

ASX Announcement
29 April 2021

March 2021 Quarterly Activity Report and Appendix 4C

Current highlights

- **Completed GreenOrbit acquisition:** Knosys will receive a 3-month revenue contribution from the GreenOrbit entity in FY21.
- **Positive momentum in sales and pipeline activity:** A strong quarter of contract extensions, new customers, cross-selling and up-selling, validating current group ARR of \$5.8m.
- **Strong cash position:** Cash balance of \$6.5m at end of quarter, including \$1.5m of cash acquired with the GreenOrbit business.
- **Updated guidance for FY21:** Knosys is expecting consolidated FY21 income to be in the range of \$5.0-\$5.3m in FY21 for the newly combined entities.

Knosys (ASX: KNO), a global software-as-a-service (SaaS) information technology company *providing Knowledge Management and Employee Experience solutions*, is pleased to provide its March 2021 quarterly activity report and update on the Company's operations and business.

Acquisition of GreenOrbit completed

On 31st March 2021, Knosys reported the completion of the GreenOrbit acquisition. The acquisition was initially announced to ASX on 15 December 2020 and, at the Knosys General Meeting held on 27 January 2021, shareholders approved the issue of 36,978,000 shares to the vendor of GreenOrbit, as consideration for the acquisition. In FY21, Knosys will benefit from a three-month contribution by GreenOrbit to consolidated revenues and net results.

Positive momentum in sales and pipeline activity

In December 2020, Knosys raised \$3m to accelerate growth in the combined entity through increased investment in sales and marketing, product development and IT infrastructure. During the March quarter there was positive momentum in sales and pipeline activity across new contract wins and opportunities to sell both products to both sets of clients and in some clients, expanding our footprint. The Company has invested in additional internal resources, with a new VP of Global Sales and Marketing and a Digital Marketing Manager role starting in January 2021 as well as three new sales representatives starting in March – two in the US and one in Singapore.

New contracts

Knosys signed new contracts with customers in food retail, automotive retail and construction for the Customer Experience solution.

Contract extensions and renewals

Knosys signed contract extensions with Optus, Office of Public Prosecutions (OPP) and SBS Bank for the Enterprise Knowledge Management solution. Optus has extended its contract by one year, until 2022. The Office of Public Prosecutions (OPP) has entered into a new three-year contract until 2024 for the Knowledge Management solution in the cloud and has added GO intranet services and SBS Bank

extended its Knowledge Management contract for a further three years. Knosys is also currently engaged in its contract extension process with ANZ Bank. In combination, these contract extensions underpin the low volatility, recurring revenue foundation of the business.

Major Pilots

Knosys is working on three major pilot projects to demonstrate the full capability of its Knowledge Management solution to several key prospects in APAC;

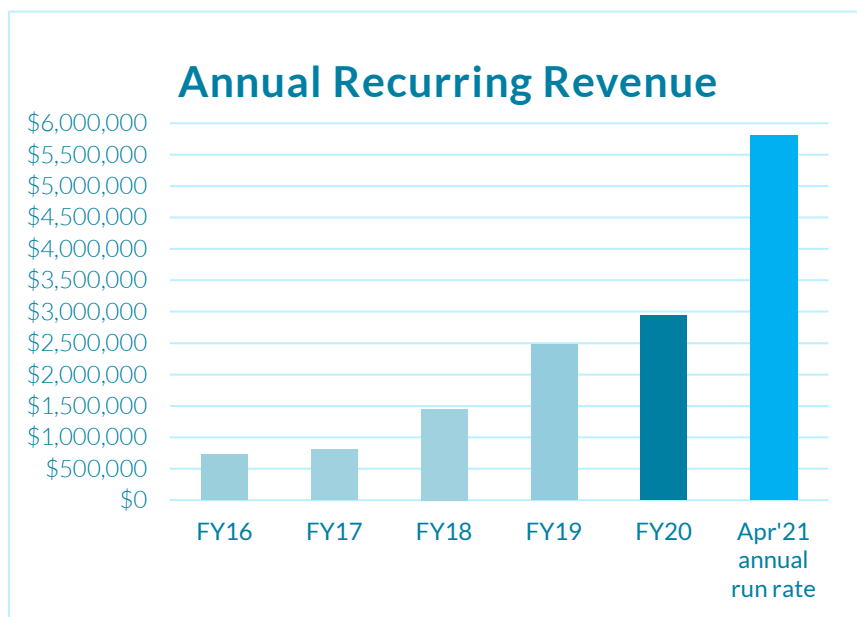
1. A pilot project is underway with a global bank, based in Singapore, initially in their contact centres in the Asia Pacific region, to be followed by an extension to relationship managers in their global operations.
2. A second pilot project is underway with a major airline in Asia as part of their vendor assessment for future procurement.
3. A third pilot project is underway with a global industrial producer for an initial trial within their Australian operations.

