

2 August 2024

Kinatico (ASX:KYP) Coffee Microcaps webinar

Duration 26 minutes 18 seconds

00:00:03:21 - 00:00:35:04

Michael Ivanchenko (CEO of Kinatico)

First of all, delighted to be back with Coffee Microcaps. Today, I will sort of giving an overview of, the FY24 performance and a little bit more colour on some of the recent flash announcement. But also going through primarily more colour around, our performance in our SaaS transformation, what we've achieved and certainly, hopefully give everybody a picture of where it's going.

00:00:35:10 - 00:01:13:02

Michael Ivanchenko

So straight into it. First of all, as always, like to pay my respects to the traditional custodians, custodians of the land upon which we gather and pay my respects to the elders, past, present and emerging. So straight into it, we launched our SaaS compliance product, at the very beginning of, FY23. Since that time, we've actually seen a 58% CAGR, and we have no reason to believe that that won't continue.

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Michael Ivanchenko

Our sales pipeline continues to grow and certainly seeing no question about demand in the market for simplifying the whole process of managing compliance with an organisation and fundamentally, that's what's been the driver for our SaaS grow. So the meeting customer, current and future needs being a trusted advisor and, a resource, for information around what's coming up, challenges, but then very much spending time with organisations to understand their pain points.

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Michael Ivanchenko

And it's really been clear that our advantage is not being a compliance platform, our advantage is being a platform that simplifies the administrative burden and the cost overhead in time in people in, the opportunity cost of people within organisations not spending time on the reason they are part of that organisation but effectively fulfilling a very important role.

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Michael Ivanchenko

So recognising the absolute importance of compliance, every business has an obligation around compliance. They, those requirements are becoming materially, more complicated and they are multiplying, what used to be the case of, a relatively well defined and stable set of requirements has now transitioned into requirements and obligations coming from multiple sources, external and internal, along with shareholder expectation, board expectation, the whole idea that, compliance is no longer, seen as a task that must be done and is reviewed in case of an incident to something that is expected to be embedded within the day to day operations of an organisation.

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Michael Ivanchenko

Once you get to that point, making sure that being able to accurately adhere to that, those requirements, in the least disruptive manner becomes incredibly important and that is the space we play in. So the other thing is that, across the myriad of other sector enterprise products that go into an organisation, whether that's HRIS platforms, whether it's workforce management platforms, payroll systems, etc., etc., they will all, have or claim to have some portion of compliance management, but it's effectively an add on.

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Michael Ivanchenko

And further, it is focused on again, the actual outcome of the compliance. There's not a real focus on the user experience and the simplification. So the, our whole advantage is and we've got this direct feedback from our customers has been around, making their life easier. The, the risk manager who gets to 3:00 Friday afternoon and is frustrated and sick of chasing workers for pieces of information that were absolutely, you know, have to be submitted by Friday, 5 p.m. is eliminated.

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Michael Ivanchenko

Our platform does that and it escalates and it tracks and gives you all of the tools, to be able to simply be the overseer of that process rather than the one driving it. So the, the other way to think about our platform and is when I mentioned things like HRIS, risk or the other workforce management tools, etc., etc., is we don't compete with them, we welcome them.

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Michael Ivanchenko

You know, at the function of our platform is an aggregator of all of the enterprise data, while securing the digital connection to workers for that information where required, whether it's procedural in confirming, a start of shift safety list, in



health care confirmation that you have no symptoms or anything precluding you from doing your shift today, and then the appropriate PPE has you have access to it, etc., etc. and all doing it in a secure way to further protect the privacy of data.

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Michael Ivanchenko

Our platforms are all security by design, and it's imperative, customers trust us with a myriad of data that flows through our system. And we are very, very focused on that. It is the highest priority we have in our company. And then further, the need of simplifying compliance is global. So the opportunity, you know, I've spoken about it before and it's certainly remains a key part of our strategy is the following the expansion and further expansion and growth within Australia and New Zealand.

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Michael Ivanchenko

This is a product that translates perfectly to any market. Our product is compliance requirements agnostic. If there is back to source verification of, credentials or screening anything required as part of that process, we can integrate with whatever local source is required. And whether that's by our partner partnership, white label, it doesn't matter. The platform has been designed to do that. The benefits of simplifying the entire day to day process, however, is universal.

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Michael Ivanchenko

So let's have a look at, our FY24 results? Our annualized SaaS revenue based on Q4 was \$11.2 million. The overall year on year, we've seen a 90% increase in our SaaS performance. Significantly, is that \$2 million of that growth has come from brand new, contracted customers during the course of the year. So we have already that, known revenue stream leading into this year.

