

ASX Announcement

28 July 2022

June 2022 Quarterly Activity Report and Appendix 4C

Key Highlights:

- **Cash receipts growth >100% in FY22:** Q4 customer receipts of \$2.6m, up 82% on Q4 FY21 and FY22 customer receipts of \$9.4m, up 104% on FY21, reflecting both acquisition and organic growth.
- **Annual Recurring Revenue (ARR) of \$9.4m:** tracking at an \$9.4m ARR run in July 2022, 54% up on \$6.1m ARR run rate in July 2021.
- **Positive quarterly cash flow:** Q4 FY22 net operating cash inflow of \$385K, which includes annual payment from a major customer of \$1m.
- **Global trends driving pipeline growth:** Knosys entering FY23 with Industry trends driving a healthy pipeline of opportunities for its portfolio of solutions.
- **Self-funded investment in growth:** In FY22, Knosys invested in growth through an increase in sales & marketing spend, accelerated product development and expanded operations including global presence in the US and Europe.
- **Approaching cash flow breakeven:** The FY22 net operating cash outflow of \$189K is expected to improve in FY23 through increased operating leverage as revenues increase faster than operating expenditure and investment in growth. FY23 will see the full contribution from the Libero acquisition.
- **Solid cash position:** The cash balance of \$3.1m at 30 June 2022 has increased further to \$4.6m at 27 July 2022.

Knosys Limited (ASX:KNO) ("Knosys" or the "Company"), 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, is pleased to provide its June 2022 quarterly activity report and update on the Company's operations and business outlook.

June 2022 Quarter

In the June 2022 quarter, Knosys received \$2.6m in cash receipts from customers, up 82% on the June 2021 quarter, and generated positive operating cash flow of \$385K. The Q4 operating cash flow includes an annual major client payment of \$1m and a focus on working capital management in GO and Libero.

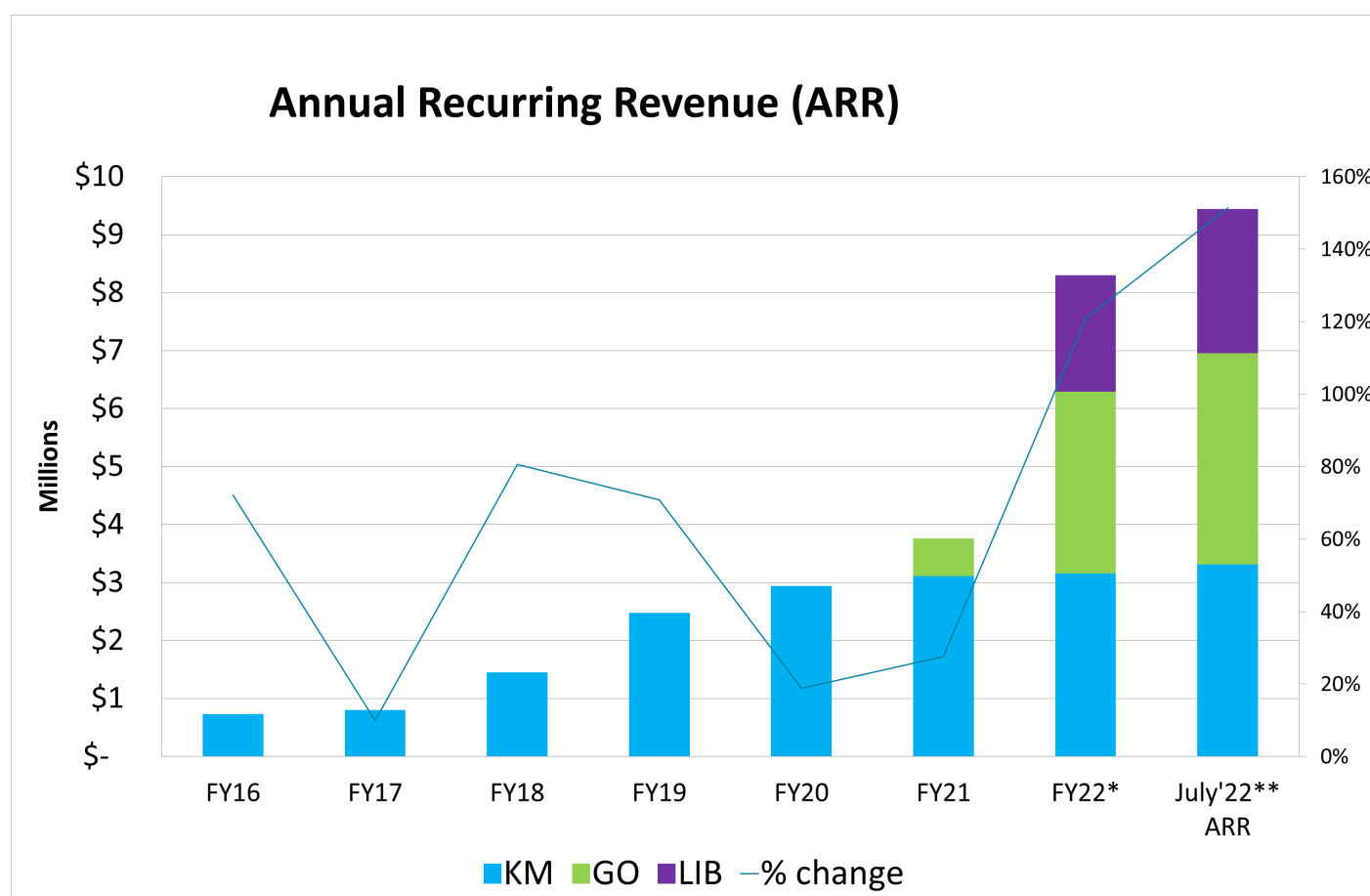
Total customer receipts in FY22 increased by 104% on the prior year to \$9.4m, reflecting a combination of acquisition growth and underlying organic growth. The FY22 net cash out flow of just \$189K demonstrates the sustainability of the Knosys business model in self-funding the enhanced growth

