



Knosys Limited
ABN: 96 604 777 862
ASX: KNO

Part Level 8
31 Queen St
Melbourne,
Victoria, Australia, 3000

QUARTERLY ACTIVITY REPORT & APPENDIX 4C: 30 SEPTEMBER 2019

www.knosys.it

CURRENT HIGHLIGHTS

- **Positive cash flow for Quarter:** Knosys was operating cashflow positive in Q1 with \$0.8m in net operating cashflows and a cash balance of \$3.7m.
- **Consolidation of operations:** In the past quarter, the focus has been on consolidating operations and the business is now tracking from a base of circa \$3m in annual recurring revenue.
- **Foundation for future growth:** With the new offices in Singapore and the new KIQ Cloud offering in market, the Company is well positioned for the next phase of growth.

Knosys Limited (ASX: KNO) (“Knosys” and “Company”) is pleased to report on its September 2019 quarter.

Activity Report

During the Quarter Knosys received \$2m in customer receipts from annual and monthly invoicing to major customers such as ANZ Bank. This created a positive operating cash flow for the quarter of \$0.8m and contributed to a cash balance of \$3.7m at the end of the quarter.

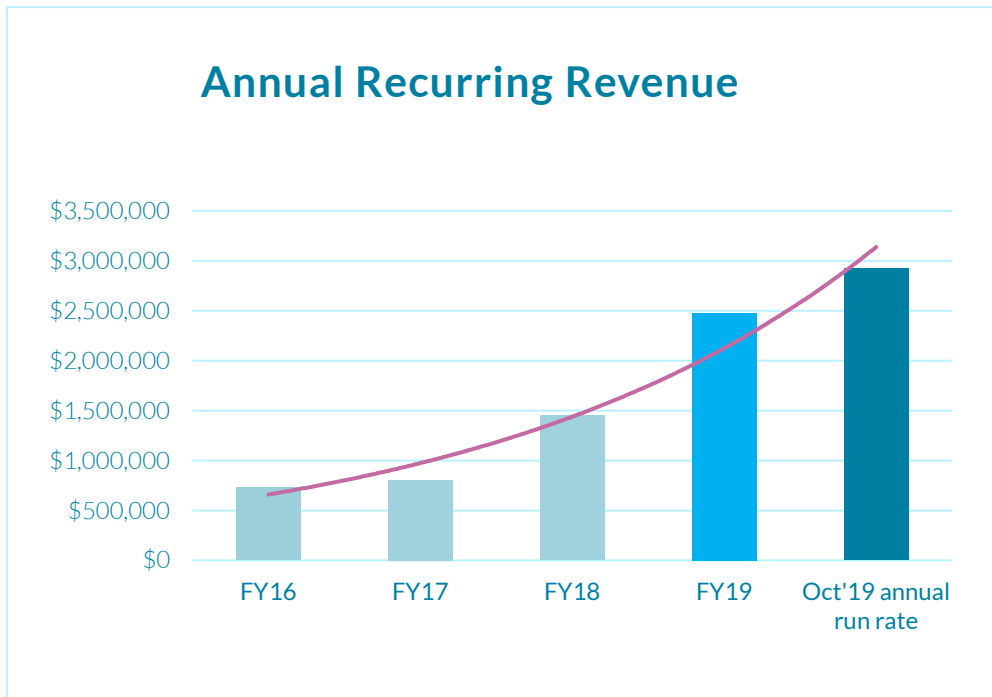
The Company continues to show excellent year on year growth in its recurring revenue base, with a 21% increase from September 2018 to September 2019. More importantly annualised recurring revenue run rate now stands at over \$2.9 million, as at October 2019 putting us in a healthy position for FY20.

The total license count at September 2019 was 40,450, representing a 12% increase compared to September 2018. The number of licensed users continues to build with increased usage from existing enterprise customers and mid-market customers.

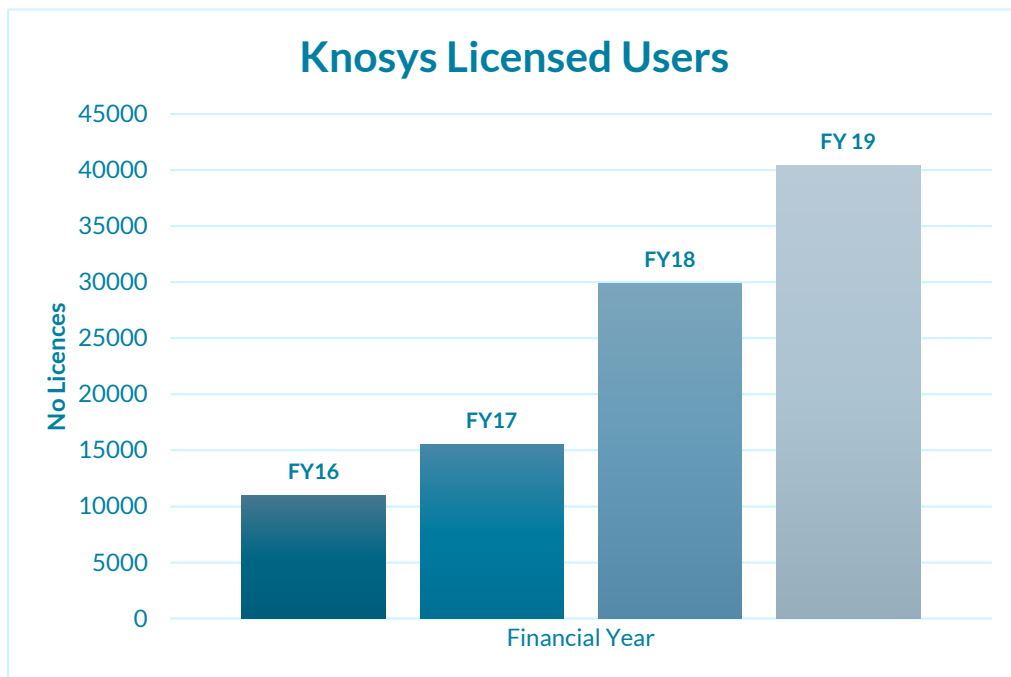
During the quarter we continued to focus on our market strategy to simplify, centralise and organise the sharing of knowledge for enterprise and mid-market businesses. We have targeted businesses with contact centres and success teams and conducted several demonstrations of our KIQ Cloud service. We are in discussion with several companies to conduct live trials. As we flagged to the market, we have both enterprise and mid-market opportunities in the pipeline and look forward to converting these into commercial sales in the coming quarters.

