



## Kneat Reports First Quarter Results

May 27, 2020 12:00 PM EDT

LIMERICK, Ireland, May 27, 2020 /CNW/ – kneat.com, inc. (TSXV: KSI) (“Kneat”) today announced its financial results for the period ended March 31, 2020. All dollar amounts are presented in Canadian dollars unless otherwise stated.

### First Quarter Highlights

- Revenue of \$0.95 million was recognized during the three-months ended March 31, 2020 representing an increase of 130% over the same period in 2019.
- SaaS license fees for the three-months to March 31, 2020 were \$0.41 million and this represents an increase of 528% compared with the first quarter in 2019.
- Annualized recurring revenue (“ARR”), which includes SaaS license fees and maintenance fees, was \$2.62 million at March 31, 2020. This is an increase of 294% compared to the ARR at March 31, 2019. More specifically, ARR from SaaS licenses fees increased by 502% and ARR from maintenance fees increased by 110% from March 31, 2019.
- In February, Kneat announced that it signed a three-year SaaS agreement with a top tier medical device company. This global company with operations in over 70 countries and over 20,000 employees selected Kneat’s SaaS platform to digitize all its validation work processes, commencing with computer system validation.
- In March, Kneat announced that it signed a three-year SaaS master agreement with a top ten pharmaceutical company. This global pharmaceutical company has more than 25,000 employees across multiple global facilities and this agreement allows this customer to expand Kneat across its global network, to its many sites and multiple work processes worldwide.
- During the continuing pandemic all our employees continue to work remotely and all our operations from software development through to product release, delivery and customer service continue to operate effectively online.
- Due to the pandemic, we are seeing a small proportion of companies deferring their purchasing decisions temporarily, as they remain focused on business continuity activities. For a large proportion, it is business as usual, including those that have begun to deploy our software or are already using Kneat at their sites.
- At the beginning of March 2020, Kneat closed a short form prospectus offering, including the full exercise of an over-allotment option resulting in aggregate gross proceeds of \$12.65 million. In addition, Kneat also completed a non-brokered private placement for gross proceeds of \$1.83 million. The Company intends to use the net proceeds of the Offering and the Private Placement for growth initiatives, working capital and general corporate purposes.

### Chief Executive Officer Commentary

*“We are pleased to report strong revenue for quarter one, driven by the increasing adoption of our SaaS platform and reflecting the growing number of tier one pharma customers that are going live and expanding our software within their networks. This focus on SaaS, combined with our maintenance revenue stream has contributed to strong growth in our overall annual recurring revenue.*”

*The long-term impact of COVID-19 on our business is difficult to fully assess at this time. We are seeing a small proportion of companies deferring their purchasing decisions temporarily while 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.*

*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.*

*Our plan for the remainder of 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 First Quarter**

Revenue for the three-months ended March 31, 2020 was \$0.95 million, an increase of 130% from \$0.41 million for the same period in 2019. Gross margin of \$0.05 million is consistent with the first quarter of 2019 and reflects an increase in revenue which is offset by an increase in cost of revenues. Cost of revenues and professional services costs incurred during the first quarter were expensed during the period including costs associated with additional professional services of \$0.7 million billed during the quarter which will be recognized in future periods. The change in cost of revenue reflects increases in salaries and benefits related to additional headcount in the professional services team and increased hosting costs.

Net loss for the first quarter of 2020 was \$0.47 million as compared to a net loss of \$1.97 million for the same period in 2019. The decrease in net loss reflects favourable foreign currency movements resulting in a foreign exchange gain of \$1.48 million in the first quarter of 2019.

*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 March 31, 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 Thursday, May 28, 2020 at 09:00 EDT (14:00 BST).

**Inteted parties can register for the live webcast via the following link: <https://bit.ly/2ZtdEBY>**

*Or, attend via teleconference:*

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The unaudited condensed interim consolidated financial statements for the period ended March 31, 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 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.*

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