

ASX Announcement

29 April 2022

March 2022 Quarterly Activity Report and Appendix 4C

Key Highlights:

- **Growth focus:** continued focus on enhanced growth strategy with increased sales & marketing spend, accelerated product development and expanded local and global operations
- **ARR of \$8.9m:** Annual Recurring Revenue (“ARR”) tracking at an \$8.9m run rate.
- **Cash receipts up 390% on pcp:** Q3 receipts from customers of \$2.0m, up 390% from \$0.4m on pcp, reflecting both organic and acquisition growth.
- **Major contract extension:** Optus signed a two-year contract extension valued at \$2.075m.
- **Strong tender pipeline:** Tendering activity remained strong in Q3 across Knowledge Management and Library Management solutions.
- **Solid cash position:** The cash balance at 31 March 2022 was \$2.8m, with expected boost in cash receipts in Q4 from R&D claim and annual subscription payments. Knosys remains fully funded to execute on its growth strategy.

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 March 2022 quarterly activity report and update on the Company’s operations and business.

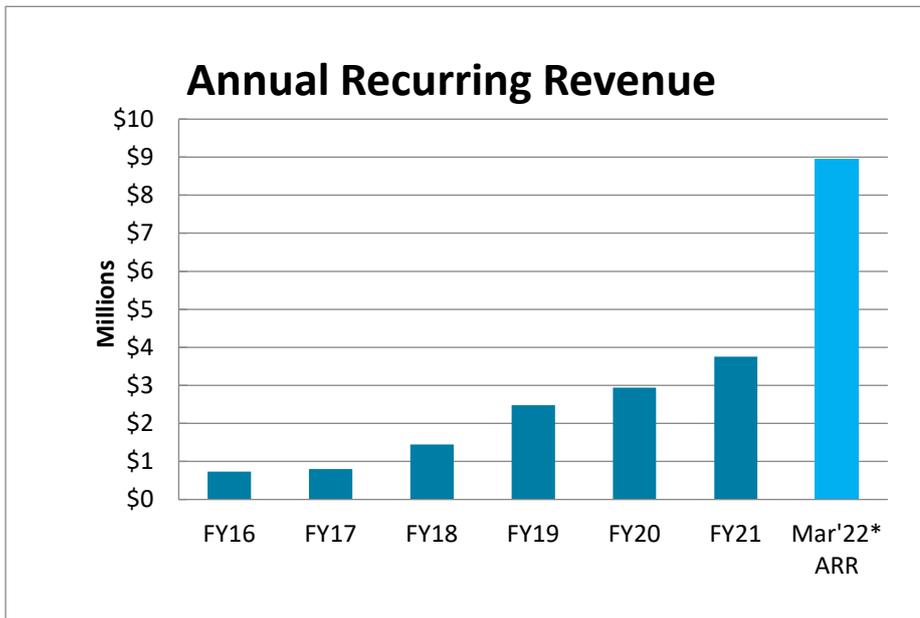
March 2022 Quarter

In the March 2022 quarter, Knosys received \$2.0m in cash receipts from customers, up 390% on the \$0.4m received in the March 2021 quarter, reflecting strong acquisition and organic growth. Over the past year, Knosys has successfully diversified revenue by product and by geography, which has reduced the quarterly volatility in cash receipts throughout the year.

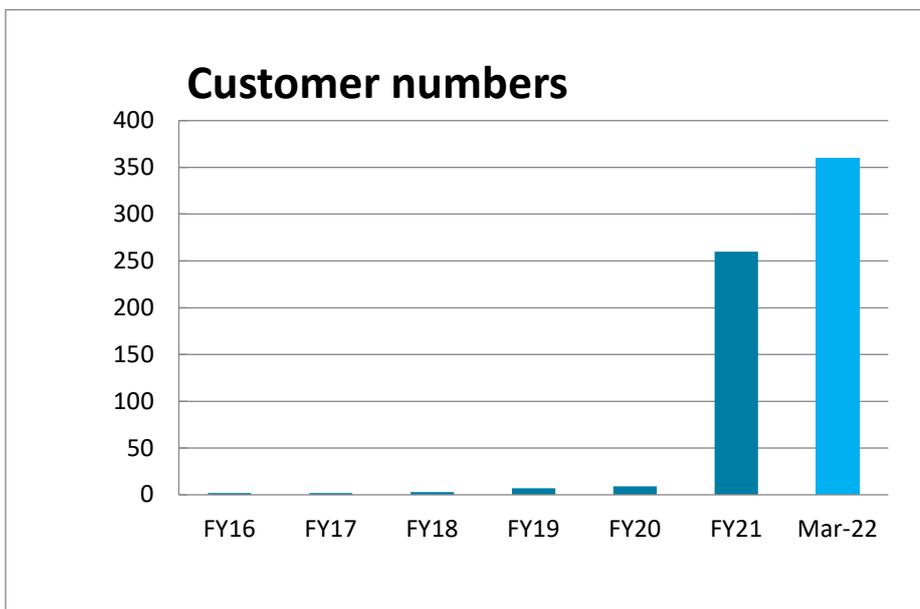
Knosys generated negative operating cash flow of \$0.7m in Q3, a slight increase on the cash out flow of \$0.6m on pcp. Over the past year, employee costs and operational expenses increased to reflect the Company’s growth strategy and enhanced operations.

