



## Kneat Announces Record Revenue for Third Quarter 2023

November 8, 2023 9:08 PM EST

*SaaS Revenue Growth of 72% Drives Overall Revenue Growth of 46%*

LIMERICK, Ireland, Nov. 8, 2023 /CNW/ - **kneat.com, inc.** (TSX: KSI) (OTC: KSIOF) ("**Kneat**" or the "**Company**") a leader in digitizing and automating validation and quality processes, today announced financial results for the three-month period ended September 30, 2023. All dollar amounts are presented in Canadian dollars unless otherwise stated.

- **Third-quarter 2023 total revenue reaches \$8.4 million, an increase of 46% year over year**
- **SaaS ARR<sup>1</sup> at September 30, 2023 reaches \$31.3 million, an increase of 74% year over year**
- **Annual Recurring Revenue (ARR)<sup>1</sup> at September 30, 2023 expands 64% year over year, to \$31.4 million**

*"In Q3 Kneat achieved a new milestone, with annual recurring revenue surpassing \$30 million. I came away from our VALIDATE conference last month in Miami more enthused than ever about our position in the industry. Relationships with customers are deepening and our visions are well aligned. The conference reinforced that Kneat is well-positioned to lead digitization of the Life Sciences industry."*

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

### Q3 2023 Financial Highlights

- Total revenues increased 46% to \$8.4 million for the third quarter of 2023, compared to \$5.8 million for the third quarter of 2022.
- SaaS revenue for the third quarter of 2023 grew 72% to \$7.7 million, versus \$4.5 million for the third quarter of 2022.
- Third-quarter 2023 gross profit was \$5.5 million, up 56% from \$3.5 million in gross profit for the third quarter of 2022.
- Gross margin in the third quarter of 2023 was 65%, compared to 61% for the third quarter of 2022.
- EBITDA<sup>1</sup> in the third quarter of 2023 was (\$1.4) million, compared with (\$1.1) million for the third quarter of 2022.
- Adjusted EBITDA<sup>1</sup> in the third quarter of 2023 was (\$0.5) million, compared with (\$0.9) million for the third quarter of 2022.
- Net loss for the third quarter of 2023 was (\$3.6) million, compared with (\$2.5) million for the third quarter of 2022.
- Total ARR<sup>1</sup>, which includes SaaS license and recurring maintenance fees, was \$31.4 million at September 30, 2023, an increase of 64% from \$19.1 million at September 30, 2022.
- SaaS ARR<sup>1</sup>, the proportion of ARR attributable to SaaS licenses, was \$31.3 million at the end of the third quarter of 2023, an increase of 74% from \$18.0 million at September 30, 2022.

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<sup>1</sup> ARR and SaaS ARR are supplementary measures. EBITDA and Adjusted EBITDA are non-IFRS measures and are not recognized, defined or standardized measures under IFRS. These measures are defined in the "Supplementary and Non-IFRS Measures" section of this news release.

### Q3 YTD 2023 Financial Highlights

- Total revenues year to date increased 48% to \$24.4 million, compared to \$16.5 million for the same nine-month period of 2022.

- SaaS revenue grew 81% to \$21.1 million for the nine months ended September 30, 2023, versus \$11.7 million for the same period of 2022.
- 2023 year-to-date gross profit was \$16.2 million, up 61% from \$10.1 million for the same year-to-date period of 2022.
- Gross margin for the nine months ended September 30, 2023 was 66%, compared to 61% for the same period of 2022.
- 2023 year-to-date EBITDA<sup>1</sup> was (\$5.5) million, compared with (\$5.4) million for the same year-to-date period of 2022.
- 2023 year-to-date Adjusted EBITDA<sup>1</sup> was (\$2.9) million, compared with (\$1.7) million for the same year-to-date period of 2022.
- Net loss for the nine months ended September 30, 2023 was (\$11.5) million, compared with (\$9.6) million for the nine months ended September 30, 2022.

### Q3 2023 Business Highlights

- In July, Kneat announced that it had signed a three-year Master Services Agreement with a top-tier and fully integrated contract development and manufacturing organization ("CDMO") headquartered in Asia. The agreement expands Kneat's presence in Asia and allows the CDMO to scale Kneat across all its validation processes.
- In late August, Kneat announced a three-year Master Service Agreement with a US-headquartered manufacturer and distributor of medical supplies. The Agreement, which initially is for computer systems validation ("CSV") for software utilized in medical devices, underscores Kneat's applicability throughout the Life Sciences supply chain.

