

## ASX Announcement

28 August 2023

# FY23 financial results show steady increase in revenue and improved financial outcomes

### Key Highlights:

- **Recurring Revenue up 16%:** Total revenue up 12% to \$9.9 million and recurring revenue from license and support fees up 16% to \$9.6 million.
- **Key customer contract renewals:** Key enterprise renewals with ANZ Bank, Singtel, Optus and over 15 public libraries with multi-year contracts.
- **Focus on strategy refinement:** Strategically prioritised investment in areas of highest growth potential, following two years of acquisition growth.
- **Operational restructure:** Restructure of operations in June 2023, designed to reduce future annual operating costs by \$1 million, primarily through reduction in head count.
- **Disciplined cost control:** Net cash out flow from operating activities of \$0.8m and cash balance of \$4.2 million as at late July.
- **Improved results:** Net Loss After Tax of \$2.2 million, an improvement of 28% on the previous corresponding period.
- **Strengthening pipeline in FY24:** Focus on enterprise and mid-market opportunities in areas of highest potential growth is expected to achieve revenue growth whilst targeting EBITDA breakeven.

**Knosys Limited (ASX:KNO)** ("Knosys" or the "Company") is pleased to provide its financial results for the financial year ended 30 June 2023.

	FY23	FY22	change
<b>Sales Revenue</b>	\$9.9m	\$8.9m	Improved by 12%
<b>Adjusted Net Loss Before Tax*</b>	\$(1.0)m	\$(1.1)m	Improved by 7%
<b>Net Loss After Tax</b>	\$(2.2)m	\$(3.1)m	Improved by 28%
<b>Operating cash (out) flow</b>	\$(0.8)m	\$(0.3)m	Down by \$0.5m
<b>Cash balance**</b>	\$2.0m	\$3.1m	Down by \$1.1m

\*Adjusted Net Loss Before Tax adds back transaction costs and non-cash charges for amortisation of intangibles and share-based remuneration

\*\* The cash balance increased to \$4.2m as at 31 July 2023

Knosys Managing Director, John Thompson said, "We are very pleased to deliver strong financial results in FY23, with continued growth in recurring revenue and improved financial outcomes. Over the past year, our key enterprise customers signed contract renewals and we successfully implemented a revised sales and marketing strategy to focus on our highest growth solutions and markets."

## Overview of FY23 Results

In FY23, Knosys generated sales revenue of \$9.9m, up 12% from \$8.9m in FY22. Recurring revenue, from license and support fees, increased by 16% to \$9.6m in FY23. This revenue growth was driven by new customer acquisition, increased revenue per customer and a full 12-month contribution from the acquired Libero business.

The Australian business accounts for 63% of total revenue and was up 12% in FY23. This was driven by contract price increases for GreenOrbit and Knowledge IQ customers as well as the full year impact in FY23 of Knowledge IQ contracts with Services Tasmania (started March 2022) and Services SA (started June 2022), the commencement of license fees under the Health Direct contract and a full year contribution from the acquired Libero business.

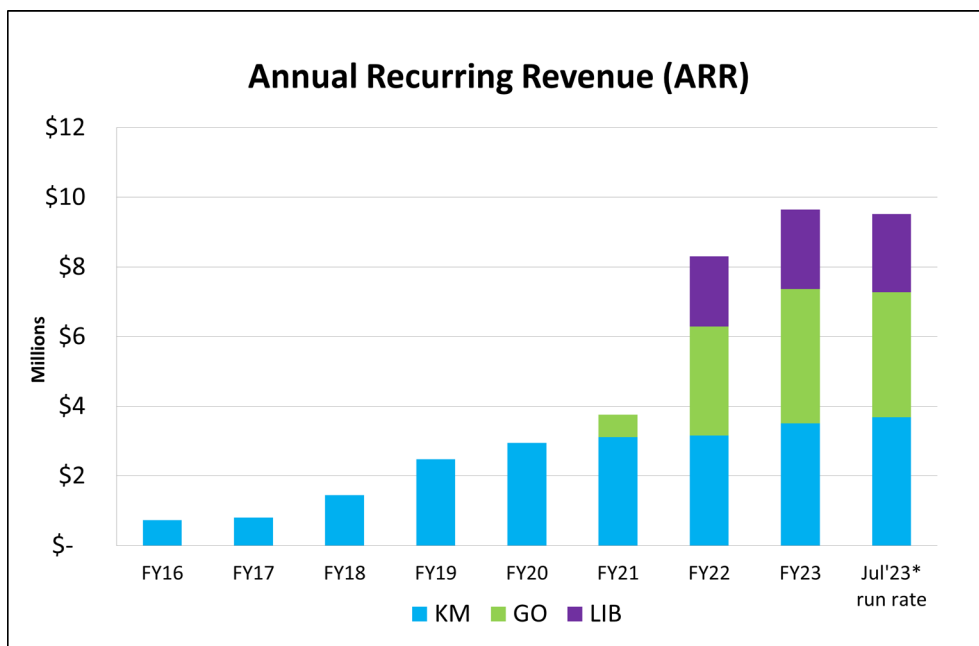
Combined revenue from the United States, New Zealand, Europe, Asia and Rest of World, accounts for 37% of total revenue and was up 11% in FY23. United States operations benefited from GreenOrbit's increased revenue per customer through contract price increases, while European operations benefited from the full year contribution from Libero in Germany.

