

Kneat Achieves Record Results in Growth and Profitability

Third-quarter Revenue and Gross Profit Growth Accelerate to 52% and 78% Respectively

LIMERICK, Ireland, November 6, 2024 – 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, 2024. All dollar amounts are presented in Canadian dollars unless otherwise stated.

- Third-quarter 2024 total revenue reaches \$12.8 million, an increase of 52% year over year
- Annual Recurring Revenue (ARR)¹ at September 30, 2024 grows 59% year over year, to \$49.9 million
- Third-quarter gross profit reaches \$9.8 million, an increase of 78% year over year

“Our team continues to deliver standout results. We launched the latest version of Kneat Gx and welcomed new strategic customers while advancing towards profitability. Increasingly, our customers are using Kneat Gx as their single platform for all their Validation needs, from CQV through to CSV.”

- said Eddie Ryan, Chief Executive Officer of Kneat.

Q3 2024 Financial Highlights

- Total revenues increased 52% to \$12.8 million for the third quarter of 2024, compared to \$8.4 million for the third quarter of 2023.
- SaaS revenue for the third quarter of 2024 grew 48% to \$11.5 million, versus \$7.7 million for the third quarter of 2023.
- Third-quarter 2024 gross profit was \$9.8 million, up 78% from \$5.5 million in gross profit for the third quarter of 2023.
- Gross margin in the third quarter of 2024 was 77%, compared to 65% for the third quarter of 2023.
- Net income for the third quarter of 2024 was \$1.2 million, compared with (\$3.6) million for the third quarter of 2023.
- EBITDA¹ in the third quarter of 2024 was \$4.3 million, compared with (\$1.4) million for the third quarter of 2023.

¹ 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.

- Adjusted EBITDA¹ in the third quarter of 2024 was \$2.9 million, compared with (\$0.5) million for the third quarter of 2023.
- Total ARR¹, which includes SaaS license and recurring maintenance fees, was \$49.9 million at September 30, 2024, an increase of 59% from \$31.4 million at September 30, 2023.

Q3 YTD Financial Highlights

- Total revenues year to date increased 44% to \$35.2 million, compared to \$24.4 million for the same nine-month period of 2023.
- SaaS revenue grew 51% to \$32 million for the nine months ended September 30, 2024, versus \$21.1 million for the same period of 2023.
- 2024 year-to-date gross profit was \$26.4 million, up 63% from \$16.2 million for the same year-to-date period of 2023.
- Gross margin for the nine months ended September 30, 2024 was 75%, compared to 66% for the same period of 2023.
- Net income for the nine months ended September 30, 2024 was (\$5.3) million, compared with (\$11.5) million for the nine months ended September 30, 2023.
- 2024 year-to-date EBITDA¹ was \$4.3 million, compared with (\$5.5) million for the same year-to-date period of 2023.
- 2024 year-to-date Adjusted EBITDA¹ was \$5.0 million, compared with (\$2.9) million for the same year-to-date period of 2023.

Recent Business Highlights

- On October 10, 2024, the Company announced the closing of its previously announced bought deal offering ("the Offering") of common shares with a syndicate of investment dealers led by Cormark Securities Inc ("the Underwriters"). Pursuant to the Offering, the Company issued a total of 7,500,000 common shares at a price of \$4.75 per common share (the "Offering Price") for gross proceeds of \$35,625,000, which includes 131,500 common shares issued at the Offering Price as a result of the partial exercise by the Underwriters of the over-allotment option granted by the Company to the Underwriters.
- In early October, Kneat announced that a global pharmaceutical company signed a three-year Master Services Agreement with Kneat to digitize its validation processes. Headquartered in Germany with over 11,000 employees across more than a dozen facilities, the company is a trusted maker of household consumer health care brands and generic and specialty pharmaceuticals for customers in over 120 countries. The company plans to use the Kneat Gx platform initially for Computer System Validation (CSV).

- In late October, Kneat announced that a global and diverse medical devices manufacturer signed a three-year Master Services Agreement with Kneat to digitize its validation processes. Headquartered in Germany with over 11,000 employees and more than 30 production sites across 15 countries, the Company provides solutions to the pharma, biotech and cosmetic industries. The company plans to use the Kneat Gx platform initially for Commissioning, Qualification and Validation.

“Our current trajectory is in the direction of continued SaaS sales expansion, greater platform efficiencies and greater optionality, thanks to our recent funding. With this set-up, Kneat is stronger than ever, and firmly on a path toward even greater achievements ahead.”

