

ASX Announcement

29 July 2021

June 2021 Quarterly Activity Report and Appendix 4C

Key Highlights:

- **Positive FY21 Operating Cashflow and strong full year metrics:** FY21 net operating cash inflows of \$0.6m and FY21 customer receipts of \$4.6m. As at 30 June 2021, Knosys had 260 Customers, 50 staff and July ARR of \$6.1m (pre LIBERO acquisition).
- **Strong underlying organic growth:** Over \$2.5m in enterprise contracts renewed and five new mid-market customers signed in the quarter in the US and Australia.
- **Effective execution of acquisition strategy**
 - **Successful integration of GreenOrbit:** The Q4 results include the first full quarter contribution from the GreenOrbit acquisition, completed in late March 2021.
 - **Acquisition of Libero:** LIBERO, a leading Library Management Software business, which on completion will further increase the consolidated ARR to over \$8m.
- **Solid cash position:** The cash balance of \$6.5m at 30 June has increased to \$7.8m at 29 July 2021, enabling the Company to self-fund the cash component of the LIBERO acquisition.
- **Investing for growth:** Knosys has a global revenue footprint and a diverse customer base across multiple SaaS verticals and the growth strategy is to ramp up investment in sales and market in FY22 to accelerate customer acquisition and revenue growth.

Knosys Limited (ASX:KNO) (“Knosys” or the “Company”), a global software-as-a-service (SaaS) information technology company offering a range of software solutions designed to boost productivity, collaboration and connectivity in the digital workplace, is pleased to provide its June 2021 quarterly activity report and update on the Company’s operations and business.

Successful integration of GreenOrbit

The GreenOrbit acquisition was completed at the end of March 2021 and integration activities have progressed well over the past quarter. The expanded management team, in conjunction with the Board, have updated the future strategic direction of Knosys including its goals and ambitions as a global information technology vendor.

Operationally, Knosys has consolidated the development and customer success teams. The Company has also expanded the sales teams in the US and Australia, and completed all onboarding and coaching programs, enabling these additional sales resources to sell all three SaaS solutions in their respective territories.

In the next quarter, the Company will consolidate its global customer base to a single cloud service provider to improve operating margins and minimise the need for additional cloud resources going forward. Knosys has significantly increased its digital presence with greater investment in Google promotions and third-party software comparison directories such as Getapps and Capterra. The aim of this investment is to drive inbound leads which can then be managed by the dedicated in-country sales teams. This focus on digital marketing and local sales strategies has led to a 400% increase in the Company's pipeline compared to the previous quarter. This strong pipeline will drive sales growth in FY22.

Effective execution of acquisition strategy

On 1st July, Knosys announced that, on 30 June 2021, it executed a conditional asset and share-sale agreement to acquire the LIBERO business. LIBERO is a leading Library Management Software ("LMS") company which delivers a new digital experience in managing asset collections, employees and interactions with their members for public libraries, tertiary education institutions and other similar organisations. LIBERO has 116 clients located across 8 countries, predominately in Australia and Germany/EU.

LIBERO is headquartered in Brisbane with 17 employees and the business currently generates approximately \$2.2m in ARR. The purchase price of \$5m (comprised of cash and shares) implies an attractive ARR multiple of 2.3x.

The acquisition of LIBERO, which is expected to complete in the September 2021 quarter, is in line with Knosys' growth strategy to deliver multiple SaaS offerings under a shared services model. Knosys' Knowledge IQ solutions and the GreenOrbit Intelligent Intranet solutions have formed the first two pillars of this diversified SaaS product offering and the LIBERO Library Management Software forms the third pillar. This growth strategy will enable Knosys to scale its global operations, acquire new development capabilities and expand sales offices whilst maintaining a cost-effective shared services model.

