

**ASX Announcement**  
30 April 2020

## March 2020 Quarterly Activity Report Appendix 4C and COVID-19 Update

### Current highlights

- **Stability of recurring revenue base:** Our customer base remains strong with \$3 million in annual recurring revenue
- **Healthy cash balance:** The cash balance of \$2 million as at 31 March 2020 has increased to \$2.5m at April 2020 with cash receipts of over \$0.7m received in April
- **Lower cost base:** Cash expenses have been managed down for the June quarter
- **Growth opportunities in contact centres and remote working:** We recently signed Stellar as a reseller, producing the first sale of 360 licences in April and our online marketing program has been enhanced to include focus on customers with contact centres and remote working.

**Knosys (ASX: KNO)** is pleased to provide its quarterly activity report and update on the Company's operations, business and funding in the context of the COVID-19 environment.

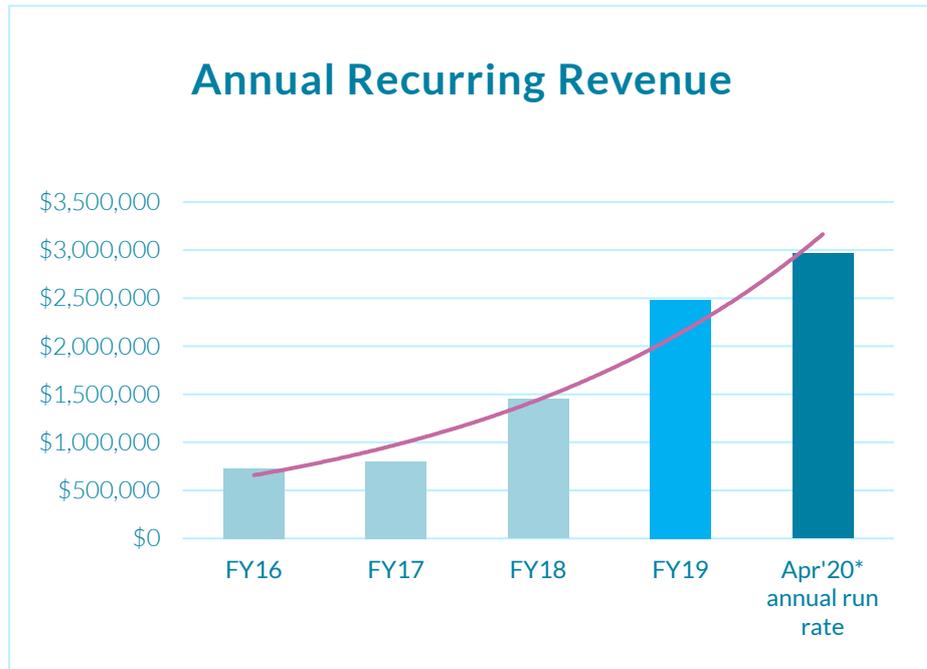
Knosys has prioritized the safety and wellbeing of its staff and customers and has implemented contingency plans in March which have successfully transitioned the business to a remote working operating model. This has allowed us to continue to deliver our services to existing and new customers in a seamless manner without disruptions, whilst ensuring the safety of our team.

### Business Conditions

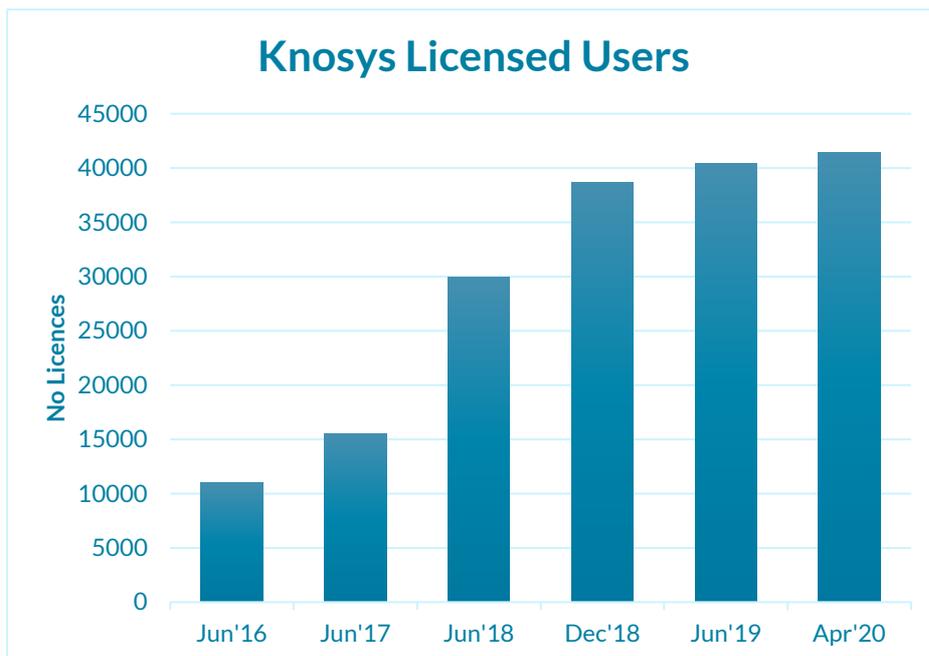
Knosys has a stable base of recurring revenue of \$3m per annum, principally from large enterprise customers on multi-year contracts. The Knosys knowledge management solution is an important embedded customer tool which provides key knowledge and curated information to employees across our customers' businesses. Our solution can be particularly helpful to our customers when "working from home" is the new paradigm.