In terms of operations, we now have our 3 sales offices actively participating in networking events and conferences across Australia and Singapore to increase brand awareness and lead generation. We also have a series of events planned for the next quarter and have invested in digital marketing to generate demand for the rest of this year. Employee levels are expected to remain stable at existing levels which the Company believes is sufficient to deliver increased sales and support customer implementations

Growth in recurring revenue



Growth in Licensed Users



Appendix 4C Quarterly statement of cash flows

The ASX Appendix 4C quarterly statement is attached to this report.

The cash balance at 30 September 2019 was \$3.7 million with net cash inflows of \$0.8m for the quarter. Inflows from customers for the quarter totalled over \$2m, including over \$1.2m of annual licence fees from a major customer, debtor collections and regular monthly licence and support fees.

Gross cash outflows included an increased spend on development and sales and marketing as well as final capex payments for new premises.

As required in Section 9 of the Appendix 4C, gross operating outflows for the December 2019 Quarter are estimated at \$1.18m, including continued investment for growth through sales and marketing activities and development expenses to enable integration and connectivity to major third-party platforms, such as Salesforce. The Appendix 4C does not allow for estimates of operating cash inflows, however the Company estimates that the gross operating cash outflows will be partially offset by estimated operating cash inflows in the December 2019 quarter of approximately \$0.4m.

The Company's revenue model has predominantly been based on billing customers annually in advance. This is reflected in the fluctuations in quarterly cash inflows. Licence fees invoiced annually in advance are recognised as revenue in the financial accounts each month as the revenue is earned evenly over a 12 month period. Higher customer cash receipts have typically been received in June and September quarters each year, due to large annual licence renewals, with lower receipts in other quarters. However, the presence of additional large customers now provides a wider spread of cash inflows to Knosys across other quarterly cashflow periods.

For further information please contact:

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Knosys Limited

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ABOUT KNOSYS

Knosys is a fast-growing Australian cloud software company that is simplifying enterprise knowledge to improve the productivity of employees and improve customer experience. Our KIQ Cloud service is the knowledge management platform transforming the digital workplace by ensuring all forms of knowledge are accurate, relevant to the user, compliant and easy to find. The KIQ Cloud knowledge management platform is intuitive and does the hard work. It uses the knowledge of real experts and the analytic power of machine learning to organise and share information for greater productivity. It is an organisation-wide solution for all industries, trusted by businesses and enterprises in the banking, telecommunications and government sectors.

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

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Knosys Limited

ABN

96 604 777 862

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,050	2,050
1.2 Payments for		
(a) research and development	(159)	(159)
(b) product manufacturing and operating costs	(92)	(92)
(c) advertising and marketing	(124)	(124)
(d) leased assets		
(e) staff and consultant costs	(701)	(701)
(f) administration and corporate costs	(179)	(179)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	12
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives (net)	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	807	807
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1)	(1)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(1)	(1)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings		
3.6 Repayment of convertible notes		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,911	2,911
4.2 Net cash from / (used in) operating activities (item 1.9 above)	807	807
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1)	(1)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	3,717	3,717

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	313	169
5.2	Call deposits	1,160	498
5.3	Bank overdrafts	-	-
5.4	Other – Term deposits	2,244	2,244
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,717	2,911

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
117
-

Payments per item 6.1 include:

Non-Executive directors' and managing director's remuneration.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	0	0
8.2 Credit standby arrangements	0	0
8.3 Other (please specify)	0	0
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(150)
9.2 Product manufacturing and operating costs	(110)
9.3 Advertising and marketing	(70)
9.4 Leased assets	-
9.5 Staff and consultant costs	(705)
9.6 Administration and corporate costs	(140)
9.7 Other – Capex	(5)
9.8 Total estimated cash outflows	(1,180)

Note: Dec 2019 quarter estimated gross cash outflows are expected to be partially offset by estimated cash inflows from customers and grants of approximately \$0.4m.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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.

Sign here:



(Company secretary)

Date: 30 October 2019

Print name: Stephen Kerr

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.