



Kneat Announces Record SaaS Revenue in Q3 2022

November 9, 2022 1:00 PM EST

LIMERICK, Ireland, November 9, 2022 – kneat.com, inc. (TSX: KSI, OTC: KSIOF) (“Kneat” or the “Company”) a leader in digitizing and automating validation processes, today announced financial results for the three and nine-month periods ended September 30, 2022. All dollar amounts are presented in Canadian dollars unless otherwise stated.

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- Q3 revenues increased 54% YoY to \$5.8 million
 - Q3 SaaS revenue was up 71% YoY to \$4.5 million
 - Annual recurring revenue (ARR) grew 60% to \$19.1 million
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"I am proud of our team as we continue to deliver record results, highlighted by 71% growth in SaaS revenue and 60% growth in annual recurring revenue over Q3 2021. This is testament to the growing importance of eValidation as a critical business function and our customers' appreciation for Kneat's ease of use, product vision, and proven track record."

-said Eddie Ryan, Chief Executive Officer of Kneat.

Q3 2022 Financial Highlights

- Total revenues increased 54% to \$5.8 million, as compared to \$3.7 million for the third quarter of 2021.
- SaaS revenue grew 71% to \$4.5 million, versus \$2.6 million for the third quarter of 2021.
- Gross profit was \$3.5 million, an increase of 74% compared to \$2.0 million for the third quarter of 2021.
- Gross margin was 61%, compared to 54% for the third quarter of 2021. The improvement in gross margin reflects significant growth in SaaS revenue, offset by lower one-time on-premise license revenues and a smaller increase in related cost of revenue.
- Total ARR1, which includes SaaS license and recurring maintenance fees, was \$19.1 million at September 30, 2022, an increase of 60% from \$12.0 million at September 30, 2021.
- SaaS ARR1, the proportion of ARR attributable to SaaS licenses, was \$18.0 million at September 30, 2022, an increase of 60% from \$11.3 million at September 30, 2021.

Q3 YTD 2022 Financial Highlights

- Total revenues year to date 2022 increased 79% to \$16.5 million, as compared to \$9.2 million for the same nine month period in 2021.
- SaaS revenue grew 107% to \$11.7 million for the nine months ended September 30, 2022, versus \$5.6 million for the same period in 2021.
- 2022 year to date gross profit was \$10.1 million, an increase of 107% compared to \$4.9 million for the same nine period in 2021.
- Gross margin for the nine months ended September 30, 2022 was 61%, compared to 53% for the same year to date period in 2021.

Strategic Business Developments

- Increased investment in sales and marketing resulted in Kneat growing its customer base to record levels over the quarter. The customer base is broadening to include both large and small companies across all functions of the life science industry, including multiple companies in the supply chain. Post the quarter, Kneat announced the addition of a top tier Fortune 500

Healthcare Company to its list of customers.

- Kneat is rapidly transitioning its few remaining on-premise deployments onto its SaaS platform. One of Kneat's earliest large customers and a top ten pharmaceutical company both transitioned in recent months. This top ten pharmaceutical company also expanded its license numbers significantly during the process.
- The Kneat training academy is making a significant impact by enabling Kneat's growing list of partners and customers through high quality certified training programs.

"Kneat continues to leverage more than a decade of investment in our platform and a fast-growing base of customer references to drive commercialization across all tiers of the life sciences vertical. We continue to hire key employees to drive growth, supported by a strong financial position and a focus on prudent expense management."

-said Hugh Kavanagh Chief Financial Officer of Kneat.

Quarterly Conference Call

Mr. Eddie Ryan, Chief Executive Officer of Kneat, and Mr. Hugh Kavanagh, Chief Financial Officer of Kneat, will host a conference call to discuss Kneat's third-quarter results and hold a Q&A for analysts and investors via webcast on November 10, 2022, at 9:00 a.m. ET.

Interested parties can register for the live webcast via the following link:

[Register Here](#)

Or, attend via teleconference:

Ireland +353 16 572 652

Canada +1 (647) 497-9386

United States +1 (562) 247-8421

United Kingdom +44 330 221 9922

If attending via teleconference, please register via the link above to access dial-in pin code required to attend. The dial-in pin code is available in your confirmation email.

Supplementary Financial Measures

The Company uses supplementary financial measures as key performance indicators in its MD&A and other communications. Management uses both IFRS measures and supplementary financial measures as key performance indicators when planning, monitoring and evaluating the Company's performance.

Annual Recurring Revenue ("ARR")

ARR is used by Kneat to assess the expected recurring revenues from the customers that are live on the Kneat Gx platform at the end of the period. ARR 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 full agreed SaaS license or maintenance fee. 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.

About Kneat

Kneat, a Canadian company with operational headquarters in Limerick, Ireland, develops and markets the next generation Kneat Gx SaaS 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

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 since 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.

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