

QUARTERLY REPORT & APPENDIX 4C: 30 JUNE 2019

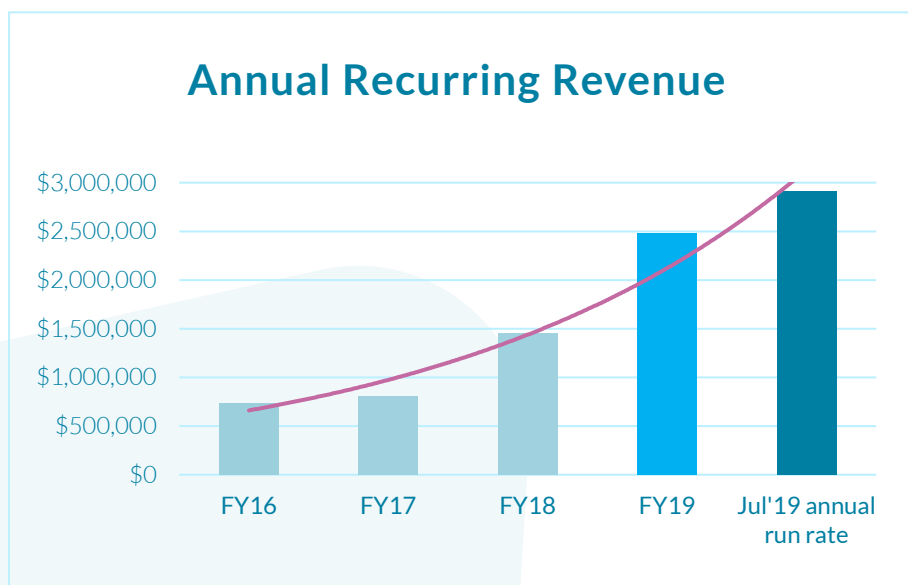
CURRENT HIGHLIGHTS

- **Growing recurring revenue base:** Recurring revenue growth of 71% in 12 months, with an annual recurring revenue run rate of over \$2.9 million as at 1 July 2019
- **Growing licensed user base:** Total licenses on issue of 40,430, up 35% in the past 12 months
- **Pipeline building for KIQ Cloud:** Onboarding of new KIQ Cloud customers and strong inbound interest for product demonstrations
- **Expansion into Asia Pacific:** New Singapore office opened to support sales and marketing activities in Asia
- **Moving towards cashflow positive:** Our cash balance of \$2.9 million at 30 June 2019 increased to \$4.0m at end July 2019 and our operational leverage continues to increase

Knosys Limited (ASX: KNO) (“Knosys” and “Company”) is pleased to report on its June 2019 quarter.

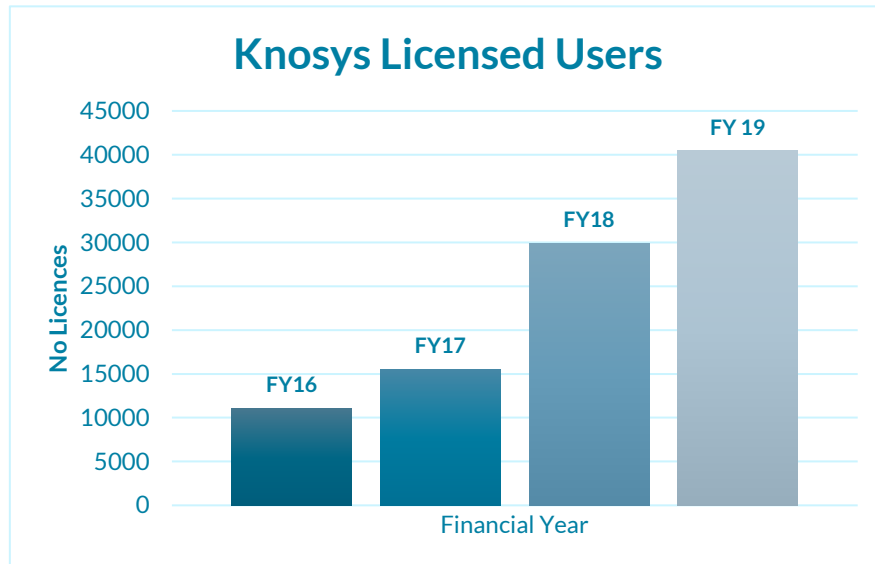
Growth in recurring revenue

Knosys continues to grow its recurring revenues, with a 71% increase from FY18 to FY19. We now have an annualised recurring revenue run rate of over \$2.9 million, as at 1 July 2019.



Growth in Licensed Users

The total license count at June 2019 was 40,430, representing a 35% increase compared to June 2018. The number of licensed users continues to build with increased usage from existing enterprise customers and mid-market customers.



KIQ Cloud pipeline building

We launched our new Software-as-a-Service product, KIQ Cloud, in Q4 and we have now onboarded our first mid-market customer to this new product. There has been an increase in inbound interest in KIQ Cloud and we have increased the number of customer demonstrations during the quarter, which positions the business well for further success in FY20.

Opportunities in FY20 to expand Enterprise customers

Knosys continued to invest in sales and marketing capability in the June quarter in order to pursue multiple enterprise opportunities. Knosys has been shortlisted for a number of these enterprise customers and we expect additional tender opportunities in FY20.

