

Kneat Announces Record Revenue for Second Quarter 2024

Annual Recurring Revenue Growth Accelerates to 60%

LIMERICK, Ireland, August 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 June 30, 2024. All dollar amounts are presented in Canadian dollars unless otherwise stated.

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- Second-quarter 2024 total revenue reaches \$11.7 million, an increase of 45% year over year
 - Annual Recurring Revenue (ARR)¹ at June 30, 2024 grows 60% year over year, to \$45.4 million
 - Gross margin for the quarter ended June 30, 2024 reaches 74%
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"With these second-quarter results, our business momentum continues in 2024 and sets the tone for another solid year of growth. We are enhancing efficiency and collaboration for our customers and are proud that Kneat is making a big difference for companies that are focused on health and wellness."

- Eddie Ryan, Chief Executive Officer of Kneat.

Q2 2024 Financial Highlights

- Total revenues increased 45% to \$11.7 million in the second quarter of 2024, compared to \$8.0 million for the second quarter of 2023.
- SaaS revenue for the second quarter of 2024 grew 54% to \$10.8 million, versus \$7.0 million for the second quarter of 2023.
- Second-quarter 2024 gross profit was \$8.7 million, up 63% from \$5.3 million in gross profit for the second quarter of 2023.
- Gross margin in the second quarter of 2024 was 74%, compared to 66% for the second 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.

- EBITDA¹ in the second quarter of 2024 was \$0.5 million, compared with (\$3.5) million for the second quarter of 2023.
- Adjusted EBITDA¹ in the second quarter of 2024 was \$1.6 million, compared with (\$1.3) million for the second quarter of 2023.
- Net loss for the second quarter of 2024 was (\$3.1) million, compared with (\$5.4) million for the second quarter of 2023.
- Total ARR¹, which includes SaaS license and recurring maintenance fees, was \$45.4 million at June 30, 2024, an increase of 60% from \$28.4 million at June 30, 2023.
- SaaS ARR¹, the proportion of ARR attributable to SaaS licenses, was \$45.2 million at the end of the second quarter of 2024, an increase of 60% from \$28.3 million at June 30, 2023.

First Half 2024 Financial Highlights

- Total revenues for the six-month period ended June 30, 2024 increased 40% to \$22.4 million, as compared to \$16.0 million for the comparable six-month period in 2023.
- SaaS revenue grew 53% to \$20.6 million for the six months ended June 30, 2024, versus \$13.4 million for the comparable period in 2023.
- Gross profit was \$16.6 million, up 55% from \$10.7 million in gross profit for the first half of 2023.
- Gross margin for the first half of 2024 was 74%, compared to 67% for the first half of 2023.
- EBITDA¹ for the first half of 2024 was \$0.0 million, compared with (\$4.1) million for the first half of 2023.
- Adjusted EBITDA¹ for the first half of 2024 was \$2.2 million, compared with (\$2.4) million for the first half of 2023.
- Net loss for the first half of 2024 was (\$6.4) million, compared with (\$7.9) million for the first half of 2023.

Second Quarter 2024 Business Highlights

- In April 2024, Kneat launched Kneat Gx 9.2, which includes key new features, such as Real-Time Requirements Traceability Matrix (RTM) and Collections; and enhancements to existing capabilities, such as Advanced Search. With the live RTM, users can instantly trace requirements with associated testing during validation of their Computer Systems. Collections allows for the set-up of a dedicated staging area where non-standard users,

such as auditors, can view and interact with any content. Kneat's Advanced Search expands functionality with broader and deeper search across all validation deliverables.

- In May 2024, Kneat held its VALIDATE user event, an annual validation experience in Berlin, Germany. Validation and quality professionals from around the world gathered to exchange ideas and help meet the challenge of guiding their organizations through change to a digital future. The two-day event highlighted validation-related innovations in artificial intelligence, change management, Validation 4.0 and ongoing feature releases on Kneat Gx.
- In June 2024, Kneat announced that it signed a partnership agreement with leading international technology group, Körber, and its pharma consulting experts from the Körber Pharma Consulting GmbH. The agreement expands Kneat's go-to-market by enabling Körber to resell and implement Kneat Gx, and to offer managed services to its customers using the Kneat Gx platform. With over 12,000 employees, operations in more than 100 locations worldwide, and more than 125 years of life sciences experience, Körber boasts a customer base that includes some of the largest biopharmaceutical companies in the world.

"As life science companies adopt Kneat, we will continue to scale with strength, adding new users, customers and features, providing returns for years to come."

- *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 second-quarter results and hold a Q&A for analysts and investors via webcast on Wednesday, August 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. 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 expense (income), 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.

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 August 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.