The GreenOrbit business continued to perform well over the past few months following the acquisition announcement by Knosys in December 2020. GreenOrbit has recently signed new customers.

Over the past quarter, the GreenOrbit customer base has continued to upgrade to the next generation of the GreenOrbit intranet solution. The transition to GreenOrbit is on average an 18% revenue uplift opportunity for Knosys. The new Greenorbit intranet solution was launched in 2019 and is a social based SaaS intranet, hosted in the cloud for organisations to enable employees to manage documents, control workflows, share content and collaborate in real time.

GreenOrbit has a high quality, blue chip customer base and is currently working on major upgrades with Harvey Norman New Zealand, Cotton-On, Jetstar and Webjet. As at March 2021, around 50% of the customer base is using the GO intranet solution, up from 32% in December 2020. Knosys is currently working on 50+ customer upgrades and therefore expects this conversion number to continue increasing throughout the year.

The Knosys group now has over 270 clients and over 380,000 licensed users worldwide, across both an SME and Enterprise customer base. This client base is diversified geographically, with around 25% in North America, 65% in APAC and 10% in the Rest of World (ROW). The GreenOrbit acquisition has also substantially expanded the Company’s workforce to over 50 employees, again diversifying geographically, with spread across Australia, US, India and the UK.



Outlook

There is an expanding global market opportunity for corporate SaaS solutions, driven by increased demand for digital workplace 'cloud' solutions and the need for high employee efficiency and engagement under a flexible workplace model.

Knosys is well positioned to benefit from these trends. The Knosys Employee Experience Platform is targeted at mid-market customers who are looking for cloud-based intranet solutions to increase employee efficiency and engagement, particularly with the recent increase in remote working. The Knowledge Management System is targeted at Enterprise customers who are looking for a 'single source of truth' across all customer channels to improve customer engagement and customer experience.

Knosys is currently implementing its four-point growth strategy:

1. New customer acquisition and expansion into key markets
2. Expansion and upsell within existing customer base
3. Expanded solutions with new features and capabilities
4. Accelerate growth through technology aligned acquisitions

Knosys is expecting total revenue in FY21 to be in the range \$5.0m - \$5.3m for the combined entity, which includes a three-month impact from the GreenOrbit acquisition. Knosys expects to enter FY22 with base ARR of over \$5.8m, which should be complemented further with new business, project fees and R&D grant.

Knosys Managing Director, John Thompson said, "The external trends towards remote working and self-service digital channels are increasing demand for cloud-based SaaS solutions to improve both employee and customer engagement. Our focus is now on effectively integrating the two businesses and investing in sales and marketing to drive revenue through new contract wins, selling both products across both customer bases of the combined entity."

