



2021  
ANNUAL REPORT



### Carbon neutral for 2020

Kinaxis' 2020 Scope 1, 2 and 3 emissions have been measured and offset with Carbonzero

## Carbon neutral and committed to stay that way

Kinaxis has made sustainability one of our six core strategic pillars. When it comes to our environmental footprint, Kinaxis' priority is to reduce carbon emissions from business operations, and we continue to expand programs to achieve that goal. In 2021, for the first time Kinaxis measured and disclosed our Scope 1, 2 and 3 greenhouse gas emissions and purchased quality offsets to achieve carbon neutrality for 2020. You can read more in our Global Impact Report for 2021. For the long term, Kinaxis is fully committed to reducing our Scope 1 to 3 emissions and will continue to offset any emissions that remain after our reduction efforts.

## A leader in supply chain planning

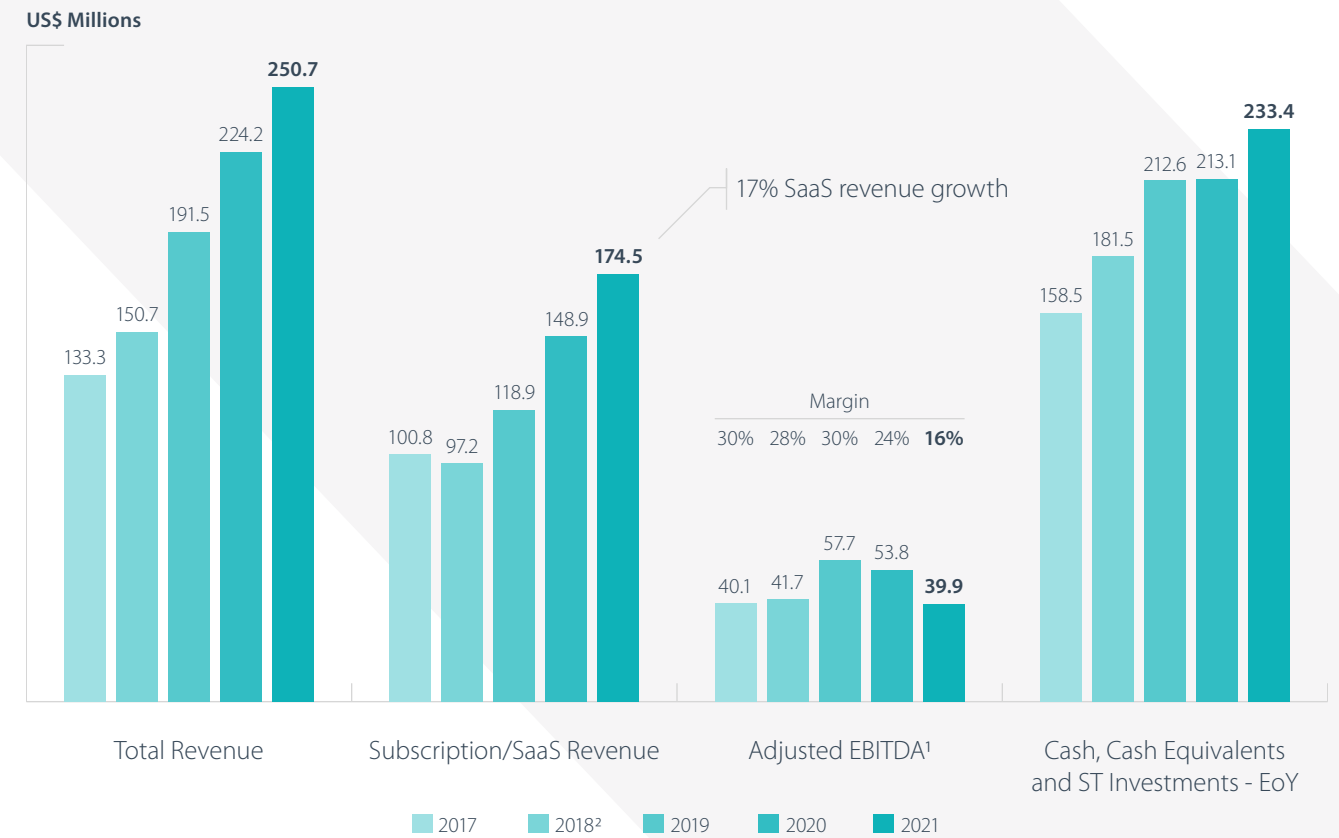
Everyday volatility and uncertainty demand quick action. Kinaxis® (TSX:KXS) delivers cloud-based software-as-a-service (SaaS) solutions that enable the agility to make fast, confident decisions across integrated business planning and the digital supply chain. People can plan better, live better and change the world. Trusted by innovative brands, we combine human intelligence with AI and concurrent planning to help companies plan for any future, monitor risks and opportunities, and respond at the pace of change. Powered by an extensible cloud-based platform, Kinaxis delivers industry-proven applications so everyone can know sooner, act faster and remove waste.

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# Financial Highlights

Kinaxis customers sign multi-year subscription agreements for our RapidResponse® supply chain planning platform. The business model provides a predictable, recurring revenue base that has grown rapidly over time as we have added new customers across seven vertical markets and expanded deployments with our existing customers. Our operations continue to generate significant cash.

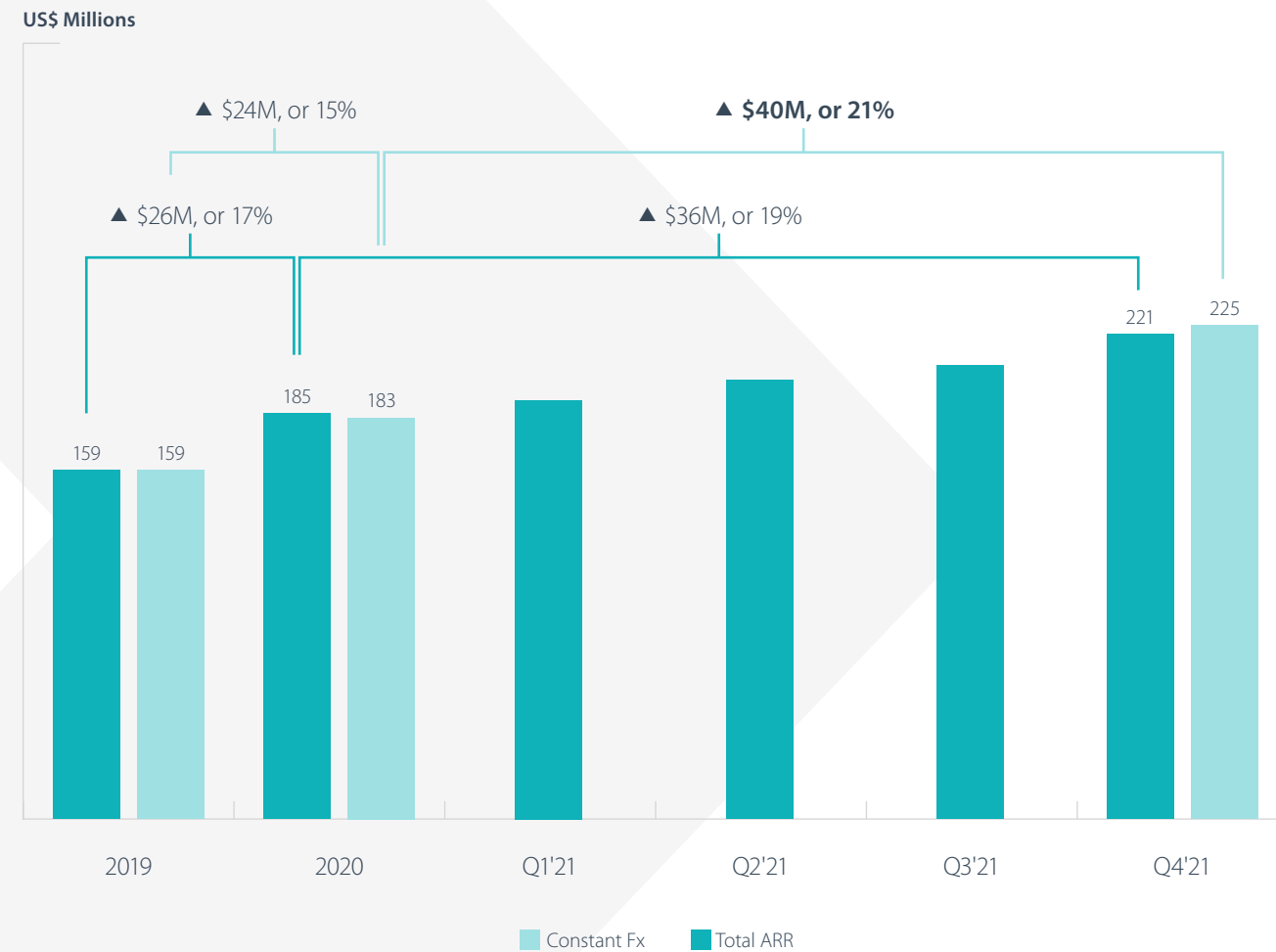


<sup>1</sup> Adjusted EBITDA is a non-IFRS measure. For reconciliation of Adjusted EBITDA to profit, please see "Management's Discussion & Analysis"