strategy over the past year. FY22 included a ten-month contribution from the Libero business, acquired end August 2021. FY23 will receive a full year's contribution from Libero.

Growing recurring revenue base with new contract wins

Knosys has a recurring revenue base across its portfolio of solutions, Knosys KnowledgeIQ, GreenOrbit Intelligent Intranet and Libero Library Management Software.

The consolidated business has over 50 employees, circa 350 customers and an annual recurring revenue (ARR) run rate at July 2022 of \$9.4m. In Q4, Knosys announced a major contract with Healthdirect Australia for KnowledgeIQ with an expected total contract value of over \$650K over four years. In addition, there were further wins in Australia and the United States for KIQ, Libero and GreenOrbit solutions, signing new customers The Australian Club, National Film and Sound Archive of Australia, Snowy Monaro Library and Heritage Bank. Entering FY23, Knosys has a healthy pipeline of opportunities across its solutions driven by current industry trends and demand.



* FY22 reflects actual recurring revenue for the year, including the impact of acquisitions

**July'22 ARR reflects July'22 month's recurring revenue annualised to give an annual run rate

Industry trends driving demand for the Knosys product suite

Knosys has a mission to empower businesses of all sizes, from large enterprise organisations to small companies, to make smarter connections with their information.

An organisation's ability to engage, inform, automate, modernise, and deliver the ultimate customer/employee experience from wherever their employees are working from, is crucial to maintaining a competitive position and sustained business success. The Knosys solutions are extremely well positioned to fulfill that need, providing organisations with the security of business continuity and functional productivity improvement, in an increasingly demanding environment.

The four key drivers of demand across all our solutions are:

1. The growth in number of remote workers, which started before covid and accelerated over the past few years during covid and is now moving to a hybrid office/home work-model.
2. Increased customer expectations of consistent information across all channels, including at the physical office, a contact centre, a mobile phone, website or chat bot.
3. The need for high quality governance and compliance processes, which are especially important for organisations that operate in a highly regulated environment, as these organisations need to be able to track and trace all interactions with their customers.
4. The content explosion and information overload, driving demand for our solutions which simplify and prioritise information to ensure that workers only see the information they need to perform their role with increasing efficiency and effectiveness.

Knosys will continue its focus on growth in FY23 and will benefit from these industry trends, with continued revenue growth from existing customers, cross-selling into the expanded geographic footprint and ongoing product development to maintain a competitive and leading value proposition.

Fully funded to execute

The cash balance at 30 June 2022 was \$3.1m. This increased further to \$4.6m as at 27 July 2022 due to the further collection of annual customer payments. Knosys remains fully funded to execute on its growth plans and expects FY23 revenue growth to exceed that of operating expenditure and investment in sales and marketing, showing further evidence of its operational efficiencies.

Knosys Managing Director, John Thompson said, "Over the past year, we have successfully diversified our revenue by solution and geography and we now generate revenue from three different solutions across key geographies, including the US and Europe. We are currently one year into our three-year growth strategy and we are very pleased to deliver top line growth of over 100% in FY22, including an ARR growth of 54%, with near breakeven operating cash flow and no additional cash funding. Our continued growth over the years ahead will be underpinned by solid industry demand and increased operating leverage."



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")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,588	9,424
1.2 Payments for		
(a) research and development	(118)	(412)
(b) product manufacturing and operating costs	(316)	(1,264)
(c) advertising and marketing	(216)	(647)
(d) leased assets	-	-
(e) staff costs	(1,666)	(6,391)
(f) administration and corporate costs	(359)	(1,342)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	8
1.5 Interest and other costs of finance paid	(2)	(10)
1.6 Income taxes paid	(17)	(45)
1.7 Government grants and tax incentives	490	490
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	385	(189)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses – net of cash acquired	-	(2,726)
(c) property, plant and equipment	(9)	(59)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(40)	(582)
2.6	Net cash from / (used in) investing activities	(49)	(3,367)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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)	(127)
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	(32)	139

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,777	6,532
4.2	Net cash from / (used in) operating activities (item 1.9 above)	385	(189)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(49)	(3,367)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(32)	139
4.5	Effect of movement in exchange rates on cash held	15	(19)
4.6	Cash and cash equivalents at end of period	3,096	3,096

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	1,599	1,530
5.2	Call deposits	751	1
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	746	1,246
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,096	2,777

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	139
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)	95	95
7.4	Total financing facilities	95	95
7.5	Unused financing facilities available at quarter end		-
7.6	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.		
	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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	385
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,096
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,096
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<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.

28 July 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.