

Investor Newsletter – December 2023

Dear Shareholders,

I am pleased to report that the 2023 calendar year has been an important period for Knosys. We have improved operating profitability off a consistent revenue base and we are further refining our growth strategy to focus on the business-critical SaaS solutions in the portfolio.

As reported in my recent Managing Director's AGM presentation, our unaudited Q1 FY24 quarterly results show stable revenue of \$2.5m and a positive EBITDA of \$0.2m, a substantial turnaround on the previous year's \$0.3m EBITDA loss. This was due to expense reductions from the restructure in Q4 FY23. We have maintained a healthy cash balance with cash receipts for Q1 FY24 seasonally strong at \$4.2m and a closing cash balance of \$3.5m.

We currently support three SaaS solutions with a shared services model for sales, product development and customer support. Following a comprehensive strategic review in Q4 FY23, Knosys identified its Library Management Solutions (LMS) as its most business-critical customer solution, with the highest growth potential over the next 3-5 years. Accordingly, we are now focusing more of our product development efforts into the Libero LMS as part of our refined growth strategy, whilst at the same time managing our operational efficiencies.

We are closely following the key technology trends in our industry, and we continue to develop solutions that, in the future, will include AI components, mobility and 3rd party integrations. An example of this is our new mobile application, Libero 6, which is a mobile library app that increases engagement and puts library services in the palm of members' hands.

In November, we exhibited and were dinner sponsors at the SWITCH 2023 Conference. With nearly 400 delegates including library managers and librarians, we showcased our revised market positioning and value proposition for Libero. We received positive feedback on our development plans, and we will work with our existing library customers over the months ahead to further refine our next-generation library management solutions.

Our pipeline of Marketing Qualified Leads continues to increase across our portfolio of solutions. We are also pleased to announce two new customers, an Australian-owned financial services group, based in Tasmania will implement KnowledgeIQ in their Contact Centre and a major provider of health and aged care services in Central Gippsland, Victoria will roll out our all-in-one intranet solution, GreenOrbit.

On behalf of the Board, I would like to thank you for your ongoing support as we focus on the exciting growth opportunities ahead.



John Thompson
Managing Director

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Staff Profile: Q&A with Michael Quillerat, Marketing Director



What attracted you to Knosys as the Marketing Director?

My background is in marketing roles that have been focused on data, analytics and SaaS, and I see significant value in Knosys' solutions to boost productivity, collaboration and connectivity in the digital workplace to deliver better experiences for our customers, and their customers. I was attracted to the opportunity to work across different software and systems, serving various industries and markets, each requiring tailored marketing strategies.

We are continuing to invest in new product development, and it is exciting to be part of an innovative team that is focused on future expansion into new territories and to further refine the positioning across brand, messaging, content and channel, helping Knosys achieve its growth ambitions.

What are some of the top trends you are seeing in the market for SaaS products?

The three key trends in SaaS are Artificial Intelligence (AI), 3rd party integration / API connections, and cloud solutions.

- **Artificial Intelligence:** There is a lot of discussion around the potential for artificial intelligence in the SaaS space, and we are starting to receive more queries about the potential role AI could be taking in our own software solutions as a result. We are keeping a close eye on competitors in this space as AI evolves over time to identify where the real value-added solutions will be developed in this space.
- **3rd party integration/API Connections:** We continue to look for opportunities to work with SaaS vendors, that provide integration as part of the solution capability instead of redirecting customers to third parties. SaaS vendors have an opportunity to create a stronger competitive advantage by enabling integrations to their software, rather expecting potential customers to do this themselves. A more collaborative relationship with SaaS vendors may also reduce the long lead to contract cycle.
- **Cloud:** The move to cloud-based solutions continues to be a key trend, as businesses shift from on-premises infrastructure to cloud-based technology. We find that there is a significant variance in understanding on cloud-based solutions between industries and individuals at the decision maker level, and therefore we could play an important role in de-mystifying and educating our customers on cloud related issues.

What key initiatives have you implemented over the past 6 months?

