

Kneat Announces Record Revenue for First Quarter 2024

Annual Recurring Revenue Growth Accelerates to 57%

LIMERICK, Ireland, May 8, 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 March 31, 2024. All dollar amounts are presented in Canadian dollars unless otherwise stated.

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- First-quarter 2024 total revenue reaches \$10.8 million, an increase of 35% year over year
 - Annual Recurring Revenue (ARR)¹ at March 31, 2024 grows 57% year over year, to \$42.1 million
 - SaaS ARR¹ at March 31, 2024 reaches \$41.8 million, an increase of 59% year over year
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“Kneat is off to a solid start to what we expect to be another excellent year. Thousands of new licenses went to customers in the quarter, as many extended Kneat Gx to more sites and processes, and as new customers were added. Our pipeline is as strong as ever, after expanding and developing our sales team. And our team is making strides building Kneat Gx to make it the gold standard across all validation use cases for life science.”

-said Eddie Ryan, Chief Executive Officer of Kneat.

Q1 2024 Highlights

- Total revenues increased 35% to \$10.8 million in the first quarter of 2024, compared to \$8.0 million for the first quarter of 2023.
- SaaS revenue for the first quarter of 2024 grew 52% to \$9.7 million, versus \$6.4 million for the first quarter of 2023.
- First-quarter 2024 gross profit was \$7.9 million, up 48% from \$5.4 million in gross profit for the first quarter of 2023.
- Gross margin in the first quarter of 2024 was 74%, compared to 67% for the first 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 first quarter of 2024 was (\$0.5) million, compared with (\$0.6) million for the first quarter of 2023.
- Adjusted EBITDA¹ in the first quarter of 2024 was \$0.6 million, compared with (\$1.1) million for the first quarter of 2023.
- Net loss for the first quarter of 2024 was (\$3.3) million, compared with (\$2.5) million for the first quarter of 2023.
- Total ARR¹, which includes SaaS license and recurring maintenance fees, was \$42.1 million at March 31, 2024, an increase of 57% from \$26.9 million at March 31, 2023.
- SaaS ARR¹, the proportion of ARR attributable to SaaS licenses, was \$41.8 million at the end of the first quarter of 2024, an increase of 59% from \$26.3 million at March 31, 2023.
- In January 2024, Kneat announced that it signed a three-year Master Services Agreement with a global manufacturer of consumer health and wellness products. Headquartered in Europe, with over 35,000 employees and operations in more than 50 countries, the company's goal is to digitize and harmonize their equipment and computer systems validation processes across their North America, European and the Asia-Pacific manufacturing sites. Implementation is ongoing at lead sites in the UK and the US, with initial go-live expected in Q2 2024.
- In February 2024, Kneat announced that it signed a Master Services Agreement with a global provider of critical care products. Headquartered in the United States, with over 50,000 employees and operations in more than 20 countries, the company will leverage Kneat Gx beginning with its equipment validation processes. Implementation has begun at its lead site, and will follow at two additional sites, with initial go-live expected in Q3 2024.
- Also in February 2024, Kneat completed an equity financing through an agreement with a syndicate of investment dealers led by Cormark Securities for aggregate gross proceeds of approximately \$20 million in exchange for 6,153,880 common shares from the treasury of the Company.

“With our recent financing and solid performance in the first quarter, we are in a strong financial position to continue doing what we do best, that is, executing on our growth strategy.”

-said Hugh Kavanagh, Chief Financial Officer of Kneat.