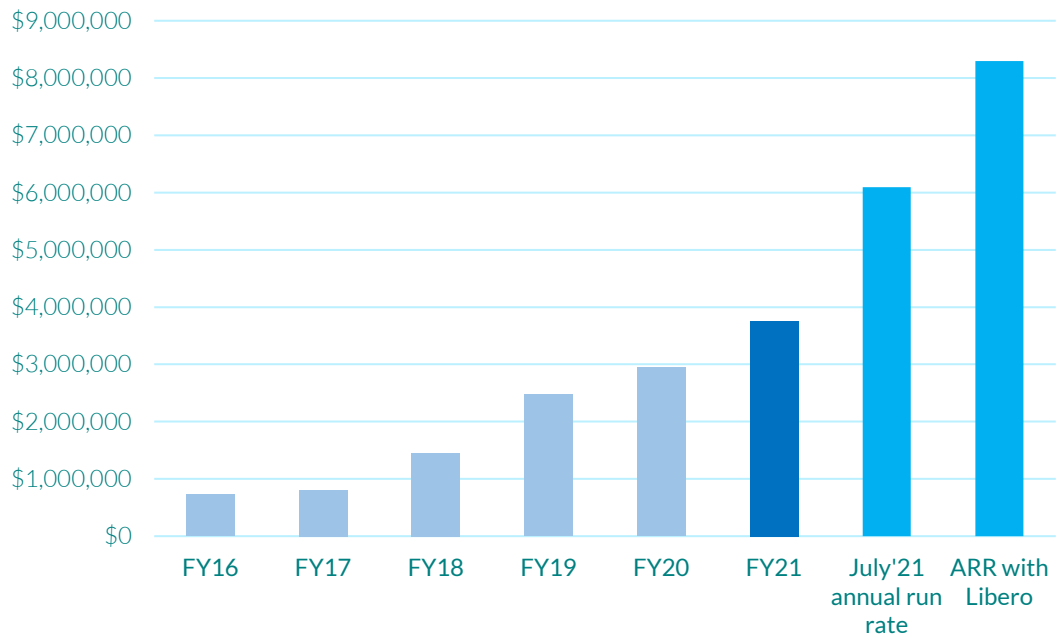
Strong underlying organic growth

The June 2021 quarter has been significant in terms of contract renewals with over \$2.5m of contracts renewed in the Enterprise space with customers such as ANZ Bank, Optus and Office of Public Prosecutions. This has increased revenue and expanded new sales through cross-selling.

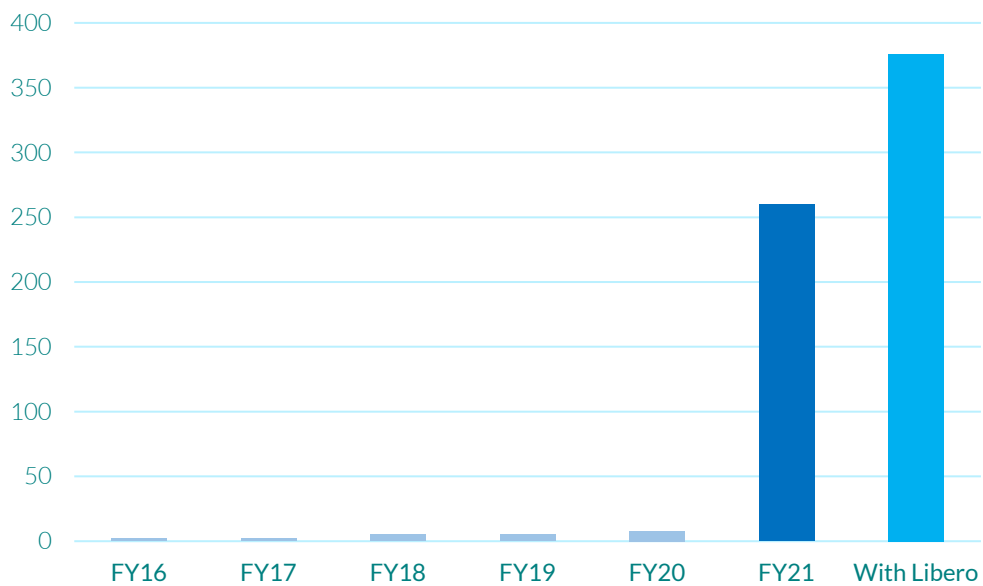
With respect to new contracts, we have executed agreements with five mid-market customers during the quarter as we started to ramp up sales activities in the United States and Australia for our portfolio of solutions. Knosys has also progressed significantly during the quarter with its existing pilots for two major enterprise opportunities in APAC and we expect further progress in the next quarter.

