

ASX Announcement
29 January 2021

December 2020 Quarterly Activity Report and Appendix 4C

Current highlights

- **Knosys 2.0:** Knosys has redefined its brand essence to “Empowering Smarter Information Connections” in line with its strategy of being a multi solution company
- **Executing Acquisition Strategy:** Knosys supported its growth strategy by announcing the proposed acquisition of leading SaaS intranet provider GreenOrbit
- **Growing Solution Revenues:** With combined annualized revenue of GreenOrbit and KnowledgeIQ, ARR is tracking at circa. \$5.8m
- **Strong cash position:** \$5.9m of cash on hand at 31 December 2020, following \$2.9m in new capital raised via placement and positive net operating cashflow of \$1m for the 6 months to 31 December 2020
- **Solid Pipeline** of opportunities in the GreenOrbit and Knowledge management in ANZ, UK and USA
- **Expanded Board aligns with growth strategy:** Board expanded further, with appointment of Neil Wilson in December

Knosys (ASX: KNO), a global software-as-a-service (SaaS) information technology company, is pleased to provide its December 2020 quarterly activity report and update on the Company’s operations, future business, and funding.

Knosys Brand Re-envisioned

During the quarter the company has worked on enhancing its brand to better reflect its growth strategy of becoming a multi solution company to better serve its global customer base. Knosys’ new essence is about “Empowering Smarter Information Connections”

We are well progressed in refreshing the Knosys brand to better articulate our value proposition to customers and investors alike. With our consultants, we have focused on defining the ‘what’, ‘how’ and ‘why’ of the Knosys offerings to align it with the growing company, as follows:

- Easier, faster, more efficient access to information;
- Allow people to share information, collaborate and connect more effectively; and
- To deliver a clear business advantage to our clients (Better outcomes for our clients across customer service, productivity, compliance, employee experience).

Acquisition of GreenOrbit – issue of 37m shares approved by shareholders

As announced to ASX on 15 December 2020, Knosys executed a conditional sale and purchase agreement to acquire all the issued shares in GreenOrbit Pty Ltd (“GO”), a leading SaaS Intelligent Intranet software provider. At the General Meeting of Shareholders held on 27 January 2021, Shareholders approved the issue of 36,978,000 shares to the vendor of GreenOrbit, as consideration for the acquisition. Subject to the completion of conditions precedent, the acquisition is expected to complete in early February.

GO is a leading provider and operator of intranet solutions which facilitate efficient and secure internal communications and information sharing for over 260 clients, with more than 340,000 licenced users across more than 20 countries. GO has a diverse revenue base targeting both SMEs and blue-chip clients such as Harvey Norman, Webjet, Cotton-On and Audi. Clients typically pay an annual subscription licence fee based on the number of licences.

GO currently generates approximately \$2.8m in annualised recurring revenue (ARR) and is headquartered in Melbourne. GO has 20 employees across sales offices in Australia, US and UK and also a support operation in India with 20 engineers providing shared services for GO, covering customer support, customer success and specialised Microsoft development capabilities.

The acquisition of GO is in line with the Knosys growth strategy to deliver multiple SaaS offerings with a shared services model. Knosys’ KnowledgeIQ solution and the GreenOrbit Intelligent Intranet solution will form the first 2 pillars of this diversified SaaS product offering. This growth strategy will assist Knosys to scale into a global operation using its expanded sales office footprint and a cost-effective shared services model.

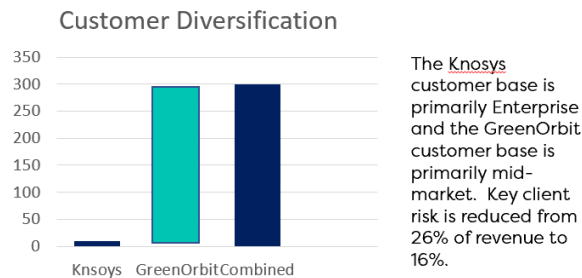
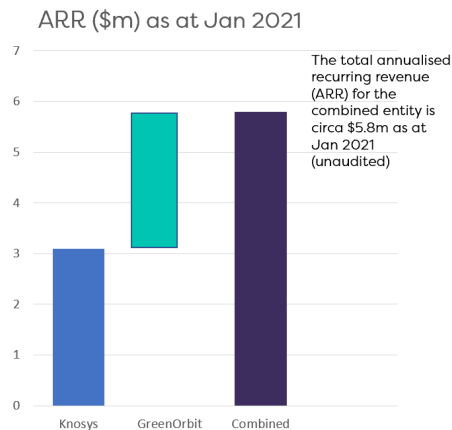
Successful \$3m capital raise

Following the announcement of the GreenOrbit acquisition, Knosys raised \$3.0m in additional capital (before costs) through a placement of fully paid ordinary shares at an issue price of \$0.14, which was at a premium to the prior days closing price.

These funds will be used to accelerate growth in the GreenOrbit business, funding increased investment in sales and marketing, product development, IT infrastructure and general working capital requirements for the expanded global operations.

Knosys Business performance and market conditions

During the December 2020 quarter, Knosys has continued to deliver a stable revenue stream from its \$3m per annum recurring revenue base, principally from long standing Enterprise customers on multi-year contracts. When combined with GreenOrbit’s annualized recurring revenue base of \$2.8m (subject to completion), Knosys will significantly increase its total annualized recurring revenue to approximately \$5.8m, an increase of 93%. Its customer base will all transform dramatically once the transaction is complete, increasing by an outstanding 3,000%, delivering significant customer diversity.



