

ASX Announcement

31 January 2021

December 2021 Quarterly Activity Report and Appendix 4C

Key Highlights:

- **Increase in ARR to \$8.9m:** Q2 reflects the full contribution from both the GreenOrbit and Libero acquisitions and Annual Recurring Revenue ("ARR") is now tracking at \$8.9m compared with the prior corresponding period ("pcp") of \$3m ARR.
- **Customer numbers at over 360:** The Company has a strong and diverse customer base across multiple regions (pcp of 9 customers).
- **Strong annual growth in cash receipts:** Q2 receipts from customers of \$1.9m, up 157% from \$0.7m on pcp, primarily due to the contribution from acquisitions of GreenOrbit and Libero. Q2 cash receipts were lower than \$2.9m in Q1, however cash inflow is normally higher in Q1 due to the timing of annual renewals.
- **Positive operating cashflow for 1H FY22:** Operating cash outflow of \$0.7m for Q2 offset operating cash inflow of \$0.9m in Q1, reflecting positive operating cash flow of \$0.2m in 1H FY22. This was down from \$1m on pcp due to increased sales & marketing spend consistent with the company's enhanced growth strategy and expanded operations.
- **Solid cash position:** The cash balance at 31 December was \$3.6m, which is after the \$1m final cash payment to the Libero vendors in Q2 and \$0.26m of equity contributions.
- **New wins in KM:** New customer wins in Q2 in Knowledge Management and increased purchase orders from existing customers increase annualised revenue by over \$230K.
- **Acquisitions performing well:** GreenOrbit continues to deliver revenue uplift from an increased Annual Revenue Per User ("ARPU") on annual subscription renewals and Libero revenues tracked ahead of expectations in the first full quarter contribution in Q2. Cross selling and cost sharing opportunities are being realised as planned.

Knosys Limited (ASX:KNO) ("Knosys" or the "Company"), is pleased to provide this December 2021 quarterly activity report and Appendix 4C.

December 2021 Quarter cashflow

In the December 2021 quarter, Knosys received \$1.9m in cash receipts from customers, up 157% on the \$0.7m received in the December 2020 quarter, due to a full quarter contribution from both recent acquisitions, GreenOrbit and Libero. Group cash inflows are typically lower in Q2 compared to Q1 with a higher proportion of annual subscriptions occurring at the commencement of the financial year. Cash receipts from customers for the 1H FY22 were \$4.8m, 73% higher than pcp.

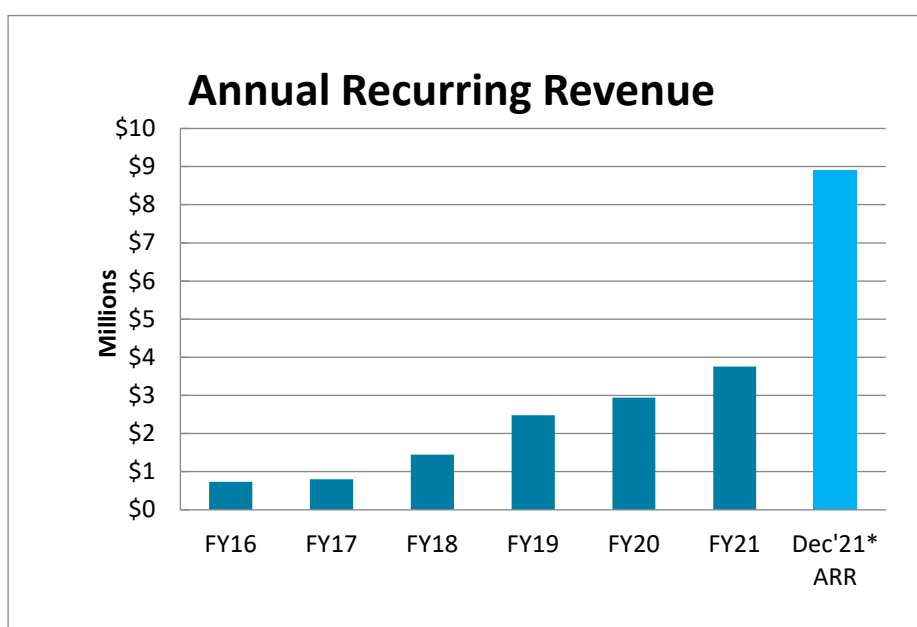
Knosys generated negative operating cash flow of \$0.7m in Q2, however the operating cash flow was positive by \$0.2m in the first half to December 2021. This was down 70% on pcp from \$1m in 1H FY21

