

ASX Announcement

26 July 2024

Q4 FY24 Activity Report and Appendix 4C

Key Highlights:

- **Positive operating cash flow:** Net operating cash flow of \$1.1m in Q4 FY24 and positive net operating cash flow of \$2.3m in FY24 with a cash balance of \$4.2m at 30 June 2024.
- **Revenue stability and disciplined cost control:** The Annual Recurring Revenue (ARR) of \$9.5m at July 2024, is steady year-on-year, with ongoing focus on operating efficiency.
- **Organic Growth:** New customer acquisitions across all solutions.
- **Market leadership :** Development resources driving innovation in our library management system (LMS) globally.
- **Positive EBITDA expected in FY24:** Expecting to report positive EBITDA in excess of \$1.0 million in FY24.
- **Outlook for FY25:** Increased investment in our market leading LMS, with revenue contribution from this program of work expected from FY26 onwards.

Knosys Limited (ASX:KNO) ("Knosys" or the "Company"), is pleased to provide its June 2024 quarterly activity report and Appendix 4C.

Q4 FY24 Overview

In Q4 FY24, Knosys maintained revenue stability and disciplined cost control. Knosys generated positive net cash from operating activities in Q4 FY24 of \$1.1m and delivered a positive net cash from operating activities of \$2.3m across the full year in FY24.

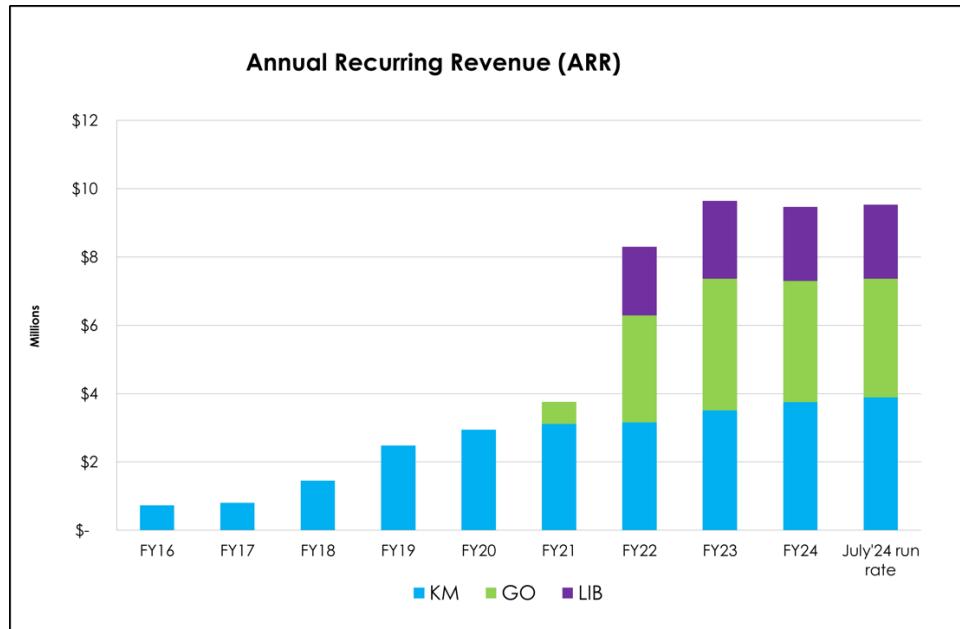
This was driven by revenue stability, with a steady ARR of \$9.5m at July 2024, together with a 20% reduction in the operating cash out flows from \$11.8m in FY23 to \$9.4m in FY24. This was primarily driven by a targeted 30% reduction in staff costs in FY24, compared to FY23.

Over the past year, Knosys has focused on improving operational efficiency, operating with a lower cost base during the year.

Knosys is expecting to report a strong positive EBITDA in excess of \$1.0m for FY24, which is a substantial turnaround from the EBITDA loss of \$1.3m in FY23.

Annual Recurring Revenue (ARR)

Annual Recurring Revenue is tracking in line with the previous quarter, with a run rate of \$9.5m as at July 2024, steady year-on-year and quarter-on-quarter.



Key Customer Wins

In the past quarter, Knosys has signed up new customers for its market leading solutions across Knowledge Management, GreenOrbit and Libero, including:

- A Council Library in New South Wales, who have signed a 5-year term with Libero. The library is a stand-alone service with over 2100 members.
- A university in Düsseldorf, Germany, who have signed a 5-year term with Libero. This private, state-recognised university of Applied Sciences includes studies in Education / Psychology, Sociology / Social Work and Nursing / Medicine.
- A leading health facility in Savannah, Georgia USA, for a 3-year term with GreenOrbit Cloud. This facility offers comprehensive health services and state-of-the-art medical technologies.
- A large municipal city council in Victoria, for a 2-year term with GreenOrbit Cloud.
- A government agency in Western Australia, for a 3-year term with KnowledgeIQ for use in a legal and best practice application across the state.

