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ASX Announcement

1 July 2021

Knosys to acquire LIBERO, a leading Library Management Software business

Key Highlights

- **Global revenue footprint:** LIBERO has 116 clients located across 8 countries, predominantly Australia and Germany/EU
- **Cash & scrip acquisition:** Knosys to pay Vendors (defined below) a \$5m purchase price comprising \$4m cash and \$1m in Knosys shares
- **Self-Funded:** Knosys will use existing cash resources to fund the transaction
- **Attractive acquisition multiple:** Total implied purchase price equates to an annualised recurring revenue ("ARR") multiple of around 2.3 times
- **Earnings Accretive:** LIBERO is profitable, provides expanded business development opportunities and is expected to contribute to group revenue growth and earnings
- **Multi-SaaS offering:** Expanding Knosys' diversified Software as a Service ("SaaS") product offering to complement its Knowledge Management and Intranet solutions, under a shared services model

Knosys Limited (ASX: KNO), 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 announce that it and a special purpose subsidiary have executed a conditional asset and share-sale agreement to acquire the LIBERO business from Libero Software Pty Ltd and Insight Informatics Pty Ltd ("Vendors").

LIBERO is a leading Library Management Software ("LMS") business with 116 clients located across 8 countries. As an LMS business, LIBERO delivers a new digital experience in managing asset collections, employees and interactions with their members. It allows multiple sites to share collections of items, allows employees and customers to better search for items, analyses usage patterns and automates processes to streamline engagement with digital users.

LIBERO clients pay an annual subscription license fee based on the number of licenses required and the size of the client enterprise. Clients are predominately public libraries or tertiary education institutions. LIBERO contracts are typically long-tenured with minimal client churn.

LIBERO is headquartered in Brisbane with 17 employees. The LIBERO business currently generates approximately \$2.2m in ARR, earnings in excess of \$600k in annual EBITDA.

The acquisition of the LIBERO business is in line with Knosys' growth strategy to deliver multiple SaaS offerings under a shared services model. Knosys' Knowledge IQ solutions and the GreenOrbit Intelligent Intranet solutions have formed the first 2 pillars of this diversified SaaS product offering and the LIBERO Library Management Software will form the third pillar. This growth strategy is part of an ongoing growth program to enable Knosys to scale its global operations, acquire new development capabilities and expand sales offices whilst maintaining a cost-effective shared services model.

The global market for LMS is expected to reach US\$2.4 billion by 2024, at a compound annual growth rate of 4%.¹ In 2016, North America dominated the global LMS market accounting for 40.5% of market share, fuelled by the increasing number of online libraries along with corporates. APAC is one of the largest and fastest growing regions for LMS. Over the next 5 years, there will be increased demand for newer library system technologies capable of integrating mobile end user applications, such as SMS alerts.

Transaction summary

Key Acquisition Terms	<ul style="list-style-type: none"> • A specially incorporated Knosys subsidiary (Libero Systems Pty Ltd) will acquire the LIBERO business assets from the Vendors, including all the issued share capital in its German subsidiary, Libero IS GmbH • The Vendors will receive \$4m in cash plus \$1m worth of fully paid ordinary shares in Knosys as consideration for the acquisition. The consideration shares will be subject to a one year voluntary escrow arrangement. The shares will be issued within Knosys' 15% limit under ASX LR 7.1 • The acquisition implies a LIBERO valuation of \$5m • Knosys will fund the acquisition from its existing cash resources • Knosys will acquire certain assets and liabilities from the Vendor, with a minimum net working capital of \$300k
Strategic Rationale	<ul style="list-style-type: none"> • Building a diversified SaaS product offering • Leveraging the existing global footprint to drive growth • Increasing combined ARR • Accelerating profitability • Attractive acquisition multiple • Adds 116 clients globally
Financial Impact	<ul style="list-style-type: none"> • Increases Knosys Group's FY22 ARR by \$2.2m • Expected to contribute in excess of \$600k in EBITDA in FY22
Timing	<ul style="list-style-type: none"> • Acquisition completion, subject to the satisfaction of certain agreed conditions, is expected to be no later than 31 August 2021.

¹ Global Library Management Software Report 2019-24, Business Wire

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Knosys Managing Director, John Thompson, said, “LIBERO’s leading Library Management Software solutions are highly complementary to our existing portfolio of SaaS solutions. Knosys’ existing global network of offices and personnel across APAC and North America will be leveraged to drive revenue growth in LIBERO. Our initial focus will be to introduce this solution to the US, which is the largest market for LMS. We are excited to begin integrating LIBERO into the group and bring to market this new compelling SaaS solution focused on management, delivery, and accessibility of information assets in the Library sector. Furthermore, being able to self-fund the transaction is a great outcome for the company and its investors.”

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 organization. This currently includes knowledge management, intranet and library management solutions.

“Connecting People and Information”

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