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

	Three-month period ended		Six-month period ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenue				
SaaS License fees	10,835,107	7,017,938	20,553,609	13,405,573
On-premise license fees	-	-	-	436,126
Maintenance fees	63,888	55,063	134,478	206,157
Professional services and other	776,739	966,238	1,754,648	1,956,291
Total Revenue	11,675,734	8,039,239	22,442,735	16,004,147
Cost of Revenue	(2,982,094)	(2,711,323)	(5,816,109)	(5,302,933)
Gross Profit	8,693,640	5,327,916	16,626,626	10,701,214
Gross Margin	74%	66%	74%	67%
Expenses				
Research and development	(4,761,889)	(4,224,316)	(8,807,437)	(8,088,001)
Sales and marketing	(4,368,485)	(3,338,280)	(8,400,169)	(6,293,020)
General and administrative	(2,194,999)	(1,709,361)	(4,300,588)	(3,615,243)
Total Expenses	(11,325,373)	(9,271,957)	(21,508,194)	(17,996,264)
Operating Loss	(2,631,733)	(3,944,041)	(4,881,568)	(7,295,050)
Interest expense	(870,905)	(53,594)	(1,738,356)	(108,540)
Interest income	172,999	2,185	208,075	4,119
Foreign exchange (loss) gain	258,049	(1,403,261)	19,286	(465,047)
Loss before income taxes	(3,071,590)	(5,398,711)	(6,392,563)	(7,864,518)
Income taxes	(28,553)	-	(44,440)	(8,550)
Net loss for period	(3,100,143)	(5,398,711)	(6,437,003)	(7,873,068)
Other comprehensive (loss) / income				
Foreign currency translation adjustment to presentation currency	(234,170)	910,009	(43,276)	344,603
Comprehensive loss for the period	(3,334,313)	(4,488,702)	(6,480,279)	(7,528,465)
Loss per share - basic and diluted	\$ (0.04)	\$ (0.07)	\$ (0.08)	\$ (0.10)
Weighted Average Number of Common Shares Outstanding				
Basic and diluted	85,581,420	77,720,905	83,293,224	77,704,046
Reconciliation:				
Total loss for the period	(3,100,143)	(5,398,711)	(6,437,003)	(7,873,068)
Interest expense	870,905	53,594	1,738,356	108,540
Interest income	(172,999)	(2,185)	(208,075)	(4,119)
Income taxes	28,553	-	44,440	8,550
Depreciation expense	190,394	199,637	381,615	403,253
Amortization expense	2,688,851	1,678,581	4,523,062	3,242,884
EBITDA	505,561	(3,469,084)	42,395	(4,113,960)
Adjustments to EBITDA				
Foreign exchange loss (gain)	(258,049)	1,403,261	(19,286)	465,047
Stock-based compensation expense	1,338,990	784,680	2,151,163	1,274,079
Adjusted EBITDA	1,586,502	(1,281,143)	2,174,272	(2,374,834)

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

	as at June 30, 2024	Dec 31, 2023
	<u>2024</u>	<u>2023</u>
Assets		
Current assets		
Cash	35,892,845	15,252,526
Accounts receivable	8,766,165	11,601,558
Prepayments	952,811	1,138,382
	<u>45,611,821</u>	<u>27,992,466</u>
Non-current assets		
Accounts receivable	3,199,795	1,650,795
Property and equipment	6,885,732	7,209,953
Intangible assets	31,271,594	27,642,752
	<u>31,271,594</u>	<u>27,642,752</u>
Total Assets	<u>86,968,942</u>	<u>64,495,966</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	7,386,909	7,874,332
Contract liabilities	21,233,644	13,647,071
Lease liabilities	544,629	535,832
Loan payable	1,832,975	-
	<u>30,998,157</u>	<u>22,057,235</u>
Non-current liabilities		
Contract liabilities	80,356	41,084
Lease liabilities	5,706,771	5,976,380
Loan payable and accrued interest	20,323,290	21,657,423
	<u>20,323,290</u>	<u>21,657,423</u>
Total Liabilities	<u>57,108,574</u>	<u>49,732,122</u>
Equity		
Shareholders' equity	<u>29,860,368</u>	<u>14,763,844</u>
Total Liabilities and Equity	<u>86,968,942</u>	<u>64,495,966</u>

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

	6 months June 30, 2024	6 months June 30, 2023
Operating activities		
Net loss for the period	(6,437,003)	(7,873,068)
Charges to loss not involving cash:		
Depreciation of property and equipment	381,615	403,253
Share-based compensation expense	2,151,163	1,274,079
Interest expense	1,738,356	108,540
Tax expense	44,440	8,550
Amortization of the intangible asset	4,523,062	3,242,884
Amortization of loan issuance costs	76,194	-
Impact of lease termination	-	(65,910)
Write-off of property and equipment	-	26,648
Foreign exchange loss/(gain)	(19,286)	391,308
Increase/(Decrease) in non-current contract liabilities	38,241	(689,913)
Net change in non-cash working capital related to operations	<u>7,533,596</u>	<u>6,633,799</u>
Net cash provided by operating activities	<u>10,030,378</u>	<u>3,460,170</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	(1,232,889)	-
Proceeds from the exercise of stock options	1,051,787	24,000
Repayment of lease liabilities	(364,423)	(381,334)
Proceeds received from loan financing	-	7,187,700
Issuance costs associated with loan financing	-	(470,063)
Net cash provided by financing activities	<u>17,828,328</u>	<u>6,360,303</u>
Investing activities		
Additions to the intangible asset	(9,675,371)	(8,460,769)
Additions to property and equipment	(50,397)	(79,227)
Collection of research and development tax credits	2,336,619	-
Net cash used in investing activities	<u>(7,389,149)</u>	<u>(8,539,996)</u>
Effects of exchange rates on cash	<u>170,762</u>	<u>(38,905)</u>
Net change in cash during the period	20,640,319	1,241,572
Cash - Beginning of period	<u>15,252,526</u>	<u>12,282,478</u>
Cash - End of period	<u>35,892,845</u>	<u>13,524,050</u>