

ASX Announcement

28 October 2022

Q1 FY23 Activity Report and Appendix 4C

Key Highlights:

- **Record cash receipts:** Q1 FY23 cash receipts hit a record high of \$4.3m, up 45% on Q1 FY22. Seasonally, the first quarter has the strongest cash flow due to annual renewals across all product lines.
- **Increasing Annual Recurring Revenue (ARR):** ARR of \$9.6m as at October 2022, up 16% year-on-year.
- **Positive quarterly cash flow:** An increase in R&D costs and product manufacturing & operating costs was more than offset by record cash receipts to deliver positive operating cash flow of \$1.1m.
- **Major contract extension:** ANZ Bank signed a 3-year contract extension for enterprise Knowledge Management solution, KnowledgeIQ, with a total contract value over \$5m.
- **Outlook for FY23:** Approaching cash flow breakeven in FY23 with a solid pipeline of opportunities, continued growth in the recurring revenue base and increased operating leverage.

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 September 2022 quarterly activity report and update on the Company's operations and business.

September 2022 Quarter (Q1 FY23)

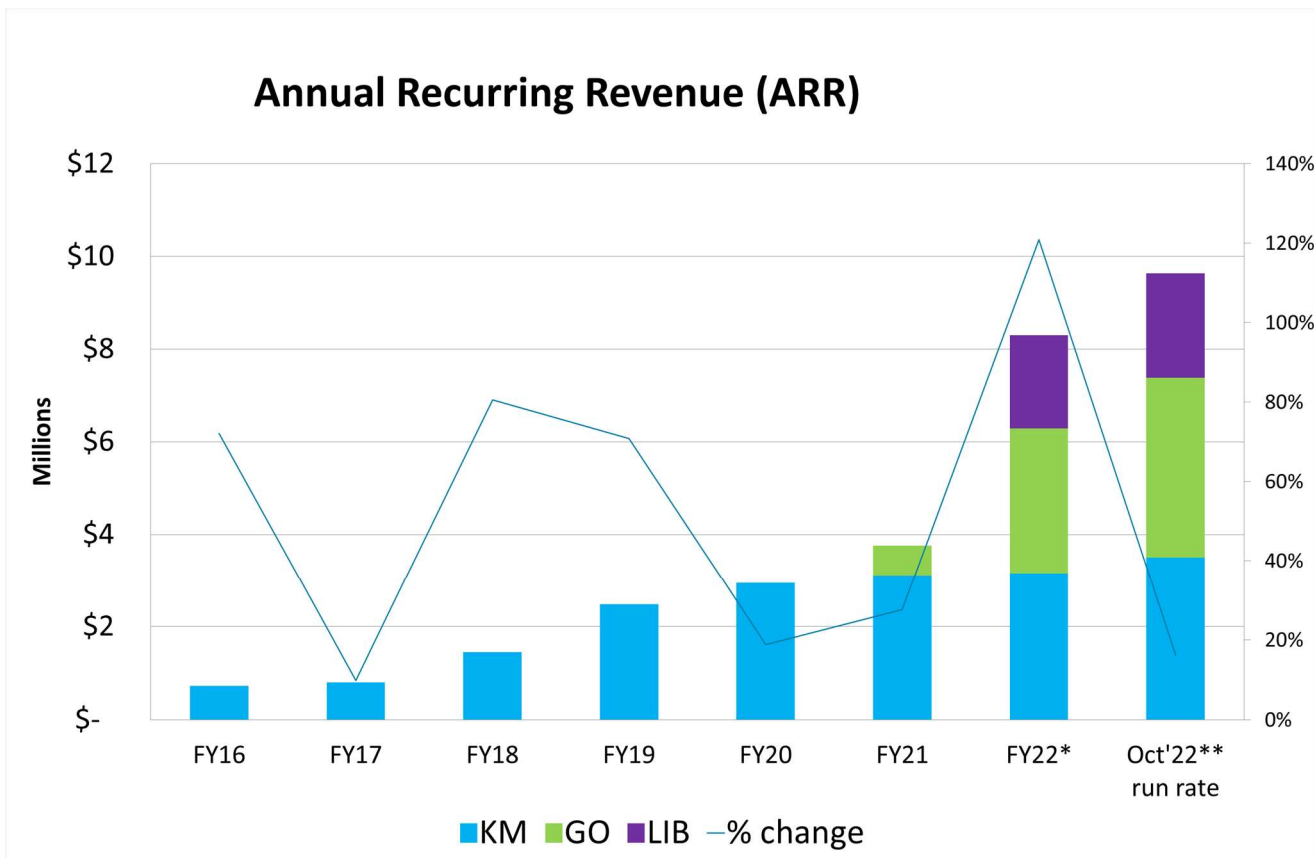
In Q1 FY23, Knosys received a record high \$4.3m in cash receipts from customers, up 45% on Q1 FY22. This was driven by the annual renewal of a major banking customer in Knowledge Management, as well as seasonally high annual subscription renewals across both GreenOrbit and Libero.