### VALIDATE 2023

Subsequent to the close of the third quarter, in early October, Kneat held its annual conference, VALIDATE, for North America in Miami, Florida. As the premier industry event focused exclusively on validation, VALIDATE 2023 convened quality control professionals from around the world to share validation technologies, regulations, and best practices. Presenters from across the industry represented Merck, Sanofi, Eli Lilly and Fujirebio Diagnostics, among others.

*"The investments we made in 2022 have enhanced our platform and are expanding our footprint in Life Sciences. New customer wins through the year are a testament to our growth potential and solid position in the industry."*

*-said Hugh Kavanagh, Chief Financial Officer of Kneat.*

### Quarterly Conference Call

Eddie Ryan, Chief Executive Officer of Kneat, and Hugh Kavanagh, Chief Financial Officer of Kneat, will host a conference call to discuss Kneat's third-quarter results and hold a Q&A session for analysts and investors via webcast on Thursday, November 9, 2023, at 9:00 a.m. ET.

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

Register [here](#)

### Supplementary and Non-IFRS 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, non-IFRS 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 annual 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 agreed annual 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.

#### *Software-as-a-Service Annual Recurring Revenue ("SaaS ARR")*

SaaS ARR is a component of ARR that is used by Kneat to assess the expected recurring revenues exclusively from license subscriptions to the Kneat Gx platform at the end of the period. SaaS ARR is calculated as the SaaS 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 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.

#### *Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")*

EBITDA is calculated as net income (loss) attributable to kneat.com excluding interest income (expense), provision for income taxes, depreciation and amortization. We provide and use this non-IFRS measure of our operating performance to highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. A reconciliation of EBITDA to IFRS financial measures is provided in the financial statements accompanying this press release.

#### *Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA")*

Adjusted EBITDA is calculated as net income (loss) attributable to kneat.com excluding interest income (expense), provision for income taxes, depreciation and amortization, foreign exchange gain or loss and stock-based compensation expense. We provide and use this non-IFRS measure of our operating performance to highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures and to inform financial comparisons with other companies. A reconciliation of Adjusted EBITDA to IFRS financial measures is provided in the financial statements accompanying this press release.

#### **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/ EU 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)

#### **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, our ability to win business from new customers and expand business from existing customers, our expected use of the net proceeds from the IPF Facility and/or any future offering, the anticipated effects of the IPF Facility and/or any future offering on our business and operations, and the compliance of Kneat's platform under regulatory audit and inspection. These and other assumptions, risks and uncertainties may cause Kneat's actual results, performance, achievements and developments to differ materially from the results, performance, achievements or developments expressed or implied by forward-looking statements.

Material risks and uncertainties relating to our business are described under the headings "Cautionary Note Regarding Forward-Looking Statements and Information" and "Risk Factors" in our annual MD&A dated February 22, 2023, under the heading "Risk Factors" in our Annual Information Form dated February 22, 2023 and in our other public documents filed with Canadian securities regulatory authorities, which are available at [www.sedar.com](http://www.sedar.com). Forward-looking statements are provided to help readers understand management's expectations as at the date of this release and may not be suitable for other purposes. Readers are cautioned not to place undue reliance on forward-looking statements. Kneat assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as expressly required by law. 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 investor's own risk.

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#### **Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

*(expressed in Canadian dollars)*

|                                 | <b>Three-month period ended</b> |                      | <b>Nine-month period ended</b> |                      |
|---------------------------------|---------------------------------|----------------------|--------------------------------|----------------------|
|                                 | <b>Sept 30, 2023</b>            | <b>Sept 30, 2022</b> | <b>Sept 30, 2023</b>           | <b>Sept 30, 2022</b> |
| <b>Revenue</b>                  |                                 |                      |                                |                      |
| SaaS License fees               | 7,738,841                       | 4,488,628            | 21,144,414                     | 11,676,826           |
| On-premise license fees         | -                               | -                    | 436,126                        | 766,125              |
| Maintenance fees                | 24,223                          | 212,857              | 230,380                        | 647,083              |
| Professional services and other | 642,198                         | 1,050,073            | 2,598,489                      | 3,409,128            |
| <b>Total Revenue</b>            | <b>8,405,262</b>                | <b>5,751,558</b>     | <b>24,409,409</b>              | <b>16,499,162</b>    |
| Cost of Revenue                 | (2,923,725)                     | (2,228,082)          | (8,226,657)                    | (6,421,785)          |

