

ASX Announcement

31 January 2024

## Q2 FY24 Activity Report and Appendix 4C

### Key Highlights:

- **Positive operating cash flow in 1H FY24:** Net operating cash flow was seasonally stronger in Q1 and seasonally weaker in Q2, with overall positive operating cash flow for 1H FY24 of \$739k, a significant improvement on the prior comparative period.
- **Significant reduction in cost base on stable revenue:** Total operating outflows of \$4.7m in 1H FY24 were down 22% on the prior comparative period, due primarily to a reduced head count.
- **Steady Annual Recurring Revenue (ARR):** ARR of \$9.4m at January 2024, steady year-on-year and quarter-on-quarter.
- **Introducing Libero 6 (Mobile):** Continued development of the new mobile application as part of the Libero 6 product enhancement release.
- **Solid cash position:** Cash balance of \$2.7m at 31 December 2023, increasing to \$3.9m as at 31 January 2024.
- **Outlook for FY24:** On track to deliver positive EBITDA in 1H FY24 and FY24, whilst continuing to review the Knosys solution portfolio to ensure future investment is made in highest growth areas.

**Knosys Limited (ASX:KNO)** (“Knosys” or the “Company”) is pleased to provide its December 2023 quarterly activity report and Appendix 4C.

### December 2023

Over the past six months, Knosys has prioritised operational efficiency, resulting in a reduced cost base which has driven improved cash flow and positive EBITDA. Knosys generated positive operating cash flow in 1H FY24 of \$739k, which is a significant improvement on the net operating cash outflow of \$182k in the prior comparative period.

In 1H FY24, total cash receipts of \$5.6m were down 7% on the prior comparative period, due to a change in timing of some customer receipts and reduced revenue contribution from GreenOrbit. Operating cash outflows of \$4.7m were down 22% on the prior comparative period, leading to improved financial outcomes from operations. Staff payments decreased by 28% to \$2.6m and marketing payments decreased by 56% to \$107k compared to the prior comparative period.

The Company expects to report a positive EBITDA for 1H FY24, in its upcoming half year report and is on track to deliver positive EBITDA results for the full year in FY24.



**Product Roadmap / Product Update** 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. Knosys is now allocating a greater share of its product development resources to library management solutions.

Knosys is developing a new mobile application, Libero 6 (Mobile), which is a library application for mobile devices that will increase engagement and put library services in the palm of members' hands. This self-serve app will give members access to a wide range of library services with just a few taps on their smartphone.

Members will be able to search library catalogues, 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 library management vendors via API and webservice.

In November, Knosys attended the SWITCH 2023 Conference. With nearly 400 delegates, including library managers and librarians, the revised market positioning, planned product enhancements and value proposition for Libero was showcased. Feedback on the product development plans was positive and Knosys will work with existing library customers over the months ahead to further refine its next-generation library management solutions.

## **Business Activity**

In Q2 FY24, Knosys signed up an Australian-owned financial services group based in Tasmania for the implementation of KnowledgeIQ in their Contact Centre to improve organisational efficiencies, including call wait/handling times and effective onboarding of new staff. Via 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 the all-in-one GreenOrbit intranet solution. 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.