Solid recurring revenue base

Following the acquisitions of GreenOrbit and Libero in 2021, Knosys now has a recurring revenue base across three pillars, Knosys Knowledge IQ, GreenOrbit Intelligent Intranet and Libero Library Management Software. The consolidated business has 60+ employees and approximately 360 customers and an annualised recurring revenue (ARR) of \$8.9m.



*Increase in ARR reflects acquisition of GreenOrbit and Libero



Strong revenue position in Q3

Knosys' vision is to empower organisations to make smart connections with their information and the market demand for the Knosys portfolio of SaaS solutions is driven by the remote workforce, customer expectations of consistency, content explosion & siloes as well as information governance & compliance.

In Q3 Knosys has continued its proven recurring revenue model. The global revenue footprint and diverse customer base experience minimal churn, while the Company remains well positioned to benefit from the structural change in working arrangements in a post COVID environment.



Many businesses are redesigning their operations to be more agile and customer focused and they are demanding solutions to connect their customers and staff to information through a single source of truth (SSOT). Knosys' portfolio of SaaS solutions enables customers to self-service and ensure consistency across all digital channels, and these solutions are currently in high demand.

In Q3, Knosys signed a two-year contract extension with Optus for the continued use of Knosys' market leading Knowledge Management platform, KnowledgeIQ, with a total contract value of \$2.075m. In addition, tendering activity has remained high in Q3 across Knowledge Management and Library Management solutions with positive wins in Knowledge Management announced this quarter.

GreenOrbit (GO) continued to increase ARPU on annual subscription renewals. GO continues to work with its customers to convert users from the legacy Intranet Dashboard (ID) software to the GO platform. This conversion exercise is expected to peak over the next 6 to 9 months as ID reaches end of life in December 2022. This is expected to result in, increasing recurring revenue per customer and short to medium term increases in service and implementation fees. This program will be completed by December 2022 at which time focus of resources will be on new customer opportunities.

Knosys is focused on growth, with continued revenue growth from existing customers, cross-selling into an expanded geographic footprint, new sales and marketing initiatives, a growing pipeline and ongoing product development.

Fully funded to execute growth strategy

The cash balance of \$2.8m at 31 March 2022 reflects the quarterly cash out flow of \$0.7m in Q3 and the ongoing investment in activities to accelerate future revenue growth. Cash receipts are typically higher in Q4 and Q1, with receipt of expected R&D rebate in Q4 and a higher proportion of annual subscriptions occurring around the start of the financial year. Knosys remains fully funded to execute on its growth strategy.

Knosys Managing Director, John Thompson said, "We are very pleased with the operational performance of the Company in Q3, with the successful contract renewal with Optus and a high level of tendering activity. We have successfully integrated the GreenOrbit and Libero acquisitions and we are now seeing the benefits of cross-selling and shared services through higher levels of organic growth. We expect to see increased operating leverage moving forward as revenue accelerates faster than our cost base."

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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This announcement was approved for release to ASX by the Board of Directors.

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 2022

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	2,012	6,836
1.2 Payments for		
(a) research and development	(117)	(294)
(b) product manufacturing and operating costs	(394)	(948)
(c) advertising and marketing	(119)	(431)
(d) leased assets	-	-
(e) staff costs	(1,665)	(4,725)
(f) administration and corporate costs	(433)	(982)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	7
1.5 Interest and other costs of finance paid	(3)	(8)
1.6 Income taxes paid	(18)	(29)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(736)	(574)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses – net of cash acquired	-	(2,726)
(c) property, plant and equipment	(15)	(50)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
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	(38)	(542)
2.6 Net cash from / (used in) investing activities	(53)	(3,318)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	266
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 borrowings – ROU liability	(32)	(95)
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	(32)	171

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,624	6,532
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(736)	(574)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(53)	(3,318)

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)	(32)	171
4.5	Effect of movement in exchange rates on cash held	(26)	(34)
4.6	Cash and cash equivalents at end of period	2,777	2,777

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	1,530	2,072
5.2	Call deposits	1	306
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	1,246	1,246
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,777	3,624

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	139
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)	127	127
7.4 Total financing facilities	127	127
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)	(736)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,777
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,777
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	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.

Date: 29 April 2022

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.