

ASX Announcement

30 August 2022

## Strong FY22 revenue growth from strategic initiatives

### Key Highlights:

- **Sales revenue up 94% on pcp:** Strong revenue growth driven by a full year contribution from GreenOrbit, a ten-month contribution from Libero and key growth initiatives.
- **Annual Recurring Revenue (ARR) up 54% on pcp:** Tracking at an ARR of \$9.4m in July 2022
- **Investing in growth:** Additional investments in sales and marketing, product development and customer support, combined with a significantly larger post-acquisition operational footprint, increased operating expenses to \$12m in FY22, up from \$5.3m in FY21.
- **Near break-even cash flow:** In FY22, operating cash out flow was \$220K, demonstrating that the strategic decision to invest in growth, was predominately self-funded.
- **Solid cash position:** The cash balance of \$3.1m at 30 June 2022 increased further to \$5m by end July 2022.
- **Increased operating leverage in FY23:** Knosys enters FY23 with industry trends driving a healthy pipeline of opportunities for its portfolio of solutions. Earnings and operating cash flow are expected to improve in FY23 as revenues increase faster than operating expenditure.

**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 2022.

	FY22	FY21	Δ
<b>Sales Revenue</b>	\$8.9m	\$4.6m	Up 94%
<b>Net Profit/(Loss) before transaction costs, material non-cash items and tax*</b>	\$(1.1)m*	\$16K	Down \$1.1m
<b>Net Profit/(Loss) After Tax**</b>	\$(3.1)m**	\$(543)K	Down \$2.5m
<b>Operating cash (out) flow</b>	\$(220)K	\$580K	Down \$800K
<b>Cash balance</b>	\$3.1m***	\$6.5m	Down \$3.4m

\* Excludes the transaction costs and material non-cash charges quantified below.

\*\*FY22 net loss after tax includes transaction costs of \$499K and \$1.45m of non-cash charges for Amortisation of Intangibles and for Share Based Remuneration (SBR). (FY21 loss included transaction costs of \$559K).

\*\*\* The cash balanced increased to \$5.0m as at 31 July 2022.

Knosys Managing Director, John Thompson said, "Over the past year, we have delivered strong top line growth, whilst also increasing our strategic investments in growth, through an expansion of our sales, marketing and product development capabilities. We are very pleased to demonstrate that these investments have been predominately funded from operating cash flow. In FY23, our focus will be on improving our operating leverage and disciplined cost control as we move towards operational breakeven. We enter FY23 with a strong pipeline and favourable industry tailwinds and we are confident in the opportunities for continued growth moving forward."

## Overview of FY22 Results

In FY22, Knosys generated sales revenue of \$8.9m, up 94% from \$4.6m in FY21. Recurring revenue, which includes license and support fees, increased by 120% to \$8.3m in FY22. This strong revenue growth was mainly driven by the full year contribution from the Green Orbit acquisition (March 2021) and the ten-month contribution from the Libero acquisition (August 2021) and further complemented by key contract wins and organic growth.

Key contract wins over the past year included:

- New customer wins in Knowledge Management and a 3,500 user expansion from a major banking customer.
- A two-year contract extension with Optus for the continued use of Knosys' market leading Knowledge Management platform, Knowledge IQ, with a total contract value of over \$2m.
- Signed major contract extensions for our GreenOrbit intranet solution with enterprise customers including Harvey Norman, Healthscope and GPC.
- A major contract with Healthdirect Australia for Knowledge IQ, with an expected total contract value of over \$650K over four years.
- Further wins in Australia and the United States for KnowledgeIQ, Libero and GreenOrbit solutions, signing new customers Services Tas, Services SA, The Australian Club, National Film and Sound Archive of Australia, Snowy Monaro Library and Heritage Bank.

Total expenses increased in FY22 to \$12m in FY22, up from \$5.3m in FY21, reflecting the acquisitions of GreenOrbit and Libero, the expanded operational footprint and the strategic investments in growth. Employee benefits expense increased to \$7.6m in FY22, up from \$3.5m in FY21, due to acquired personnel and expanded sales, marketing, product development and customer support capabilities.

In FY22, Knosys generated a loss before transaction costs, amortisation of intangibles, non-cash share based remuneration and income tax of \$1.1m, down from a profit of \$16K in FY21.

