

## ASX Announcement

31 July 2023

# Q4 FY23 Activity Report and Appendix 4C

### Key Highlights:

- **Total FY23 cash receipts up 13% on pcp:** Q4 FY23 cash receipts of \$2.2m including \$0.8m R&D rebate, with an additional \$3.0m received from customers to date in July. Total FY23 cash receipts of \$11.2m, up 13% on pcp.
- **Steady Annual Recurring Revenue (ARR):** ARR of \$9.5m at July 2023, up 1% year-on-year and steady quarter-on-quarter.
- **Revised growth strategy:** In the past quarter, the growth strategy has been refined to prioritise product development and customer acquisition in the Knowledge Management and Library Management solutions.
- **Restructure of operations to align with revised strategy:** Focus on operational efficiency and a reduction in operating expenses by around \$1m for FY24.
- **Solid cash position:** Cash balance of \$2.0m at 30 June 2023, increased to \$4.2m at the date of this report.
- **Outlook:** Targeting cashflow and EBITDA breakeven, while continuing to enhance solution features to satisfy existing customer and market requirements and pursuing growth in recurring revenue.

**Knosys Limited (ASX:KNO)** ("Knosys" or the "Company") is pleased to provide its June 2023 quarterly activity report and update on the Company's operations and business.

### June 2023 Quarter (Q4 FY23)

In Q4 FY23, Knosys received \$1.4m in cash receipts from customers and a \$0.8m R&D rebate. An additional \$3.0m has been received from customers to date in July. Knosys typically receives annual renewal payments from several large Enterprise clients in late June and early July and therefore has high variability in quarterly cash flows. Pleasingly, total cash receipts in FY23 were up 13% to \$11.2m, including the R&D rebate.

### Review, refocus and restructure

In Q4 FY23, Knosys refined its business strategy to meet the changing market conditions by continuing to reduce operational costs and prioritising product development and customer acquisition in the Knowledge Management and Library Management solutions. Both solutions can lead the market, with competitive differentiation leading to greater growth opportunities globally.

The refocused growth strategy was supported by a restructure of operations in late Q4, which has resulted in an estimated \$1m reduction in future annual operating costs, achieved primarily through a reduction in head count. This positions the Company well to pursue its objective of operating at breakeven EBITDA or better.

### Customer renewals and new business activity

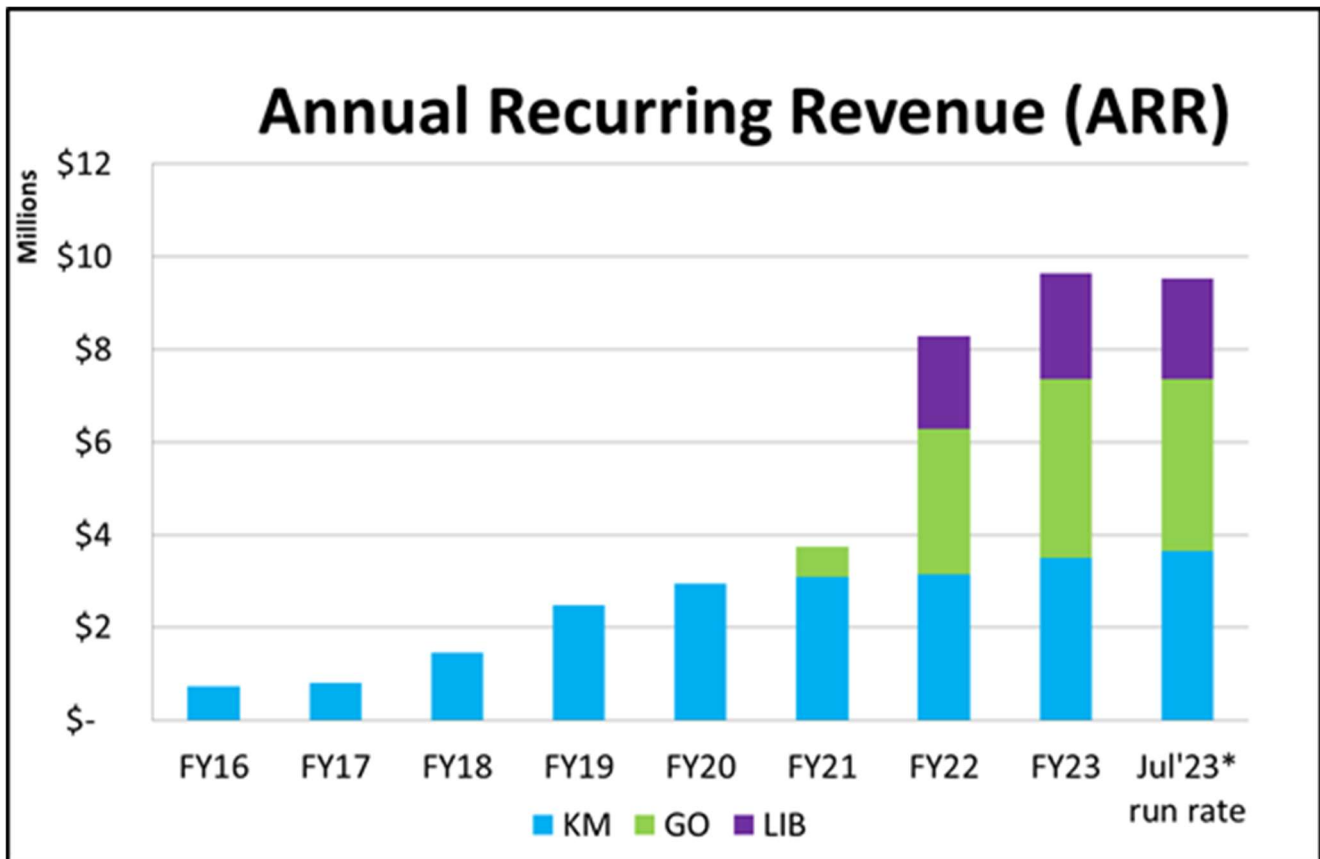
During the month of June and in early July, annual renewal invoices totalling over \$3.8m were issued, including to several key enterprise customers. As at the date of this report, over \$3.0m of debtor balances have been collected since 30 June, giving a current cash balance of \$4.2m.