The Marketing team has implemented a number of key initiatives over the past 6 months, including:

- ✓ Refocussing the marketing effort in line with strategic direction of the organisation to prioritise Libero and KnowledgeIQ;
- ✓ Recommended and implemented a product-led marketing strategy by refreshing the brand and ensuring that each software solution is positioned to target the most prospective industries;
- ✓ Recommended and introduced Marketing Qualified Lead (MQL) definitions for marketing, shifting the dial in lead generation over the past 6 months;

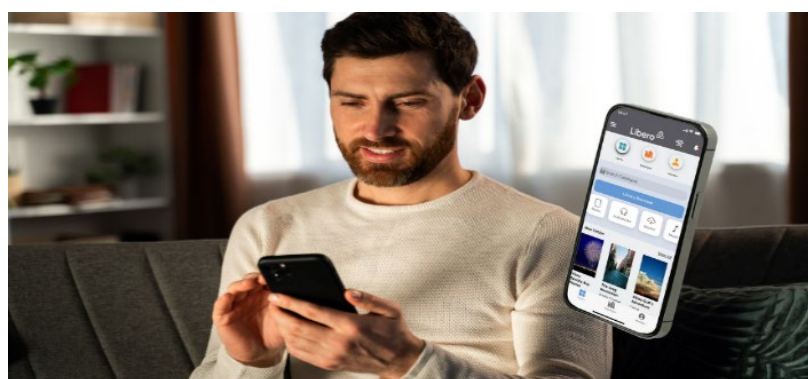
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- ✓ Developed and launched a User Group Conference registration and awards campaign for Libero, resulting in more than double registrations on previous event and multiple award nominations across 3 categories;
- ✓ Introduced the 'See Think Do Act' content strategy framework and created content teams across the business to develop a content plan to support strategic direction; and
- ✓ Worked with the business to create internal messaging and positioning of Knosys**Elevate**, a staff program that brings together mission, values, strategy and departmental Objectives and Key Results (OKRs) to support growth and engagement, launching in December.

How is the pipeline of activity heading into 2024?

Our new business pipeline has strengthened over the past six months, as we focus on lead generation for Libero and KnowledgeIQ. We have seen a significant uplift in the number of Marketing Qualified Leads in the business compared to prior year, and we expect this will continue to build into 2024.

Introducing Libero 6 (Mobile)



Knosys is developing a new mobile application, Libero 6, which is a mobile library app that increases engagement and puts library services in the palm of members' hands.

This self-serve app gives members access to a wide selection of library services with just a few taps on their smartphone.

Members can search the catalogue, make reservations, renew loans, find their nearest library, get notifications and reminders, and use their smartphone as a library card.

Initially this will be available for libraries using Libero 6 (LMS), but it will ultimately be a LMS vendor agnostic solution capable of integrating with other vendors via API and webservice.

Knosys Libero sponsors the annual SWITCH Conference, showcasing upcoming product development

Knosys was delighted to be a sponsor and an exhibitor at the recent SWITCH Conference from 14-17 November in Sydney for public libraries in NSW. With library managers, librarians, IT and local councils, the conference was attended by nearly 400 people.

Knosys took the opportunity to reposition the Libero Library Management System with a refreshed look and revised value proposition, and to share exciting plans for product development.

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The conference generated a number of new opportunities that we are currently following up.

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Key customer wins in 1H FY24

Knosys is pleased to announce the recent signing of an Australian-owned financial services group, based in Tasmania. This customer will implement KnowledgeIQ in their Contact Centre to improve organisation efficiencies, including call wait/handling times and effective onboarding of new staff. With initial integration with Genesys, the customer aims to connect with other providers as the system evolves.

In addition, a major provider of health and aged care services in Central Gippsland, Victoria has signed with Knosys, to rollout our all-in-one intranet solution: GreenOrbit. With 7 sites offering 24/7 health care services, this customer aims to provide a modern, engaging, centralised hub to access information and processes, as well as people directories, poll/surveys, templates policies and, room bookings, private groups, onboarding materials and online forms.

Overview of Q1 FY24 results: Significant improvement in operating profitability

In October 2023, Knosys released its September 2023 quarterly activity report which showed seasonally strong cash receipts of \$4.2m and positive operating cash flow of \$1.6m.

As released in the Managing Director's AGM presentation, Knosys' unaudited Profit and Loss results for the quarter show stable revenue of \$2.5m and positive EBITDA of \$0.2m. This represents a significant improvement in operating profitability compared to the prior year. There will be a continued focus on operational efficiencies, whilst investing in strategic product development initiatives for the library management and knowledge management suite of solutions.

In FY24, Knosys is targeting further organic growth and with the increased operating efficiencies is aiming to approach cash flow break even for the full year. Favourable industry trends support increased investment in the pipeline of Library Management Solutions (LMS) and support the 3-5 year growth plan for this solution.