-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 7, 2024, 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 using the licenses delivered to customers at the period end, multiplied by the expected customer retention rate of 100% and multiplied by the full 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 annual 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 and to inform financial comparisons with other companies. A reconciliation of EBITDA to IFRS financial measures is provided in the financial statements accompanying this press release.

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 loss (gain), 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 Solutions provides leading companies in highly regulated industries with unparalleled efficiency in validation and compliance through its digital validation platform Kneat Gx. We lead the industry in customer satisfaction with an unblemished record for implementation, powered by our user-friendly design, expert support, and on-demand training academy. Kneat Gx is an industry-leading digital validation platform that enables highly regulated companies to manage any validation discipline from end-to-end. Kneat Gx is fully ISO 9001 and ISO 27001 certified, fully validated, and 21 CFR Part 11/Annex 11 compliant. Multiple independent customer studies show a 40% or more reduction in validation cycle times, nearly 20% faster speed to market, and 80% reduced changeover time. For more information visit 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 MD&A dated November 6, 2024, under the heading "Risk Factors" in our Annual Information Form dated February 21, 2024 and in our other public documents filed with Canadian securities regulatory authorities, which are available at 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.

For further information:

Katie Keita, Kneat Investor Relations

P: + 1 902-450-2660

E: katie.keita@kneat.com

kneat.com, inc.
Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(expressed in Canadian dollars)

| | Three-month period ended | | Nine-month period ended | |
|---|--------------------------|-----------------------|-------------------------|-----------------------|
| | September 30, 2024 | September 30, 2023 | September 30, 2024 | September 30, 2023 |
| Revenue | | | | |
| SaaS License fees | 11,479,130 | 7,738,841 | 32,032,738 | 21,144,414 |
| On-premise license fees | - | - | - | 436,126 |
| Maintenance fees | 64,190 | 24,223 | 198,668 | 230,380 |
| Professional services and other | 1,218,754 | 642,198 | 2,973,403 | 2,598,489 |
| Total Revenue | 12,762,074 | 8,405,262 | 35,204,809 | 24,409,409 |
| Cost of Revenue | (2,991,384) | (2,923,725) | (8,807,493) | (8,226,657) |
| Gross Profit | 9,770,690 | 5,481,537 | 26,397,316 | 16,182,752 |
| Gross Margin | 77% | 65% | 75% | 66% |
| Expenses | | | | |
| Research and development | (3,915,509) | (3,836,971) | (12,722,947) | (11,924,972) |
| Sales and marketing | (3,934,685) | (3,119,679) | (12,334,854) | (9,412,699) |
| General and administrative | (2,149,414) | (1,701,840) | (6,450,002) | (5,317,083) |
| Total Expenses | (9,999,608) | (8,658,490) | (31,507,803) | (26,654,754) |
| Operating Loss | (228,918) | (3,176,953) | (5,110,487) | (10,472,002) |
| Interest expense | (892,318) | (343,519) | (2,630,674) | (452,060) |
| Interest income | 172,005 | 1,896 | 380,079 | 6,015 |
| Foreign exchange gain (loss) | 2,208,615 | (72,852) | 2,227,902 | (537,900) |
| Income (loss) before income taxes | 1,259,384 | (3,591,428) | (5,133,180) | (11,455,947) |
| Income taxes | (86,253) | - | (130,692) | (8,550) |
| Net income (loss) for period | 1,173,131 | (3,591,428) | (5,263,872) | (11,464,497) |
| Other comprehensive (loss) / income | | | | |
| Foreign currency translation adjustment to presentation currency | (1,363,967) | 141,830 | (1,598,137) | 486,432 |
| Comprehensive loss for the period | (190,836) | (3,449,598) | (6,862,009) | (10,978,065) |
| Earnings (loss) per share - Basic and diluted | \$ 0.01 | \$ (0.05) | \$ (0.06) | \$ (0.15) |
| Weighted Average Number of Common Shares Outstanding - Basic | 85,915,834 | 77,824,761 | 84,173,809 | 77,744,726 |
| Reconciliation: | | | | |
| Total income (loss) for the period | 1,173,131 | (3,591,428) | (5,263,872) | (11,464,497) |
| Interest expense | 892,318 | 343,519 | 2,630,674 | 452,060 |
| Interest income | (172,005) | (1,896) | (380,079) | (6,015) |
| Income taxes | 86,253 | - | 130,692 | 8,550 |
| Depreciation expense | 189,272 | 190,795 | 570,889 | 594,047 |
| Amortization expense | 2,126,011 | 1,654,910 | 6,649,072 | 4,897,794 |
| EBITDA | 4,294,980 | (1,404,100) | 4,337,376 | (5,518,061) |
| Adjustments to EBITDA | | | | |
| Foreign exchange (gain) loss | (2,208,615) | 72,852 | (2,227,902) | 537,900 |
| Stock-based compensation expense | 763,657 | 795,148 | 2,914,820 | 2,069,228 |
| Adjusted EBITDA | 2,850,022 | (536,100) | 5,024,294 | (2,910,933) |

