

ASX Announcement

27 April 2023

Q3 FY23 Activity Report and Appendix 4C

Key Highlights:

- **Strong cash receipts:** Q3 FY23 cash receipts of \$3.1m, up 52% on Q3 FY22, driven largely by timing of annual license fees from two Enterprise customers.
- **Steady Annual Recurring Revenue (ARR):** ARR of \$9.5m at April 2023, up 7% year-on-year and steady quarter-on-quarter.
- **Minimal Net Operating Cash Outflow for Quarter:** Net operating cash outflow of \$26K in Q3 FY23, year to date net operating outflow of \$208k.
- **Cash balance of \$2.7m at 31 March 2023.**
- **Key customer renewals on multi-year contracts:** Achieved recent multi-year contract renewals with library management solution Libero including Wagga Wagga City Council and the Woollahra Municipal Library
- **Outlook for FY23:** The pipeline of sales opportunities continues to develop heading into FY24, however the time to finalise and proceed to contract sign-off has lengthened in 2H FY23 for some customers, reflecting the mixed economic signals in early 2023.

Knosys Limited (ASX:KNO) ("Knosys" or the "Company") is pleased to provide its March 2023 quarterly activity report and update on the Company's operations and business.

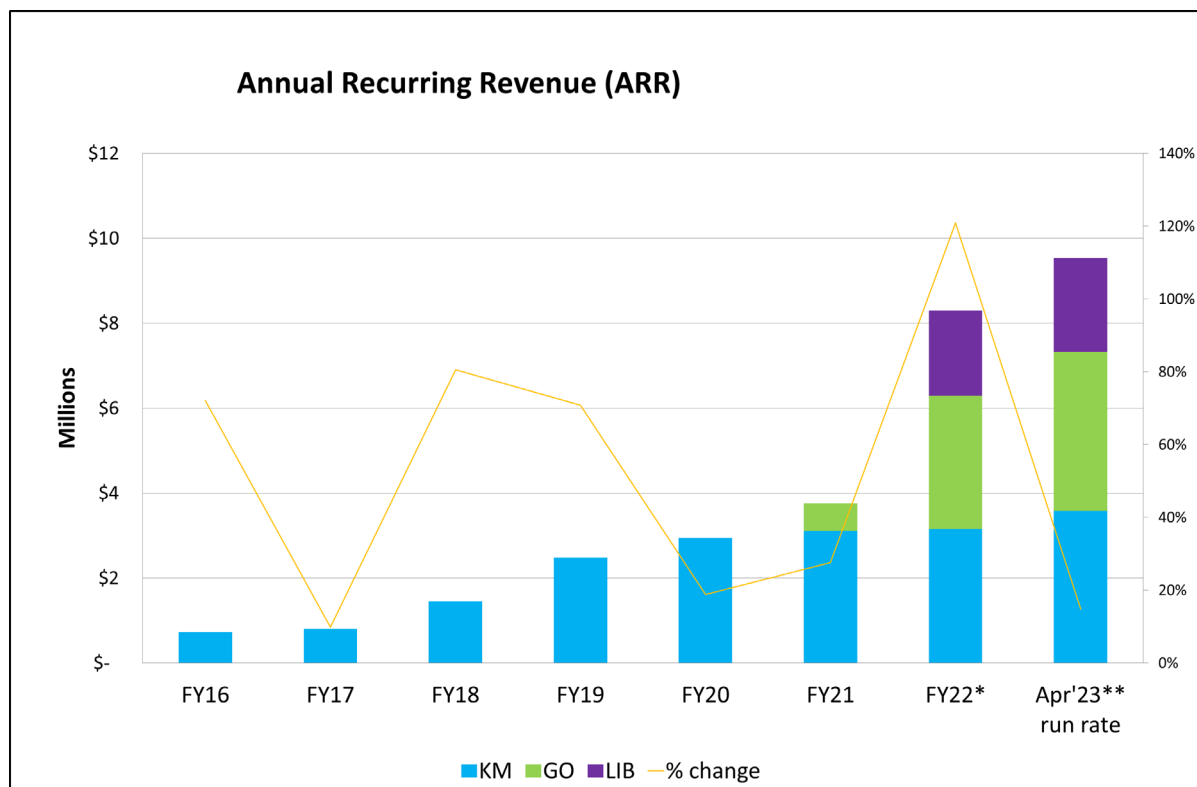
March 2023 Quarter (Q3 FY23)