due to increased spend on sales & marketing and expanded operational costs following the two acquisitions and consistent with the company's enhanced growth strategy. Staff costs increased to \$1.7m in Q2, reflecting the full employee cost base for the combined KIQ, GO and Libero businesses.

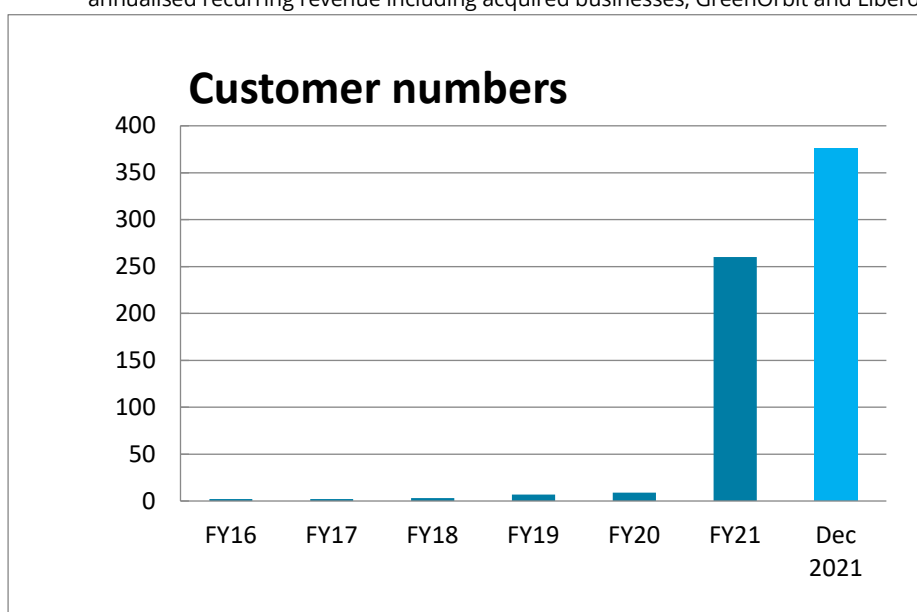
Full quarter contribution from acquisitions

The Q2 results include a full quarter contribution from Libero, acquired on 31 August 2021. The December 2021 ARR below includes the diversified revenue streams of all three pillars of the Knosys multi-SaaS product offering, Knosys Knowledge IQ, GreenOrbit Intelligent Intranet and Libero Library Management Software. Knosys is building on this strong base of recurring revenue.

The consolidated business has over 360 customers (pcp of 9 customers), principally across Australia, US, UK, EU and Asia and has annualised recurring revenue (ARR) of \$8.9m (pcp of \$3m ARR) as we enter the second half of the FY22 financial year.



*annualised recurring revenue including acquired businesses, GreenOrbit and Libero



Organic growth

Knosys had a strong Q2 of new customer wins and a big quarter of tendering activity. In Q2, Knosys secured four new customer wins in Knowledge Management and a 3,500 user expansion from a major banking customer. Together these will contribute an additional \$230K of annualised revenue.

The group continues to experience an improved sales pipeline for enterprise and mid-market prospects despite the impact of COVID-19 and the varying business conditions being experienced across all regions.

GreenOrbit (GO) continued to generate revenue growth through increased ARPU on annual subscription renewals as well as through new customer growth. GO continues to work with its customers to convert users from the legacy Intranet dashboard software to the GO platform. This generates increased ARPU and results in additional service and implementation fees.

The December quarter included the first full quarter contribution from the Libero business. Integration of Libero has progressed well and Libero recurring revenues are running ahead of expectations.

