Kneat Reports Third Quarter Results

November 26, 2019 1:00 PM EST

LIMERICK, Ireland, November 26, 2019 /CNW/ – kneat.com, inc. (TSXV: KSI) ("Kneat") today announced its financial results for the quarter ended September 30, 2019. All dollar amounts are presented in Canadian dollars unless otherwise stated.

Third Quarter Highlights

- Revenue of $1,586,033 was recognized during the three-months ended September 30, 2019 representing an increase of 538% over the same period in 2018. Year to date revenues totalling $2,547,987 were up 203% over the same period in 2018.
- SaaS licence fees for the three-months to September 30, 2019 were $225,486 an increase of 643% compared with the third quarter 2018 and SaaS license fees for the nine-months year to date in 2019 were $499,595 an increase of 599% compared with the same period in 2018.
- Annualized recurring revenue ("ARR"), which include SaaS license fees and maintenance fees, was $1.4 million at September 30, 2019 an increase of 215% compared to the same period in 2018.
- In July 2019 Kneat announced that a global contract development and manufacturing organization ("CDMO") had selected Kneat's platform to digitize their commissioning, qualification and validation work processes. This customer contracted with Kneat for on-premise perpetual licenses and went live at its initial site during the third quarter. Expansion to other sites are being planned.
- In September 2019 Kneat signed a three-year contract with one of the world's largest pharmaceutical companies to enable digital transformation for its many validation work processes. This master service agreement allows the customer and its affiliates to expand Kneat Gx across its 100+ global manufacturing sites. The lead European site has gone live and has already expanded license seats. Expansion to other sites is being planned.
- Kneat appointed Mr. Hugh Kavanagh as CFO in September. Mr. Kavanagh held senior positions at several multinational companies in the software and life sciences industries, most recently as Chief Financial Officer of Mainstay Medical during which time he completed an initial public offering and several rounds of funding.
- Throughout the third quarter, Kneat continued to grow its staff across all functions with a strong focus on professional services to support our growing list of new customers and scaling within our existing base.

Chief Executive Officer Commentary

> *"We are pleased to report our quarter three results which demonstrate strong execution and momentum by the Kneat team. This is reflected in significant revenue growth coupled with top tier customer wins. We are seeing strong growth in our recurring revenue streams of SaaS subscriptions and yearly maintenance. Our existing customers are expanding into more work processes and new sites, representing great opportunity for growth and expansion of Kneat's software. Our plan for the next quarter is to continue to add and deploy new customers, expand to new work processes and new sites within our existing customer base and continue to build out the Kneat Gx platform."*
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> *-Eddie Ryan, Chief Executive Officer of Kneat.*

Financial Results Summary for the Third Quarter

Revenue for the three-months ended September 30, 2019 was $1,586,033, an increase of 538% from $248,666 in the same period in 2018. This increase in revenue was the main driver of the increase in gross margin to $985,018 for the three months ended September 30, 2019 from ($17,480) in the same quarter in 2018. Net loss for the third quarter of 2019 was $1.4 million as compared to a net loss of $1.9 million for the same period in 2018. The decrease in net loss was due primarily to an increase in revenue. This was offset by increases in salaries and benefits related to increased headcount in our professional services and development functions. In addition, the amortization of the intangible asset, a non-cash expense, increased over the prior year due to continued investment in our platform.

Throughout the remainder of the year we will continue to invest in our teams with a strong focus on the professional services function to support presale, new deployments, expansion of the current base and ongoing customer support; and our development team to add functionality to our platform to expand our addressable market.

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, 2019 which have been filed on SEDAR at www.sedar.com and Kneat's website at 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 27, 2019 at 09:00 EST (14:00 GMT). **Interested parties can register for the live webcast, also available via teleconference, at the following link:** https://bit.ly/2OBFw01.

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.

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. 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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