

ASX Announcement

30 January 2023

Q2 FY23 Activity Report and Appendix 4C

Key Highlights:

- **Strong first half cash receipts:** Total cash receipts of \$6m in 1H FY23, up 24% on 1H FY22. Knosys has high variability in quarterly cash inflows due to strong seasonality in annual renewals, with the December quarter seasonally the weakest cash inflow quarter.
- **Steady Annual Recurring Revenue (ARR):** ARR of \$9.6m as at January 2023, up 8% year-on-year and steady quarter-on-quarter.
- **Disciplined cost control:** Q2 FY23 operating expenses down 7% on Q1 FY23, reflecting lower staff costs and operating efficiencies.
- **Minimal net cash outflow:** Net operating cash outflow of \$182K for 1H FY23 and cash balance of \$2.8m at December 2022. This position is expected to be sustained in 2H FY23.
- **Key contract extensions:** Singtel signed a 2-year contract extension for enterprise Knowledge Management solution, KnowledgeIQ, with a contract value of \$750K, and Optus signed an additional one-year extension to January 2025, with a contract value expected to exceed \$1m.
- **Outlook for FY23:** A strong pipeline of enterprise opportunities is expected to drive growth in recurring revenue, increase operating leverage and improve cash flow over the next 6-12 months.

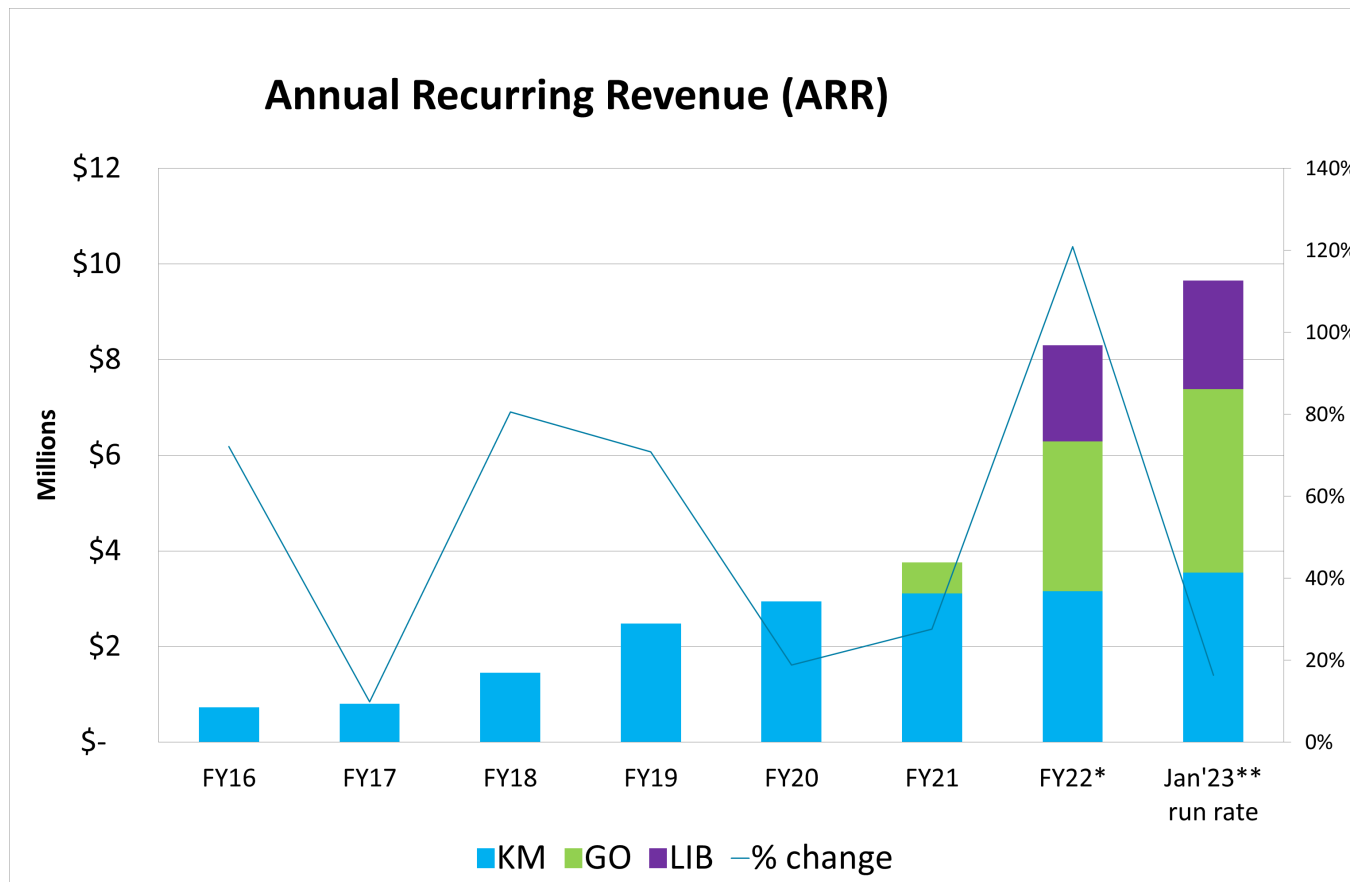
Knosys Limited (ASX:KNO) ("Knosys" or the "Company"), is pleased to provide its December 2022 quarterly activity report and update on the Company's operations and business.