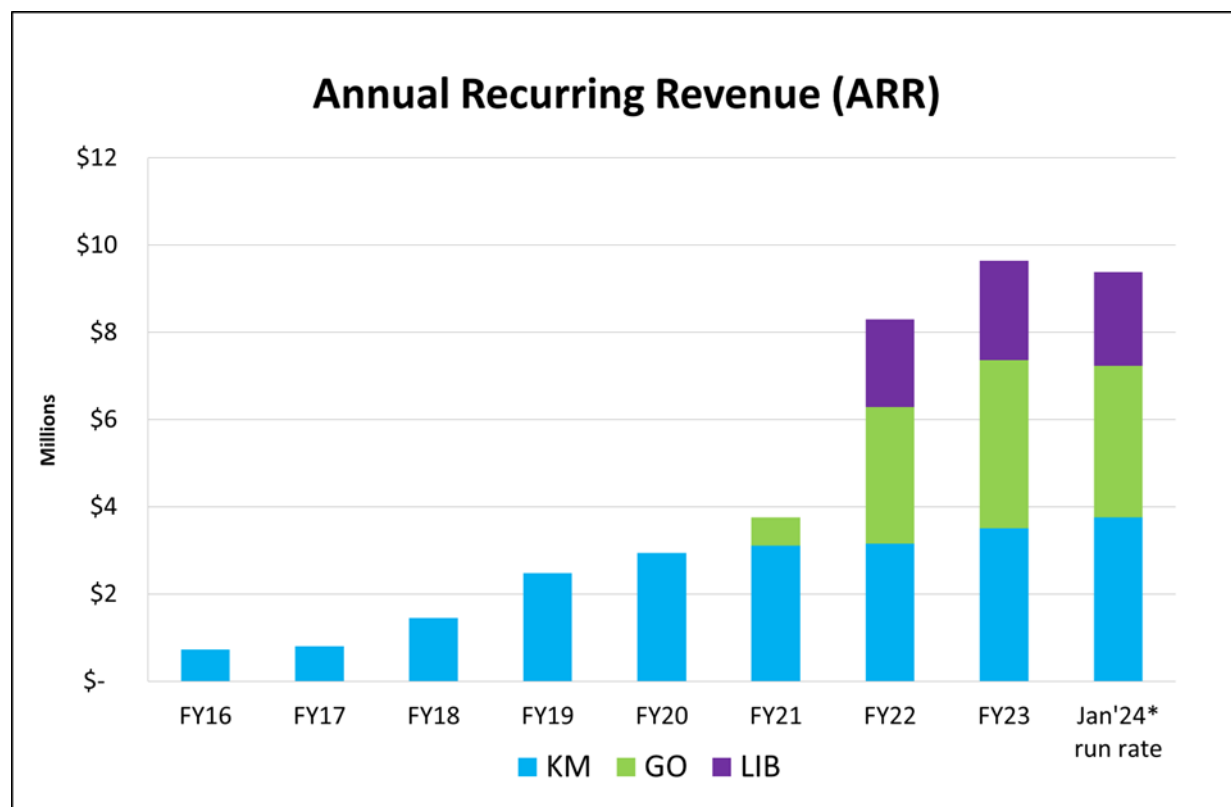
Key marketing initiatives over the past six months include:

- Aligned the marketing focus to prioritise Libero and KnowledgeIQ with a refreshed brand;
- Launched a User Group Conference registration and awards campaign for Libero, resulting in multiple award nominations.
- Created internal messaging and positioning of KnosysElevate, a staff development program that brings together mission, values, strategy and departmental Objectives and Key Results (OKRs) to support growth and engagement within the team.

The level of tender activity remains strong and the pipeline of Qualified Leads continues to increase across the portfolio of solutions.

## Annual Recurring Revenue (ARR)

Annual Recurring Revenue is tracking in line with the previous quarter, with a run rate of \$9.4m at start of January 2024, steady year-on-year and quarter-on-quarter.



\* Jan'24 ARR reflects Jan'24 monthly ARR annualised to give an annual run rate

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

In Q2 FY24, Knosys received \$1.4m in cash receipts from customers, reflecting the seasonally lower level of receipts in the second quarter. Quarterly operating outflows decreased to \$2.2m in Q2 FY24, down 16% quarter-on-quarter compared to Q1 FY24. Knosys generated net operating cash outflow of \$819k in Q2 FY24, down from the seasonally high inflow of \$1.6m in Q1 FY24, reflecting the seasonally weaker second quarter. Overall Knosys generated a positive operating cash flow in 1H FY24 of \$739k (prior comparative period \$182k outflow), resulting in a closing cash balance of \$2.7m at 31 December 2023. This cash balance has increased to \$3.9m as at 31 January 2024, with the receipt of December/January annual licence fee invoicing.

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 with the improved financial results of our operations, delivering a positive cashflow in 1H FY24. Our disciplined cost control, whilst retaining revenue stability, will enable us to report a positive EBITDA in our upcoming half year report."

"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 3<sup>rd</sup> party integrations. Our primary focus is now on new product development for next-generation library management solutions. The initial feedback from customers is positive and we are excited about the growth potential of our solutions in this market moving forward."

## 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")**

31 December 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,368	5,552
1.2 Payments for		
(a) research and development	(162)	(437)
(b) product manufacturing and operating costs	(507)	(978)
(c) advertising and marketing	(61)	(107)
(d) leased assets	-	-
(e) staff costs	(1,278)	(2,630)
(f) administration and corporate costs	(173)	(637)
1.3 Dividends received (see note 3)		
1.4 Interest received	21	33
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income taxes paid	(26)	(55)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(819)</b>	<b>739</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	(3)	(4)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(3)</b>	<b>(4)</b>

<b>3.</b>	<b>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	(34)	(67)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(34)</b>	<b>(67)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,531	2,018
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(819)	739
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(4)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(34)	(67)
4.5	Effect of movement in exchange rates on cash held	(18)	(29)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,657</b>	<b>2,657</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	770	813
5.2	Call deposits	618	1,199
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	1,269	1,519
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,657</b>	<b>3,531</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	140
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)	477	34
<b>7.4 Total financing facilities</b>	<b>477</b>	<b>34</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)	(819)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,657
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,657
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>3.2</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 January 2024

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.