

ASX Announcement

26 August 2021

Strong FY21 results driven by acquisitions and organic growth

Key Highlights:

- **Building global scale through a multi-SaaS offering:**
 - Knosys executed on its growth strategy in FY21 with the acquisition of GreenOrbit in March 2021 and the signing of a conditional agreement in June 2021 to acquire LIBERO, with expected completion by 31 August 2021.
 - The Knosys group, including LIBERO, will have 380 customers across 14 countries, generating over \$8m in Annual Recurring Revenue (ARR).
- **Revenue increase of 46% reflects organic and acquisition growth:** Revenue of \$4.6m in FY21 included 22% organic revenue growth from the KIQ Knowledge Management business and 24% acquisition revenue growth, reflecting a three-month contribution from GreenOrbit.
- **Underlying profitability of operations:** In FY21, net profit before transaction costs and income tax was \$16K. Acquisition costs of \$559K were incurred in FY21 and the consolidated net loss after income tax was \$543K, an improvement on the net loss of \$908K in FY20.
- **Positive operating cash flow:** In FY21, net operating cash inflow was \$580K, up \$1.1m from a net cash outflow of \$478K in FY20. The cash balance of \$6.5m as at 30 June 2021, increased to \$7.8m as at 31 July 2021. This enables the cash component of the LIBERO acquisition to be self-funded.
- **Investing in organic growth:** In FY22, Knosys will accelerate investment in customer acquisition and cross-selling to drive future revenue growth. This increased investment in product development, sales and marketing will be funded by existing cash resources and is expected to deliver greater revenue growth in FY22.
- **Continue to assess complementary acquisitions:** supporting our market positioning as a SaaS solution provider helping businesses manage information and knowledge.

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 financial results for the financial year ended 30 June 2021.

	FY21	FY20	Δ
Revenue	\$4.6m	\$3.1m	Up 46%
Net profit before transaction costs and tax	\$16K	\$(908)K	Up \$923K
Net Loss After Tax*	\$(543)K	\$(908)K	Improved by \$365K
Operating cash flow	\$580K	\$(478)K	Up \$1.1m
Cash balance	\$6.5m**	\$2.3m	Up \$4.2m

*FY21 net loss after tax includes \$559K in acquisition costs

** The cash balance increased to \$7.8m as at 31 July 2021

Overview of FY21 Results

In FY21, Knosys generated revenue of \$4.6m, up 46% from \$3.1m in FY20. This significant revenue growth was driven by organic growth of 22% and acquisition growth of 24%. The organic growth included the professional services contract with ANZ Bank New Zealand to deploy a standalone KnowledgeIQ system in country. The acquisition revenue of \$757K, reflected a three-month contribution from the GreenOrbit acquisition, which was completed on 30 March 2021.

Total expenses include a 3-month impact from the GreenOrbit business operations and have increased to \$5.3m in FY21, up 9.4% from \$4.8m in FY20. Employee benefits expense represent the single largest expense for Knosys at \$3.5m in FY21, up from \$3.0m in FY20.

The profit before acquisition costs and income tax was \$16K in FY21. Acquisition costs of \$559K led to a loss after income tax of \$543K, up from a net loss of \$908K in FY20. Knosys did not incur an income tax expense in FY20 or FY21, due to unrecognised deferred tax assets.