Growth Strategy Update

In late May, John Thompson, Managing Director and Nic Passmore, Chief Technology Officer, hosted an investor webinar to provide deeper insights into the business strategy to invest in solutions with high growth potential over the next 3-5 years.

In FY24, the Company conducted a comprehensive review of its portfolio of solutions and the outcome of this process was the 'Protect, Grow and Invest Strategy' which includes the following components:

- Protect and grow the revenue from existing Knowledge IQ and GreenOrbit solutions.
- Build on existing capability and market share in Library Management Solutions (LMS) with the aim to become a leading LMS provider globally within 3-5 years.
- Increase capacity and resources to develop the planned new LMS capabilities.



- Invest in transformational product development in LMS to generate long-term returns.
- Apply LMS innovations to other solutions with a common code base, where applicable.

The mega-trends driving growth in the LMS market include the integration of Artificial Intelligence (Ai) and machine learning, increasing focus on privacy & security, rising adoption of open-source LMS systems and the mass adoption of cloud-based solutions and remote accessibility.

Knosys' new product development program, Libero X, is designed to benefit from these mega-trends. Libero X represents a step change in library management solutions. Libero X's Ai capabilities will enhance member experiences, increase operational efficiency, and improve the overall effectiveness of managing libraries.

Libero X will exploit Ai and machine learning in key areas such as cataloguing, classification, recommendation, reference, discovery and preservation. Libero X will be enhanced with open-source components to benefit from the expanding community of developers and Libero X will have a mobile first strategy with a focus on enhancing positive member experience.

Please click below to view the Knosys Growth Strategy Webinar.

[Knosys Webinar: Growth Strategy Update - Knosys Corporate](#)

Appendix 4C cashflow report – released with this activity report

In Q4 FY24, Knosys received \$3.3m in cash receipts from customers, which includes the annual license fees from a major client. Last year, this annual payment was made in July 2023, rather than June, therefore the FY24 cash receipts include this annual fee twice. In contrast, the R&D cash refund was received in June 2023 last year and will be received in August 2024 this year, which means there was no cash inflow from the R&D rebate in the FY24 cashflow. It is important to note that there is still a positive \$1.5m in cash flow from operations, after allowing for these offsetting timing differences, year on year.

Quarterly operating out flows were \$2.2m in Q4 FY24 and \$9.4m for FY24, a significant reduction in the prior year of \$2.6m in Q4 FY23 and \$11.8m in FY23. The lower cost base in FY24 has enabled Knosys to generate positive cash flow of \$1.1m for the quarter and \$2.3m for FY24, a considerable improvement on the prior year, and in line with the Company's strategy to restructure and deliver profitable results in FY24.

The cash balance at 30 June 2024 was \$4.2m and remained at this level in July with the receipt of annual licence fees billed in June and July. The cash balance should benefit further in August with the expected receipt of the R&D rebate of more than \$1m.

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.

Outlook

Knosys Managing Director, John Thompson said, "I am very pleased that our strategic decision to restructure the company over the past year has delivered the desired outcome, namely positive operating cash flow and positive EBITDA in FY24, based on revenue stability and a lower cost base. Moving forward, we will increase investment in our library technology software solutions. Our new product development program, Libero X, represents a step change in library management solutions and we aspire to be a leading global player in this market within the next three to five years. In FY25, we will continue to optimise our solution portfolio, increase resources and allocate capital to the highest growth potential solutions to drive revenue and earnings growth over the years ahead."



ABOUT KNOSYS

Knosys is a leading SaaS provider headquartered in Melbourne, with operations internationally, providing 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”

The Board of Knosys Ltd has authorised the release of this announcement to the market.

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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")

30 June 2024

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	3,271	11,685
1.2 Payments for		
(a) research and development	(255)	(943)
(b) product manufacturing and operating costs	(487)	(2,045)
(c) advertising and marketing	(92)	(221)
(d) leased assets	-	-
(e) staff costs	(1,139)	(4,929)
(f) administration and corporate costs	(265)	(1,246)
1.3 Dividends received (see note 3)		
1.4 Interest received	35	75
1.5 Interest and other costs of finance paid	(2)	(4)
1.6 Income taxes paid	-	(59)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	1,066	2,313
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	(3)	(7)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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		
2.6 Net cash from / (used in) investing activities	(3)	(7)

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	(27)	(127)
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	(27)	(127)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,147	2,018
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,066	2,313
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(3)	(7)

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)	(27)	(127)
4.5	Effect of movement in exchange rates on cash held	2	(12)
4.6	Cash and cash equivalents at end of period	4,185	4,185

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	1,053	878
5.2	Call deposits	1,850	487
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	1,282	1,782
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,185	3,147

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	140
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.

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)	194	194
7.4 Total financing facilities	194	194
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)	1,066
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,185
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	4,185
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<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.

26 July 2024

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.