



## Kneat Reports Third Quarter Results

November 24, 2020 1:00 PM EST

LIMERICK, Ireland, November 24, 2020 /CNW/ – kneat.com, inc. (TSXV: KSI) (“Kneat”) today announced its financial results for the period ended September 30, 2020. All dollar amounts are presented in Canadian dollars unless otherwise stated.

### Third Quarter Highlights

- Revenue of \$1.96 million was recognized during the three-months ended September 30, 2020, representing an increase of 24% when compared to the third quarter in 2019.
- SaaS license fees have continued to grow quarter on quarter during 2020 and were \$0.70 million for the three-months to September 30, 2020 representing an increase of 210% compared with the same period in 2019.
- Annualized recurring revenue (“ARR”), which includes SaaS license fees and maintenance fees, was \$3.79 million at September 30, 2020. This is a total increase of 163% compared to the ARR at September 30, 2019. More specifically, ARR from SaaS license fees increased by 244% and ARR from maintenance fees increased by 37% from September 30, 2019.
- 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
- In November, Kneat announced the appointment of Mr. Keith Holmes as Chief Technology Officer. Mr. Holmes is a senior executive with over 30 years’ experience in the international software industry with technology expertise spanning Mobile, Cloud, SaaS, UX and Database systems. Kneat will benefit from Keith’s broad technology expertise and his considerable experience in product strategy and technical leadership as we continue to grow our operations globally.

### Chief Executive Officer Commentary

*"We are pleased to report continued strong revenue growth for the third quarter of 2020, in particular, our SaaS revenue which has increased by 210% compared with the same quarter last year. SaaS revenue for the 9 months to September 30 represents 77% of the total software license revenue compared with 33% for the same period last year. This highlights that the demand in the market is shifting towards a cloud solution and we are executing well on our plans to deliver this to our customers. Kneat continues to operate remotely and effectively during the pandemic. To date there has been no significant negative impact to our business and we are optimistic that this will continue into the future. 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."*

*-Eddie Ryan, Chief Executive Officer of Kneat.*

### Financial Results Summary for the Third Quarter

Revenue for the three-months ended September 30, 2020 was \$1.96 million, an increase of 24% from \$1.59 million for the same period in 2019. In keeping with our SaaS strategy, revenue of SaaS license fees is up 210% and revenue of on-premise license fees is down 86%. Gross margin was \$0.72 million for the three months ended September 30, 2020 compared to \$0.99 million in the third quarter of 2019. The decrease in gross margin reflects a change in the revenue mix whereby revenue for quarter three of 2020 included a smaller amount of higher margin sales of on-premise license fees, and a higher proportion of professional services revenue.

The increase in cost of revenues to \$1.24m for the 3 months ended September 30, 2020 compared to \$0.60 million for the third quarter of 2019, reflects increases in salaries and benefits related to additional headcount in the professional services team and increased hosting costs. Professional services costs incurred during the third quarter were recognised as cost of revenue expenses during the period. These included costs associated with

professional services of \$0.34 million billed during the quarter, for which revenue will be recognized in future periods.

Net loss for the third quarter of 2020 was \$1.34 million and remains consistent when compared to a net loss of \$1.36 million for the same period in 2019. Kneat have continued to invest in building our team by hiring talented staff across many functions. The impact of increased revenue and favourable foreign currency movements was offset by additional salaries and benefit costs related to higher headcount on the professional services and R&D teams, as well as increased amortization costs relating to the intangible asset.

*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 September 30, 2020 which have been filed on SEDAR at [www.sedar.com](http://www.sedar.com) and Kneat's website at [www.kneat.com](http://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 Wednesday, November 25, 2020 at 09:00 EST.

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

*Or, attend via teleconference:*

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The unaudited condensed interim consolidated financial statements for the period ended September 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](http://www.kneat.com).

## Non-GAAP measure

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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