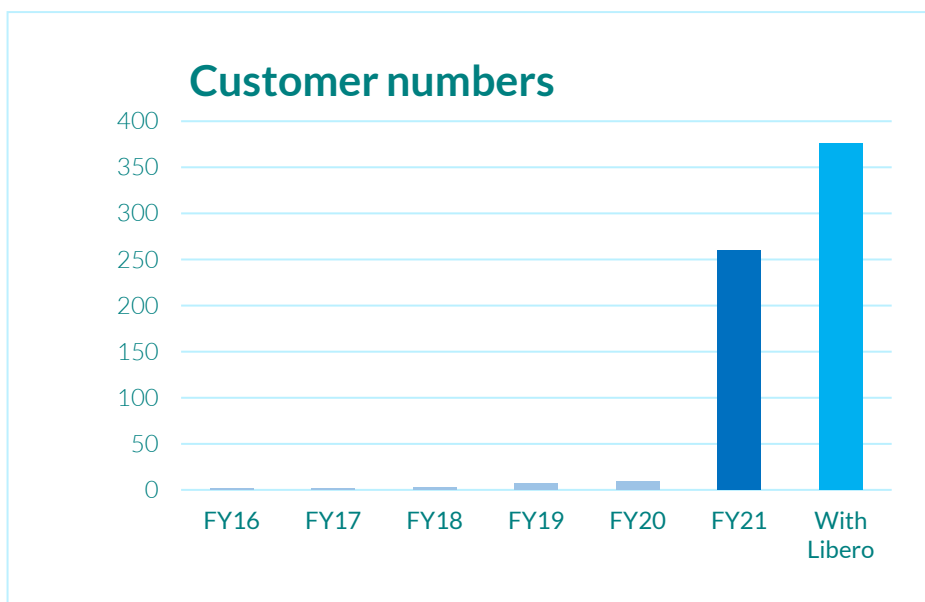
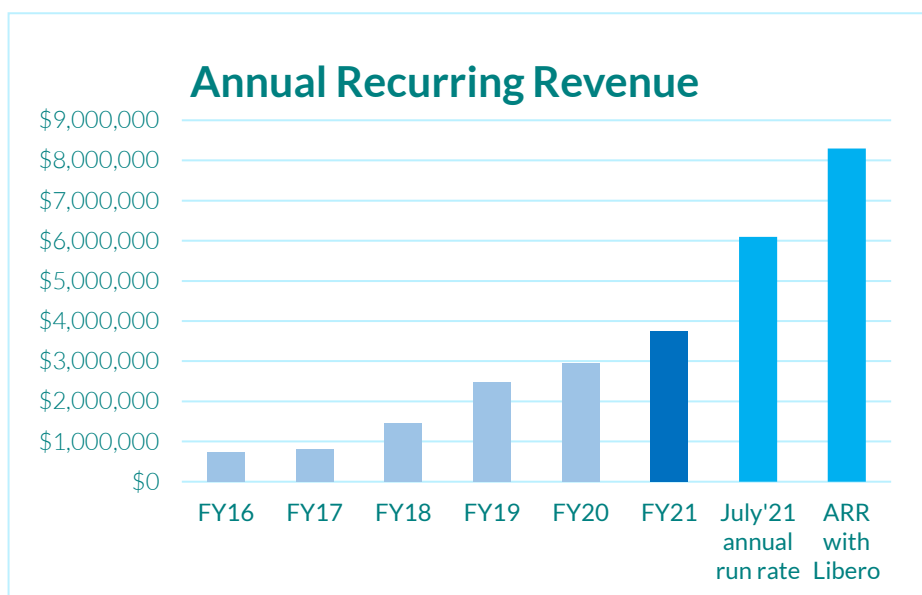
Knosys acquired \$4.9m in goodwill upon the acquisition of GreenOrbit. The consolidated entity is in the process of conducting a valuation split between identifiable and unidentifiable intangible assets, the results of which will be reflected in the financial statements in the next 12 months. For the financial report for the year ended 30 June 2021, the entire balance has been recognised as goodwill.

Contract liabilities increased to \$2.9m in FY21, up from \$1.5m in FY20, and includes balances acquired via the GreenOrbit acquisition. This balance reflects licence fees billed to customers in advance during the year, where the performance obligations will be satisfied in future periods and recognised as revenue.

Issued capital increased to \$16.1m in FY21, up from \$8.3m in FY20. The company issued 21,428,571 shares, at an issue price of \$0.14, via a placement in December 2020 and February 2021 to a microcap fund and to sophisticated and professional investors, raising \$3m (before costs) for working capital and investment in sales and marketing. In March 2021, 36,978,000 shares, at an issue price of \$0.135, were issued as purchase consideration to the vendors on completion of the \$5m GreenOrbit as acquisition. Net assets increased to \$10m at June 2021, up from \$2.6m in FY20.

