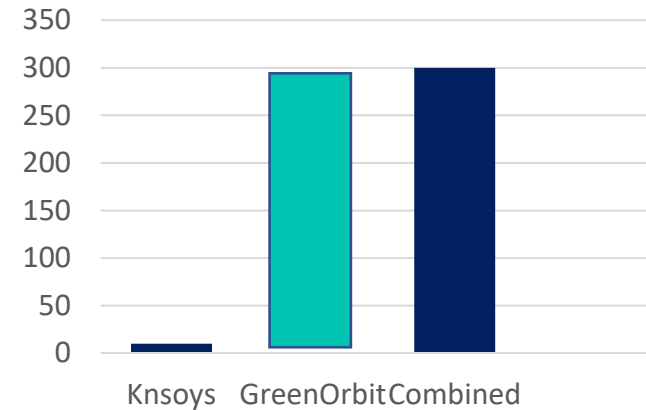
Revenue Diversification in FY21



ARR (\$m) as at Nov 2020

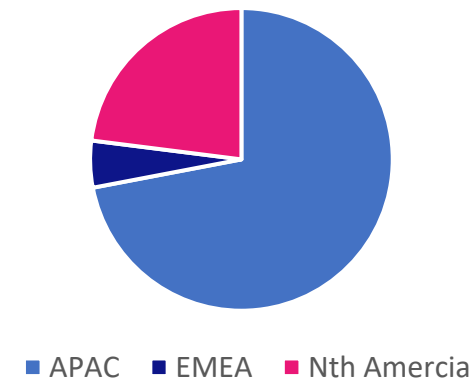


Customer Diversification



The Knosys customer base is primarily Enterprise and the GreenOrbit customer base is primarily mid-market. Key client risk is reduced from 26% of revenue to 16%.

Geographic Diversification



In FY20, all Knosys revenue was generated in APAC. Moving forward, we expect a greater contribution from the North America and Europe as our diversified product range is sold globally.

 Knowledge Management

 Intelligent Intranet

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