kneat.com, inc.
Unaudited Condensed Interim Consolidated Statements of Financial Position
(expressed in Canadian dollars)

| | September 30, 2024 | December 31, 2023 |
|--|-------------------------------|------------------------------|
| | 2024 | 2023 |
| Assets | | |
| Current assets | | |
| Cash | 31,681,064 | 15,252,526 |
| Accounts receivable | 13,322,678 | 11,601,558 |
| Prepayments | 1,407,512 | 1,138,382 |
| | 46,411,254 | 27,992,466 |
| Non-current assets | | |
| Accounts receivable | 1,914,572 | 1,650,795 |
| Property and equipment | 6,966,819 | 7,209,953 |
| Intangible assets | 34,132,237 | 27,642,752 |
| | 89,424,882 | 64,495,966 |
| Total Assets | 89,424,882 | 64,495,966 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 8,273,692 | 7,874,332 |
| Contract liabilities | 20,760,819 | 13,647,071 |
| Lease liabilities | 500,577 | 535,832 |
| Loan payable | 3,025,980 | - |
| | 32,561,068 | 22,057,235 |
| Non-current liabilities | | |
| Contract liabilities | 64,112 | 41,084 |
| Lease liabilities | 5,810,671 | 5,976,380 |
| Loan payable and accrued interest | 20,100,157 | 21,657,423 |
| | 58,536,008 | 49,732,122 |
| Total Liabilities | 58,536,008 | 49,732,122 |
| Equity | | |
| Shareholders' equity | 30,888,874 | 14,763,844 |
| | 89,424,882 | 64,495,966 |
| Total Liabilities and Equity | 89,424,882 | 64,495,966 |

kneat.com, inc.
Unaudited Condensed Interim Consolidated Statement of Cash Flows
(expressed in Canadian dollars)
For the period ended

| | 9 months September 30, 2024 | 9 months September 30, 2023 |
|--|--|--|
| Operating activities | | |
| Net loss for the period | (5,263,872) | (11,464,497) |
| Charges to loss not involving cash: | | |
| Depreciation of property and equipment | 570,889 | 594,047 |
| Share-based compensation expense | 2,914,820 | 2,069,228 |
| Interest expense | 2,630,674 | 452,060 |
| Tax expense | 130,692 | 8,550 |
| Amortization of the intangible asset | 6,649,072 | 4,897,794 |
| Amortization of loan issuance costs | 121,237 | 26,331 |
| Impact of lease termination | - | (65,936) |
| Write-off of property and equipment | - | 26,632 |
| Impact of lease termination | - | - |
| Other non-cash adjustments | - | - |
| Foreign exchange (gain) loss | (2,227,902) | 537,900 |
| Increase/(Decrease) in non-current contract liabilities | 20,795 | (879,551) |
| Net change in non-cash working capital related to operations | <u>5,343,945</u> | <u>2,431,164</u> |
| Net cash provided by (used in) operating activities | <u>10,890,350</u> | <u>(1,366,278)</u> |
| Financing activities | | |
| Proceeds received from public equity financing | 20,000,110 | - |
| Share issuance costs associated with public equity financing | (1,626,257) | - |
| Payment of principal and interest on the loan payable | (1,896,196) | (196,276) |
| Proceeds from the exercise of stock options | 1,698,366 | 74,750 |
| Repayment of lease liabilities | (564,010) | (559,090) |
| Proceeds received from loan financing | - | 14,353,000 |
| Issuance costs associated with loan financing | <u>-</u> | <u>(540,085)</u> |
| Net cash provided by financing activities | <u>17,612,013</u> | <u>13,132,299</u> |
| Investing activities | | |
| Additions to the intangible asset | (14,794,310) | (12,702,025) |
| Additions to property and equipment | (104,354) | (109,931) |
| Collection of research and development tax credits | <u>2,353,578</u> | <u>-</u> |
| Net cash used in investing activities | <u>(12,545,086)</u> | <u>(12,811,956)</u> |
| Effects of foreign exchange rates on cash | <u>471,261</u> | <u>245,433</u> |
| Net change in cash during the period | 16,428,538 | (800,502) |
| Cash - Beginning of period | <u>15,252,526</u> | <u>12,282,478</u> |
| Cash - End of period | <u>31,681,064</u> | <u>11,481,976</u> |