

ASX Announcement

25 January 2021

Strong revenue growth, positive cashflow and profitability

Highlights for the Half Year Ending 31 December 2020

- **Strong revenue growth:** A 26% increase in license, support and project fee revenues to \$2.0 million and a 23% increase in total revenue, including R&D incentives to \$2.4 million, on the December 2019 half year.
- **Positive operating cashflow:** Positive operating cashflow of \$864K, up from a loss of \$25K in the December 2019 half year, due to improvements in the working capital cycle and the timing of payments. Total cash balance of \$5.9m, following \$2.9m in new capital raised via placement in December 2020.
- **Positive net profit:** A significant operating milestone of \$248K in net profit, driven by revenue growth and an ongoing focus on cost control, which highlights the scalability and leverage in the operating model.
- **Implementing the growth strategy:** The acquisition of GreenOrbit is expected to increase the annualised revenue run rate of the combined entity to ~\$5.8 million, with further growth expected through pipeline conversion into contracts, increased investment in sales and marketing and a redefined 'Knosys 2.0' brand launch in the second half.

Knosys (ASX: KNO), a global software-as-a-service (SaaS) information technology company, is pleased to report on its first half FY2021 financial results for the period ending 31 December 2020.

Revenue from the core fee activities of Licensing, Support and Projects increased by 26% to \$2.0 million and total revenue (including government grants and R&D incentive) increased by 23% to \$2.4 million compared to the December 2019 half year.

Knosys has continued to deliver a stable revenue stream, principally from long standing Enterprise customers on multi-year contracts. In addition, in the first half Knosys generated professional services fees related to the ANZ Bank NZ contract for the deployment of a standalone Knowledge IQ system in New Zealand.

Cash generation from operating activities was also very strong in the half year at \$864K (including GO transaction costs of \$140k), up from an operating cash outflow of \$25K in the December 2019 half year. This strong cashflow, combined with the successful capital raising of \$2.9 million in December 2020, has produced a strong cash balance of \$5.9 million as at December 2020.

Net profit increased to \$248K, up from a loss of \$662K in the December 2019 half year. This positive net profit is a significant operating milestone for Knosys, driven by strong revenue growth and an ongoing focus on cost control and highlights the scalability and leverage in the operating model.

John Thompson, MD of Knosys said, "We are very pleased with the underlying performance of our core Knowledge Management business in the first half with strong revenue growth, cash generation and profitability. This provides us with a strong foundation to continue our expansion as a leading SaaS information management business in the digital workplace, through the integration of our recent GreenOrbit acquisition."

Outlook

Knosys executed a conditional sale and purchase agreement to acquire all the issued shares in GreenOrbit Pty Ltd (“GO”), a leading SaaS Intelligent Intranet software provider in December 2020.

GO is a leading provider and operator of intranet solutions which facilitate efficient and secure internal communications and information sharing for over 260 clients, with more than 340,000 licenced users across more than 20 countries. GO has a diverse revenue base targeting both SMEs and blue-chip clients such as Harvey Norman, Webjet, Cotton-On and Audi. Clients typically pay an annual subscription licence fee based on the number of licences.

When combined with GreenOrbit’s annualised recurring revenue base of approx. \$2.8 million (subject to completion), Knosys expects to significantly increase its total annualised recurring revenue to approximately \$5.8 million.

GreenOrbit is to be consolidated into the Knosys group from February 2021 (subject to completion) and is showing good progress with new customer engagement across its core ANZ, US and UK markets. During the second half of the financial year, Knosys will be focused on integration activities in order to combine the two businesses at an operation level and position the company to maximize revenue and earnings opportunities in FY22. The company is pursuing further growth in recurring revenue by filling the sales pipeline and increasing new contract opportunities. This will be accomplished through increased investment in sales resources in the second half of FY21 and by executing its global marketing plan in the coming months to drive inbound opportunities for the combined business. Knosys will also continue the upsell program of the latest version of GO software to existing GreenOrbit customers, providing greater value to customers and improved recurring revenue metrics, further improving the solid revenue baseline for the next financial year.

In the second half of FY21, Knosys will increase investment in sales and marketing to align with the economic recovery in key target markets, including a ‘Knosys 2.0’ brand launch with a redefined brand essence to “Building Smarter Information Connections.”

John Thompson continued, “We are committed to building a leading multi-SaaS information management business with global operations. Our focus on the second half will be on integrating the GreenOrbit acquisition and implementing plans to grow the annualised recurring revenue run rate through new contract wins, cross-selling, up-selling and our brand re-launch. Our greater investment and associated expenditure are all about accelerating the GreenOrbit integration and positioning the combined businesses for more growth. We have great solutions for our customers which address their employee experience and customer engagement requirements.”

ABOUT KNOSYS

Knosys is a leading software as a service (SaaS) provider based in Melbourne, with specialist expertise in helping businesses manage information and knowledge. We enable organizations to make sense of information and use it to connect, collaborate and drive strong business outcomes for customers, employees and stakeholders. Our focus on building solutions that enable businesses to make the most of information and knowledge assets that sit within their organisation. This currently includes knowledge management systems and intranet systems, with more to come.

For more information please visit: <http://www.knosys.it>

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