



Kneat Announces Record Fourth Quarter Revenues and Full Year 2021 Results

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LIMERICK, Ireland, February 23, 2022 – kneat.com, inc. (TSX: KSI) (“Kneat” or the “Company”), a leader in digitizing and automating validation processes, today, announced financial results for the three and twelve-month periods ended December 31, 2021. All dollar amounts are presented in Canadian dollars unless otherwise stated.

- Q4 revenues increase 111% to \$6.3 million
- Q4 SaaS revenues increase 167% to \$3.0 million
- Annual recurring revenue (ARR) increases 174% to \$13.1 million
- Full year revenues increase 109% to 15.5 million

“Our fourth quarter results demonstrate strong performance across key financial metrics, highlighted by 167% growth in SaaS revenues over the same quarter in 2020, and a 174% increase in annual recurring revenue^[1] since December 2020. For the full year, revenues grew by 109% aided by an impressive Net Revenue Retention Rate^[1] of 245%. This Net Retention Rate highlights the strength of our land and expand business model, as existing customers increased the adoption of our platform.”

-said Eddie Ryan, Chief Executive Officer of Kneat.

“In addition to robust customer expansion activity, new customer acquisitions continue to be a key driver of growth. In 2021, we added significantly to our customer base ending the year with 48 contracted customers, including a majority of the top 20 global biopharmaceutical companies. New customer momentum continued into 2022, with a leading consumer packaged goods company signing a four-year Master Services Agreement. Building on our leading position within life sciences, we are also driving adoption in the mid-market, supply chain, and consumer packaged goods industry,” continued Mr. Ryan.

“In December, Merck Sharp & Dohme authored a case study detailing its journey from initial site deployment to global roll out for 7 validation work processes across 27 sites, within their manufacturing and research divisions. The results of this study are a clear endorsement of the Kneat platform and our global service capabilities.”

“Overall, 2021 was a transformative year for Kneat. I am proud of our dedicated employees and I look forward to ongoing growth and value creation for our shareholders in the year ahead,” Mr. Ryan added.

Q4 2021 Financial Highlights

- Total revenues increased 111% to \$6.3 million, compared with \$3.0 million for the fourth quarter of 2020.
- SaaS revenues increased 167% to \$3.0 million, compared with \$1.1 million for the fourth quarter of 2020.
- Gross margin increased 177% to \$4.4 million, compared with \$1.6 million for the fourth quarter of 2020. Gross margin percentage increased to 71% compared with 54% for the fourth quarter of 2020. The increase in gross profit margin was driven by a significant increase in revenue, including some one-time on-premise license revenues, offset by a smaller increase in related cost of revenue.

Fiscal Year 2021 Financial Highlights

- Total revenues increased 109% to \$15.5 million, compared with \$7.4 million for the year ended December 31, 2020.
- SaaS revenues increased 201% to \$8.7 million, compared with \$2.9 million for the prior year.
- Gross margin increased 224% to \$9.3 million compared with \$2.9 million for the year ended December 31, 2020. Gross margin percentage increased to 60% compared with 39% in the year ended December 31, 2020. The higher gross profit margin was driven by increases in revenue, in particular SaaS license revenues and some one-time on-premise revenue, offset by a smaller increase in related cost of revenue.

Supplementary Financial Measures

- Total ARR^[1], which includes SaaS license and maintenance fees, was \$13.1 million at

- December 31, 2021, an increase of 174% from \$4.8 million at December 31, 2020.
- SaaS ARR, the proportion of ARR attributable to SaaS licenses, was \$12.2 million at December 31, 2021, an increase of 212% from \$3.9 million at December 31, 2020.
 - Gross Revenue Retention Rate^[1] was 100% for the year ended December 31, 2021.
 - Net Revenue Retention Rate^[1] was 245% for the year ended December 31, 2021.

Recent Business Highlights

In 2021, Kneat continued to scale existing customer licenses in addition to winning and onboarding new customers. A summary of corporate highlights includes:

- In March, Kneat announced it had been selected by one of the world's largest contract development and manufacturing organizations (CDMO).
- In April, the Company closed a public equity financing of \$20,125,575 and a concurrent non-brokered private placement equity financing of \$2,000,000.
- In May, Nutan Behki, VP of Core Network R&D at Nokia, was elected to the Board of Directors.
- In May, Kneat announced that it had been selected by a top ten biopharma leader as its corporate e-Validation solution.
- In July, the Company announced that a leading global healthcare manufacturer and a leading engineering firm had selected Kneat's SaaS Platform.
- On November 15, 2021, the Company announced its graduation to the Toronto Stock Exchange.
- In December, Kneat was awarded a 3rd place ranking in the prestigious 2021 Deloitte Technology Fast 50 Ireland list.
- In December, the Company announced that it had signed an industry-leading global biopharmaceutical company.
- Subsequent to year end, Carol Leaman, CEO of Axonify, was appointed to the Board of Directors.
- On January 20, 2022, the Company announced that it had signed the U.S. subsidiary of one of the world's top fifteen consumer-packaged-goods companies.

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 fourth-quarter results and hold a Q & A for analysts and investors via webcast on February 24, 2022, at 9:00 a.m. ET.

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

[Register](#)

Or, attend via teleconference:

Ireland +353 15 360 755
Canada +1 (647) 497-9385
United States +1 (951) 384-3421
United Kingdom +44 20 3713 5012

If attending via teleconference, please register at the link above to access the 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.

Net Revenue Retention Rate ("NRR")

We believe that our Net Revenue Retention Rate is a key measure to provide insight into the long-term value of our customers and our ability to retain and expand revenue from our customer base over time. Our Net Revenue Retention Rate is calculated over a trailing twelve-month period by considering the cohort of customers on our platform as of the beginning of the period and dividing the ARR attributable to this group of customers at the end of the period by the ARR at the beginning of the period. By implication, this ratio excludes any ARR from new customers acquired during the period but includes revenue changes for this cohort base of customers during the period being measured. This measure provides insight into customer expansions, downgrades, and churn, and illustrates the level of scaling by those customers.

Gross Revenue Retention Rate ("GRR")

We believe that Gross Revenue Retention ("GRR") is a key measure to provide insight into our success retaining existing customers. It is a measure of the retention of ARR at the beginning of the period with a maximum possible value of 100% if there are no downgrades and churn. Gross Revenue Retention Rate is calculated over a trailing twelve-month period by considering the cohort of customers on our platform as of the beginning of the period and dividing the ARR attributable to this cohort of customers at the end of the period excluding any expansions, but including downgrades and churn during the period, by the ARR at the beginning of the period.

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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[1] Annual Recurring Revenue ("ARR"), Gross Revenue Retention Rate ("GRR") & Net Revenue Retention Rate ("NRR") are supplementary financial measures. See 'Supplementary Financial Measures' section below for additional information.