The Customer Experience and Success team continues to successfully focus on multi-year contract renewals for the Libero and GO customers, who were previously on 12-month or even shorter rolling renewal arrangements. Knosys benefits from further stabilising the recurring revenue profile of the Group and customers enjoy greater certainty, greater security and improved budgeting predictability as new contracts provide agreed pricing arrangements over the multi-year term of the contracts.

The sales and marketing team continues with its pursuit of new sales, submitting multiple tenders across all product lines, with emphasis on recent Libero and Knowledge Management opportunities. The business development pipeline in both Knowledge Management and Libero is strengthening, particularly around mid-market opportunities, thus validating the pivot to focus on these two solutions.

### Annual Recurring Revenue (ARR)

Annual Recurring Revenue is tracking in line with the previous quarter, with a run rate of \$9.5m at end of July 2023, up 1% on the prior year July 2022 run rate.



\* July'23 ARR reflects July'23 monthly ARR annualised to give an annual run rate

## **Appendix 4C cashflow report - released with this activity report**

In Q4 FY23, Knosys received \$1.4m in cash receipts from customers and a \$0.8m R&D rebate. The June quarter is a seasonally low cash receipts quarter. Total cash receipts from customers for the full year were \$10.4m. With the addition of R&D and other rebates of \$0.8m total receipts for the FY23 year were \$11.2m.

Operating Cash outflows for Q4 FY23 were \$2.8m, 9% lower than the prior quarter and included the impact of personnel cash outflows associated with the Q4 restructure. Key operating cash outflows were lower than previous quarters in the areas of Staff costs, Product Manufacturing & Operating costs and Admin & Corporate costs.

Net operating cash outflow was \$0.6m for the quarter and \$0.8m for the FY23 year. After the impact of capital expenditure and lease liability payments, total net cash outflow was \$0.7m for the quarter and \$1.1m for the FY23 year.

The cash balance at 30 June 2023 was \$2.0m, increasing to \$4.2m at the date of this report. The Company remains fully funded to execute on its growth strategy.

The aggregate payments to related parties, as disclosed in item 6.1 of the Appendix 4C, is comprised of director fees paid to the non-executive directors and salary payments to the managing director, in accordance with contractual arrangements.

## **Outlook**

Knosys Managing Director, John Thompson said, “Our revised growth strategy to prioritise product development and marketing in our highest growth potential areas, while controlling expenditure, is already delivering results. We are observing early signs of improved market demand after several months of delayed decision making from our customers at the corporate level around the procurement of new technology projects. We enter FY24 with a strengthening pipeline for our Knowledge Management and Library Management solutions and a reduced cost base to pursue our target of EBITDA breakeven. “

## **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”**

For further information please contact:

John Thompson, MD  
Knosys Limited  
T: +61 3 9046 9700  
E: [cosec@knosys.it](mailto:cosec@knosys.it)

OR

Katie Mackenzie  
Bellevue Investor Relations  
T: 0455 502 197  
E: [kmackenzie@bellevueir.com.au](mailto:kmackenzie@bellevueir.com.au)

*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 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,428	10,438
1.2 Payments for		
(a) research and development	(329)	(1,217)
(b) product manufacturing and operating costs	(451)	(1,951)
(c) advertising and marketing	(59)	(364)
(d) leased assets	-	-
(e) staff costs	(1,607)	(7,018)
(f) administration and corporate costs	(171)	(1,209)
1.3 Dividends received (see note 3)		
1.4 Interest received	6	22
1.5 Interest and other costs of finance paid	(1)	(5)
1.6 Income taxes paid	(47)	(48)
1.7 Government grants and tax incentives	759	773
1.8 Other (provide details if material) – gst (paid)/received	(154)	(256)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(626)</b>	<b>(835)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses – net of cash acquired		
(c) property, plant and equipment	(78)	(127)
(d) investments		
(e) intellectual property		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(f) other non-current assets		
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	(2)	(31)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(80)</b>	<b>(158)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		
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)	(139)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(32)</b>	<b>(139)</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	2,745	3,096
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(626)	(835)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(80)	(158)

**Appendix 4C**  
**Quarterly cash flow report for entities subject to Listing Rule 4.7B**

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
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	11	54
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,018</b>	<b>2,018</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	756	1,396
5.2	Call deposits	743	831
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	519	518
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,018</b>	<b>2,745</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1 – Director remuneration	136
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>		

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other – ROU lease liability (AASB16)	124	124
<b>7.4 Total financing facilities</b>	<b>124</b>	<b>124</b>
<b>7.5 Unused financing facilities available at quarter end</b>		-
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(626)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,018
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,018
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>3.22</b>
<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 July 2023

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.