Knosys continued work in Q2 on consolidating its global customer base to a single cloud service provider to improve operating margins and minimise the need for additional cloud resources going forward.

Executing on the enhanced growth strategy

In November 2021, Knosys released its Growth Strategy Presentation to the market. The Knosys vision is to empower organisations to make smart connections with their information. The market demand for the Knosys portfolio of SaaS solutions is driven by the remote workforce, customer expectations of consistency, content explosion & siloes as well as information governance & compliance.

Knosys estimates the total market opportunity across Employee Experience, Knowledge Management and Library Management solutions to be around \$30B per annum globally.

Knosys strategic goals for 2024 are to:

- Be recognised as a leading vendor with a leadership position in all its solution spaces;
- Grow its global customer base to over 1,000 customers; and
- Have over 1m contracted users.

In order to achieve these goals Knosys will be focused on growing revenue from existing customers, growing new customer revenues in existing geographic markets, growing its brand awareness, expanding its solutions offering and IP and accelerating growth through acquisitions.

Marketing spend in Q2 increased to \$170K, up from \$140K in Q1, to accelerate customer acquisition and revenue growth.

Solid cash position

The cash balance of \$3.6m at 31 December 2021 reflects the impact of \$0.2m net operational cash inflows for the half year, \$3.2m in investing cash out flows related to acquisitions and \$0.26m in equity contributions from the exercise of options and loan shares. Knosys remains well funded to execute on its growth strategy.



Knosys Managing Director, John Thompson said, "Q2 represents a major operational milestone for Knosys as it is the first quarter which reflects the full contribution from both GreenOrbit and Libero. Both of these acquisitions are performing ahead of expectations with increased ARPU on annual subscription renewals and our ARR has now increased to \$8.9m. In addition, Q2 was a strong quarter of tendering activity for both Knowledge Management and Library Management solutions, so our pipeline for the second half of FY22 is healthy. We continue to assess complementary acquisition opportunities, which could further accelerate our growth in this fast-growing market for digital solutions."

ABOUT KNOSYS

Knosys is a leading SaaS provider based in Melbourne, with specialist expertise in helping businesses manage information and knowledge. We enable organisations to make sense of information and use it to connect, collaborate and drive strong business outcomes for customers, employees and stakeholders. Our focus is on developing solutions that enable businesses to make the most of information and knowledge assets that sit within their organisation. This currently includes knowledge management, intranet and library management solutions.

"Connecting People and Information"

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This announcement was approved for release to ASX by the Board of Directors.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Knosys Limited

ABN

96 604 777 862

Quarter ended ("current quarter")

31 December 2021

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	1,874	4,824
1.2 Payments for		
(a) research and development	(95)	(177)
(b) product manufacturing and operating costs	(312)	(554)
(c) advertising and marketing	(170)	(311)
(d) leased assets	-	-
(e) staff costs	(1,659)	(3,059)
(f) administration and corporate costs	(367)	(550)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	7
1.5 Interest and other costs of finance paid	(2)	(5)
1.6 Income taxes paid	(6)	(12)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(735)	163
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses – net of cash acquired	(983)	(2,726)
(c) property, plant and equipment	(23)	(36)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other – M&A consulting and legal fees	(164)	(504)
2.6	Net cash from / (used in) investing activities	(1,170)	(3,266)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	266	266
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings – ROU liability	(32)	(63)
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	234	203

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,303	6,532
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(735)	163
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,170)	(3,266)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	234	203
4.5	Effect of movement in exchange rates on cash held	(8)	(8)
4.6	Cash and cash equivalents at end of period	3,624	3,624

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	2,072	2,392
5.2	Call deposits	306	1,665
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	1,246	1,246
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,624	5,303

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 – Director remuneration	142
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other – ROU lease liability (AASB16)	158	158
7.4	Total financing facilities	158	158
7.5	Unused financing facilities available at quarter end		-
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>The amount above is disclosed under AASB 16. This is the Right of Use lease liability relating to the company's property lease for its head office in Melbourne.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(735)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,624
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,624
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	5
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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.

31 January 2022

Date:

By the Board

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.