



Kneat Reports Record Revenues and Gross Margin Expansion for Q2 2021

August 10, 2021 12:00 PM EDT

LIMERICK, Ireland, August 10, 2021 /CNW/ – kneat.com, inc. (TSXV: KSI) (“Kneat”) a leader in digitizing and automating validation processes, today announced its strong financial results for the three and six-month periods ended June 30, 2021. All dollar amounts are presented in Canadian dollars unless otherwise stated.

- Q2 Revenues increase 104% to \$3.15 million
- SaaS Revenues increase 170% to \$1.72 million
- Annual Recurring Revenue increases 141% to \$7.98 million

“During the second quarter, we continued to execute against our key priority, driving recurring SaaS license fees. SaaS revenues increased 170% compared with the second quarter of 2020. In keeping with our trend, Q2 delivered strong growth in both annual recurring revenue, which grew 141% since June 30, 2020, and total revenues, which grew 104% over Q2 2020, as demand for our solution is increasing. Our SaaS revenue growth is driven by the acquisition of new customers as well as expansion within our existing customer base. During the quarter, we added a number of new customers, including one of the world’s leading engineering, consultancy and design firms to digitize Commissioning, Qualification, and Validation services for both their food and life sciences clients. These are exciting times for Kneat as the market continues to adopt our industry leading platform. With our strong balance sheet, our team is focused on executing our plan across all areas of the business, ensuring ongoing growth and value creation for our shareholders.”

-Eddie Ryan, Chief Executive Officer of Kneat.

Q2 2021 Financial Highlights

- Total revenues increased 104% to \$3.15 million, compared with \$1.55 million for the second quarter of 2020. Total revenues fluctuate quarter over quarter primarily due to the timing of professional services delivery and the sale of one-time, on-premises licenses to a decreasing number of customers who have not yet transitioned to SaaS.
- SaaS revenues increased 170% to \$1.72 million, compared with \$0.64 million for the second quarter of 2020.
- Gross margin increased 244% to \$1.75 million compared with \$0.51 million for the second quarter of 2020 and gross profit margin increased to 56% compared with 33% for the second quarter of 2020. The increase in gross profit margin was driven by a significant increase in revenue, coupled with a reduction in related cost of revenues compared with the second quarter of 2020

Annualized recurring revenue (“ARR”)

- **Total ARR:** Total ARR, a key performance indicator which includes SaaS license fees and maintenance fees, was \$7.98 million at June 30, 2021, up from \$3.31 million for the same period last year, an increase of 141%. Quarter-over-quarter growth in total ARR was 39%, up from \$5.74 million at March 31, 2021.
- **SaaS ARR:** Within total ARR, the proportion attributable to SaaS license fees was \$7.29 million, up from \$2.55 million at June 30, 2020, an increase of 186%. Quarter-over-quarter growth in SaaS ARR was 49%, up from \$4.89 million at March 31, 2021.

“Our second quarter results demonstrated strong progress across the business. In addition to our strong top-line growth, we saw gross profit margins expand to 56% compared with 33% for the second quarter of 2020 reflecting the impact of the scaling of our SaaS business.”

-Hugh Kavanagh, Chief Financial Officer of Kneat.

Recent Highlights

In 2021, Kneat is making substantial progress driving revenue growth by continuing to add licenses for existing customers, in addition to winning new customers. A summary of recent corporate highlights is included below:

- Subsequent to second-quarter end, on July 19, 2021, the Company announced it signed a

three-year agreement to be the corporate enterprise e-validation solution for one of the world's leading healthcare brands.

- In June, the Company announced it signed a three-year agreement with one of the world's leading engineering, consultancy, and design firms to digitize Commissioning, Qualification and Validation services to both their food and life sciences clients.
- In May, Kneat confirmed Ms. Nutan Behki's election to the board as a director following the annual and special meeting of shareholders.
- In May, the Company announced it signed a five-year agreement with another top ten biopharma company. In December 2020, Kneat announced its SaaS platform was chosen by this research and development-focused biopharma leader for a single site. However, in May 2021, this company selected Kneat as its global corporate e-validation solution. The customer's goal is to roll Kneat out in phases for multiple processes across all its manufacturing sites.
- In April, the Company announced it closed its short form prospectus offering, including the full exercise of the over-allotment option, through which a total of 6,708,525 common shares of the Company were sold at a price of \$3.00 per common share, for aggregate gross proceeds of \$20,125,575.
- Deferred Stock Units (DSUs) worth \$166,554 were granted to the Company's directors during the quarter.

Subsequent to second-quarter end, Kneat retained LodeRock Advisors Inc. ("LodeRock"), for strategic investor relations and capital markets communication services. Under the terms of the agreement, Kneat will pay LodeRock a monthly fee of \$14,000 for ongoing strategic communication services. Either party has the right to terminate the relationship upon 45 days' notice.

Kneat continues to operate remotely and effectively during the pandemic. Momentum is building as customers scale the Kneat e-validation platform across their global operations for multiple business processes.

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 our second-quarter results and Q&A for analysts and investors via webcast on August 11, 2021 at 9:00 a.m. ET.

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

Or, attend via teleconference:

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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.

Key Performance Indicator

Annualized recurring revenue 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 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 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 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.

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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