The consolidated business now has 50 employees and 260 customers and has annualised recurring revenue (ARR) of \$6.1m at July 2021. These metrics will increase further, with ARR expanding to circa \$8.3m, post completion of the acquisition of LIBERO which is expected to occur in the September 2021 quarter.

Annual Recurring Revenue



Customer numbers



Solid cash position

The cash balance of \$6.5m as at 30 June 2021 has increased to \$7.8m as at 29 July, principally due to cash received in July from annual subscriptions. This strong cash balance enables the Company to self-fund the cash component of the LIBERO acquisition, payment of which is expected to be \$2.5m-\$3.5m depending on the working capital acquired on completion of the transaction.

Investing for growth

Knosys has a global revenue footprint and a diverse customer base across multiple SaaS verticals and the growth strategy is to ramp up investment in sales and market to accelerate customer acquisition and revenue growth.

Knosys Managing Director, John Thompson said, "We enter the FY22 financial year with three pillars in our diversified SaaS offering, which include Knosys Knowledge IQ, GreenOrbit Intelligent Intranet and LIBERO Library Management. Our focus is now on integrating these acquisitions and making further investments in our product development, marketing and sales capabilities in order to effectively scale our global operations and drive the next phase of growth."

"We see many opportunities to cross-sell our SaaS solutions in existing territories to our diversified customer base as well as target new customers, particularly in the large and growing market for digital workplace solutions in the US."

Appendix 4C cash flow report – released with this activity report

June 2021 Quarter – cash positive

The cash balance at 30 June 2021 was \$6.5m. In the June 2021 quarter, Knosys received \$1.4m in cash receipts from customers, up 123% on the \$0.6m received in the June 2020 quarter. The cash balance increased to \$7.8m at 29th July 2021, reflecting an additional \$1.7m in cash receipts in July. This included over \$1.2m in large annual Knowledge Management license renewals that were invoiced in the June quarter, with payment in July 2021.

Knosys generated positive operating cash flow of \$0.2m in the June 2021 quarter, despite the increase in operating costs associated with the GreenOrbit acquisition. Knosys received an R&D tax refund of \$0.62m in the June 2021 quarter, in line with \$0.57m received in the June 2020 quarter. Staff costs increased to \$1.2m in the June 2021 quarter, up from \$0.54m in the March 2021 quarter, principally due to the GO acquisition. Staff costs also increased with the onboarding of new senior staff including the VP of Global Sales and Marketing and a Digital Marketing Manager, as well as three new sales representatives starting in March – two in the US and one in Singapore.

Full year – cash positive

Net operating cash inflow for the year was \$0.6m, with customer receipts for the full year of \$4.6m. Customer numbers are now at 260 and total staff employed across the group has increased to 50. This is a significant year on year increase, with the impact of the GO acquisition, and further stepped increases are expected to occur with the completion of the LIBERO acquisition.

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.

ABOUT KNOSYS

Knosys is a leading 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 organisation. This currently includes knowledge management, intranet and library management solutions.

“Connecting People and Information”

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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")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,424	4,629
1.2 Payments for		
(a) research and development	(99)	(441)
(b) product manufacturing and operating costs	(205)	(542)
(c) advertising and marketing	(142)	(357)
(d) leased assets	-	-
(e) staff costs	(1,171)	(2,760)
(f) administration and corporate costs	(235)	(636)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	19
1.5 Interest and other costs of finance paid	(3)	(16)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	615	665
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	187	561

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities – Cash acquired from GreenOrbit acquisition	-	1,482
(b) businesses		
(c) property, plant and equipment	(29)	(29)
(d) investments		
(e) intellectual property		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	(122)	(551)
2.6 Net cash from / (used in) investing activities	(151)	902

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	(31)	(115)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)	(4)	(4)
3.10 Net cash from / (used in) financing activities	(35)	2,733

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	6,531	2,336
4.2 Net cash from / (used in) operating activities (item 1.9 above)	187	561
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(151)	902

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(35)	2,733
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,532	6,532

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	1,556	1,686
5.2	Call deposits	1,480	1,349
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	3,496	3,496
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,532	6,531

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	144
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. 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)	221	221
7.4 Total financing facilities	221	221
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)	187
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,532
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	6,532
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	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: 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 July 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.