Over the past year, employee costs increased by 3% to \$7.9 million and operating expenses were up 9% to \$12.1 million. These increases were consistent with the revenue growth impacts mentioned above, tempered by integration benefits and disciplined cost control.

In FY23, Knosys generated a loss before acquisition costs and income tax and before non-cash expenses for amortisation and share-based expenses of \$1.0m, an improvement of 7% on FY22. The net loss after tax was \$2.2 million, an improvement of 28% on FY22.

Operating cash flow was carefully managed with limited cash burn of \$0.8m in FY23. The cash balance of \$2 million at 30 June 2023 increased to \$4.2 million in late July 2023 due to the timing of cash receipts.

In FY23 Annual Recurring Revenue (ARR) continued to grow year on year and FY24 commences with a base ARR run rate of \$9.5m.



\* July23 ARR reflects July23 month's recurring revenue annualised to give an annual run rate

## **FY23 Year in Review**

Over the past year, Knosys was focused on integration, consolidation and strategy refinement to prioritise the areas of highest organic growth potential, following two years of acquisition growth, which expanded the solution suite and increased the operational footprint globally.

Knosys successfully implemented initiatives to increase the average revenue per customer across the domestic and international customer base, including upselling and relinquishing uneconomic customers. The sales and marketing team focused on new business lead generation, tender responses and the renewal and expansion of existing customer contracts across all solutions. In addition, Knosys successfully implemented a program to transition more existing customers to multi-year contracts to build Lifetime Contract Value (LCV).

Key customer contract renewals and extensions in FY23 included:

- ANZ Bank three-year contract extension to June 2025 for KnowledgeIQ, with a total contract value over \$5 million;
- Singtel two-year contract extension to January 2025 for KnowledgeIQ, with a total contract value of \$750K;
- Optus additional one-year contract extension to January 2025 for KnowledgeIQ, with a total contract value over \$1 million;
- Over 15 public library customers renewed, with multi-year contracts.

These renewals provide visibility on the recurring revenue base over the years ahead and enable strategic investment decisions to be made on further solution development and timing.

Although Knosys grew revenues in FY23, the company was impacted by lengthening time frames to finalise and proceed to contract sign-off, reflecting the mixed economic signals and corporate planning uncertainty affecting some customers. Most of these delayed contracts have been pushed back into FY24 with decisions expected in this financial year.

In FY23, Knosys increased investment in solution development and further refined the sales and marketing strategy to build a portfolio of market leading SaaS solutions across key industry verticals, including Health, Financial Services, Retail and Government. The future roadmap for all solutions was updated to prioritise high growth opportunities and to provide clarity on the direction for each of the Knosys solutions for their respective markets

Growth in the top line was achieved with disciplined cost control and continued investment through operating cash flow. In early FY23, Knosys restructured the support and testing capability through onshoring operations previously delivered by a team in India. This operational restructure delivered improved customer support and enhanced product development capability in a more efficient manner.

## **Review, refocus and restructure in June 2023**

In the last quarter of FY23, Knosys refined its business strategy to meet the changing market conditions, prioritising specific solution development and customer acquisition in the highest potential growth areas of Libero library management and knowledge management. Both solutions have the potential to be leaders in their respective markets, as they are considered business critical to existing and potential customers.

The strategic review of the Knosys solution portfolio included an assessment of the opportunity provided by the increased awareness and capability of Artificial Intelligence (AI). The updated roadmap includes consideration of the integration of emerging AI services that will deliver enhanced and new capability in the Knosys solutions.

The refocused growth strategy was supported by a restructure of operations in late Q4, which should result in an estimated \$1m reduction in future annual operating costs, achieved primarily through a reduction in head count.

## **FY24 Outlook**

“Having adjusted our strategy to prioritise balance sheet health, reduce cash burn, and accelerate our path to profitability, Knosys enters FY24 with a strong foundation of recurring revenue and a strengthening pipeline of enterprise and mid-market opportunities”, said Mr Thompson. “There are early signs of improved market demand after many months of delayed decision-making from customers at the corporate level around the procurement of new technology projects. Our refined strategy will prioritise our solution investment in Library Management and Knowledge Management to maintain our competitive position and to drive future growth. Our focus will remain firmly on disciplined cost control in FY24 as the Company continues to target EBITDA breakeven.”

## **ABOUT KNOSYS**

Knosys is a leading SaaS provider head officed in Melbourne, Australia and with operations located in Brisbane, Australia, the USA, Europe, UK and Singapore. Knosys provides specialist solutions and 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 improve productivity and decision making through effectively and efficiently accessing information and knowledge within their organisation. This currently includes knowledge management, intranet and library management solutions.

“Connecting People and Information”

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