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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 first-quarter results and hold a Q&A for analysts and investors via webcast on Thursday, May 9, 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 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 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 February 21, 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	
	Mar 31, 2024	Mar 31, 2023
Revenue		
SaaS License fees	9,718,501	6,387,635
On-premise license fees	-	436,126
Maintenance fees	70,589	151,094
Professional services and other	977,910	990,053
Total Revenue	10,767,000	7,964,908
Cost of Revenue	(2,834,015)	(2,591,609)
Gross Profit	7,932,985	5,373,299
Gross Margin	74%	67%
Expenses		
Research and development	(4,045,548)	(3,863,685)
Sales and marketing	(4,031,684)	(2,954,740)
General and administrative	(2,105,589)	(1,905,882)
Total Expenses	(10,182,821)	(8,724,307)
Operating Loss	(2,249,836)	(3,351,008)
Interest expense	(867,451)	(54,945)
Interest income	35,076	1,933
Foreign exchange (loss) gain	(238,763)	938,213
Loss before income taxes	(3,320,974)	(2,465,807)
Income taxes	(15,887)	(8,550)
Net loss for period	(3,336,861)	(2,474,357)
Other comprehensive (loss) / income		
Foreign currency translation adjustment to presentation currency	190,894	(565,416)
Comprehensive loss for the period	(3,145,967)	(3,039,773)
Loss per share - basic and diluted	\$ (0.04)	\$ (0.03)
Weighted Average Number of Common Shares Outstanding		
Basic and diluted	81,005,029	77,686,689
Reconciliation:		
Total loss for the period	(3,336,861)	(2,474,357)
Interest expense	867,451	54,945
Interest income	(35,076)	(1,933)
Income taxes	15,887	8,550
Depreciation expense	191,221	203,616
Amortization expense	1,834,211	1,564,303
EBITDA Loss	(463,167)	(644,876)
Adjustments to EBITDA		
Foreign exchange loss (gain)	238,763	(938,213)
Stock-based compensation expense	812,173	489,399
Adjusted EBITDA Loss	587,769	(1,093,690)

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Unaudited Condensed Interim Consolidated Statements of Financial Position
(expressed in Canadian dollars)

	March 31,	Dec 31,
	2024	2023
Assets		
Current assets		
Cash	37,507,949	15,252,526
Accounts receivable	15,557,613	11,601,558
Prepayments	1,100,664	1,138,382
	54,166,226	27,992,466
Non-current assets		
Accounts receivable	2,352,759	1,650,795
Property and equipment	6,992,503	7,209,953
Intangible assets	29,471,354	27,642,752
	92,982,842	64,495,966
Total assets	92,982,842	64,495,966
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	7,853,756	7,874,332
Contract liabilities	25,457,756	13,647,071
Lease liabilities	537,305	535,832
Loan payable	728,950	-
	34,577,767	22,057,235
Non-current liabilities		
Contract liabilities	99,891	41,084
Lease liabilities	5,810,715	5,976,380
Loan payable and accrued interest	21,048,866	21,657,423
	61,537,239	49,732,122
Total Liabilities	61,537,239	49,732,122
Equity		
Shareholders' equity	31,445,603	14,763,844
Total liabilities and equity	92,982,842	64,495,966

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Unaudited Condensed Interim Consolidated Statement of Cash Flows
(expressed in Canadian dollars)

For the period ended

	3 months March 31, 2024	3 months March 31, 2023
Operating activities		
Net loss for the period	(3,336,861)	(2,474,357)
Charges to loss not involving cash:		
Depreciation of property and equipment	191,221	203,616
Share-based compensation expense	812,173	489,399
Interest expense	867,451	54,945
Tax expense	15,887	8,550
Amortization of the intangible asset	1,834,211	1,564,303
Amortization of loan issuance costs	36,957	-
Write-off of property and equipment	-	764
Foreign exchange loss/(gain)	238,763	(938,213)
Increase/(Decrease) in non-current contract liabilities	58,319	(274,257)
Net change in non-cash working capital related to operations	<u>7,684,397</u>	<u>3,968,242</u>
 Net cash provided by operating activities	 <u>8,402,518</u>	 <u>2,602,992</u>
 Financing activities		
Proceeds received from public equity financing	20,000,110	-
Share issuance costs associated with equity financings	(1,626,257)	-
Payment of principal and interest on the loan payable	(621,996)	-
Proceeds from the exercise of stock options	641,700	24,000
Repayment of lease liabilities	<u>(181,158)</u>	<u>(203,457)</u>
 Net cash provided by/(used in) financing activities	 <u>18,212,399</u>	 <u>(179,457)</u>
 Investing activities		
Additions to the intangible asset	(4,515,850)	(4,099,009)
Additions to property and equipment	<u>(8,163)</u>	<u>(11,294)</u>
 Net cash used in investing activities	 <u>(4,524,013)</u>	 <u>(4,110,303)</u>
 Effects of exchange rates on cash	 <u>164,519</u>	 <u>12,728</u>
 Net change in cash during the period	 22,255,423	 (1,674,040)
 Cash - Beginning of period	 <u>15,252,526</u>	 <u>12,282,478</u>
 Cash - End of period	 <u>37,507,949</u>	 <u>10,608,438</u>