



Kneat Reports Second Quarter Results

August 26, 2020 12:00 PM EDT

LIMERICK, Ireland, August 26, 2020 /CNW/ – kneat.com, inc. (TSXV: KSI) (“Kneat”) today announced its financial results for the period ended June 30, 2020. All dollar amounts are presented in Canadian dollars unless otherwise stated.

Second Quarter Highlights

- Revenue of \$1.55 million was recognized during the three-months ended June 30, 2020, representing an increase of 192% when compared to the second quarter in 2019.
- SaaS license fees for the three-months to June 30, 2020 were \$0.64 million representing an increase of 206% compared with the same period in 2019.
- Annualized recurring revenue (“ARR”), which includes SaaS license fees and maintenance fees, was \$3.31 million at June 30, 2020. This is an increase of 215% compared to the ARR at June 30, 2019. More specifically, ARR from SaaS license fees increased by 271% and ARR from maintenance fees increased by 108% from June 30, 2019.
- In June 2020, the Company announced that it signed a three-year master services agreement with one of the world’s largest biopharmaceutical companies. This top ten R&D driven biopharmaceutical, with more than 45,000 employees across its multiple operations worldwide, has selected Kneat’s SaaS platform to digitize its validation process. This agreement allows the customer to expand Kneat across its global network to its many sites and multiple work processes worldwide.
- More recently, in August Kneat announced that it has signed a three-year master services agreement with a tier one consumer products company. This global company employs more than 30,000 staff in the manufacture and distribution of leading consumer brands across multiple categories from household to health and personal care. It selected Kneat’s SaaS platform to digitize its validation processes globally. Initially the customer will focus on facilities, utilities and equipment validation in several lead US sites. This agreement allows the customer to deploy Kneat Gx across its global network.
- Due to the COVID-19 pandemic, we have seen a small proportion of companies deferring their purchasing decisions temporarily, as they remain focused on business continuity activities. For a large proportion however, it has been business as usual, including those that have begun to deploy our software or are already using Kneat at their sites.

Chief Executive Officer Commentary

"We are pleased to report strong revenue growth for quarter two, in particular our SaaS revenue which has increased by 206% compared with the same quarter last year. New big pharma customers and the recently announced leading consumer products customer have all adopted the Kneat Gx SaaS platform. This focus on SaaS, combined with our maintenance revenue stream has contributed to strong growth in our overall annual recurring revenue."

While the long-term impact of COVID-19 on our business is still difficult to fully assess, our employees continue to work remotely and all our operations from software development through to product release, delivery and customer service continue to operate effectively. Our customers are telling us how our technology is aiding their business continuity efforts, because it allows them to manage a large proportion of their validation processes remotely."

We are very proud of our team as they continue to fulfil our mission to help life sciences deliver therapies to their patients to the highest safety standard, while working in a challenging remote environment."

Our plan for the remainder of 2020 is to continue to add and deploy new SaaS customers, continue to expand to new work processes and new sites with our existing customers and continue to develop our technology to deliver increasing value for all customers."

-Eddie Ryan, Chief Executive Officer of Kneat.

Financial Results Summary for the Second Quarter

Revenue for the three-months ended June 30, 2020 was \$1.55 million, an increase of 192% from \$0.53 million for the same period in 2019. Gross margin of \$0.51 million, compared to \$0.13 million in the second quarter of 2019 reflects a growth in revenue offset by an increase in cost of revenues. Cost of revenues and professional services costs incurred during the second quarter were expensed during the period. These included costs associated with professional services of \$0.5 million billed during the quarter for which revenue will be recognized in future periods. The increase in cost of revenues to \$1.03m compared to \$0.39 million for the second quarter of 2019, reflects increases in salaries and benefits related to additional headcount in the professional services team and increased hosting costs.

Net loss for the second quarter of 2020 was \$2.3 million as compared to a net loss of \$1.75 million for the same period in 2019. The increase in net loss reflects the impact of the increased revenues offset by additional salaries and benefits related to higher headcount on the professional services and R&D teams, increased amortization of the intangible asset and unfavourable foreign currency movements

This press release should be read in conjunction with the unaudited condensed interim consolidated financial statements and management's discussion and analysis for the period ended June 30, 2020 which have been filed on SEDAR at www.sedar.com and Kneat's website at www.kneat.com.

Conference Call

Mr. Eddie Ryan, Chief Executive Officer of Kneat, and Mr. Hugh Kavanagh, Chief Financial Officer of Kneat, will host a conference call and Q&A for analysts via webcast on Thursday, August 27, 2020 at 09:00 EDT (14:00 BST).

Interested parties can register for the live webcast via the following link: <https://bit.ly/3iVbn9p>

Or, attend via teleconference:

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The unaudited condensed interim consolidated financial statements for the period ended June 30, 2020 will be available from the Financial Information section of the Investors page on the Kneat Solutions website, at: <https://kneat.com/investors/>

About Kneat

Kneat, a Canadian company with operational headquarters in Limerick, Ireland, develops and markets the next generation Kneat Gx software platform. Multiple business work processes can be configured on the platform from equipment to computer system validation, through to quality document management. Kneat's software allows users to author, review, approve, execute testing online, manage any exceptions and post approve final deliverables in a controlled FDA 21 CFR Part 11/ Eudralex Annex 11 compliant platform. Macro and micro report dashboards enable powerful oversight into all systems, projects, and processes globally. Customer case studies are reporting productivity improvements in excess of 100% and a higher data integrity and compliance standard. For more information visit www.kneat.com.

Non-GAAP measure

Annualized recurring revenues is used by Kneat to assess the expected annual recurring revenue from the customers that are live on Kneat Gx at the end of the period. Annualized recurring revenue is calculated as the licenses delivered to customers at the period end, multiplied by the expected customer retention rate of 100% and multiplied by the contracted annual SaaS license fee or maintenance fee at the related quarter end. Since many of the customer contracts are in currencies other than the Canadian dollar, the Canadian dollar equivalent is calculated using the related period end exchange rate multiplied by the contracted currency amount.

Cautionary and Forward-Looking Statements

Except for the statements of historical fact contained herein, certain information presented constitutes "forward-looking information" within the meaning of applicable Canadian securities laws. Such forward-looking information, includes, but is not limited to, the relationship between Kneat and the customer, Kneat's business development activities, the use and implementation timelines of Kneat's software within the customer's validation processes, the ability and intent of the customer to scale the use of Kneat's software within the customer's organization and the compliance of Kneat's platform under regulatory audit and inspection. While such forward-looking statements are expressed by Kneat, as stated in this release, in good faith and believed by Kneat to have a reasonable basis, they are subject to important risks and uncertainties. As a result of these risks and uncertainties, the events predicted in these forward-looking statements may differ materially from actual results or events. These forward-looking statements are not guarantees of future performance, given that they involve risks and uncertainties. The forward-looking information in this press release does not include a full assessment or reflection of the unprecedented impacts of the COVID-19 pandemic occurring in the first quarter of 2020 and the ongoing and developing resulting indirect global and regional economic impacts. This has resulted in significant economic uncertainty and even though the company has to date experienced no significant impact to its operations, any potential impact on our future is difficult to understand or measure at this time. Kneat does not undertake any obligation to release publicly revisions to any forward-looking statement, except as may be required under applicable securities laws. Investors should not assume that any lack of update to a previously issued forward-looking statement constitutes a reaffirmation of that statement. Continued reliance on forward-looking statements is at an investors' own risk

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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