<sup>2</sup> Results for 2018 and after reflect change to IFRS 15 standard

## Annual Recurring Revenue (ARR)<sup>3</sup>

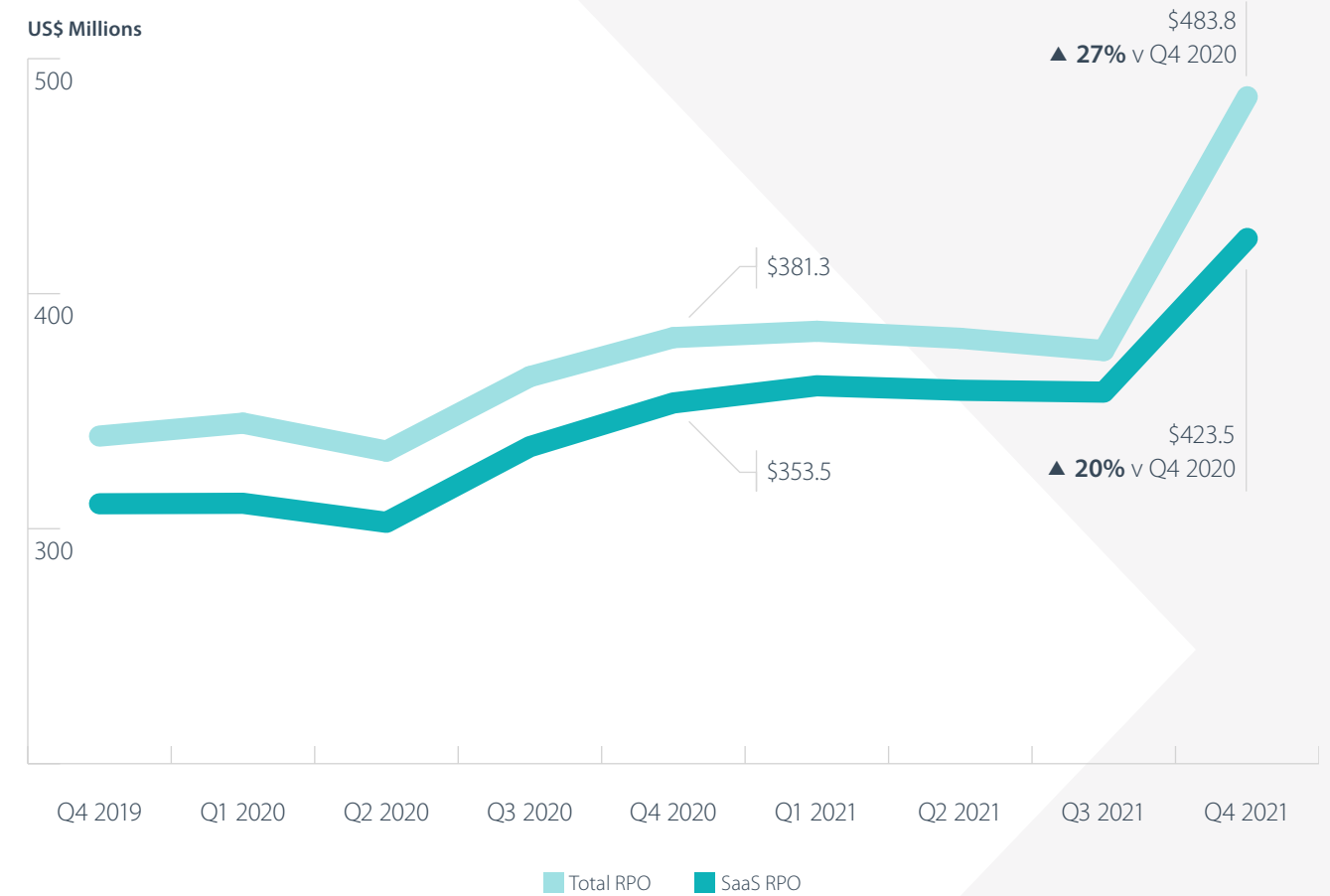
Our ARR is the total annualized value of recurring subscription amounts (ultimately recognized as SaaS, Subscription term licenses and Maintenance & support revenue) of all subscription contracts at a point in time. Such amounts are determined solely by reference to the underlying contracts, normalizing for the varying revenue recognition treatments under IFRS for cloud-based versus on-premise subscription amounts. We believe that ARR provides an excellent indication of the current growth of our subscription business at a moment in time.



<sup>3</sup>For ARR, annualized subscription amounts are determined solely by reference to the underlying contracts, normalizing for the varying revenue recognition treatments under IFRS for cloud-based versus on-premise subscription amounts. It excludes one-time fees, such as for non-recurring professional services, and assumes that customers will renew the contractual commitments on a periodic basis as those commitments come up for renewal unless such renewal is known to be unlikely. ARR is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Accordingly, non-IFRS measures and industry metrics should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

## Remaining Performance Obligation (RPO)

Our RPO represents revenue that we expect to recognize in the future related to firm performance obligations that are unsatisfied (or partially unsatisfied) on December 31, 2021, for our signed multi-year contracts. It is a good indicator of our secured business at a moment in time.



# Letter to Shareholders



If I had to sum up 2021 in a single word, it would be “acceleration.” Our customer wins and related metrics, our total addressable market, the value we create for customers, and our environmental, social and governance initiatives all rapidly accelerated throughout the year. We fully anticipate further acceleration in 2022 as we ramp up strategic investments to build our team and capabilities to meet an unprecedented opportunity that sits directly in front of us.

## Accelerating customer wins, ARR and pipeline

While we met or exceeded all our financial targets in 2021, the real story of the year was told by some other key operating metrics. We more than doubled the number of new customer wins compared to 2020 by adding more incredible global brands to our installed base. This success, combined with robust expansion activity amongst existing customers, resulted in record bookings of incremental subscription business and, in

turn, 21% growth in annual recurring revenue<sup>4</sup> over 2020. Meanwhile, the pipeline of new opportunities we continue to work on grows steadily. All these developments point towards 23% to 25% SaaS revenue growth in 2022 – a significant acceleration over 17% growth in 2021 – and total revenue growth of 34 to 38% for the year.

## Accelerating TAM growth

Part of the reason for this momentum is due to ongoing efforts to expand our total addressable market. Our supply chain planning platform, RapidResponse, has long been meeting the needs of enterprise-class manufacturers across six vertical markets around the world. We had identified 2,000 targets amongst that base. Recent efforts have seen us enter the retail market, focus on addressing the needs of mid-market and smaller customers, and add value-added reseller partners, or VARs, to complement our own internal sales efforts. The result is a much larger total addressable market approaching 20,000 potential customers.

While we entered the retail market in 2020 via acquisition, we spent 2021 integrating our joint products and will be proactively targeting new retail customers for the first time in 2022. Mid-market customers have always made up some portion of

our customer base, but we only started proactive efforts to attract these companies in 2021. As a result, in the year approximately 45% of our new customers wins came from this group. Mid-market manufacturers represent a huge opportunity, and we knew we would need help addressing the market, so we have enlisted 20 VARs globally to help us sell. We fully expect that number to grow substantially over time. VARs are focused on certain mid-market company opportunities and on geographies where we don't have direct sales teams.

## Accelerating value creation

### RapidStart

Part of the reason for our success expanding into the mid-market in 2021 was RapidStart, a RapidResponse package that combines foundational planning elements we call Planning One, configured for industry best practices in a way that allows companies to accelerate their initial deployment to achieve concurrent planning in as little as 12 weeks. This simplified first step is extremely attractive to smaller companies, though we have also found many new enterprise-class customers choose RapidStart to start their broader digital transformations. One-third of all new customers in 2021 chose to implement RapidResponse using RapidStart.

<sup>4</sup>For ARR, annualized subscription amounts are determined solely by reference to the underlying contracts, normalizing for the varying revenue recognition treatments under IFRS for cloud-based versus on-premise subscription amounts. It excludes one-time fees, such as for non-recurring professional services, and assumes that customers will renew the contractual commitments on a periodic basis as those commitments come up for renewal unless such renewal is known to be unlikely. ARR is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Accordingly, non-IFRS measures and industry metrics should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

### Solution extension partners

Throughout 2021 we also continued to have success with our solution extension partners, who extend the value of our open RapidResponse platform with software they have developed. For example, one new partner offers visibility and collaboration in transportation networks, and another helps companies assess the impact of supplier risk and provides mitigation recommendations. We earned revenue from selling subscriptions to our partners' applications and, more significantly, won new business for RapidResponse thanks to the new capabilities that qualified us into deals where we wouldn't have otherwise. We have a robust and growing pipeline of opportunities with customers for these product extensions as well as for new software vendors looking to join the partner program.

### Ongoing innovation

As planned, we released our new AI-enabled Command and Control Center in 2021 and have started receiving orders for this exciting new dashboard that serves as a control tower to get visibility into, manage and solve priority planning items while allowing automation of the simplest tasks. Similarly, our new machine-learning-enabled Demand Sensing application has seen encouraging initial uptake.

Kinaxis was named a Leader in the 2021 Gartner® Magic Quadrant for Supply Chain Planning Solutions™- our seventh such recognition,

consecutively. We were positioned for our completeness of vision and ability to execute.<sup>5</sup>

### Accelerating our ESG efforts

We have also accelerated our efforts around managing key environmental, social and governance (ESG) factors that impact our business and people, and the world around us. We established four core ESG commitments, aligned them to support six United Nations Sustainable Development Goals, and reported progress against Sustainability Accounting Standards Board metrics for Software and IT Services companies. All details can be found in Kinaxis' recently released [2021 Global Impact Report](#).

As explained in the report, during 2021 we calculated our first greenhouse gas emissions inventory and purchased quality offsets to achieve carbon neutrality for 2020. We are fully committed to maintaining carbon neutrality for Scope 1 to 3 emissions ahead. In 2021, for key roles we required that 30% of candidates presented and 25% of candidates interviewed must be from underrepresented groups. Our annual employee engagement survey revealed that 95% of Kinaxis employees feel that the company treats them with respect, and that 91% of us believe that company leadership is committed to diversity, equity and inclusion. Kinaxis is only at the beginning of an ESG journey, but we are proud of our early success. Sustainability has been elevated to a key pillar in our corporate strategy so we can ensure constant monitoring and improvement.

### Accelerating investments for an unprecedented opportunity

As these past couple of years have demonstrated, ongoing disruption continues to be the only constant in supply chains. As we exit pandemic protocols, we continue to see supply chains at the forefront of boardroom conversations and the news. The need for resilience has never been more apparent and demands transformation towards true end-to-end concurrent planning. Kinaxis has never been more relevant or better positioned to serve the needs of our markets. We have good visibility into accelerated SaaS revenue growth of 23 to 25% for 2022 and total revenue growth between 34% and 38%. We are responding to this unprecedented acceleration and market indicators by continuing to invest to grow our market share, further distance our offerings from the competition and be fully prepared to absorb our success.

Sincerely,



John Sicard, President and Chief Executive Officer, Kinaxis, Inc.

<sup>5</sup>Gartner, Magic Quadrant for Supply Chain Planning Solutions, February 2021. This report was previously titled the Magic Quadrant for Supply Chain Planning System of Record from 2010-2018, and Magic Quadrant for Sales and Operations Planning Systems of Differentiation from 2015-2019. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose. Gartner and Magic Quadrant are registered trademarks of Gartner, Inc. and/or its affiliates in the U.S. and internationally and are used herein with permission. All rights reserved.

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# Expanding the Opportunity with Mid-market Companies

Kinaxis and RapidResponse are not just for large enterprise-level businesses. While we have traditionally focused our outbound efforts on the enterprise market (companies with >\$1.5 billion in revenue), for years we have welcomed customers from a wide variety of industries and in all sizes. Seeing the great opportunity to help more companies, for the first time we have started targeting mid-market businesses (\$500 million – \$1.5 billion in revenue). As a result, in 2021, 45% of our new customer wins were from the mid-market.

