

**ASX RELEASE**

ASX: KYP

**Kinatico transitions to profitability on revenue growth and efficiency initiatives****Highlights**

Kinatico reports \$0.4m Net Profit After Tax (NPAT) in March 2023 quarter (Q3 FY23)



\$0.2m cash positive in Q3 FY23, excluding buyback expenditure



Net cash from operating activities up 95% on previous quarter to \$1.4m (Q2 \$0.7m)



SaaS revenues total \$1.5m in Q3 FY23, up 143% on pcp; annualised SaaS revenues are now \$5.8m



Record revenue of \$7.0m reported in Q3 FY23, 21% of which is SaaS revenue

Leading Australian *Know Your People* RegTech company, Kinatico Limited (ASX:KYP) (Company or Kinatico) is pleased to provide the following Quarterly Activities Report for its third quarter of the 2023 financial year (Q3 FY23) reporting period.

**Kinatico CEO Michael Ivanchenko said:** *“Despite a still challenging macro-economic environment, Kinatico recorded a number of notable achievements in the March 2023 quarter. The Company continued to grow revenue, improve margins, and increase Software-as-a-Service (SaaS) revenue, all while moving to its maiden, quarterly profitable status.*

*These pleasing financial metrics clearly demonstrate that, Kinatico’s best of breed “know your people” software has it in the right place at the right time to leverage off increased regulatory demands being placed on Australian companies. Kinatico’s technology offering gives our corporate clients – be they in disability care, the resources sector or other industrial sectors - the ability to simplify their workforce compliance management.*

*From here, the regulatory demands placed on our clients are expected to intensify not lessen. In the previous quarterly activities report, I noted that Kinatico, as the market leader in screening and credential validation, was uniquely positioned to take advantage of the next phase in regulatory technology. This includes putting context and meaning around compliance information, including moving from point in time transactions to continuous solution provision for a monthly fee. This remains the case today. We are continuing to see this view validated in our discussions with existing and prospective customers.*

*Reflective of this evolutionary process, SaaS revenue as a share of our total revenue base has continued to expand at pace, to be 21% in the March 2023 quarter. Importantly, we still at the start of this growth opportunity in our home Australian market – and that is before one considers the international opportunity presenting.*

*I personally want to thank the Kinatico team for our many achievements in the quarter. Kinatico's transformation towards SaaS has occurred whilst simultaneously delivering overall revenue base growth, a larger gross margin (66.5%) and a maiden quarterly NPAT.*

*I am confident that the Company transformation will continue to gather pace throughout calendar 2023.*

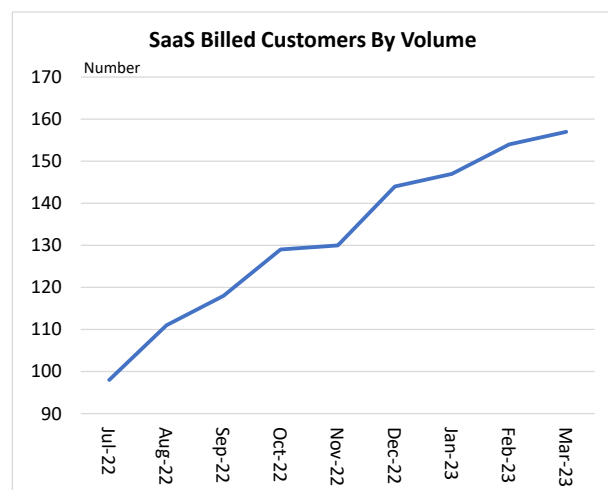
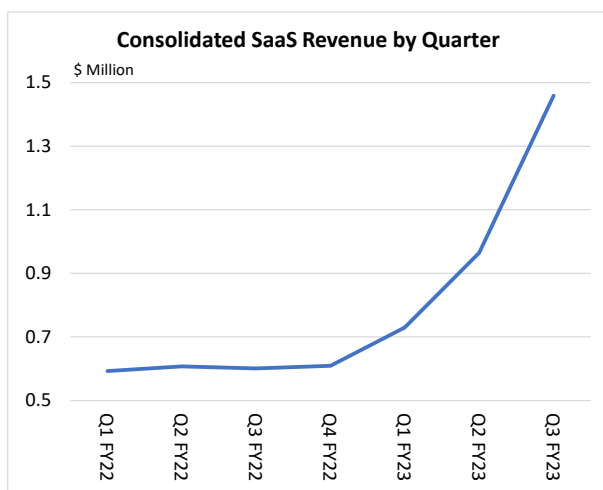
## **CGIS strategy continues to deliver; Kinatico transitions to profitability**

Kinatico's *Continue to Grow and Innovate at Scale* (CGIS) strategy is delivering results, increasing revenue from the daily value that organisations get from having control of their compliance without any accompanying burdensome complications.

Whilst Kinatico continues to be the market leader in screening and credential validation, the largest growth in the Company's business relates to daily workforce compliance monitoring and management, reflected in the growth of SaaS revenue.

Kinatico continues to build on its position as an aggregator of regulatory technologies operating multiple products and brands (CVCheck, Cited, OnCite, Enable) to ensure market fit across multiple segments, enhancing reach and market potential.

