

ASX Announcement

26 October 2023

Q1 FY24 Activity Report and Appendix 4C

Key Highlights:

- **Positive operating cash flow:** Q1 FY24 delivers net operating cash inflow of \$1.6m, up 42% on pcp, driven by a seasonally strong first quarter of cash receipts of \$4.2m, and a reduction in operating expenses.
- **Refined growth strategy delivering results:** Continuing to prioritise the Knowledge Management and Library Management solutions has increased inbound enquiries and the pipeline of activity.
- **Steady Annual Recurring Revenue (ARR):** ARR of \$9.5m at October 2023, steady year-on-year and quarter-on-quarter.
- **Improved cash position:** Cash balance of \$3.5m at 30 September 2023, up \$1.5m from prior quarter.
- **Outlook for FY24:** Continuing to target cashflow and EBITDA breakeven in FY24, while enhancing 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 September 2023 quarterly activities report and Appendix 4C cash flow report.

September 2023 Quarter (Q1 FY24)

In Q1 FY24, Knosys received \$4.2m in cash receipts from customers, reflecting the seasonally high level of receipts of annual renewal fees across all solutions at commencement of the financial year and including the annual renewal from KIQ's largest Enterprise customer. There is high variability in quarterly cash inflows throughout the year.

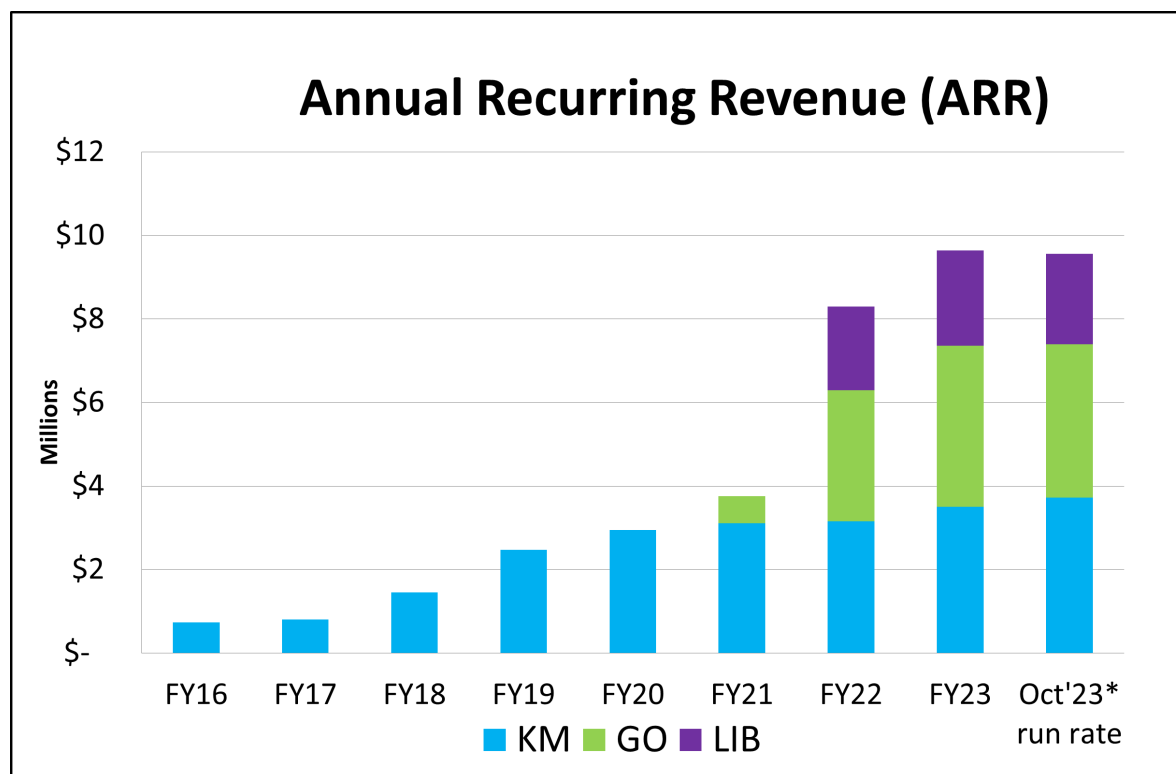
Business Activity

In Q1 FY24, Knosys refined the go-to-market strategy for Libero Library Management and hosted the annual Libero User Group session in Sydney. The customer feedback on the updated product development strategy has been positive and continues to be the foundation of our entering into multi-year agreements with these customers.

The level of inbound inquiries has increased throughout the quarter for both our library management and knowledge management solutions driven by our attendance at the Australian Contact Centre conference and our marketing campaigns within these industries. The FY24 pipeline currently consists of a strong, qualified pipeline of commercial discussions regionally and has several material opportunities globally.

Annual Recurring Revenue (ARR)

Annual Recurring Revenue is tracking in line with the previous quarter, with a run rate of \$9.5m at start of October 2023, steady year-on-year and quarter-on-quarter.



* Oct'23 ARR reflects Oct'23 monthly recurring revenue annualised to give the annual run rate

Appendix 4C cashflow report - released with this activity report

Knosys generated positive net operating cash flow of \$1.6m in Q1 FY24, up 42% on pcp, driven by the seasonally strong first quarter of cash receipts and a reduction in operating expenses, with staff costs down 30% on pcp to \$1.4m, compared to \$1.9m in Q1 FY23. The cash balance was \$3.5m at 30 September 2023, an improvement of \$1.5m compared to the cash balance at 30 June 2023.

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, "We are very pleased to see the early results of our revised growth strategy to prioritise our higher growth solutions and markets. We remain confident that we can achieve a leadership position in our Library Management and Knowledge Management solutions and we are prioritising product development and customer acquisition in these areas. Our refined marketing strategy has led to a significant increase in the level of inbound enquiries and an increase in our pipeline of activity. In addition, we have right-sized our cost base and continue to target EBITDA breakeven in FY24."



ABOUT KNOSYS

Knosys is a leading SaaS provider headquartered in Melbourne, with operations internationally, providing 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 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,184	4,184
1.2 Payments for		
(a) research and development	(275)	(275)
(b) product manufacturing and operating costs	(471)	(471)
(c) advertising and marketing	(46)	(46)
(d) leased assets	-	-
(e) staff costs	(1,352)	(1,352)
(f) administration and corporate costs	(464)	(464)
1.3 Dividends received (see note 3)		
1.4 Interest received	12	12
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	(29)	(29)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	1,558	1,558
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses – net of cash acquired		
(c) property, plant and equipment	(1)	(1)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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		
2.6 Net cash from / (used in) investing activities	(1)	(1)

3. Cash flows from financing activities		
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	(33)	(33)
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	(33)	(33)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,018	2,018
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,558	1,558
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1)	(1)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(33)	(33)
4.5	Effect of movement in exchange rates on cash held	(11)	(11)
4.6	Cash and cash equivalents at end of period	3,531	3,531

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	813	756
5.2	Call deposits	1,199	743
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	1,519	519
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,531	2,018

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	193
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>		

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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)	57	57
7.4 Total financing facilities	57	57
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)	1,558
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,531
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,531
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.

26 October 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.