We estimate that this broader focus opens 4,000 new opportunities for the Kinaxis sales team across our seven vertical markets and where we have direct sales efforts today. While many of our account executives have opportunities with mid-market companies, we have also added a new team that focuses exclusively on sales to these organizations. We've also just started working with value-added resellers, who have an opportunity to target approximately 12,000 smaller organizations in our seven core markets. Altogether, Kinaxis' target market now includes over 19,000 diverse companies.

## RapidStart

Some of our success amongst mid-market companies has been the result of our RapidStart package, a RapidResponse offering that combines foundational planning elements we call Planning One, configured for industry best practices in a way that accelerates initial deployment times to as little as 12 weeks. This simplified first step is extremely attractive to smaller companies that can benefit from our industry experience and that lack the resources to engage in a more personalized initial implementation that can take months longer to complete.

## Some New Mid-market Customers in 2021

### Life Sciences and Pharmaceuticals

- Mölnlycke Health Care AB

### Consumer Products

- Boston Beer Corporation
- Edwards Limited
- High Liner Foods Incorporated
- Jamieson Wellness Inc.
- Johnson Outdoors



## 12-week RapidStart delivery program

- **Predefined applications and resources**
- **Minimal configuration:** focus on data validation, on-boarding supply chain team
- **Scalable approach** to support enhancements and global rollout

*RapidStart is a RapidResponse offering that combines foundational planning elements, called Planning One, with a market-leading 12-week delivery program*

## Adding value to fuel rapid growth

The value that RapidResponse provides our mid-market customers is very similar to how we help the largest companies in our installed base. Some issues, though, like dealing with rapid growth and transitioning from systems that rely extensively on spreadsheets, can be even more acute at the mid-market stage. Extreme Networks and Ribbon Communications are just a couple examples of mid-market companies addressing some very real supply chain challenges and opportunities with RapidResponse.

## Extreme Networks

### DELIVERING REAL VALUE



Single view of the entire supply chain



Consistent information available worldwide



Instant notice of any changes for proactive planning

#### Before

- Reactive planning rendered the company unable to respond quickly to short-term changes in demand
- Company doubled in size over nine months, making data sharing onerous and unsustainable at scale
- Supply planning process was disconnected from global demand
- Reliance on dozens of disparate Excel files meant many versions of the "truth"

#### With Kinaxis

- Proactive planning based on data-driven scenario modeling
- Standardized processes to make the same information available to all supply chain planning teams, wherever they are
- Continuous and concurrent planning across demand and supply
- Effectively eliminated reliance on Excel files for planning operations

“We’ve doubled in size, and because of RapidResponse, we haven’t had to bring on a lot of new resources to manage our expanded supply chain.”

## Ribbon Communications

### DELIVERING REAL VALUE



20% inventory reduction



Respond to change in real time



Drastically decreased manual forecasting effort

#### Before

- Extensive manual data entry and the manipulation of more than 1,200 line items meant it took days to develop forecasts
- Inflexible forecasting inhibited proactive planning and fast response to market changes
- Unconsolidated data sources delayed understanding of potential impacts to supply and demand plans
- Data syncing issues made running real-time S&OP meetings virtually impossible

#### With Kinaxis

- Ability to build forecasts in hours instead of days
- Customers receive real-time feedback on order change requests
- Immediate, end-to-end "what if" analysis and the impact on the business
- Rapid collaborative change management and the ability to simultaneously plan, monitor and respond

“The most significant value we have seen from using RapidResponse is the time savings. Before we used to spend days manually entering data into our enterprise resource planning tool and various Excel spreadsheets to generate our forecasts. Now in RapidResponse we complete the same task within hours while providing more in-depth analysis.”



**Consolidated Financial  
Statements, Years Ended  
December 31, 2021 and 2020**



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Kinaxis Inc.

### **Opinion**

We have audited the consolidated financial statements of Kinaxis Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Consolidated Financial Statements of

## **Kinaxis Inc.**

Years ended December 31, 2021 and 2020

(In thousands of USD)



### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditors' report.

#### **Allocation of the Transaction Price to Multiple Performance Obligations in Contracts with Customers**

##### **Description of the matter**

We draw attention to Notes 2(f) and 3(b) to the financial statements. The Entity's contracts with customers often include the delivery of multiple products and services, which are generally capable of being distinct and accounted for as separate performance obligations. The accounting for a contract or contracts with a customer that contain multiple performance obligations requires the Entity to allocate the contract or contracts' transaction price to the identified distinct performance obligations. The allocation of the transaction price requires significant judgment and estimates relating to the determination of the standalone selling price ("SSP") for each distinct performance obligation. The methodology used to determine the SSP depends on the nature of the products and services and how they are priced in contracts with customers. This allocation affects the amount and timing of revenue recognized for each performance obligation.

##### **Why the matter is the key audit matter**

We identified the allocation of the transaction price to multiple performance obligations in contracts with customers as a key audit matter. There was a significant risk of material misstatement relating to the methodology used to determine the SSP for each distinct performance obligation within a contract or contracts with a customer. In addition, significant auditor judgment was required to evaluate the results of our audit procedures due to the significant judgments and estimates associated with the determination of the SSP.

##### **How the matter was addressed in the audit**

The primary procedures we performed to address this key audit matter included the following:

We evaluated the methodology used to determine the SSP by comparing it to pricing patterns in customer contracts, historical methodologies used by the Entity, and general practices in the Entity's industry.



For a selection of new customer contracts with multiple performance obligations, we examined the key terms and assessed the allocation of the transaction price to each distinct performance obligation based on its respective SSP derived from the underlying methodology.

### **Other Information**

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.  
  
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequence of doing so would reasonably be expected to outweigh the public benefits of such communication.

Chartered Professional Accountants, Licensed Public Accountants  
*The engagement partner on the audit resulting in this auditors' report is Anuj Madan.*

Ottawa, Canada

March 1, 2022

## Kinaxis Inc.

Consolidated Statements of Financial Position

As at December 31  
(Expressed in thousands of USD)

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 203,220	\$ 182,958
Short-term investments	30,168	30,180
Trade and other receivables (note 5)	89,247	82,883
Prepaid expenses	10,282	9,264
Investment tax credits recoverable (note 20)	–	1,109
	332,917	306,394
Non-current assets:		
Property and equipment (note 6)	52,093	30,746
Right-of-use assets (note 7)	53,578	15,722
Contract acquisition costs (note 8)	19,691	16,484
Unbilled receivables (note 5)	512	2,013
Other receivables	1,096	752
Deferred tax assets (note 20)	6,000	2,308
Investment tax credits recoverable (note 20)	3,616	980
Intangible assets (note 9)	10,778	13,023
Goodwill (note 10)	39,988	39,988
	187,352	122,016
	\$ 520,269	\$ 428,410

## Liabilities and Shareholders' Equity

Current liabilities:		
Trade payables and accrued liabilities (note 11)	\$ 43,328	\$ 33,030
Deferred revenue (note 12)	99,239	94,275
Provisions (note 13)	716	–
Lease obligations (note 14)	2,526	4,554
	145,809	131,859
Non-current liabilities:		
Lease obligations (note 14)	53,233	12,065
Deferred tax liabilities (note 20)	9	2,729
	53,242	14,794
Shareholders' equity:		
Share capital (note 15)	195,414	173,104
Contributed surplus	54,739	35,846
Accumulated other comprehensive loss	(597)	(20)
Retained earnings	71,662	72,827
	321,218	281,757
	\$ 520,269	\$ 428,410

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors:

(signed) John (Ian) Giffen Director (signed) Elizabeth Rafael Director

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## Kinaxis Inc.

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31  
(Expressed in thousands of USD, except share and per share data)

	2021	2020
Revenue (note 17)	\$ 250,726	\$ 224,189
Cost of revenue	86,755	70,131
Gross profit	163,971	154,058
Operating expenses:		
Selling and marketing	59,078	52,630
Research and development	57,424	47,420
General and administrative	45,550	33,232
	162,052	133,282
	1,919	20,776
Other income (expense):		
Foreign exchange loss	(558)	(196)
Net finance and other income (expense)	(264)	890
	(822)	694
Profit before income taxes	1,097	21,470
Income tax expense (recovery) (note 20):		
Current	3,466	5,714
Deferred	(1,204)	2,026
	2,262	7,740
Profit (loss)	(1,165)	13,730
Other comprehensive income (loss):		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences - foreign operations	(577)	328
Total comprehensive income (loss)	\$ (1,742)	\$ 14,058
Basic earnings (loss) per share	\$ (0.04)	\$ 0.51
Weighted average number of basic Common Shares (note 16)		
	27,248,193	26,716,027
Diluted earnings (loss) per share	\$ (0.04)	\$ 0.49
Weighted average number of diluted Common Shares (note 16)		
	27,248,193	28,138,911

See accompanying notes to consolidated financial statements.

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## Kinaxis Inc.

### Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31  
(Expressed in thousands of USD)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
Balance, December 31, 2019	\$ 140,961	\$ 30,392	\$ (348)	\$ 59,097	\$ 230,102
Profit	–	–	–	13,730	13,730
Other comprehensive income	–	–	328	–	328
Total comprehensive income	–	–	328	13,730	14,058
Share options exercised	27,187	(6,807)	–	–	20,380
Restricted share units vested	4,956	(4,956)	–	–	–
Share-based payments	–	17,217	–	–	17,217
Total shareholder transactions	32,143	5,454	–	–	37,597
Balance, December 31, 2020	\$ 173,104	\$ 35,846	\$ (20)	\$ 72,827	\$ 281,757
Loss	–	–	–	(1,165)	(1,165)
Other comprehensive loss	–	–	(577)	–	(577)
Total comprehensive loss	–	–	(577)	(1,165)	(1,742)
Share options exercised	14,221	(3,459)	–	–	10,762
Restricted share units vested	8,089	(8,089)	–	–	–
Share-based payments	–	30,441	–	–	30,441
Total shareholder transactions	22,310	18,893	–	–	41,203
Balance, December 31, 2021	\$ 195,414	\$ 54,739	\$ (597)	\$ 71,662	\$ 321,218

See accompanying notes to consolidated financial statements.