Appendix 4C cashflow report - released with this activity report

The cash balance as at 31 March 2021 was \$6.5m. In the March 2021 quarter, Knosys received \$0.4m in cash receipts from customers, in line with the March quarter 2020. Total receipts are estimated to increase in the June 2021 quarter, with government R&D grant funds of over \$600K, project fee revenues and licence renewals from the GO business. In addition to this, large annual Knowledge Management license renewals of over \$1.2m are due to be invoiced in the June quarter, with payment due to be received in June/July 2021.

Net cash used in operating activities for the March 2021 quarter was an outflow of \$631K. Gross cash outflows for the quarter included an increase in advertising and marketing expense to drive sales of the combined product offering. The addition of the GO business will increase the overall level of quarterly cash inflows and outflows in the June 2021 quarter.

Net cash received from investing activities for the quarter was \$1.2m, with the Company receiving \$1.5m in cash via the acquisition of GreenOrbit Pty Ltd and incurring \$0.3m in transaction costs.

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.

The Company's revenue model is predominantly based on billing customers annually in advance. This is reflected in the fluctuations in quarterly cash inflows. To date, higher customer cash receipts have been typically received in the September quarter each year, due to large knowledge management annual licence renewals, with some regular monthly invoicing of licence and support fees to two large knowledge management customers. The Company should experience a wider spread of cash inflows

across all quarterly cashflow periods in the future with the addition of the GO business, with its larger customer base renewing annual licences throughout the year. The appropriate portion of revenue from licence fees invoiced annually/half yearly/quarterly in advance is recognised each month in the financial accounts as revenue is earned evenly over the relevant period.

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 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 organization. This currently includes knowledge management systems and intranet systems.

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

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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 March 2021

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 411 | 3,205 |
| 1.2 Payments for | | |
| (a) research and development | (122) | (342) |
| (b) product manufacturing and operating costs | (111) | (337) |
| (c) advertising and marketing | (105) | (215) |
| (d) leased assets | - | - |
| (e) staff costs | (539) | (1,588) |
| (f) administration and corporate costs | (165) | (402) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | 5 | 16 |
| 1.5 Interest and other costs of finance paid | (5) | (13) |
| 1.6 Income taxes paid | | |
| 1.7 Government grants and tax incentives | - | 50 |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (631) | 374 |

| | | |
|---|-------|-------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities – Cash acquired from GreenOrbit acquisition | 1,482 | 1,482 |
| (b) businesses | | |
| (c) property, plant and equipment | | |
| (d) investments | | |
| (e) intellectual property | | |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| (f) other non-current assets | | |
| 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 | (288) | (429) |
| 2.6 Net cash from / (used in) investing activities | 1,194 | 1,053 |

| | | |
|---|-----------|--------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities) | 91 | 3,000 |
| 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 | - | (148) |
| 3.5 Proceeds from borrowings | | |
| 3.6 Repayment of borrowings – ROU liability | (27) | (84) |
| 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 | 64 | 2,768 |

| | | |
|---|-------|-------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 5,904 | 2,336 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (631) | 374 |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | 1,194 | 1,053 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|--|------------------------------------|--|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 64 | 2,768 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 6,531 | 6,531 |

| 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 | 1,686 | 2,731 |
| 5.2 | Call deposits | 1,349 | 677 |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other – term deposits | 3,496 | 2,496 |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 6,531 | 5,904 |

| 6. | Payments to related parties of the entity and their associates | Current quarter \$A'000 |
|-----------|---|------------------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 – Director remuneration | 149 |
| 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.

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

| 7. Financing facilities | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---|---|--|
| <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) | 252 | 252 |
| 7.4 Total financing facilities | 252 | 252 |
| 7.5 Unused financing facilities available at quarter end | | - |
| 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. | | |

| 8. Estimated cash available for future operating activities | \$A'000 |
|--|----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9) | (631) |
| 8.2 Cash and cash equivalents at quarter end (item 4.6) | 6,531 |
| 8.3 Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 Total available funding (item 8.2 + item 8.3) | 6,531 |
| 8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1) | 10.4 |
| <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.

29 April 2021

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.