We continue to have a positive relationship with our enterprise customers including ANZ Bank, Optus and Singtel and these existing customers continue to be a source of revenue growth as we experience demand for additional licences and services. Our market feedback confirms that we have a relevant and robust enterprise level knowledge management solution for the market. Our sales effort in FY20 will remain focused on building upon this solid base through direct sales initiatives and partner relationships.

Knosys Managing Director John Thompson said, "In the past quarter, our internal focus has been on marketing initiatives to support sales. During the period we attended multiple conferences associated with Customer Experience and Contact Centre operations and we are ramping up our digital presence to increase brand awareness and facilitate more engagement with potential customers. We will replicate this approach in Singapore in FY20 to increase our addressable market by expanding into the Asia Pacific region."

Expansion into Asia Pacific region

The set-up of the Singapore office has been finalised and sales initiatives in the Asia Pacific region have now commenced. Knosys now has sales offices in Sydney, Melbourne and Singapore, giving the business

the ability to access the wider APAC market, in order to support its growth strategy and service its customers. The Singapore office will expand our relationship with Singtel in the region and should secure additional new customers in Singapore and surrounding countries.

Appendix 4C Quarterly statement of cash flows

The ASX Appendix 4C quarterly statement is attached to this report.

The cash balance at 30 June 2019 was \$2.9 million with net cash outflows of \$0.4m for the quarter. Inflows for the quarter included \$0.5m from the annual Research and Development tax rebate and \$0.15m from customer receipts. Further June quarter inflows of over \$1.4m from customer receipts were expected in June, but were received in the month of July 2019, giving a healthy cash balance of \$4m at end of July 2019.

Gross cash outflows included an increased spend on development and sales and marketing as well as final capex payments for new premises.

As required in Section 9 of the Appendix 4C, gross operating outflows for the September 2019 Quarter are estimated at \$1.3m, including some accelerated development expenses to enable integration and connectivity to major third-party platforms, such as Salesforce. The Appendix 4C does not allow for estimates of operating cash inflows, however the company estimates that the gross operating cash outflows will be offset by operating cash inflows from customers in the September 2019 quarter. At the date of this report over \$1.5m had been received from customers in the Sept'19 quarter.

The Company's revenue model has predominantly been based on billing customers annually in advance. This is reflected in the quarterly cash flow fluctuations. Licence fees invoiced annually in advance are recognised as revenue in the financial accounts each month as the revenue is earned evenly over a 12 month period. Higher customer cash receipts have typically been received in June/July of each year, due to large annual licence renewals, with lower receipts in other months. However, Singtel and Optus as major customers now provide a wider spread of cash inflows to Knosys across other quarterly cashflow periods.

For further information please contact:

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ABOUT KNOSYS

Knosys is a fast-growing Australian cloud software company that is simplifying enterprise knowledge to improve the productivity of employees and improve customer experience. Our KIQ Cloud service is the knowledge management platform transforming the digital workplace by ensuring all forms of knowledge are accurate, relevant to the user, compliant and easy to find. The KIQ Cloud knowledge management platform is intuitive and does the hard work. It uses the knowledge of real experts and the analytic power of machine learning to organise and share information for greater productivity. It is an organisation-wide solution for all industries, trusted by businesses and enterprises in the banking, telecommunications and government sectors.

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

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Knosys Limited

ABN

96 604 777 862

Quarter ended ("current quarter")

30 June 2019

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	145	3,257
1.2 Payments for		
(a) research and development	(122)	(348)
(b) product manufacturing and operating costs	(97)	(417)
(c) advertising and marketing	(112)	(320)
(d) leased assets	-	-
(e) staff and consultant costs	(566)	(2,449)
(f) administration and corporate costs	(128)	(724)
1.3 Dividends received (see note 3)		
1.4 Interest received	15	38
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives (net)	524	551
1.8 Other		
1.9 Net cash from / (used in) operating activities	(341)	(412)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(41)	(151)
(b) businesses (see item 10)		
(c) investments		

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(41)	(151)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	2,655
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(246)
3.5 Proceeds from borrowings		
3.6 Repayment of convertible notes		
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	-	2,409

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,293	1,065
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(341)	(412)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(41)	(151)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	2,409

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,911	2,911

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	169	191
5.2	Call deposits	498	847
5.3	Bank overdrafts	-	-
5.4	Other – Term deposits	2,244	2,255
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,911	3,293

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
107

Payments per item 6.1 include:

Non-Executive directors' and managing director's remuneration.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	0	0
8.2 Credit standby arrangements	0	0
8.3 Other (please specify)	0	0
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(285)
9.2 Product manufacturing and operating costs	(115)
9.3 Advertising and marketing	(95)
9.4 Leased assets	-
9.5 Staff and consultant costs	(635)
9.6 Administration and corporate costs	(185)
9.7 Other – Capex	(10)
9.8 Total estimated cash outflows	(1,325)

Note: Sept 2019 quarter estimated gross cash outflows are expected to be more than offset by estimated receipts from customers. As at the date of lodging this report the company had received \$1.5m in customer receipts in the month of July 2019.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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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.

Sign here:



(Company secretary)

Date: 31 July 2019

Print name: Stephen Kerr

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.