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Michael Ivanchenko

and the next of a further pool of contracted customers whose will increase their revenue contribution over the, following months and years. We've seen an 83% uptick, PCP on our percentage of revenue that was SaaS, and it's now 34%. Significantly, Q4 was 38%. So we, have an objective to get at least 80% of our revenue to SaaS over coming periods

00:08:00:11 - 00:08:28:09

Michael Ivanchenko

and we see that imminently achievable. The other thing to actually look at across some of the brands, key brands of our customers, all sectors, all areas, and our targets of mining, and energy sectors, along with healthcare, along with education, are our strongest growth sectors. But the other one I'll point out there and I'll mention that a little bit further as well.

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Michael Ivanchenko

We have continued to win government departments. And the significance around that, even if they're not the largest revenue contributor, not that not insignificant, but it is the fact that the fact that governments and government departments with all of their, due diligence and and investigations trust our security trust, our process and see benefit in the simplification process actually makes, well a point of validation of the platform.

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Michael Ivanchenko

But being further, it is really helping us with, other prospects in other organisations. So when they ask us about how do they do their due diligence and one of the things that they need to look for the conversation that says, well, this, this and this government department uses pretty quickly brings an end to the conversation. And we've certainly see that being, a big asset and then announcing a new major label.

00:09:26:11 - 00:09:57:21

Michael Ivanchenko

So in this last, quarter, we've closed the Kmart and Target Group. We see that as a very big opportunity, that will grow over time. And obviously as part of Wesfarmers, that is, very, very interesting. We've achieved all of those growth metrics, the increase in revenue, the the drive, etc., while having an increase to our Net Promoter score or favourability rating amongst our customers, an industry average of 55.5 and we've achieved a 63.

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Michael Ivanchenko

So very, happy with that stat. You do not achieve, particularly SaaS growth, without a strong customer satisfaction rating. It's a further point that and not mentioned on this slide, but to outline it since the launch of our monitored compliant or simplified compliance product, we have not lost a single customer, right now our churn is zero. So all of that, what does it translate to?

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Michael Ivanchenko

We've had a 225% NPAT increase, now at \$800,000. It's to put that in perspective because quite frankly, I'm nowhere near satisfied with the 800 but a couple of years ago, I think the group lost about \$1.8 million per annum. So it's a material, turnaround. And, you know, you see the total revenue there along with EBITDA increasing 43%.

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Michael Ivanchenko

So where do we see our advantage where, where or why are we confident in the future. All of the things that we have on this page, in terms of the position we have today, we believe we are very well positioned for ongoing SaaS growth and increased profitability, etc. all of the metrics that, shareholders expect, one of the key ones

00:11:21:11 - 00:11:44:00

Michael Ivanchenko

and I'll make this point, it's one of the first times we've starting to outline the story in this way, because I don't think, the market has truly understood the growth of our SaaS base, the direction and the trajectory we've been on. And I suggest people think of this as a startup who is achieving 55% CAGR on our SaaS product.

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Michael Ivanchenko

And by the way, we have \$20 million in legacy revenue that we can also call upon. The, if we were a startup that had just acquired CV check to be able to mine the, customer base for conversion to, a higher value, higher revenue SaaS product. I think we would have been viewed very differently from the start, but that is how we should be thought about.

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Michael Ivanchenko

So across the group, over 10,000 existing, corporate data verification customers generating the \$20 million in legacy revenue. It is, they are our advantage amongst certainly amongst other startups in that we have a really built in pipeline of connections and relationships with customers that we can take on this SaaS journey further than we've seen material increase in the number of integrations and organisations coming to us, to us to integrate, and all of which give us further, outlets and opportunities for growth as a second and third party level, and particularly calling out the addition of APRA, medical connections and also WorkDay are obviously highly significant.



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Michael Ivanchenko

So what are we planning for in FY 25? In short, continue to build out and answer that customer need and customer demand. We have, instigated over 500 customer interviews and connections and industry panels where we gather feedback, we get the information from customers about what they're looking for and what they need and in short, the headline of it all is self-service.

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Michael Ivanchenko

They want to be able to dynamically create their compliance requirements, not rely on our professional services teams. So that they can actually, in real time, generate a new requirement, almost drag and drop it straight onto a roll or a worker or a department and it immediately flows out through the system, we will deliver that this year. That drag and drop idea, that the next iteration of our user experience will be a drag and drop.

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Michael Ivanchenko

Here is a requirement whether it's, predetermined or when you've custom created, connection to a new learning management system for cyber security training or whatever else it may be, and you literally can drag and drop it onto, as I say, a role, a worker or department and immediately they will be notified via the on-site app that they've got a new requirement that can complete it, right there, right then.