In Q1 FY23, R&D costs increased by 116% quarter-on-quarter, product manufacturing & operating costs increased by 32% quarter-on-quarter and staff costs increased by 18%, due to an increase in product development resources and sales personnel. Each solution has an updated Product Roadmap with new advanced features, a distinct market positioning and clear target markets. Knosys is developing an updated Library Management solution with advanced features and tailoring the Employee Experience solution to the Health and Retail sectors, where we believe there are significant opportunities for growth in the years ahead.

In addition, Knosys has restructured its support and testing capability through onshoring operations previously delivered by a team based in India. This operational restructure is expected to deliver improved customer support and enhanced product development capability in a more efficient manner.

Knosys continues to self-fund its investment in growth and operating cash flow was positive in Q1 FY23 at \$1.1m. Seasonally, the first quarter has the strongest cash flow due to the timing of annual renewals around the end of financial year.

Annual Recurring Revenue is now tracking at \$9.6m, up 16% on Q1 FY22.



* FY22 reflects actual reported ARR for the year, including the impact of acquisitions

**Oct'22 ARR reflects Oct'22 monthly ARR annualised to give an annual run rate

Contract renewals and pipeline

In Q1 FY23, the pipeline remained solid with enterprise and mid-market opportunities and Knosys continued to re-sign existing customers across all three solutions. During the period, the company continues its program of transitioning more of its customers to multi-year contracts to build its lifetime contract value (LCV)

On 10 October 2022, Knosys announced that ANZ Bank signed a 3-year contract extension for the continued use of the enterprise Knowledge Management solution, KnowledgeIQ, with a total contract value over \$5m. In addition, ANZ Bank committed to a series of upgrades to the latest release of KnowledgeIQ.



Knosys Managing Director, John Thompson said, "We are very pleased that our business model is proving robust through the market cycle. We now have diversified revenue streams across multiple solutions and geographies, and our recurring revenue is building quarter-on-quarter. We continue to self-fund our investment in new product development and we are progressing towards cash flow breakeven in FY23."

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")

30 September 2022

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	4,278	4,278
1.2 Payments for		
(a) research and development	(253)	(253)
(b) product manufacturing and operating costs	(416)	(416)
(c) advertising and marketing	(172)	(172)
(d) leased assets	-	-
(e) staff costs	(1,944)	(1,944)
(f) administration and corporate costs	(341)	(341)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid	(1)	(1)
1.7 Government grants and tax incentives	0	0
1.8 Other (provide details if material) – gst (paid)/received	(50)	(50)
1.9 Net cash from / (used in) operating activities	1,101	1,101
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses – net of cash acquired		
(c) property, plant and equipment	(33)	(33)
(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	(5)	(5)
2.6 Net cash from / (used in) investing activities	(38)	(38)

3. Cash flows from financing activities		
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 borrowings – ROU liability	(32)	(32)
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)	(32)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,096	3,096
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,101	1,101
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(38)	(38)

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)	(32)	(32)
4.5	Effect of movement in exchange rates on cash held	12	12
4.6	Cash and cash equivalents at end of period	4,139	4,139

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	1,590	1,599
5.2	Call deposits	1,803	751
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	746	746
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,139	3,096

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	209
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)	64	64
7.4 Total financing facilities	64	64
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)	1,101
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,139
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	4,139
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.

Date: 28 October 2022
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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.