|                                                                  |             |             |              |              |      |
|------------------------------------------------------------------|-------------|-------------|--------------|--------------|------|
| Gross Profit                                                     | 5,481,537   | 3,523,476   | 16,182,752   | 10,077,377   |      |
| Gross Margin                                                     |             | 65 %        | 61 %         | 66 %         | 61 % |
| Expenses                                                         |             |             |              |              |      |
| Research and development                                         | (3,836,971) | (2,768,006) | (11,924,972) | (7,943,775)  |      |
| Sales and marketing                                              | (3,119,679) | (2,095,713) | (9,412,699)  | (5,099,004)  |      |
| General and administrative                                       | (1,701,840) | (1,186,862) | (5,317,083)  | (3,528,258)  |      |
| Total Expenses                                                   | (8,658,490) | (6,050,581) | (26,654,754) | (16,571,037) |      |
|                                                                  |             |             |              |              |      |
| Operating Loss                                                   | (3,176,953) | (2,527,105) | (10,472,002) | (6,493,660)  |      |
| Interest expense                                                 | (343,519)   | (53,374)    | (452,060)    | (174,729)    |      |
| Interest income                                                  | 1,896       | 669         | 6,015        | 1,695        |      |
| Foreign exchange loss                                            | (72,852)    | 32,850      | (537,900)    | (2,940,414)  |      |
|                                                                  |             |             |              |              |      |
| Loss before income taxes                                         | (3,591,428) | (2,546,960) | (11,455,947) | (9,607,108)  |      |
| Income taxes                                                     | -           | -           | (8,550)      | -            |      |
|                                                                  |             |             |              |              |      |
| Net loss for period                                              | (3,591,428) | (2,546,960) | (11,464,497) | (9,607,108)  |      |
|                                                                  |             |             |              |              |      |
| Other comprehensive (loss) / income                              |             |             |              |              |      |
| Foreign currency translation adjustment to presentation currency | 141,830     | 714,889     | 486,432      | 1,344,479    |      |
|                                                                  |             |             |              |              |      |
| Comprehensive loss for the period                                | (3,449,598) | (1,832,071) | (10,978,065) | (8,262,629)  |      |
|                                                                  |             |             |              |              |      |
| Loss per share - basic and diluted                               | \$ (0.05)   | \$ (0.03)   | \$ (0.15)    | (0.12)       |      |
|                                                                  |             |             |              |              |      |
| Weighted Average Number of Common Shares Outstanding             |             |             |              |              |      |
| Basic and diluted                                                | 77,824,761  | 77,432,800  | 77,744,726   | 77,362,079   |      |
|                                                                  |             |             |              |              |      |
| Reconciliation:                                                  |             |             |              |              |      |
| Total loss for the period                                        | (3,591,428) | (2,546,960) | (11,464,497) | (9,607,108)  |      |
| Interest expense                                                 | 343,519     | 53,374      | 452,060      | 174,729      |      |

|                                  |                    |                    |                    |                    |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| Interest income                  | (1,896)            | (669)              | (6,015)            | (1,695)            |
| Income taxes                     | -                  | -                  | 8,550              | -                  |
| Depreciation expense             | 190,795            | 223,433            | 594,047            | 656,545            |
| Amortization expense             | 1,654,910          | 1,169,993          | 4,897,794          | 3,376,883          |
| <b>EBITDA Loss</b>               | <b>(1,404,100)</b> | <b>(1,100,829)</b> | <b>(5,518,061)</b> | <b>(5,400,646)</b> |
| Adjustments to EBITDA            |                    |                    |                    |                    |
| Foreign exchange loss (gain)     | 72,852             | (32,850)           | 537,900            | 2,940,414          |
| Stock-based compensation expense | 795,148            | 244,051            | 2,069,228          | 802,369            |
| <b>Adjusted EBITDA Loss</b>      | <b>(536,100)</b>   | <b>(889,628)</b>   | <b>(2,910,933)</b> | <b>(1,657,863)</b> |

kneat.com, inc.