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Michael Ivanchenko

The same along with the dashboards, being able to dynamically create intelligent AI enabled dashboards that gives them exactly the views that they need for their role, for their time. And you can create as many as you like, along with features in onsite will be creating geo location when you enter a new premises and a new site, a new for, you know, particularly for aged care workers or disability workers, some where they've never been before, other induction requirements.

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Michael Ivanchenko

Is there anything that's changed since you were last there or has happened recently, that you need to react to all of that intelligently driven by the platform, along with alerts and alarms. The idea of being able to submit via the onsite app. If you've got an incident report you need to complete, if you've got, any kind of instant emergency, you'll be able to do that via on site and along with them,



triggering all of the incident reporting or whatever else is, is required in that instance.

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Michael Ivanchenko

And then in a, something I'm very excited about, we've been working on and we will launch this video, an integration to a risk metrics. When you have your inherent risk and then moving to your risk mitigations, those mitigations will automatically create, compliance tasks, because if they're not done, you can't demonstrate that you've mitigated the risk as you've, committed to doing.

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Michael Ivanchenko

So now you get real time visibility of your mitigated risk across the organisation and the awareness alerts and the ability to see in the situation where they're not done, and then further integrations and expansions across our distribution partners. This is about growing. You know, we've been, very happy with our progress to date or more importantly, I think very happy with the confirmation from market of our product market fit and the opportunity that will continue to grow and the need within the marketplace and making it faster to bring customers live via the self-service, means we can actually translate those contract wins into revenue faster.

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Michael Ivanchenko

So bottom line is we've demonstrated since we've launched the product that we've got proven execution. We've taken the company profitable. And now again, for the second year, we're cash positive for the year. So the all of the metrics showing the right trajectory, some of them are 55% CAGR very happy with. So we believe it's time to invest and accelerate.

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Michael Ivanchenko

We have the resources to do that. You know, the \$10 million in cash sitting in the bank. I'm asked all the time, what are you going to do with it? Well, time to accelerate. We have the ability to do that within our ongoing operations. So I'm, very excited, very, bullish about the year to come. Mark, back to you.

00:17:28:11 - 00:17:45:06

Mark Tobin

Thanks very much Michael. We had, questions coming flying in there while you were talking. So we'll try and get through as many as we can. Apologies if I don't

get to your question. First one, Michael will touch on, how much revenue is coming from integrating with third party customers now?

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Michael Ivanchenko

Now, I don't have that number off the top of my head. But not well, the accurate one. What I, if I was to give you a number, I would say somewhere between 25 and 30%.

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Mark Tobin

Okay, perfect. And then the question on how is your go to market team structured? Are they targeting specific end customer verticals. Are you spending on trade shows, outbound marketing activities, maybe just how you're attacking the market, maybe?

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Michael Ivanchenko

The it is very much, targeted by sector. So we do a lot of, webinars hosted conferences amongst various sectors. So we recently did one in, Queensland where we were invited for the top ten, aged care providers, invited us in to present the both the challenges, the upcoming, situations, and then some of the ways that organisations can better manage their compliance workflow.

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Michael Ivanchenko

We were invited in because we had one of those customers already, within six weeks of that conference, we had three more. So it's, a really good example of that one. We do, do some trade shows, etc., but the, there not it's not the primary target yet. So the, we have very much found that sales get sales within word of mouth recommendations, etc., and that focus and the number of customers we've added over, the last year has been more than enough to keep our sales team busy.

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Michael Ivanchenko

You know, and then, along with, the invitations across various RFPs and RFIs that, increasingly, drop into the door.

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Mark Tobin

Okay. I know you touched on this in your, presentation on the I think you said it was a 20 million in legacy revenue. If you've just got a question on that. You still have a base of legacy revenue customers, have you systematically harvested this pipeline to convert them into SaaS, or is it still largely untapped? You know, is it, you know, their contracts come up for renewal and then you initiate the conversation and that just takes time to roll through the system?

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Michael Ivanchenko

Yeah, that's, that's great question and fundamental to the strategy. We are very systematic and identifying them. But we are at the beginning of that opportunity. So you know, again, off the top of my head, I think we're about 20% through the currently identified opportunity and that leads to a further point in the way we will view that product space. While it is and I refer to it as legacy revenue,

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Michael Ivanchenko

It's not that we, are not going to stop offering it. So the CV check brand is very well recognised. It's very well understood. What I can see it converting to in years to come is purely being a sales acquisition tool. So the, somebody approaches us because they need a bit of data verified, whatever it may be,

00:21:01:23 - 00:21:24:17

Michael Ivanchenko

That is the opportunity for us to open the conversation, even if we just fulfill that initial request. Because once you've got the relationship with them, you learn we are very systematic about understanding why they're collecting it. We're at what stage, they're at what process. So when we discuss with them the, the SaaS product, it's not a oh, by the way, we've got something else you might be interested in.