## Kinaxis Inc.

### Consolidated Statements of Cash Flows

For the years ended December 31  
(Expressed in thousands of USD)

	2021	2020
Cash flows from operating activities:		
Profit (loss)	\$ (1,165)	\$ 13,730
Items not affecting cash:		
Depreciation of property and equipment and right-of-use assets (note 19)	18,164	14,335
Amortization of intangible assets (note 19)	2,245	1,227
Share-based payments (note 15)	24,343	17,217
Net finance expense (income)	634	(890)
Income tax expense (note 20)	2,262	7,740
Investment tax credits recoverable (note 20)	(1,527)	(2,089)
Change in operating assets and liabilities (note 21)	5,523	10,492
Interest received	428	1,761
Interest paid	(1,050)	(674)
Income taxes received (paid)	281	(3,379)
	50,138	59,470
Cash flows used in investing activities:		
Acquisition of businesses, net of cash acquired (note 4)	(800)	(61,767)
Purchase of property and equipment (note 6)	(33,833)	(14,439)
Purchase of short-term investments	(71,599)	(110,616)
Redemption of short-term investments	71,599	110,558
	(34,633)	(76,264)
Cash flows from financing activities:		
Payment of lease obligations (note 14)	(4,911)	(3,742)
Common shares issued on exercise of stock options	10,762	20,380
	5,851	16,638
Increase (decrease) in cash and cash equivalents	21,356	(156)
Cash and cash equivalents, beginning of year	182,958	182,284
Effects of exchange rates on cash and cash equivalents	(1,094)	830
Cash and cash equivalents, end of year	\$ 203,220	\$ 182,958

See accompanying notes to consolidated financial statements.

# Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
(Expressed in thousands of USD, except share and per share amounts)

## 1. Corporate information:

Kinaxis Inc. ("Kinaxis" or the "Company") is incorporated under the Canada Business Corporations Act and domiciled in Ontario, Canada. The address of the Company's registered office is 3199 Palladium Drive, Ottawa, Ontario. The consolidated financial statements of the Company as at and for the years ended December 31, 2021 and 2020 comprise the Company and its subsidiaries.

Kinaxis is a leading provider of cloud-based subscription software that enables its customers to improve and accelerate analysis and decision-making across their supply chain operations. Kinaxis is a global enterprise with registered offices in the United States, Japan, Hong Kong, The Netherlands, South Korea, United Kingdom, Singapore, France, Ireland, Germany, India, and Canada.

## 2. Basis of preparation:

### (a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and includes the accounts of Kinaxis Inc. and its wholly-owned subsidiaries, outlined in note 25.

The consolidated financial statements were authorized for issue by the Board of Directors on March 1, 2022.

### (b) Comparative figures:

Certain comparative figures have been reclassified to conform to the current period presentation.

### (c) Measurement basis:

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

### (d) Presentation currency:

These consolidated financial statements are presented in United States dollars ("USD") which is the functional currency of the Company and its subsidiaries unless otherwise stated. Tabular amounts are presented in thousands of USD.

### (e) Foreign currency:

#### *Foreign currency transactions*

The financial statements of the Company are measured using USD as the functional currency. The functional currency of the Company's significant wholly-owned subsidiaries is outlined in note 25. Transactions in currencies other than the functional currency are translated at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated to the functional currency at the rates prevailing at that date. Exchange differences on monetary items are recognized in profit or

# Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
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## 2. Basis of preparation (continued):

### (e) Foreign currency (continued):

loss in the period in which they arise. Non-monetary items carried at fair value that are denominated in foreign currencies are translated to the functional currency at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the rates at the date of the transaction.

#### *Foreign operations*

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries. Assets and liabilities have been translated into USD using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in shareholders' equity.

### (f) Use of estimates and judgments:

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, expenses and disclosure of contingent assets and liabilities. Actual results may differ from these estimates.

Estimates and judgments include, but are not limited to, allocation of the transaction price to multiple performance obligations in contracts with customers, revenue recognition on fixed price contracts, recognition of deferred tax assets, valuation of trade and other receivables, valuation of share-based payments, valuation of contingent consideration, and valuation of acquired intangible assets. Estimates and assumptions are reviewed periodically and the effects of revisions are recorded in the consolidated financial statements in the period in which the estimates are revised and in any future periods affected.

The continuing uncertainty around the novel coronavirus ("COVID-19") pandemic required the use of judgments and estimates in the preparation of the consolidated financial statements for the year ended December 31, 2021. The future impact of COVID-19 uncertainties could generate, in future reporting periods, a significant impact to the reported amounts of assets, liabilities, revenue and expenses in these and any future consolidated financial statements. Examples of accounting estimates and judgments that may be impacted by the pandemic include, but are not limited to: revenue recognition; impairment of property and equipment, right-of-use assets, intangible assets and goodwill; allowance for expected credit losses; and provisions.

#### *Allocation of the transaction price to multiple performance obligations in contracts with customers*

Contracts with customers often include promises to deliver multiple products and services. Determining whether such bundled products and services are considered i) distinct performance obligations that should be separately recognized, or ii) non-distinct and therefore should be

# Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
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## 2. Basis of preparation (continued):

### (f) Use of estimates and judgments (continued):

combined with another good or service and recognized as a combined unit of accounting may require judgment. In general, the Company's professional services are capable of being distinct as they could be performed by third party service providers and do not involve significant customization of the licensed software.

The allocation of the transaction price requires significant judgment and estimates relating to the determination of the standalone selling price ("SSP") for each distinct performance obligation. The methodology used to determine the SSP depends on the nature of the products and services and how they are priced in contracts with customers. This allocation affects the amount and timing of revenue recognized for each performance obligation. In order to determine the SSP of promised products or services, the Company conducts a regular analysis to determine whether various products or services have an observable SSP. If the Company does not have an observable SSP for a particular product or service, then SSP for that particular good or service is estimated using reasonably available information and maximizing observable inputs with approaches including historical pricing, cost plus a margin, adjusted market assessment, and the residual approach. The Company uses a range of amounts to estimate SSP when it sells each of the products and services separately and needs to determine whether there is a discount that needs to be allocated based on the relative SSP of the various products and services. In general, SSP for maintenance and support bundled in on-premise and hybrid subscription arrangements is established as a percentage of the subscription license fee as supported by third party evidence and internal analysis of similar vendor contracts. SSP for hosting and professional services is established based on observable prices for the same or similar services when sold separately, or estimated using a cost plus margin approach.

#### *Revenue recognition on fixed price contracts*

For professional services contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of services performed. The Company determines this based on the actual labour hours incurred relative to the total forecasted hours. This requires the Company to estimate the labour hours required to complete the contract at the reporting date, the uncertainty inherent in which will not be resolved until the contract is completed.

#### *Recognition of deferred tax assets*

The recognition of deferred tax assets requires the Company to assess future taxable income available to utilize deferred tax assets related to deductible or taxable temporary differences. The Company considers the nature and carry-forward period of deferred tax assets, the Company's recent earnings history and forecast of future earnings in performing this assessment. The actual deferred tax assets realized may differ from the amount recorded due to factors having a negative impact on operating results of the Company and lower future taxable income.

# Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
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## 2. Basis of preparation (continued):

### (f) Use of estimates and judgments (continued):

#### *Valuation of trade and other receivables*

The recognition of trade and other receivables and loss allowances requires the Company to assess credit risk and collectability. The Company considers historical trends and any available information indicating a customer could be experiencing liquidity or going concern problems and the status of any contractual or legal disputes with customers in performing this assessment.

#### *Valuation of share-based payments*

The Company uses the Black-Scholes valuation model to determine the fair value of equity settled stock options and the Monte Carlo valuation model to determine the fair value of performance share units. Estimates are required for inputs to these models, including the expected life of the option, volatility, forfeiture rate, expected dividend yield and the risk free interest rate. Variation in actual results for any of these inputs will result in a different value of the stock option or performance share unit realized from the original estimate. The assumptions and estimates used are further outlined in note 15.

#### *Valuation of contingent consideration*

The Company measures the contingent consideration payable in a business combination at the estimated fair value at each reporting date. The fair value is estimated based on the range of possible outcomes and the Company's assessment of the likelihood of each outcome.

#### *Valuation of acquired intangible assets*

The Company estimates the fair value of customer relationships and technology acquired in a business combination based on the income approach. The income approach is a valuation technique that calculates the fair value of an intangible asset based on the present value of future cash flows that the asset can be expected to generate over its remaining useful life. This valuation involves significant subjectivity and estimation uncertainty, including assumptions related to the future revenues attributable to acquired customer relationships or technology, customer attrition rates, technology migration rate, future expenses, and discount rates.

## 3. Significant accounting policies:

### (a) Basis of consolidation:

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company. All intercompany transactions, balances, revenues and expenses between the Company and its subsidiaries have been eliminated.



# Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
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### 3. Significant accounting policies (continued):

#### (b) Revenue recognition:

Revenue is recognized upon transfer of control of products or services to customers at an amount that reflects the transaction price the Company expects to receive in exchange for the products or services. The Company's contracts with customers often include the delivery of multiple products and services, which are generally capable of being distinct and accounted for as separate performance obligations. The accounting for a contract or contracts with a customer that contain multiple performance obligations requires the Company to allocate the contract or contracts' transaction price to the identified distinct performance obligations.

The Company's hosted software-as-a-service ("SaaS") application, which allows customers to use hosted software over the contract period without taking possession of the software, is provided on a subscription basis, and revenue is recognized ratably over the contract period, commencing on the date an executed contract exists and the customer has the right-to-use and access to the platform.

On-premise, fixed term subscription licenses and hybrid software subscriptions (where the customer has the option to take the hosted software on-premise) provide the customer with a right-to-use the software as it exists when made available to the customer. Revenue from distinct on-premise subscription licenses is recognized upfront at the point in time when the software is made available to the customer and the right to use the software has commenced. On-premise subscription licenses and hybrid subscriptions are bundled with software maintenance and support services and/or hosting over the term. The license component and maintenance and support/hosting components are each allocated revenue using their relative estimated SSP. Revenue allocated to the bundled maintenance and support and hosting is recognized ratably over the term of the maintenance and support services. Professional services are provided for implementation and configuration of software licenses and SaaS, as well as ongoing technical services and training.

Professional services are typically billed on a time and material basis and revenue is recognized over time as the services are performed. For professional services contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of services performed.

Maintenance and support services provided to customers on legacy perpetual software licenses is recognized ratably over the term of the maintenance and support services.