December 2022 Quarter (Q2 FY23)

Total cash receipts of \$6m in 1H FY23 were up 24% on 1H FY22. In Q2 FY23, Knosys received \$1.7m in cash receipts from customers, 10% lower than Q2 FY22 due to conversion in prior quarters of some larger customers from monthly licence fees to annual fees in advance. Knosys has high variability in quarterly cash flows due to strong seasonality in annual renewals, with the December quarter typically the weakest cash quarter.

In Q2 FY23, operating cash outflows reduced by 7%, quarter-on-quarter due to reduced outflows for staff costs and increased operating efficiencies. Knosys continues to track towards cash flow breakeven, with a minimal net operating cash outflow of \$182K for 1H FY23. This position is expected to be sustained in the second half of the financial year.

Annual Recurring Revenue is tracking at \$9.6m, steady on Q1 FY23 and 8% up year on year.



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

**Jan'23 ARR reflects Jan'23 monthly ARR annualised to give an annual run rate

Contract renewals with strong pipeline of enterprise opportunities

In Q2 FY23, the pipeline strengthened through new enterprise opportunities in Knowledge Management as well as increased participation in corporate proposals in GreenOrbit and government tenders in Libero.

On 2 December 2022, Knosys announced that Singtel signed a 2-year contract extension for the continued use of the enterprise Knowledge Management solution, KnowledgeIQ, with a total contract extension value of \$750K.

On 19 January 2023, Knosys announced that Optus signed an additional 1-year contract extension for the continued use of Knowledge IQ, with a total contract extension value of \$1 million.

During the Quarter Libero renewed 10 Libero Public Library customers, signing them to multiyear contracts commencing 2023. Libero will focus on multiyear contract renewals for the balance of its 100+ customers during the rest of FY23 and into FY24.

Knosys Managing Director, John Thompson said, "Over the past quarter, we strengthened our pipeline, introduced efficiencies resulting in reduced operating expenses against Q1 and we continue to track towards cash flow breakeven in FY23. Demand for our portfolio of SaaS solutions remains strong and we are fully funded to implement our growth strategy."



ABOUT KNOSYS

Knosys is a leading SaaS provider head Office in Melbourne, with specialist expertise across a portfolio of solutions 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 are used within their organisation. This currently includes knowledge management (KM), intranet (GO) and library management (Libero) 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 December 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	1,680	5,958
1.2 Payments for		
(a) research and development	(290)	(544)
(b) product manufacturing and operating costs	(486)	(902)
(c) advertising and marketing	(72)	(244)
(d) leased assets	-	-
(e) staff costs	(1,723)	(3,668)
(f) administration and corporate costs	(311)	(652)
1.3 Dividends received (see note 3)		
1.4 Interest received	6	9
1.5 Interest and other costs of finance paid	0	(2)
1.6 Income taxes paid	(1)	(1)
1.7 Government grants and tax incentives	10	10
1.8 Other (provide details if material) – gst (paid)/received	(96)	(146)
1.9 Net cash from / (used in) operating activities	(1,283)	(182)
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	(10)	(43)
(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 costs and professional fees	(24)	(29)
2.6 Net cash from / (used in) investing activities	(34)	(72)

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	(40)	(72)
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	(40)	(72)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	4,139	3,096
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,283)	(182)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(34)	(72)

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)	(40)	(72)
4.5	Effect of movement in exchange rates on cash held	12	24
4.6	Cash and cash equivalents at end of period	2,794	2,794

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	1,180	1,590
5.2	Call deposits	868	1,803
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)	2,794	4,139

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	136
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)	24	24
7.4 Total financing facilities	24	24
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)	(1,283)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,794
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,794
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.18
<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.

30 January 2023

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.