In recent months, our existing Enterprise customers have increased their focus on knowledge management and how it assists them within a remote working environment. This has led to growth in usage of their existing knowledge management systems, which form an important strategic and operational role in their remote working structures and activities. This stable base plus our cloud-based offering KIQ Cloud, with its quick customer onboarding and attractive commercial model, positions the company well to continue supporting Enterprise customers through this transition to new workforce management structures.

From our perspective, the main impact of COVID-19 on our business has been some delay in decision making by prospective new customers as they transition into a new operating model. However, we have also seen some new opportunities surface as companies look for technology to assist them in addressing remote working. In particular, we have experienced an increased level of enquiry for Knosys' product and services from prospective customers, locally and in APAC, who have contact centre operations which form an essential function across their business.



\* Apr'20 ARR (Annual Run Rate) is calculated as contracted licence and support fee revenue for the month, multiplied by 12.



## **Marketing activities**

In 2019, our marketing strategy was to increase attendance at major industry events and conferences in APAC in order to identify new sales opportunities and contacts. Due to travel restrictions and the cancellation of industry events our main strategy has changed to implementing a comprehensive digital outreach program. Our focus now is on social media and digital channels such as LinkedIn campaigns and Google search optimisation, blogs and case studies. Over the next 6 months we expect greater investment in these areas and significant changes to our website to support greater inbound usage by prospective customers.

## **Sales Pipeline**

In March 2020 we were pleased to announce the signing of Stellar as a reseller of the Knosys knowledge management product. Stellar has since purchased its first tranche of KIQ Cloud licences, being 360 user licences in support of one of its clients. Stellar provides consultancy, technology, technical support and contact center services for this client under agreement.

The March quarter was active in terms of new business opportunities both in the enterprise segment and the mid-market, however the sales process has lengthened due to travel restrictions and transitioning business operations. The most active industry sector has been contact centre related, particularly in the mid market. Total pipeline opportunities have remained stable and we have focused our efforts on converting those in the proposal stage to contracted sales for the next quarter. We also continue to work with our new reseller Stellar on further customers as well as looking for similar resellers in the APAC region. The team is also focused on servicing the needs of existing customers, with pipeline opportunities arising for organic growth and project work.

## **Appendix 4C cashflow report - released with this activity report**

In the March 2020 quarter, Knosys received \$0.4m in cash receipts from customers, principally from regular monthly invoicing activities. Total receipts are estimated to significantly increase in the June 2020 quarter, with government R&D grant funds of over \$550k and potential new contracts adding to the regular monthly customer receipts. In addition to this, contracted large annual licence renewals of over \$1.2m are due to be invoiced in May / June 2020, with payment due to be received in June / July 2020.

Net cash used in operating activities for the March 2020 quarter was an outflow of \$817k. Gross cash outflows for the quarter included a continued strong spend on sales and marketing initiatives and wider regional activities in Aust and APAC. During the latter part of the quarter Knosys commenced managing down certain expenditure, reducing development costs, personnel expenses and marketing and travel activities to levels below recent quarterly run rates.

Cash outflows relating to the company's head office lease in Melbourne are accounted for in the Appendix 4C in accordance with AASB16, with the gross payments to the landlord treated as a financing activity. The interest paid component is disclosed in Cash flows used in operating activities and the repayment of liability component is disclosed in Cash flows used in financing activities.

The aggregate amount of payments to related parties, as disclosed in item 6.1 of the Appendix 4C, is comprised of director fees paid to the two non-executive directors and salary payments to the managing director.



The Company's revenue model has predominantly been based on billing customers annually in advance. This is reflected in the fluctuations in quarterly cash inflows. Higher customer cash receipts are typically received in the June and September quarters each year, due to large annual licence renewals, with lower receipts in the December and March quarters. The regular monthly licence and support fees from more recent larger customers provides some spread of cash inflows to Knosys across all quarterly cashflow periods. 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.

### **Moving forward in the current climate**

"In the current climate the need for online and remote access to knowledge has increased. Some of our customers have had a 200% increase in engagement through digital channels in recent weeks. We remain confident that Knosys can provide a valuable solution to companies seeking knowledge management services to simplify their processes, better service their customers and organize their workforce more efficiently," said Knosys CEO, John Thompson.

"We believe there is underlying demand for the company's solution in these uncertain economic times. We have a lean operating model with an established customer base and the opportunity remains to build upon this in both the short and long term," said Mr Thompson.

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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 solution 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>

### **For further information please contact:**

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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")**

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	396	2,909
1.2 Payments for		
(a) research and development	(129)	(460)
(b) product manufacturing and operating costs	(115)	(314)
(c) advertising and marketing	(129)	(342)
(d) leased assets	-	-
(e) staff costs	(639)	(2,018)
(f) administration and corporate costs	(208)	(674)
1.3 Dividends received (see note 3)		
1.4 Interest received	12	36
1.5 Interest costs – ROU Lease liability	(5)	(15)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	-	36
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(817)</b>	<b>(842)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	-	(8)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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 (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	-	<b>(8)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
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 ROU lease liability	(27)	(81)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(27)</b>	<b>(81)</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,824	2,911
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(817)	(842)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(8)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(27)	(81)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,980</b>	<b>1,980</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	63	257
5.2	Call deposits	421	321
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	1,496	2,246
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,980</b>	<b>2,824</b>

**6. Payments to related parties of the entity and their associates**

- |     |   | <b>Current quarter<br/>\$A'000</b> |
|-----|---|------------------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 107                                |
| 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

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

**7. Financing facilities**

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other Right of Use lease liability (AASB16)	366	366
<b>7.4 Total financing facilities</b>	<b>366</b>	<b>366</b>

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.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(817)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,980
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,980
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	2.42

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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

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

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

## 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.

Date: 30 April 2020

Authorised: By the board

## 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.