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the costs to be recoverable, and has determined that certain sales incentive programs meet the requirements to be capitalized. Capitalized contract acquisition costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. The amortization period includes specifically identifiable contract renewals where there is no substantive renewal commission. The expected customer renewal period is estimated based on the historical life of our customers, which the Company has determined to be six years. The Company applies the practical expedient available under IFRS

# Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
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### 3. Significant accounting policies (continued):

#### (b) Revenue recognition (continued):

15 and does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled receivables. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue.

The Company has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

#### (c) Financial instruments:

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables without a significant financing component are initially measured at the transaction price. All other financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

#### Financial assets

All financial assets are recognized and de-recognized on trade date.

The Company determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
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### 3. Significant accounting policies (continued):

#### (c) Financial instruments (continued):

The Company's financial assets are classified as follows:

Financial asset	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Short-term investments	Amortized cost
Trade and other receivables	Amortized cost
Unbilled receivables	Amortized cost

#### *Amortized cost*

Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate except for short-term receivables where the interest revenue would be immaterial. Interest income, foreign exchange gains and losses, impairment, and any gain or loss on de-recognition are recognized in profit or loss.

#### *Impairment of financial assets*

The Company measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such as the Company's past experience of collecting payments, the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Financial assets are written off when there is no reasonable expectation of recovery.

#### Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities are classified as follows:

Financial liability	Classification under IFRS 9
Trade payables and accrued liabilities	Amortized cost

#### *Amortized cost*

Financial liabilities at amortized cost are measured using the effective interest rate method.

#### *De-recognition of financial liabilities*

The Company de-recognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire.

# Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
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### 3. Significant accounting policies (continued):

#### (d) Cash and cash equivalents:

Cash and cash equivalents include cash investments in interest-bearing accounts and term deposits which can readily be redeemed for cash without penalty or are issued for terms of three months or less from the date of acquisition.

#### (e) Short-term investments:

Short-term investments consist of term deposits and guaranteed income certificates held with Schedule 1 Canadian banks for maturity terms of three to six months from the date of acquisition. Investments are measured at amortized cost. The carrying amount of these investments approximates fair value due to the short-term maturity of these instruments.

#### (f) Property and equipment:

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The assets are depreciated over their estimated useful lives using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate.

Property and equipment	Rate
Computer equipment	5 years
Computer software	3 to 5 years
Office furniture and equipment	3 to 5 years
Leasehold improvements	Shorter of useful life or remaining term of lease

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

# Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
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### 3. Significant accounting policies (continued):

#### (g) Leases:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

# Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
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### 3. Significant accounting policies (continued):

#### (h) Employee benefits:

The Company offers a defined contribution plan to its employees which is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

#### (i) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

#### (j) Research and development expense:

Research and development costs are expensed as incurred unless the criteria for capitalization are met. No research or development costs have been capitalized to date.

#### (k) Government assistance:

Government assistance is recognized when there is reasonable assurance that it will be received and that compliance with all related conditions has been achieved. When the government assistance relates to an expense item, it is recognized as a reduction of the related expense to match the government assistance on a systematic basis to the costs that it is intended to subsidize.

During 2021, the Company received \$7,906 of non-refundable government grants relating to the COVID-19 pandemic. The grants are offset against cost of revenue and operating expenses.

#### (l) Income taxes:

Current and deferred income taxes are recognized as an expense or recovery in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside of profit or loss.

# Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
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### 3. Significant accounting policies (continued):

#### (l) Income taxes (continued):

##### *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

##### *Deferred income tax*

Deferred income tax assets and liabilities are recorded for the temporary differences between transactions that have been included in the consolidated financial statements or income tax returns. Deferred income taxes are provided for using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between the tax and financial statement bases of assets and liabilities and for certain carry-forward items. Deferred income tax assets are recognized only to the extent that, in the opinion of management, it is probable that the deferred income tax assets will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of the enactment or substantive enactment. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

##### *Uncertain tax positions*

The Company periodically evaluates the positions taken in its tax returns with respect to situations in which applicable tax rules may be subject to interpretations. The Company establishes provisions related to tax uncertainties where appropriate, based on an estimate of the amount that ultimately will be paid to the tax authorities.

##### *Investment tax credits*

Investment tax credits relating to scientific research and experimental development expenditures are recorded in the fiscal period the qualifying expenditures are incurred based on management's interpretation of applicable legislation in the Income Tax Act of Canada. Credits are recorded provided there is reasonable assurance that the tax credit will be realized. Credits claimed are subject to review by the Canada Revenue Agency.

Credits claimed in connection with research and development activities are accounted for using the cost reduction method. Under this method, assistance and credits relating to the acquisition of equipment is deducted from the cost of the related assets, and those relating to current

# Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
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### 3. Significant accounting policies (continued):

#### (l) Income taxes (continued):

expenditures, which are primarily salaries and related benefits, are included in the determination of profit or loss as a reduction of the related research and development expenses.

#### (m) Share-based payments:

The Company uses the fair value based method to measure share-based compensation for all share-based awards made to employees and directors. The grant date fair value of equity-settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The grant date fair value is determined using the Black-Scholes model for option grants and the Monte Carlo model for performance share unit grants. The market value of the Company's shares on the date of the grant is used to determine the fair value of restricted and deferred share units issued. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting (i.e. performance) conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified and if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

#### (n) Earnings per share:

Basic earnings per share is calculated by dividing profit or loss by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is calculated similar to basic earnings per share except the weighted average number of common shares outstanding is adjusted for the effects of all dilutive potential common shares, which are comprised of additional shares from the assumed exercise of stock options or vesting of share units. Options and share units that have a dilutive impact are assumed to have been exercised or vested on the later of the beginning of the period or the date granted.

#### (o) Business combinations:

The Company accounts for business combinations using the acquisition method. Goodwill arising on acquisitions is measured as the fair value of the consideration transferred less the net recognized amount of the estimated fair value of identifiable assets acquired and liabilities

# Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
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### 3. Significant accounting policies (continued):

#### (o) Business combinations (continued):

assumed, all measured as of the acquisition date. Transaction costs that the Company incurs in connection with a business combination are expensed as incurred.

The Company uses its best estimates and assumptions to reasonably value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, and these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with a corresponding offset to goodwill. Upon conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in profit or loss.

#### (p) Acquired intangible assets:

The Company's intangible assets consist of customer relationships and technology acquired in a business combination. These intangible assets are recorded at their fair value at the acquisition date. The Company uses the income approach to value acquired technology and customer relationships intangible assets, which are the two material intangible asset categories reported in the financial statements.

The income approach is a valuation technique that calculates the fair value of an intangible asset based on the present value of future cash flows that the asset can be expected to generate over its remaining useful life. The discounted cash flow ("DCF") is the methodology used, which is a form of the income approach that begins with a forecast of the annual cash flows a market participant would expect the subject intangible asset to generate over a discrete projection period. The future cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the intangible assets' projected cash flows, again, from a market participant perspective. The present value of the future cash flows are then added to the present value of the residual value of the intangible asset (if any) at the end of the discrete projection period to arrive at a conclusion with respect to the estimated fair value of the subject intangible asset. After initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment losses.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. The estimated useful life for customer relationships is three to six years and the useful life for technology is seven years. Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively if appropriate.

Intangible assets with finite useful lives are tested for impairment whenever there is an indication that the asset may be impaired. An impairment loss is recognized if the recoverable amount of the asset is less than the carrying amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

# Kinaxis Inc.

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For the years ended December 31, 2021 and 2020  
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### 3. Significant accounting policies (continued):

#### (q) Goodwill:

Goodwill arises from a business combination as the excess of the consideration transferred over the identifiable net assets acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to the cash-generating unit that is expected to benefit from the related business combination. The Company as a whole has been assessed as a single CGU. The CGU is tested for impairment annually on December 31 and whenever there is an indication that the CGU may be impaired. The impairment testing methodology is based on a comparison between the recoverable amount (higher of fair value less costs to sell and value-in-use of the CGU) and the net asset carrying value (including goodwill). If the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU. An impairment loss is recognized immediately in profit or loss. Any impairment loss in respect of goodwill is not reversed.

### 4. Business combinations:

#### *Prana Consulting, Inc.*

On January 31, 2020, the Company acquired 100% of the outstanding shares of Prana Consulting, Inc. and all of its subsidiaries ("Prana") in exchange for cash and contingent consideration. Prana provides consulting services for implementation of the Company's software. The operating results of Prana have been consolidated into the Company's results subsequent to the acquisition date. The Company incurred acquisition-related costs of \$204 which have been recorded in general and administrative expense.

The purchase price consists of cash consideration of \$3,206 and contingent consideration with an estimated fair value of \$800, resulting in total consideration of \$4,006. The contingent consideration arrangement consisted of additional payments to the selling shareholder for attainment of specific revenue and team retention metrics in the year following the acquisition. Contingent consideration of \$1,000 was paid in February 2021.

The following table presents the purchase price allocation at the acquisition date:

Assets acquired and liabilities assumed:	
Cash and cash equivalents	\$ 625
Trade and other receivables	701
Land	18
Customer relationships	750
Trade payables and accrued liabilities	(1,747)
	347
Goodwill	3,659
<b>Total consideration</b>	<b>\$ 4,006</b>

## Kinaxis Inc.

Notes to Consolidated Financial Statements

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### 4. Business combinations (continued):

The trade and other receivables comprise gross contractual amounts of \$636, which have been fully collected.

The goodwill is attributable mainly to the skills and technical talent of Prana's work force and the synergies expected to be achieved from integrating Prana into the Company's existing professional services business. The entire goodwill is deductible for tax purposes.

#### *Rubikloud Technologies, Inc.*

On July 2, 2020, the Company acquired 100% of the outstanding shares of Rubikloud Technologies, Inc. and all of its subsidiaries ("Rubikloud") in exchange for cash. Rubikloud is a provider of artificial intelligence solutions that automate supply chain prescriptive analytics and decision-making in the retail and consumer packaged goods industries. The operating results of Rubikloud have been consolidated into the Company's results subsequent to the acquisition date. The Company incurred acquisition-related costs of \$1,009 which have been recorded in general and administrative expense.

The purchase price consists of cash consideration of \$60,000, adjusted for Rubikloud's closing cash and indebtedness at the date of acquisition and subject to post-closing working capital adjustments, resulting in a total consideration of \$60,358.

The following table presents the purchase price allocation at the acquisition date:

Assets acquired and liabilities assumed:	
Cash and cash equivalents	\$ 1,172
Trade and other receivables	1,077
Prepaid expenses	153
Contract acquisition costs	81
Property and equipment	322
Right-of-use assets	3,298
Intangible assets:	
Technology	10,700
Customer relationships	2,800
Deferred tax assets	8,929
Trade payables and accrued liabilities	(556)
Deferred revenue	(649)
Lease obligation	(3,298)
	24,029
Goodwill	36,329
<b>Total consideration</b>	<b>\$ 60,358</b>

The trade and other receivables comprise gross contractual amounts of \$452, which have been fully collected.