In Q3 FY23, Knosys received \$3.1m in cash receipts from customers, up 52% on Q3 FY22. This was driven largely by the timing of annual license fee payments from two enterprise customers. Knosys has high variability in quarterly cash flows due to strong seasonality in annual renewals.

In Q3 FY23, there was a continued focus on cost management with underlying operating expenses stabilising at \$2.9m, after adjusting for the annual Microsoft Azure Platform license renewal of \$160K. Importantly, staff costs and other operating expenses were in line with the previous quarter.

The March 2023 quarter produced a net operating cash out flow of \$26K, with a year to date net operating out flow of \$208K for FY23.

Annual Recurring Revenue is now tracking at \$9.5m at end of March 2023, up 7% on the prior year and steady quarter-on-quarter.



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

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

Key customer renewals and focus on multi-year contracts

Knosys' sales and marketing team is continuing its focus on new business lead generation, tender responses and the renewal and expansion of existing customer contracts across all product lines.

In FY23, the Knosys Customer Success & Experience (CSCX) team has focused on in-person engagement with the key Libero customers, both in Australia and in Germany. The team now has an expanded capability to provide an improved customer experience and a more hands-on approach to customer engagement.

Over the past six months, Libero has been the most active in tendering new proposals and in retendering existing business. Recent successful large Libero renewals under tender included the Wagga Wagga City Council and the Woollahra Municipal Library. In addition, there has been a strong focus on multi-year contracts renewals, with demonstrated success in eight renewed Libero contracts on 5-year contract terms and another two contracts now on 3-year terms, primarily in NSW.

Knosys Managing Director, John Thompson said, "We continue to develop and pursue our pipeline of enterprise and mid-market opportunities, however from late calendar year 2022, we observed some customers taking longer to finalise purchasing decisions, reflecting the mixed economic signals and corporate planning uncertainty. Although this has pushed some of our new revenue growth opportunities into FY24, we remain confident in the outlook ahead. Our foundation of recurring revenue remains solid and we continue to focus on cost management to ensure our business operations are fully funded."



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 2023

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	3,053	9,011
1.2 Payments for		
(a) research and development	(344)	(888)
(b) product manufacturing and operating costs	(599)	(1,500)
(c) advertising and marketing	(60)	(305)
(d) leased assets	-	-
(e) staff costs	(1,743)	(5,411)
(f) administration and corporate costs	(387)	(1,039)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	15
1.5 Interest and other costs of finance paid	0	(3)
1.6 Income taxes paid	(1)	(2)
1.7 Government grants and tax incentives	5	15
1.8 Other (provide details if material) – gst (paid)/received	45	(101)
1.9 Net cash from / (used in) operating activities	(26)	(208)
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	(6)	(49)
(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	0	(29)
2.6 Net cash from / (used in) investing activities	(6)	(78)

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	(34)	(107)
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	(34)	(107)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,794	3,096
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(26)	(208)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(6)	(78)

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)	(34)	(107)
4.5	Effect of movement in exchange rates on cash held	17	42
4.6	Cash and cash equivalents at end of period	2,745	2,745

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	1,396	1,180
5.2	Call deposits	831	868
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	518	746
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,745	2,794

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	-
<i>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.</i>		

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)	123	123
7.4 Total financing facilities	123	123
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)	(26)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,745
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,745
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	105
<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: 27 April 2023
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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.