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Michael Ivanchenko

We come with an informed position of why it would benefit them and that's one of the reasons we've been very successful in, in the conversion rate to date.

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Mark Tobin

And, CV check. It's a low cost, you know, entry into the, into the system. It's not a big harbour for them to jump. But as you say, it does open up, a broader, more complex and and something with more deeper context, to their sales

conversation. Then a question on what I think just I think they are referring to SaaS here.

00:22:00:03 - 00:22:16:06

Mark Tobin

Typical customer size, contract value targets, length of contracts, sales cycle. Maybe just, just give a broad stroke overview of a typical SaaS customer.

00:22:16:08 - 00:22:48:16

Michael Ivanchenko

It's, look, it's always very hard to, put a framing around the typical sales length of the process. We've had some that have signed within a week. We've had some that have taken ten months, and quite often the larger ones are the faster. The, the big thing that again, in some of the stuff we're aiming for FY25 and the self-service etc., we're going to see the ability for organisations to download access to the product and try it for free for a limited amount of time.

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Michael Ivanchenko

I think that's, really all the usual stuff you would expect from a digital SaaS product. I think that's really going to help us with the smaller end of town because our primary target, customer at the moment is 4 or 500 staff minimum. We come into our own when you're in the thousands. The contract term we have, it's a minimum of 12 months, but we have contracts up to five years.

00:23:13:00 - 00:23:38:05

Michael Ivanchenko

And obviously there's commercial benefits for those, operators or organisations in the longer term. The typical contract size without putting a number. I'll share that. You know, when we first announced, Hire Up was one of our first big SaaS wins, and we announced, if I recall, about \$250,000 per annum, most of the contracts this we won this year are in excess of that.

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Michael Ivanchenko

But they are not big enough now, for us to even announce. So then you get the larger ones like VBA, that, you know, you start to get a picture. We announced BHP renewal because we already had them as a customer. That has, you know, they've resigned for a further three years and you're talking millions of dollars, in annual revenue.

00:24:00:21 - 00:24:13:21

Michael Ivanchenko

So it's the, you know, at the moment if I, you know, put a number on it because it's not to run away from the question. I'd say average size is circa about \$500 to \$600,000 per annum.

00:24:13:23 - 00:24:46:23

Mark Tobin

Okay and then, I think it's a question more related to your first slide. You know, that kind of switching to the RaaS, sorry SaaS business. You know, is there a steady monthly cadence of winning clients or can it still be quite erratic with kind of big lumpy wins like here and there? Maybe just talk to you know, now what you're more embedded into the into the, SaaS process you know, how is it in terms of getting sales in on a, on a monthly, quarterly basis?

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Michael Ivanchenko

Getting the sales is not, being a challenge for us. What we have suffered from, particularly in the last six months, is it is taking us anywhere between 3 and 4 months to take one of those customers live. And the, so we'll sign them and then for the first couple of months, there's very little revenue from them.

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Michael Ivanchenko

but then we like we saw in Q4, all of a sudden there was a jump in the monthly SaaS because a few of them started to come through. So it's, the particularly adding some of the targeted features that, again, I mentioned for the this year, which have come directly from customer feedback, is, we believe we will accelerate the number of sales wins per month, but also make it faster to go through the process of winning the bigger ones.

00:25:41:14 - 00:26:01:10

Mark Tobin

Okay, perfect. Folks, we're just out of time here with Michael, and I didn't get to everybody's question. I apologise, but if, you do want to, post your question, the email address is there, and I'm sure Michael, and his team will get back to you if, if you do want an answer to a specific question.

00:26:01:15 - 00:26:05:10

Mark Tobin

Michael, thank you very much for joining us again this morning.



00:26:05:12 - 00:26:06:24

Michael Ivanchenko

Always good to see you, Mark.

00:26:07:01 - 00:26:09:00

Mark Tobin

We'll have you back in later in the year hopefully.

ENDS

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BR Head Office: Level 1, 160 Edward Street, Brisbane, QLD, 4000 www.brsecuritiesaustralia.com.au

RaaS: c/- Rhodes Docherty & Co Pty Ltd, Suite 1, Level 1, 828 Pacific Highway, Gordon, NSW, 2072.

P: +61 414 354712

E: finola.burke@raasgroup.com

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