The goodwill is primarily attributable to the expected synergies that will result from integrating Rubikloud's offerings with RapidResponse to enhance its demand planning capabilities, and the assembled workforce. The goodwill is not deductible for tax purposes.

## Kinaxis Inc.

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### 5. Trade and other receivables:

	2021	2020
Trade accounts receivable	\$ 71,118	\$ 67,288
Unbilled receivables	15,413	13,800
Taxes receivable	217	–
Investment tax credits receivable	–	211
Other	2,499	1,584
	<b>\$ 89,247</b>	<b>\$ 82,883</b>

There were no trade accounts receivable written off in 2021 (2020 – \$nil).

The following table presents changes in unbilled receivables:

	2021	2020
Balance, beginning of year	\$ 15,813	\$ 14,129
Amounts transferred to trade accounts receivable from the balance at the beginning of year	(13,752)	(13,654)
Amounts written off	(288)	–
Revenue in excess of billings, net of amounts transferred to trade accounts receivable	14,152	15,338
Balance, end of year	<b>\$ 15,925</b>	<b>\$ 15,813</b>
Current	\$ 15,413	\$ 13,800
Non-current	512	2,013

Unbilled receivables of \$288 were written off in 2021 (2020 – \$nil).

### 6. Property and equipment:

Cost	December 31, 2020	Additions	Dispositions	Effects of exchange rates	December 31, 2021
Land	\$ 18	\$ –	\$ –	\$ –	\$ 18
Computer equipment	54,187	14,881	–	(1,148)	67,920
Computer software	3,234	529	–	(28)	3,735
Office furniture and equipment	1,154	2,603	–	(26)	3,731
Leasehold improvements	8,476	15,820	(450)	(189)	23,657
<b>Total cost</b>	<b>\$ 67,069</b>	<b>\$ 33,833</b>	<b>\$ (450)</b>	<b>\$ (1,391)</b>	<b>\$ 99,061</b>

# Kinaxis Inc.

Notes to Consolidated Financial Statements

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## 6. Property and equipment (continued):

Accumulated depreciation	December 31, 2020	Depreciation	Dispositions	Effects of exchange rates	December 31, 2021
Computer equipment	\$ 29,340	\$ 9,601	\$ –	\$ (530)	\$ 38,411
Computer software	2,317	659	–	(22)	2,954
Office furniture and equipment	567	339	–	(6)	900
Leasehold improvements	4,099	1,153	(450)	(99)	4,703
<b>Total accumulated depreciation</b>	<b>\$ 36,323</b>	<b>\$ 11,752</b>	<b>\$ (450)</b>	<b>\$ (657)</b>	<b>\$ 46,968</b>

Cost	December 31, 2019	Additions	Dispositions	Effects of exchange rates	December 31, 2020
Land	\$ –	\$ 18	\$ –	\$ –	\$ 18
Computer equipment	42,647	10,825	(14)	729	54,187
Computer software	2,942	275	–	17	3,234
Office furniture and equipment	848	335	(37)	8	1,154
Leasehold improvements	5,361	3,326	(300)	89	8,476
<b>Total cost</b>	<b>\$ 51,798</b>	<b>\$ 14,779</b>	<b>\$ (351)</b>	<b>\$ 843</b>	<b>\$ 67,069</b>

Accumulated depreciation	December 31, 2019	Depreciation	Dispositions	Effects of exchange rates	December 31, 2020
Computer equipment	\$ 20,641	\$ 8,420	\$ (14)	\$ 293	\$ 29,340
Computer software	1,490	835	–	(8)	2,317
Office furniture and equipment	262	305	(37)	37	567
Leasehold improvements	3,701	672	(300)	26	4,099
<b>Total accumulated depreciation</b>	<b>\$ 26,094</b>	<b>\$ 10,232</b>	<b>\$ (351)</b>	<b>\$ 348</b>	<b>\$ 36,323</b>

Carrying value	December 31, 2021	December 31, 2020
Land	\$ 18	\$ 18
Computer equipment	29,509	24,847
Computer software	781	917
Office furniture and equipment	2,831	587
Leasehold improvements	18,954	4,377
<b>Total property and equipment</b>	<b>\$ 52,093</b>	<b>\$ 30,746</b>

# Kinaxis Inc.

Notes to Consolidated Financial Statements

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## 6. Property and equipment (continued):

There were no proceeds associated with asset dispositions in 2021 (2020 – \$nil). Additions for the year ended December 31, 2020 include \$340 of property and equipment acquired through business combinations, as outlined in note 4.

## 7. Right-of-use assets:

	December 31, 2020	Additions	Depreciation	Effects of exchange rates	December 31, 2021
Offices	\$ 7,317	\$ 41,795	\$ (3,581)	\$ (295)	\$ 45,236
Data centres	8,405	3,096	(2,831)	(328)	8,342
<b>Total cost</b>	<b>\$ 15,722</b>	<b>\$ 44,891</b>	<b>\$ (6,412)</b>	<b>\$ (623)</b>	<b>\$ 53,578</b>

	December 31, 2019	Additions	Depreciation	Effects of exchange rates	December 31, 2020
Offices	\$ 1,987	\$ 7,034	\$ (1,780)	\$ 76	\$ 7,317
Data centres	6,684	3,779	(2,323)	265	8,405
<b>Total cost</b>	<b>\$ 8,671</b>	<b>\$ 10,813</b>	<b>\$ (4,103)</b>	<b>\$ 341</b>	<b>\$ 15,722</b>

During 2021, the Company recorded additions of \$41,552 for new leased office space in Ottawa, Canada. Additions for the year ended December 31, 2020 include \$3,298 of right-of-use assets acquired through business combinations, as outlined in note 4.

## 8. Contract acquisition costs:

	2021	2020
Balance, beginning of year	\$ 16,484	\$ 15,497
Additions	9,713	7,090
Amortization	(6,359)	(6,229)
Effects on movements in exchange rates	(147)	126
<b>Balance, end of year</b>	<b>\$ 19,691</b>	<b>\$ 16,484</b>

Amortization of contract acquisition costs is recorded in selling and marketing expense.

## Kinaxis Inc.

Notes to Consolidated Financial Statements

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### 9. Intangible assets:

	December 31, 2020	Additions	Amortization	December 31, 2021
Customer relationships	\$ 3,087	\$ –	\$ (717)	\$ 2,370
Technology	9,936	–	(1,528)	8,408
	\$ 13,023	\$ –	\$ (2,245)	\$ 10,778

	December 31, 2019	Additions	Amortization	December 31, 2020
Customer relationships	\$ –	\$ 3,550	\$ (463)	\$ 3,087
Technology	–	10,700	(764)	9,936
	\$ –	\$ 14,250	\$ (1,227)	\$ 13,023

### 10. Goodwill:

	2021	2020
Balance, beginning of year	\$ 39,988	\$ –
Acquisition of Prana Consulting, Inc. (note 4)	–	3,659
Acquisition of Rubikloud Technologies, Inc. (note 4)	–	36,329
Balance, end of year	\$ 39,988	\$ 39,988

The annual impairment test of goodwill was performed on December 31, 2021 and did not result in an impairment loss.

### 11. Trade payables and accrued liabilities:

	2021	2020
Trade accounts payable	\$ 10,584	\$ 5,896
Accrued liabilities	26,299	22,131
Taxes payable	6,445	5,003
	\$ 43,328	\$ 33,030

## Kinaxis Inc.

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### 12. Deferred revenue:

	2021	2020
Balance, beginning of year	\$ 94,275	\$ 83,673
Amounts invoiced and revenue deferred	96,121	93,347
Recognition of deferred revenue included in the balance at the beginning of year	(91,157)	(82,745)
Balance, end of year	\$ 99,239	\$ 94,275

### 13. Provisions:

In 2021, the Company recorded a provision of \$716 for the estimated future variable lease payments for office space which the Company has ceased using. These costs have been recorded in general and administrative expense.

### 14. Lease obligations:

The Company's leases are for office space and data centres with lease terms ranging from 2 to 20 years. These leases contain no renewal options or a renewal option for one, two, or five years. The Company has included renewal options in the lease term when it is reasonably certain to exercise the renewal option.

	2021	2020
Current	\$ 2,526	\$ 4,554
Non-current	53,233	12,065
Total lease obligations	\$ 55,759	\$ 16,619

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2021:

Less than one year	\$ 4,261
One to five years	20,982
More than five years	45,374
Total undiscounted lease obligations	\$ 70,617

Interest expense on lease obligations for 2021 was \$1,050 (2020 – \$674). The expense relating to variable lease payments not included in the measurement of lease obligations was \$1,624 (2020 – \$1,077). This consists of variable lease payments for operating costs, property taxes, and insurance. Expenses relating to short-term leases were \$480 (2020 – \$543) and expenses relating to leases of low value assets were not material. Total cash outflow for leases was \$8,065 (2020 – \$6,036), including \$4,911 (2020 – \$3,742) of principal payments on lease obligations.



## Kinaxis Inc.

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### 15. Share capital:

#### Authorized

The Company is authorized to issue an unlimited number of Common Shares.

#### Issued Common Shares

	2021		2020	
	Shares	Amount	Shares	Amount
Shares outstanding, beginning of period	27,085,922	\$ 173,104	26,403,004	\$ 140,961
Shares issued from exercised options	291,680	14,221	618,531	27,187
Shares issued from vested restricted share units	85,232	8,089	64,387	4,956
Shares outstanding, end of period	27,462,834	\$ 195,414	27,085,922	\$ 173,104

#### Stock option plans

	2021		2020	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Options outstanding, beginning of period	2,228,456	\$ 68.82	2,228,738	\$ 44.24
Granted	275,973	108.61	626,999	112.85
Exercised	(291,680)	36.89	(618,531)	32.94
Forfeited	(69,374)	126.21	(8,750)	71.34
Options outstanding, end of period	2,143,375	\$ 76.56	2,228,456	\$ 68.82
Options exercisable, end of period	1,150,389	\$ 58.44	932,258	\$ 40.73

## Kinaxis Inc.

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### 15. Share capital (continued):

The following table presents information about stock options outstanding at December 31, 2021:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$1 to \$30	39,375	2.32	\$ 15.27	39,375	\$ 15.27
\$30 to \$60	686,023	3.58	45.63	653,023	45.19
\$60 to \$90	914,754	2.39	72.50	400,366	69.85
\$90 to \$120	261,223	4.22	105.08	—	—
\$120 to \$150	47,000	3.44	135.21	11,000	134.95
\$150 to \$180	195,000	3.67	164.44	46,625	164.41
	2,143,375	3.13	\$ 76.56	1,150,389	\$ 58.44

The Company has outstanding stock options issued under its 2010 and 2012 stock option plans. No further options may be granted under the 2010 and 2012 stock option plans. In June 2017, the Company adopted a new Canadian Resident Stock Option Plan and a new Non-Canadian Resident Stock Option Plan ("the Plans"). Stock options granted under the Plans have an exercise price equal to the stock's TSX price at the date of grant and the maximum term of these options is five years. Options are granted periodically and typically vest over four years.

