



Kneat Reports Fourth Quarter Results

April 22, 2020 12:00 PM EDT

LIMERICK, Ireland, April 22, 2020 /CNW/ – kneat.com, inc. (TSXV: KSI) (“Kneat”) today announced its financial results for the quarter and year ended December 31, 2019. All dollar amounts are presented in Canadian dollars unless otherwise stated.

Fourth Quarter Highlights

- Revenue of \$1.40 million was recognized during the three-months ended December 31, 2019 representing an increase of 200% over the same period in 2018. Total revenue for the year ended 2019 was \$3.95 million which was an increase of 202% over the previous financial year.
- SaaS license fees for the three-months to December 31, 2019 were \$0.34 million and this represents an increase of 620% compared with the fourth quarter 2018. The total SaaS license fees for the year ended 2019 were \$0.84 million which is an increase of 545% compared with the year ended 2018.
- Annualized recurring revenue (“ARR”), which includes SaaS license fees and maintenance fees, was \$1.91 million at December 31, 2019. This is an increase of 264% compared to the ARR at December 31, 2018.
- In November 2019 Kneat announced that it had signed a five-year master service agreement with another one of the world’s largest pharmaceutical companies, to digitalize key validation processes across its manufacturing sites. This agreement allows the customer and its affiliates, with more than 60,000 employees worldwide, to expand Kneat across all its global sites.
- In December 2019, Kneat also announced that it had signed a five-year master service agreement with another one of the world’s leading biopharmaceutical companies. This company has over 10,000 employees and has operations in over 30 countries represents a significant opportunity for growth and expansion of the Kneat platform.
- Throughout the fourth quarter, Kneat continued to grow its staff across all functions and signed a new lease agreement to expand the company’s footprint within the National Technology Park, Limerick, Ireland. The additional office space will accommodate up to 100 Kneat employees, complimenting the existing Kneat offices at the Castletroy Business Park, Limerick, Ireland.

Chief Executive Officer Commentary

"We are pleased to report continued strong revenue growth for quarter four reflecting the growing number of tier one pharma customers that are going live and expanding the use of our software within their networks. The growth in our SaaS revenue is driven by Kneat's focus on delivery of a SaaS first model. This focus on SaaS, combined with our maintenance revenue stream has contributed to the strong growth in our annual recurring revenue."

The long-term impact of COVID-19 on our business is difficult to assess fully at this time and we continue to monitor the situation closely. Generally, it is business as usual for the majority of our customers and prospects. A small proportion of our prospects are slowing their buying decisions temporarily but on the other hand others are accelerating their decision to go paperless because of the increased business continuity benefits that it can deliver. We have received messages from several customers highlighting the business continuity benefits of Kneat Gx during this pandemic.

Kneat Gx is enabling their staff to continue many aspects of their validation activities remotely and allowing global contributors to collaborate in the process in real time. This has reinforced the benefits of Kneat Gx over the manual paper-based systems that it has replaced for these customers. Our transition to remote working has been seamless. We are very proud of our whole team as they continue to operate as normal while working remotely. Our plan for 2020 is to continue to add and deploy new customers, and to expand to new work processes and new sites within our existing customer base with a particular focus on our SaaS platform."

-Eddie Ryan, Chief Executive Officer of Kneat.

Financial Results Summary for the Fourth Quarter

Revenue for the three-months ended December 31, 2019 was \$1.40 million, an increase of 200% from \$0.47 million in the same period in 2018. This increase in revenue was the main driver of the increase in gross margin to \$0.65 million for the three months ended December 31, 2019 from \$0.17 million in the same quarter in 2018.

Net loss for the fourth quarter of 2019 was \$1.12 million as compared to a net loss of \$0.62 million for the same period in 2018. The increase in net loss was due primarily to increased salaries and benefits related to higher headcount on the professional services and development teams. In addition, the amortization of the intangible asset, a non-cash expense, increased over the prior year due to continued investment in our platform.

Overview of Financial Results for the year ended December 31, 2019

For the year ended December 31, 2019 Kneat recorded \$3.95 million in revenue, an increase of \$2.64 million over the year ended December 31, 2018. This increase was driven primarily by new customers going live on the platform and existing customers scaling their use of Kneat Gx through the purchase of additional licenses.

Cost of revenues for the year ended December 31, 2019 was \$2.19 million compared to \$0.98 million for the year ended December 31, 2018. This increase was due to continued investment in our professional services team to support existing customers and build our capacity to take on new customers, and increased hosting costs associated with the SaaS platform.

Research and development expenses for the year ended December 31, 2019 were \$3.46 million compared to \$2.56 million for the year ended December 31, 2018. The increase was a result of additional headcount on the development team and increased non-cash amortization of the intangible asset.

Sales and marketing expenses for the year ended December 31, 2019 were \$1.60 million and remained consistent when compared to the \$1.64 million expense for the year ended December 31, 2018.

General and administrative expenses for the year ended December 31, 2019 were \$1.78 million compared to \$1.30 million for the year ended December 31, 2018. The increase over the prior year was due primarily to an increased headcount on the administrative team and an increase in professional fees.

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 December 31, 2019 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, April 23, 2020 at 09:00 EDT (14:00 BST).

Interested parties can register for the live webcast via the following link: <https://bit.ly/2VCiKZr>

Or, attend via teleconference:

Ireland: +353 15 360 736

Canada: +1 (647) 497-9368

USA: +1 (213) 929-4221

United Kingdom: +44 20 3713 5022

The 2019 Annual Financial Statements 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.

For further information: Hugh Kavanagh, Chief Financial Officer, kneat.com, inc., Kneat Solutions, Unit 7 Castletroy Business Park, Castletroy, Limerick, V94 KW28, Ireland T: +353 61 203826, E: investors@kneat.com