Investor Newsletter – May 2023

Dear Shareholders,

I am very pleased to report that over the past year, we have made substantial progress on our mission to be a leading software-as-a-service (SaaS) company connecting people and information.

Our portfolio of SaaS solutions is designed to empower organisations to make smarter connections with their information. We have a low volatility recurring revenue base with diversified revenue streams by product and by geography and our clear focus is on delivering business critical solutions to key industry verticals including, Healthcare, Financial Services, Retail and Government. At the end of March 2023, the Annualised Recurring Revenue (ARR) was tracking at $9.5 million, with further expected growth ahead.

The favourable industry trends relating to the growth in hybrid workers, information overload, customer expectations of consistent information across channels, the increasing importance of governance and compliance, all give us confidence that demand for our solutions will remain strong for years to come.

After a busy first quarter of 2023, I would like to take this opportunity to share some key operational highlights and provide a deeper insight into our product development strategy for Libero, our market leading library management solution.

In this newsletter, we would like to share further detail on this strategy and how it is successfully driving customer retention, new customer acquisition, multi-year contract extensions and increased revenue per customer, with a specific focus on Libero and its growth strategy in the Government vertical.

In addition, we have included links to recent presentations which provide further details on our financial results and operational milestones.

On behalf of the Board, we would like to thank you for your ongoing support as we remain confident in the growth opportunities ahead for our portfolio of market leading SaaS solutions.

John Thompson

Managing Director

Overview of Q3 FY23 results

In late April, Knosys released its quarterly update which showed strong cash receipts of $3.1m, minimal net cash outflow of $208K and key customer renewals on multi-year contracts including with the Wagga Wagga City Council and the Woollahra Municipal Library.

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

Although the time to finalise and proceed to contract sign-off has lengthened in 2H FY23 for some customers, the pipeline of sales opportunities continues to develop heading into FY24.

Spotlight on Libero's Product Roadmap

In October 2022, Knosys released an updated Product Roadmap for each of its three SaaS solutions. In this newsletter, the spotlight will be on the Libero Library Management Solutions updated Product Roadmap and its impact of product development and marketing strategy.

Under the new Libero Development Plan, Knosys will release quarterly updates in order to engage library customers with an ongoing stream of new features and improved functionality.

- Advanced Search & Discovery will provide a single point for users to query the library catalogue and electronic resources as well as simplify eResource loan management and provide deeper insights into resource usage for libraries.
- Engaging User Interface will improve both the look and feel of the public facing interface and improve the user experience by making interactions simpler and more efficient for both staff and customers.
- Native mobile app for both staff and customers will provide the best user experience on both iOS and Android devices as well as take advantage of device-specific features such as easily browsing the catalogue, checking current loans, as well as viewing and paying fines. Libero will also launch mobile membership cards that employ the native 'wallet' features on the smartphone.
- Custom member facing Content Management System will allow libraries to create custom pages to highlight an event, showcase a collection, or to advertise a local history event, and also to lock pages so that only logged in members can view them.
- Digital verification will provide an optional check before member sign-up using the DigitalID solution provided by Australia Post.
- Modern reporting solution will provide a newer and easier framework for report creation, with deep analytics of the data.
- Google Borrow will allow libraries to present catalogue holdings directly within a relevant Google search.
- Transition to BIBFRAME standard will provide a modern, extensible framework for cataloguing and will enable Libero to add support for other upcoming standards.
- Manage member relationships across social channels including member surveys, social media interaction, event management and ticketing. In addition, Libero will provide detailed demographic reporting on all interactions, both online and in-person.

These new features and improved functionality will be rolled out to all library customers in quarterly updates over the next two years.

The Customer Success & Experience team is driving customer engagement

Over the past 8 months, the Customer Success & Experience (CSCX) team has been 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, the team has effectively executed on its strategy to 'meet & greet' all customers, in order to better understand their needs, their user experience and any potential challenges. As part of this initiative, all Libero customers have been offered a complimentary 'Health Check' session with a Library Solutions Consultant, which generally takes 1-2 hours.

Through these client discussions, the team has delivered recommendations on how to improve utilisation of the system, identified additional consulting work on software upgrades and cloud migrations as well as further training opportunities for library staff.

Hochschule für Grafik und Buchdruck

Participants Ms. Schürer, Ms. Sprinz, *Laura Nichols*

Woollahra Municipal Council Library

Participants: Jody Rodas – Library Manager , Denise Syme – Customer Service Team Leader , James Tucker – IT Coordinator , Eric Yuchi – IT support officer , Olga Avramenko – Systems and Business Team Leader , Jenn Martin – Collections Team Leader *, Zal – Knosys , Greg – Knosys*

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Early wins from the Libero customer engagement strategy

Over the past year, Knosys has focused on signing customer extensions for multi-year contracts. In the past six months, Libero has won two tenders with the Wagga Wagga City Council and the Woollahra Municipal Library. In addition, Libero has renewed 8 new contracts on 5-year contract terms and another two contracts on 3-year terms, primarily in NSW.

In Europe, Libero customers have been issued a notice of intent to uplift their subscription pricing after 2 years of no price rises.

In addition, we are looking to provide proposals for Cloud Migration to customers who have Libero installed within the On-Premise Environment. Benefits for the customer include less onsite running costs to maintain infrastructure, fully managed Cloud services means they don't need to maintain the technical expertise from a system perspective, and regular updates of the LMS included in the subscription are all great reasons to consider moving their Libero installation to the Cloud.

Waverley Library provide a video testimonial and this has been published on Knosys' Libero website with an article available containing a link to the video, per the below link:

https://libero.com.au/why-waverley-library-selected-liberos-innovative-library-management-solution/

Later this year, Knosys will host the inaugural User Group conference in Sydney, to enable Libero customers to come together and meet with the Knosys team to learn more about the Product Roadmap and future product development.

Recent Knosys investor presentations :

Finance News Network – 8th March 2023

Coffee Microcaps - 2nd May 2023