In June 2021, Kinaxis shareholders voted to approve an amendment to the Plans to increase the maximum number of shares reserved for issue by 500,000. At December 31, 2021, there were 785,309 stock options available for grant under the Plans.

In 2021, the Company granted 275,973 options (2020 – 626,999) and recorded share-based compensation expense of \$11,759 (2020 – \$10,308) related to the vesting of options granted in 2021 and previous years. The per share weighted-average fair value of stock options granted during 2021 was \$32.77 (2020 – \$30.77) on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions: exercise price is equal to the price of the underlying share, expected dividend yield of 0% (2020 – 0%), risk-free interest rate of 0.53% (2020 – 0.71%), expected life of three to five years (2020 – three to five years), and estimated volatility of 39% (2020 – 35%). The forfeiture rate is estimated at 15% (2020 – 15%) based upon an analysis of actual forfeitures.

#### Share Unit Plan

In June 2021, Kinaxis shareholders voted to approve an amendment to the Company's Share Unit Plan to increase the maximum number of shares reserved for issue by 500,000. At December 31, 2021, there were 560,715 share units available for grant under the Share Unit Plan.

## Kinaxis Inc.

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### 15. Share capital (continued):

In 2021, the Company granted 106,001 restricted share units ("RSU") (2020 – 81,970). At December 31, 2021, there were 96,583 RSUs outstanding (2020 – 78,305). Each RSU entitles the participant to receive one Common Share. The RSUs generally vest over time in three equal annual tranches. The weighted-average grant date fair value of the RSUs granted during 2021 was \$118.49 per unit (2020 – \$94.04) using the fair value of a Common Share at time of grant. The Company recorded share-based compensation expense of \$9,875 (2020 – \$6,009) related to the RSUs.

In 2021, the Company granted 9,513 deferred share units ("DSU") (2020 – 10,842). At December 31, 2021, there were 65,441 DSUs outstanding (2020 – 55,928). Each DSU entitles the participant to receive one Common Share. The DSUs vest immediately as the participants are entitled to the shares upon termination of their service. The fair value of the DSUs granted during 2021 was \$110.36 per unit (2020 – \$83.00) using the fair value of a Common Share at time of grant. The Company recorded share-based compensation of \$1,050 (2020 – \$900) related to the DSUs.

In 2021, the Company granted 31,640 performance share units ("PSU") (2020 – nil) that vest based upon the Company's total shareholder return relative to the total shareholder return of the constituents of the S&P Software & Services Select Industry Index over two- and three-year performance based vesting periods. At December 31, 2021, there were 31,640 PSUs outstanding. The weighted-average grant date fair value of the PSUs granted during 2021 was \$129.74 per unit. The PSUs were valued using a Monte Carlo pricing model based on the fair value of a Common Share at time of grant and the following assumptions: expected dividend yield of 0%, risk-free interest rate of 0.51%, performance measurement period of 2 to 3 years, estimated volatility of 41%, and correlation coefficient to the S&P Software & Services Select Industry Index of 0.52. The Company recorded share-based compensation expense of \$1,659 (2020 – \$nil) related to the PSUs.

The following table presents the share-based payments expense by function:

	2021	2020
Cost of revenue	\$ 2,001	\$ 1,693
Selling and marketing	4,950	5,218
Research and development	6,334	3,058
General and administrative	11,058	7,248
	\$ 24,343	\$ 17,217

## Kinaxis Inc.

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### 16. Earnings per share:

The following table summarizes the calculation of the weighted average number of basic and diluted common shares:

	2021	2020
Issued Common Shares, beginning of year	27,085,922	26,403,004
Effect of shares issued from exercise of options	157,367	309,329
Effect of shares issued from vesting of restricted share units	4,904	3,694
Weighted average number of basic Common Shares	27,248,193	26,716,027
Effect of share options on issue	–	1,200,057
Effect of share units on issue	–	222,827
Weighted average number of diluted Common Shares	27,248,193	28,138,911

For 2021, all options and share units outstanding (2020 – 271,500 options) were excluded from the weighted average number of diluted common shares as their effect would have been anti-dilutive.

### 17. Revenue:

	2021	2020
SaaS	\$ 174,463	\$ 148,873
Professional services	57,640	45,899
Maintenance and support	12,505	11,527
Subscription term licenses	6,118	17,890
	\$ 250,726	\$ 224,189

The following table presents revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at December 31, 2021:

	2022	2023	2024 and thereafter	Total
SaaS	\$ 178,858	\$ 132,735	\$ 111,871	\$ 423,464
Maintenance and support	14,353	10,466	12,007	36,826
Subscription term licenses	23,474	–	30	23,504
	\$ 216,685	\$ 143,201	\$ 123,908	\$ 483,794

## Kinaxis Inc.

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### 18. Personnel expenses:

	2021	2020
Salaries including bonuses	\$ 128,890	\$ 102,423
Benefits	20,105	15,993
Commissions	10,000	8,706
Share-based payments	24,343	17,217
	\$ 183,338	\$ 144,339

### 19. Depreciation and amortization:

The following table presents the depreciation expense of property and equipment and right-of-use assets by function:

	2021	2020
Cost of revenue	\$ 9,461	\$ 8,649
Selling and marketing	3	4
Research and development	3,047	2,755
General and administrative	5,653	2,927
	\$ 18,164	\$ 14,335

The following table presents the amortization expense of intangible assets by function:

	2021	2020
Cost of revenue	\$ 1,528	\$ 764
General and administrative	717	463
	\$ 2,245	\$ 1,227

### 20. Income tax expense:

The income tax amounts recognized in profit and loss are as follows:

	2021	2020
Current tax expense		
Current income tax	\$ 3,466	\$ 5,714
Deferred tax expense		
Origination and reversal of temporary differences	(1,204)	2,026
	\$ 2,262	\$ 7,740

## Kinaxis Inc.

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### 20. Income tax expense (continued):

A reconciliation of the income tax expense to the expected amount using the Company's Canadian tax rate is as follows:

	2021	2020
Canadian tax rate	26.50%	26.50%
Expected Canadian income tax expense	\$ 291	\$ 5,689
Increase (reduction) in income taxes resulting from:		
Permanent differences related to share-based payments	2,793	1,971
Other permanent differences	87	232
Change in estimates related to prior years	(1,015)	(298)
Change in unrecognized deferred tax assets/liabilities	295	4
Foreign tax rate differences	78	40
Other	(267)	102
	\$ 2,262	\$ 7,740

The following tables present tax effects of temporary differences and carry-forwards, as well as movements in the deferred tax balances:

Deferred tax assets (liabilities)	December 31, 2020	Recognized in profit and loss	Recognized in equity	December 31, 2021
Tax effect of investment tax credits	\$ (508)	\$ (410)	\$ –	\$ (918)
Property and equipment	(3,916)	872	–	(3,044)
Right-of-use assets and liabilities	309	490	–	799
Contract acquisition costs	(4,471)	(289)	–	(4,760)
Intangible assets	(3,333)	609	–	(2,724)
Reserves and accruals	1,107	(530)	–	577
Share-based payments	2,294	1,913	5,208	9,415
Net operating loss carryforwards	8,100	(904)	–	7,196
Other	(3)	(547)	–	(550)
	\$ (421)	\$ 1,204	\$ 5,208	\$ 5,991

During 2021, the Company recorded \$890 of current tax recovery directly in equity (2020 – \$nil) related to tax deductions on share-based payments.

Deferred tax liabilities have not been recognized for temporary differences associated with investments in subsidiaries as the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The aggregate amount of these temporary differences at December 31, 2021 was \$31,771 (2020 – \$21,215).

## Kinaxis Inc.

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### 20. Income tax expense (continued):

	Balance at December 31, 2019	Recognized in profit and loss	Balance at December 31, 2020
Deferred tax assets (liabilities)			
Tax effect of investment tax credits	\$ (431)	\$ (77)	\$ (508)
Property and equipment	(3,541)	(375)	(3,916)
Right-of-use assets and liabilities	121	188	309
Contract acquisition costs	(3,666)	(805)	(4,471)
Intangible assets	–	(3,333)	(3,333)
Reserves and accruals	186	921	1,107
Share-based payments	1,329	965	2,294
Net operating loss carryforwards	–	8,100	8,100
Other	(941)	938	(3)
	\$ (6,943)	\$ 6,522	\$ (421)

### 21. Statement of cash flows:

The following table presents changes in operating assets and liabilities:

	2021	2020
Trade and other receivables	\$ (6,782)	\$ (591)
Prepaid expenses	(1,100)	(2,516)
Contract acquisition costs	(3,407)	(775)
Trade payables and accrued liabilities	8,790	6,459
Deferred revenue	7,306	7,915
Provisions	716	–
	\$ 5,523	\$ 10,492

### 22. Credit facility:

The Company has a CAD\$20.0 million revolving demand credit facility which bears interest at bank prime per annum and has not been drawn as at December 31, 2021. As part of the acquisition of Rubikloud, a Standby Letter of Credit has been issued against this facility in the amount of CAD\$1.4 million.

In addition to providing a general security agreement representing a first charge over the Company's assets, the Company must meet certain financial covenants as specified in the facility agreement. The Company was in compliance with these financial covenants as at December 31, 2021 and continues to be at the time of approval of these consolidated financial statements. In the event that the Company's aggregate borrowings under the revolving facility exceed CAD\$5.0 million, a borrowing limit applies that is based principally on the Company's accounts receivable.

## Kinaxis Inc.

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### 23. Financial instruments:

#### (a) Fair value of financial instruments:

The carrying amounts of short-term investments, trade and other receivables, unbilled receivables, and trade payables and accrued liabilities approximate fair value due to the short-term maturity of these instruments and are considered to be Level 1 financial instruments. Short-term investments consist of term deposits and guaranteed income certificates held with Schedule 1 Canadian banks for maturity terms of three to six months from the date of acquisition.