#### Unaudited Condensed Interim Consolidated Statements of Financial Position

*(expressed in Canadian dollars)*

as at

|                           | <b>Sept 30,</b> | <b>Dec 31,</b> |
|---------------------------|-----------------|----------------|
|                           | <b>2023</b>     | <b>2022</b>    |
| <b>Assets</b>             |                 |                |
| <b>Current assets</b>     |                 |                |
| Cash                      | 11,481,976      | 12,282,478     |
| Accounts receivable       | 12,952,465      | 8,914,980      |
| Prepayments               | 1,183,649       | 931,856        |
|                           | 25,618,090      | 22,129,314     |
| <b>Non-current assets</b> |                 |                |
| Accounts receivable       | 1,312,607       | 1,104,624      |
| Property and equipment    | 7,182,643       | 7,807,042      |
| Intangible assets         | 25,200,734      | 19,364,904     |

|                                          |                   |                   |
|------------------------------------------|-------------------|-------------------|
| <b>Total assets</b>                      | <b>59,314,074</b> | <b>50,405,884</b> |
| <b>Liabilities</b>                       |                   |                   |
| <b>Current liabilities</b>               |                   |                   |
| Accounts payable and accrued liabilities | 6,529,821         | 5,768,054         |
| Contract liabilities                     | 15,164,261        | 10,617,142        |
| Lease liabilities                        | 520,850           | 588,472           |
|                                          | 22,214,932        | 16,973,668        |
| <b>Non-current liabilities</b>           |                   |                   |
| Contract liabilities                     | 67,198            | 949,224           |
| Lease liabilities                        | 5,987,173         | 6,503,041         |
| Loan payable and accrued interest        | 13,898,907        | -                 |
| <b>Total Liabilities</b>                 | <b>42,168,210</b> | <b>24,425,933</b> |
| <b>Equity</b>                            |                   |                   |
| Shareholders' equity                     | 17,145,864        | 25,979,951        |
| <b>Total liabilities and equity</b>      | <b>59,314,074</b> | <b>50,405,884</b> |

**kneat.com, inc.**

#### **Unaudited Condensed Interim Consolidated Statement of Cash Flows**

*(expressed in Canadian dollars)*

For the period ended

**9 months      9 months**

**Sept 30,      Sept 30,**

**2023      2022**

#### **Operating activities**

Net loss for the period (11,464,497) (9,607,108)

Charges to loss not involving cash:

|                                                              |                    |                  |
|--------------------------------------------------------------|--------------------|------------------|
| Depreciation of property and equipment                       | 594,047            | 656,545          |
| Share-based compensation                                     | 2,069,228          | 802,369          |
| Write off of property and equipment                          | 26,632             | 357              |
| Interest expense                                             | 452,060            | 174,729          |
| Tax expense                                                  | 8,550              | -                |
| Amortization of the intangible asset                         | 4,897,794          | 3,376,883        |
| Amortization of loan issuance costs                          | 26,331             | -                |
| Amortization of deferred contract acquisition costs          | -                  | 3,888            |
| Impact of lease termination                                  | (65,936)           | -                |
| Foreign exchange (gain) loss                                 | 537,900            | 2,940,414        |
| Research and development recovery                            | -                  | 5,882            |
| Increase/(Decrease) in non-current contract liabilities      | (879,551)          | 50,750           |
| Net change in non-cash working capital related to operations | 2,431,164          | 3,451,222        |
| <b>Net cash (used in) provided by operating activities</b>   | <b>(1,366,278)</b> | <b>1,855,931</b> |

**Financing activities**

|                                                            |                   |                  |
|------------------------------------------------------------|-------------------|------------------|
| Payment of interest on the loan payable                    | (196,276)         | (110,237)        |
| Proceeds from the exercise of stock options                | 74,750            | 73,809           |
| Proceeds from the exercise of warrants                     | -                 | 461,090          |
| Repayment of lease liabilities                             | (559,090)         | (627,316)        |
| Proceeds received from loan financing                      | 14,353,000        | -                |
| Issuance costs associated with loan financing              | (540,085)         | -                |
| <b>Net cash provided by (used in) financing activities</b> | <b>13,132,299</b> | <b>(202,654)</b> |

**Investing activities**

|                                     |              |             |
|-------------------------------------|--------------|-------------|
| Additions to the intangible asset   | (12,702,025) | (8,565,865) |
| Additions to property and equipment | (109,931)    | (283,006)   |

|                                                    |                     |                    |
|----------------------------------------------------|---------------------|--------------------|
| Collection of research and development tax credits | -                   | 897,961            |
| <b>Net cash used in investing activities</b>       | <b>(12,811,956)</b> | <b>(7,950,910)</b> |
| <b>Effects of exchange rates on cash</b>           | 245,433             | (140,343)          |
| <b>Net change in cash during the year</b>          | <b>(800,502)</b>    | <b>(6,437,976)</b> |
| <b>Cash - Beginning of year</b>                    | 12,282,478          | 21,562,968         |
| <b>Cash - End of year</b>                          | <b>11,481,976</b>   | <b>15,124,992</b>  |

SOURCE kneat.com, inc.