In FY21, net operating cash inflow was \$580K, \$1.1m up from a net cash outflow of \$478K in FY20. The cash balance of \$6.5m as at 30 June 2021, up from \$2.3m in FY20. This cash balance further increased to \$7.8m as at 31 July 2021. This strong cash balance enables the Company to self-fund the cash component of the LIBERO acquisition, payment of which is expected to be \$2.5m-\$3.5m depending on the working capital acquired on completion of the transaction.

Annual Recurring Revenue (ARR) and the number of Knosys customers continues to grow year on year organically and via acquisition.



Building global scale through a multi-SaaS offering

In FY21, Knosys effectively executed its acquisition growth strategy to acquire complementary SaaS businesses to create a multi-SaaS offering with a diversified customer base across key global markets.

In March 2021, Knosys completed the acquisition of GreenOrbit, a leading provider of Employee Experience Platforms to form the second pillar of the multi-SaaS offering. GO provides intranet solutions which facilitate efficient and secure internal communications and information sharing for over 260 clients, with more than 340,000 licensed 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 license fee based on the number of licenses.

Integration activities progressed well in Q4 FY21 and the expanded management team has clearly stated its goals and ambitions as a global information technology vendor. Operationally, Knosys has consolidated the development and customer success teams.

On 1st July, Knosys announced that, on 30 June 2021, it executed a conditional asset and share-sale agreement to acquire the LIBERO business. LIBERO is a leading Library Management Software (“LMS”) company which delivers a new digital experience in managing asset collections, employees and interactions with their members for public libraries, tertiary education institutions and other similar organisations. LIBERO has 116 clients located across 8 countries, predominately in Australia and Germany/EU. LIBERO will form the third pillar of the multi-SaaS offering and this acquisition is expected to complete by 31 August 2021, subject to the satisfaction of certain agreed conditions. The cash component of the LIBERO acquisition will be self-funded by Knosys from its cash resources.

Knosys acquired both GreenOrbit and LIBERO on attractive revenue multiples of <3x and both acquisitions have the potential to deliver significant value through cross-selling to the combined customer base on a shared cost base. The consolidated business, including LIBERO, now has over 60 employees and 380 customers with an annualised recurring revenue (ARR) of over \$8m as at August 2021. The sales teams in the US and Australia have expanded and are now prepared to sell all three SaaS solutions in their respective territories.

Marketing Activities

In FY21, Knosys engaged a marketing agency to assist in its re-branding strategy and to further refine the customer value propositions. A new VP of Global Sales and Marketing as well as a Digital Marketing Manager started in January 2021, as well as three new sales representatives starting in March – two in the US and one in Singapore.

The new website was launched in May 2021, with an updated brand tagline ‘Connecting People and Information’ and an updated vision to ‘empower organisations to make smart connections with their information’.

Investing for growth

In FY22, Knosys will accelerate investment in customer acquisition and cross-selling to drive future revenue growth. This increased investment in sales and marketing will be funded by existing cash resources and is expected to deliver greater revenue in FY22.

In FY22, Knosys will consolidate its global customer base to a single cloud service provider to improve operating margins and minimise the need for additional cloud resources going forward. Knosys has significantly increased its digital presence in order to drive inbound leads which can then be managed by the dedicated in-country sales teams. This focus on digital marketing and local sales strategies has significantly increased the pipeline which will drive sales growth in FY22.

Knosys’ growth strategy has four key elements:

1. New customer acquisition and expansion into key markets
2. Expansions and upsells within existing customer base
3. Expand solutions offering
4. Accelerating growth through aligned acquisitions

Additions to the Knosys Board

Kathrin Mutinelli and Neil Wilson joined the Knosys Board in FY21 to expand the Board's capabilities to oversee the next phase of growth. Neil Wilson has extensive business experience in the IT and software sectors and Kathrin Mutinelli brings additional capabilities in corporate strategy.

Knosys Managing Director, John Thompson said, "We have had a busy and productive year in building the foundations of our global multi-SaaS offering and we enter FY22 with optimism in our sales pipeline. We are now focused on integrating these acquisitions and further investing in marketing and sales in order to cross-sell and accelerate revenue growth. We are operating in attractive global markets with a total addressable market of over \$25B with global demand for cloud-based digital workplace solutions driven by the need for employee efficiency & engagement as well as customer engagement & experience."

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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