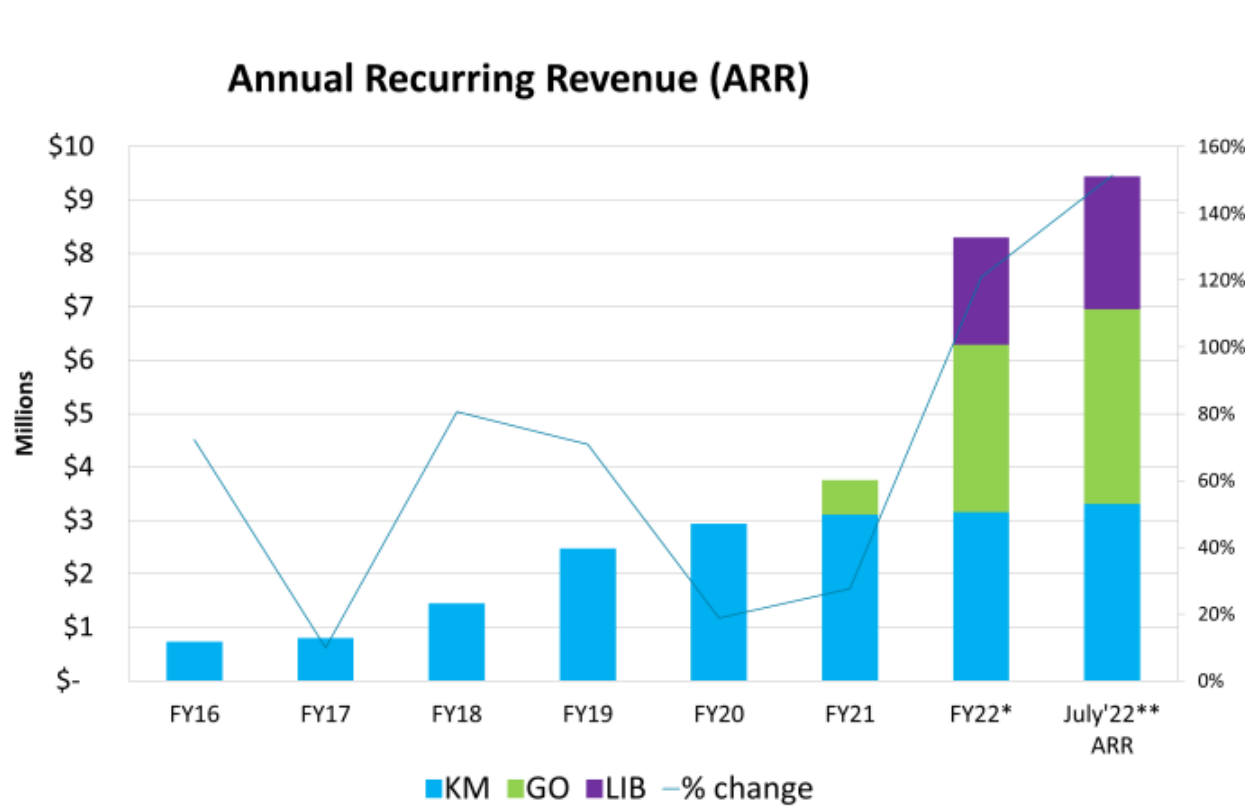
Total assets at June 2022 stood at \$15.4m including acquired intangible assets of \$8.9m, up from \$4.9m at June 2021, due to the Libero acquisition. The intangibles balance is comprised of goodwill and identifiable intangible assets, being customer contract and marketing assets. These identifiable intangible assets are required to be amortised over a period of 10 years and 5 years respectively, resulting in a non-cash amortisation expense of \$0.74m for FY22.

Contract liabilities increased to \$4.5m in FY22, up from \$2.9m in FY21, and includes balances acquired via the Libero 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.

In FY22, net operating cash out flow was \$220K, down from positive net operating cash flow of \$580K in FY21. The cash balance of \$3.1m as at 30 June 2022, was down from \$6.5m in FY21, primarily due to the

\$3.3m net cash outflow related to the Libero acquisition in August 2021. With strong collections in July, related to large annual licence renewals from key customers, the cash balance increased to \$5.0m as at 31 July 2022.

Annual Recurring Revenue (ARR) continues to grow year on year.



\* FY22 reflects actual recurring revenue for the year, including the impact of acquisitions

\*\*July'22 ARR reflects July'22 month's recurring revenue annualised to give an annual run rate

### FY22: Year in Review

Over the past two years, Knosys has transformed into 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.

Knosys now has a recurring revenue base from three SaaS pillars, Knosys Knowledge IQ, GreenOrbit Intelligent Intranet and Libero Library Management Software, across a global footprint, following the acquisitions of GreenOrbit (March 2021) and Libero (August 2021).

In FY22, Knosys invested in its enhanced growth strategy through an increase in sales & marketing spend, accelerated product development and expanded local & global operations, in order to accelerate customer acquisition. This strategy is aimed at strengthening the customer base and further increasing the growth rate of the company's annual recurring revenues.

Over the past year, we have successfully diversified our revenue and we now generate revenue from three different solutions across key geographies. We have experienced minimal churn in our global customer base, and our annualised recurring revenue continues to increase through new customer

acquisition and successful organic growth strategies of cross-selling and up-selling to the combined customer base.

Knosys remains well positioned to benefit from the structural change in working arrangements in a post COVID environment. Many businesses are redesigning their operations to be more agile and customer focused and they are demanding solutions to connect their customers and staff to information through a single source of truth (SSOT). Knosys' portfolio of SaaS solutions enables customers to self-service and ensure consistency across all digital channels, and these solutions remain in high demand.

### **FY23 Outlook**

Knosys enters FY23 with industry trends driving a healthy pipeline of opportunities for its portfolio of solutions, which empower customers to make smarter connections with their information. Annualised recurring revenue continues to grow and the Company is well funded to execute on its growth plans. Net operating cash flow is expected to improve in FY23 with revenue growth expected to exceed that of operating expenditure and investment in sales and marketing, demonstrating continued improvement in operational efficiency.

### **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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