

ASX Announcement

26 February 2024

## Operational efficiency delivers net profit and positive operating cash flow

### Key Highlights for First Half FY2024:

- **\$5.3M revenue with a significant reduction in cost base:** Total revenue of \$5.3m, stable on pcip, and \$1.4m in expense reductions produces a positive EBITDA of \$0.6m.
- **Net Profit:** Net profit attributable to members of \$0.1m, compared to \$1.3m net loss on pcip.
- **\$9.4m Annual Recurring Revenue (ARR):** ARR of \$9.4m at January 2024, steady year-on-year.
- **Positive operating cash flow:** Operating cash inflow of \$0.7m, compared to an operating cash outflow of \$0.2m on pcip.
- **Refined growth strategy:** In line with market demand, priority will be given to Library Management Solutions (LMS), including the continued development of the new next-generation mobile applications.
- **Strong cash balance:** Cash position of \$2.7m at 31 December 2023, further increased to \$3.9m by 31 January 2024.
- **Positive outlook for FY24:** On track to deliver positive EBITDA in FY24, whilst continuing to invest in solutions with high growth potential.

**Knosys Limited (ASX:KNO)** ("Knosys" or the "Company"), is pleased to report on its first half FY2024 ("1H FY24") financial results for the period ending 31 December 2023.

### 1H FY24 Results Overview

	1H FY24	1H FY23	Δ
<b>Total Revenue</b>	\$5.3m	\$5.3m	-
<b>Revenue from license, support and project fees</b>	\$4.9m	\$5.1m	Down 3%
<b>EBITDA</b>	\$0.6m	\$(0.8)m	Up \$1.4m
<b>Net Profit/(Loss) attributable to members</b>	\$0.1m	\$(1.3)m	Improved \$1.4m
<b>Operating cash inflow / (outflow)</b>	\$0.7m	\$(0.2)m	Improved \$0.9m
<b>Cash balance</b>	<b>Dec'23</b> \$2.7m	<b>Jun'23</b> \$2.0m	Improved \$0.7m

Knosys Managing Director, John Thompson said, "We are very pleased to report key operational and financial results for the first half of FY24, including positive EBITDA, NPAT and operating cash flow, whilst maintaining revenue stability in a difficult market. This reflects efficiency gains, disciplined cost control and a focus on our highest growth potential solutions. We continue to invest in new solution development for next-generation LMS and we remain confident especially in the growth potential of this solution moving forward."

### **Overview of 1H FY24 Results**

Total revenue of \$5.3m in 1H FY24, was down 1% on pcp. License, support and project fees of \$4.9m were down 3% on pcp, reflecting steady recurring revenues and lower project implementation fees.

Annual Recurring Revenue (ARR) remains steady at \$9.4m, and revenue from existing customers has tracked in line with expectations.

These outcomes reflect the difficult trading conditions facing most business solutions vendors for the last year notwithstanding the fact that Knosys gained new contracts during the half.

New customer acquisitions included an Australian-owned financial services group based in Tasmania, for the implementation of KnowledgeIQ in their Contact Centre, and a major provider of health and aged care services in Central Gippsland, Victoria who will roll out the GreenOrbit intranet solution. Licence fee revenue from these wins will begin in 2H FY24.

Over the past six months, Knosys has prioritised operational efficiency, resulting in a reduced cost base and positive EBITDA of \$0.6m in 1H FY24, compared to an EBITDA loss of \$0.8m in 1H FY23. Total operating expenses of \$5.2m were \$1.4m (22%) lower than the pcp, primarily due to reduced personnel, marketing and consultant expenses.

Knosys is currently allocating a greater share of its solution development and other resources to its Library Management Solutions (LMS). The company comes to library management with an established and growing presence in the sector. We have existing customers in Australia and Europe. Knosys is now developing a new mobile application, Libero 6 (Mobile), which is a library application for mobile devices that will increase user engagement and put library services in the palm of members' hands. 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.

Knosys has identified that, amongst its three core solutions, its LMS is the solution with the highest growth potential over the next 3-5 years. LMS is a business-critical requirement within library operations and there is strong local and global market share to be addressed. Knosys is now focusing more on developing next-generation LMS and associated mobile solutions, initially through the Libero 6 product enhancement release.

Positive operating cash flow of \$0.7m in 1H FY24, was up significantly from an operating cash outflow of \$0.2m in 1H FY23. The cash balance of \$2.7m at December 2023, increased to \$3.9m at 31 January 2024.

The positive net profit of \$0.1m in 1H FY24 reflects a turnaround of \$1.4m on the prior comparative period loss of \$1.3m. This result is after the impact of non-cash charges of \$419K for share-based payments and the amortisation of intangible assets.

## **Outlook**

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

Knosys has demonstrated its ability to operate efficiently and has produced positive EBITDA and cashflow for the half year. The Company will continue to manage its costs and focus on the efficient use of resources, in order to remain on track to deliver a positive EBITDA for 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”**

*The Board of Knosys Limited has authorised the release of this announcement to the market.*

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