The Company has continued to grow scale via its ongoing shift from being only a credential checking business to a provider of simplified daily compliance management Software-as-a-Service. It earned \$1.5m in SaaS revenue in Q3 FY23, an increase of 143% on the prior corresponding period (pcp). Annualised SaaS revenue is now \$5.8m, up from \$2.4m in pcp. An increasing portion of Kinatico customers are choosing the inherent value and benefit of a SaaS solution that simplifies their compliance management. Some of these customers are new to Kinatico, and others are existing CVCheck product customers choosing to transition to a SaaS solution.



Kinatico's Q3 FY23 total revenue was \$7.0m, an increase of 2% on pcp and a record quarterly figure, despite a challenging macro-economic environment. Total revenue over FY23 to date is \$20.6m, up 5% on the pcp figure of \$19.7m. SaaS for the quarter contributed 21% of the total reported revenue, up a substantive 12 percentage points on the pcp level of 9%.

In previous quarters, the Company has announced and delivered automation and process improvements across the business.

During Q3 FY23, those improvements, together with the shift towards SaaS revenue, resulted in the Company further improving its gross margin (revenue less direct third-party cost of sales) from 64.9% in Q2 FY23 to 66.5% (Q3FY23). This margin metric is also up 2.7 percentage points on pcp (63.8%).

**The improvements reported in both the revenue and cost bases of the business allowed Kinatico to generate a net profit after tax of \$0.4m in its Q3 FY23.**

Kinatico also reported a positive underlying cash position (excluding buy-back expenditure) of \$0.2m quartering its Q3 FY23. During the quarter, Kinatico spent \$0.4m on the on-market share buy-back (\$60k was spent in Q2 FY23). This meant the Company finished the quarter with a closing cash balance of \$10.4m. Cash generated from operating activities grew by 95% to \$1.4m in Q3 FY23 on a previous quarter basis (Q2 FY23: \$0.7m) and 60% on a pcp basis (Q3 FY22: \$0.9m). This means that Kinatico has reported generated positive cash from operating activities for 11 consecutive quarters.

Kinatico's financial position remains robust, with no debt on the balance sheet.

### **On-market buyback**

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During the quarter, Kinatico continued its on-market buyback. During Q3 FY23, a total of 5,328,618 shares were bought back by the Company for a total consideration of \$419,782. As a result of the timing of settlements of each day's trades, relevant cash outlay during the quarter was \$384,356.

### **Related party payments (listing rule 4.7C.1)**

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During Q3 FY23, the Company made \$92k of payments to related parties. This sum includes director fees and other remuneration.

-ENDS-

This announcement was authorised by the Disclosure Committee of Kinatico Ltd.

## Appendix 4C

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

Name of entity

Kinatico Limited

Quarter ended ("current quarter")

ABN

25 111 728 842

31 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	7,623	22,984
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(2,922)	(9,337)
(c) advertising and marketing	(419)	(1,653)
(d) leased assets	-	-
(e) staff costs	(2,291)	(7,765)
(f) administration and corporate costs	(577)	(1,810)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	20
1.5 Interest and other costs of finance paid	(22)	(72)
1.6 Income taxes paid	(22)	(61)
1.7 Government grants and tax incentives	-	-
1.8 Other (acquisition related cost expense)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>1,371</b>	<b>2,306</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	(1)	(93)
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	(897)	(2,945)
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 (receipt of bond)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(898)</b>	<b>(3,038)</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 business insurance premiums	(121)	(347)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
3.9	Other		
	- Principal repayment of lease liabilities	(54)	(160)
	- Share buy-backs	(384)	(611)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(559)</b>	<b>(1,118)</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	10,478	12,198
4.2	Net cash from operating activities (item 1.9 above)	1,371	2,306
4.3	Net cash from used in investing activities (item 2.6 above)	(898)	(3,038)
4.4	Net cash used in financing activities (item 3.10 above)	(559)	(1,118)
4.5	Effect of movement in exchange rates on cash held	2	46
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>10,394</b>	<b>10,394</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	2,264	2,888
5.2	Call deposits	8,130	7,590
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>10,394</b>	<b>10,478</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	92
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*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.*

7. <b>Financing facilities</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>		<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>	N/A	
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.		

8. <b>Estimated cash available for future operating activities</b>		<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	1,371
8.2	Cash and cash equivalents at quarter end (item 4.6)	10,394
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	<b>Total available funding (item 8.2 + item 8.3)</b>	<b>10,394</b>
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	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:		
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:		
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:		
<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.

Date: 19/04/2023 .....

Authorised by: The Disclosure Committee .....

(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.

**For further information, please contact:**

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**About Kinatico Limited:**

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Kinatico Limited (ASX: KYP) is a leading provider of know your people solutions – comprising pre-employment screening, verification services and workforce compliance management - internationally.

Kinatico provides real-time workforce compliance management via its core software-as-a-service RegTech solution Cited. By combining certifications and compliance data with business policy and legislative requirements, Cited enables scalable compliance monitoring spanning pre-employment to real-time requirements related to geo-location, roles and tasks applicable across a wide range of industries.

The company also provides a wide range of pre-employment checks via its CVCheck solution. This is delivered via its proprietary technology platform, which has over time evolved into a best-of-breed employment screening and verification offering with a track record of customer service excellence.

Kinatico continues to grow its position as the pre-eminent background screening brand in Australasia and is planning its global expansion of its growing suite of RegTech solutions.

To learn more please visit: [www.kinatico.com](http://www.kinatico.com)