Sales pipeline

The quarter was active in terms of new business opportunities for KnowledgeIQ and GreenOrbit solutions. Knosys signed up multiple pilots towards the quarter and is shortlisted on 3 enterprise projects related to knowledge management. Similarly, GreenOrbit is also reporting solid new sales opportunities in its pipeline originating from ANZ, UK and the US markets.

In relation to GreenOrbit, whilst we await transaction completion, information provided during the quarter shows good progress with new customer engagement across its core of ANZ, UK and the US markets. Post closure we look to grow this further with investment in aggressive marketing activities aligned with economic recovery in the regions. GreenOrbit also continues to make good progress in up selling its latest version of software to existing customers, providing greater value to customers and improved recurring revenue metrics. Knosys looks forward to sharing greater information on new and existing customers in the next quarter.

Outlook

The Knosys directors are committed to building a leading SaaS information management business and have expanded the Board with appropriate talent to oversee the next growth phase of the business.

Neil Wilson, with extensive business experience in the IT and software sector, was appointed a director during the quarter and this follows Kathrin Mutinelli's appointment in the September quarter, strengthening the Board's corporate strategic capabilities. Together, these new Board members provide the Knosys Board with additional perspective and experience and a mix of strong and diverse skills, as the directors collectively focus on maximising shareholder value.

The GreenOrbit acquisition is a significant step in the Company's development and is expected to accelerate the growth of Knosys' Intelligent information management and workplace platform by delivering an exciting new solution to current and future customers. This acquisition fast-tracks the Company product roadmap with an aligned technology solution.

The global market for corporate SaaS solutions is expanding rapidly, driven by increased demand for digital workplace 'cloud' solutions and the increasing need for high employee efficiency, engagement, and greater flexibility in operations. The combination of the joint capabilities of GO and Knosys will create an enhanced information management and digital workplace solution. As the business continues to return to the new norm, post COVID, the management team will focus on the following key areas:

- Prioritise the safety and wellbeing of its employees as they return to offices around the world.
- Invest in marketing activities to drive quality leads across its global markets for intranet and knowledge management.
- Build out the sales and customer success teams to deliver new sales and to foster customer renewals .
- Specific focus on driving growth in its knowledge management and intranet across the ANZ, US and UK.
- Remain focused on our cash management and maintain a strong cash balance.
- Continue to pursue highly complementary acquisitions that drive future growth and extend our solutions offering and expand our customer base.

Appendix 4C cashflow report - released with this activity report

Historically the December quarters are cyclically low cash inflow periods for Knosys, due mainly to large annual licence renewals from a major banking customer being received in the September quarter each year. Knosys reported a small negative operating cashflow of \$0.1m for the December 2020 quarter. This net result compares very favourably with the prior year comparative figure of negative \$0.9m for December 2019. Additional project cash flows from the ANZ Bank New Zealand project and the prudent management of costs during the current environment have contributed to this improved performance.

Gross cash outflows for the quarter included continued spend on research and development as well as sales and marketing initiatives. Certain general business and travel related expense levels are well below previous comparative quarters as Knosys continues to operate within the current COVID impacted business environment.

Cash outflows relating to the Company's head office lease in Melbourne are accounted for in the Appendix 4C in accordance with AASB16, with the gross payments to the landlord treated as a financing activity. The interest paid component is disclosed in cash flows used in operating activities and the repayment of liability component is disclosed in cash flows used in financing activities.

The capital raise conducted by the Company in December contributed \$2.9m (before costs) to the cash position for the quarter. This capital raising, combined with the improved operating cashflow, has enabled the Company to finish the December 2020 half year with a strong cash balance of \$5.9m.

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.

To date the Company's revenue model has predominantly been based on billing customers annually in advance. This is reflected in the fluctuations in quarterly cash inflows. Higher customer cash receipts are typically received in the September quarter each year, due to large annual licence renewals. The regular monthly invoicing of licence and support fees for some large customers provides some spread of cash inflows across all quarterly cashflow periods. The appropriate portion of revenue from licence fees invoiced annually in advance is recognised each month in the financial accounts as revenue is earned evenly over a 12-month period. This mix of cyclical cash flows is expected to become less cyclical in future quarters, with the impact of the business operations and cashflows from the planned GO acquisition.

ABOUT KNOSYS

Knosys is a leading software as a service (SaaS) provider based in Melbourne, with specialist expertise in helping businesses manage information and knowledge. We enable organizations 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 systems and intranet systems.

For more information please visit: <http://www.knosys.it>

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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")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	729	2,794
1.2 Payments for		
(a) research and development	(121)	(220)
(b) product manufacturing and operating costs	(112)	(226)
(c) advertising and marketing	(43)	(110)
(d) leased assets	-	-
(e) staff costs	(494)	(1,049)
(f) administration and corporate costs	(105)	(237)
1.3 Dividends received (see note 3)		
1.4 Interest received	6	11
1.5 Interest and other costs of finance paid	(4)	(8)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	12	50
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(132)	1,005
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(141)	(141)
2.6	Net cash from / (used in) investing activities	(141)	(141)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,909	2,909
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)	(148)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings – ROU liability	(29)	(57)
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	2,732	2,704

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,445	2,336
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(132)	1,005
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(141)	(141)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,732	2,704
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,904	5,904

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	2,731	312
5.2	Call deposits	677	1,137
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	2,496	1,996
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,904	3,445

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	131
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 <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other – ROU lease liability (AASB16)	281	281
7.4	Total financing facilities	281	281
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)	(132)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,904
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,904
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	44.7
	<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 January 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.