#### (b) Credit risk:

The following table presents maximum exposure to credit risk for trade accounts receivable by geographic region:

	2021	2020
United States	\$ 41,031	\$ 46,935
Europe	20,153	16,849
Canada	5,276	1,584
Asia	4,658	1,920
	\$ 71,118	\$ 67,288

The following table presents aging of trade accounts receivable:

	2021	2020
Current	\$ 57,431	\$ 53,190
Past due:		
0 – 30 days	8,351	9,093
31 – 60 days	1,040	3,105
Greater than 60 days	4,296	1,900
	\$ 71,118	\$ 67,288

At December 31, 2021, one customer individually accounted for greater than 10% of total trade accounts receivable (December 31, 2020 – two customers). For 2021, no customer individually accounted for greater than 10% of revenue (2020 – no customers).

The Company measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such as the Company's past experience of collecting payments, the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization. Financial assets are written off when there is no reasonable expectation of recovery. During the year ended December 31, 2021, the Company

# Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
(Expressed in thousands of USD, except share and per share amounts)

## 23. Financial instruments (continued):

### (b) Credit risk (continued):

wrote off \$288 of unbilled receivables that were deemed not collectible (2020 – \$nil). As at December 31, 2021, the Company has not recorded a loss allowance (2020 – \$nil).

The Company invests its excess cash in short-term investments with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations and future planned capital expenditures with the secondary objective of maximizing the overall yield of the investment. The Company manages its credit risk on short-term investments by dealing only with major Canadian banks and investing only in instruments that management believes have high credit ratings. Given these high credit ratings, the Company does not expect any counterparties to these investments to fail to meet their obligations.

The Company's exposure to credit risk is limited to the carrying amount of financial assets.

### (c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The Company also manages liquidity risk by continuously monitoring actual and budgeted expenses. Furthermore, the Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including acquisitions or other major investments or divestitures.

At December 31, 2021, the Company had cash and cash equivalents and short-term investments totaling \$233,388 (2020 – \$213,138). Further, the Company has a credit facility as disclosed in note 22. The Company's trade payables and accrued liabilities are generally due within 3 months or less.

### (d) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments.

#### *Currency risk*

A portion of the Company's revenues and operating costs are realized in currencies other than its functional currency, such as the Canadian dollar, Japanese Yen, Euro, and Great British Pound. As a result, the Company is exposed to currency risk on these transactions. Additional earnings volatility arises from the translation of monetary assets and liabilities denominated in foreign currencies at the rate of exchange on each date of the Consolidated Statements of Financial Position, the impact of which is reported as a foreign exchange gain or loss.

# Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
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## 23. Financial instruments (continued):

### (d) Market risk (continued):

The Company is also subject to currency risk on its income tax expense due to foreign exchange impacts resulting from translating financial results to local currency for Canadian tax reporting purposes.

The Company's objective in managing its currency risk is to minimize its exposure to currencies other than its functional currency. The Company does so by matching foreign denominated assets with foreign denominated liabilities.

The Company is mainly exposed to fluctuations between the U.S. dollar and the Canadian dollar. For the year ended December 31, 2021, if the Canadian dollar had strengthened 5% against the U.S. dollar, with all other variables held constant, pre-tax income for the year would have been \$6,783 lower (2020 – \$4,442 lower). Conversely, if the Canadian dollar had weakened 5% against the U.S. dollar with all other variables held constant, there would be an equal, and opposite impact, on pre-tax income.

The summary quantitative data about the Company's exposure to currency risk is as follows:

December 31, 2021					
In thousands of local currency	USD	CAD	EUR	GBP	JPY
Trade receivables	60,018	1,204	4,431	1,412	365,154
Unbilled receivables	12,838	–	652	1,058	46,998
Other receivables	626	1,564	286	–	–
Trade payables	(7,612)	(1,974)	(231)	(539)	(47,267)
Accrued liabilities	(12,552)	(11,895)	(981)	(1,216)	(123,780)
	53,318	(11,101)	4,157	715	241,105
December 31, 2020					
In thousands of local currency	USD	CAD	EUR	GBP	JPY
Trade receivables	58,386	179	680	4,934	122,257
Unbilled receivables	12,760	13	11	5	103,923
Other receivables	75	970	443	–	–
Trade payables	(1,350)	(1,115)	(61)	(1,159)	(203,337)
Accrued liabilities	(9,634)	(11,627)	(656)	(631)	(115,036)
	60,237	(11,580)	417	3,149	(92,193)

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company believes that interest rate risk is low as the majority of investments are made in fixed rate instruments. As of December 31, 2021, the Company has not drawn on the revolving demand credit facility.

## Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
(Expressed in thousands of USD, except share and per share amounts)

### 24. Segmented information:

The Company's Chief Executive Officer ("CEO") has been identified as the chief operating decision maker. The CEO evaluates the performance of the Company and allocates resources based on the information provided by the Company's internal management system at a consolidated level. The Company has determined that it has only one operating segment: the design, development, marketing and sale of supply chain planning software and solutions.

#### Geographic information

The following table presents external revenue on a geographic basis:

	2021	2020
United States	\$ 147,115	\$ 139,762
Europe	62,461	50,128
Asia	33,719	29,548
Canada	7,431	4,751
	\$ 250,726	\$ 224,189

The following table presents total property and equipment on a geographic basis:

	2021	2020
Canada	\$ 34,789	\$ 16,800
United States	10,486	6,044
Asia	3,915	4,710
Europe	2,903	3,192
	\$ 52,093	\$ 30,746

The following table presents total right-of-use assets on a geographic basis:

	2021	2020
Canada	\$ 45,955	\$ 6,413
United States	3,155	2,220
Asia	3,713	5,843
Europe	755	1,246
	\$ 53,578	\$ 15,722

## Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
(Expressed in thousands of USD, except share and per share amounts)

### 25. Related party transactions:

Details of the Company's significant subsidiaries at December 31, 2021 and 2020 are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Functional currency	Ownership interest	
				2021	2020
Kinaxis Corp.	Sales	State of Delaware, USA	USD	100%	100%
Kinaxis Europe B.V.	Sales	The Netherlands	EUR	100%	100%
Kinaxis India Private Limited	Support	India	INR	100%	100%
Kinaxis Japan K.K.	Sales	Japan	JPY	100%	100%
Kinaxis UK Limited	Sales	United Kingdom	GBP	100%	100%

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

During the year, the Company did not enter into any transactions with related parties other than key management personnel, as described below.

#### Compensation of key management personnel

The Company defines key management personnel as being the Board of Directors, the CEO and his direct reports. The remuneration of key management personnel during the year were as follows:

	2021	2020
Salary and other short-term benefits	\$ 7,377	\$ 6,034
Share-based payments	17,123	16,403
	\$ 24,500	\$ 22,437

### 26. Capital management:

The Company's capital is composed of its shareholders' equity. The Company's objective in managing its capital is to ensure financial stability and sufficient liquidity to increase shareholder value through organic growth and investment in sales, marketing and product development. The Company's senior management is responsible for managing the capital through regular review of financial information to ensure sufficient resources are available to meet operating requirements and investments to support its growth strategy. The Board of Directors is responsible for overseeing this process. In order to maintain or adjust its capital structure, the Company could issue new shares, repurchase shares, approve special dividends or issue debt.

The Company has access to a revolving demand credit facility which bears interest at bank prime per annum which has not been drawn as at December 31, 2021. The terms of the facility require the Company to meet certain financial covenants which are monitored by senior management to ensure compliance, as outlined in note 22.

## Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
(Expressed in thousands of USD, except share and per share amounts)

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### 27. Contingencies:

- a) In the normal course of business, the Company and its subsidiaries enter into lease agreements for facilities or equipment. It is common in such commercial lease transactions for the Company or its subsidiaries as the lessee to agree to indemnify the lessor and other related third parties for liabilities that may arise from the use of the leased assets. The maximum amount potentially payable under the foregoing indemnities cannot be reasonably estimated. The Company has liability insurance that relates to the indemnifications described above.
- b) The Company includes standard intellectual property indemnification clauses in its software license and service agreements. Pursuant to these clauses, and subject to certain limitations, the Company holds harmless and agrees to defend the indemnified party, generally the Company's business partners and customers, in connection with certain patent, copyright or trade secret infringement claims by third parties with respect to the Company's products. The term of the indemnification clauses is generally for the subscription term and applicable statutory period after execution of the software license and service agreement. In the event an infringement claim against the Company or an indemnified party is successful, the Company, at its sole option, agrees to do one of the following: (i) procure for the indemnified party the right to continue use of software; (ii) provide a modification to the software so that its use becomes non-infringing; (iii) replace the software with software which is substantially similar in functionality and performance; or (iv) refund the residual value of the software license fees paid by the indemnified party for the infringing software. The Company believes the estimated fair value of these intellectual property indemnification clauses is minimal.

Historically, the Company has not made any significant payments related to the above-noted guarantees and indemnities and accordingly, no liabilities have been accrued in the consolidated financial statements.

- c) The Company is involved in litigation with a competitor, whereby the competitor has made certain allegations concerning patent infringement. The Company will accrue a liability if the Company determines that it is more likely than not that a present obligation exists that will result in an outflow of resources and the amount of the obligation can be reliably estimated. Significant judgment is required in both the determination of probability and the determination as to whether an amount of an obligation is reliably estimable. The Company has assessed that its defense against these allegations will more likely than not be successful and a present obligation does not exist. At December 31, 2021, the Company has not recorded a liability regarding these allegations.

The Company is required to apply judgment with respect to any potential loss or range of loss in connection with litigation. The outcome of litigation and claims is intrinsically subject to considerable uncertainty.

## Kinaxis Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020  
(Expressed in thousands of USD, except share and per share amounts)

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### 28. Subsequent event:

On February 11, 2022, the Company acquired 100% of the outstanding shares of a supply chain software solutions company in exchange for cash. The acquired company is a provider of algorithm-driven supply chain planning software modules.

The cash consideration is based on a purchase price of \$3,144, adjusted for the acquired company's closing cash and indebtedness at the date of acquisition and subject to post-closing working capital adjustments.

The financial effects of this transaction have not been recognized at December 31, 2021. At the time the financial statements were authorized for issue, the Company has not yet completed the initial accounting for the acquisition. In particular, the fair value assessment of the assets acquired and liabilities assumed is incomplete. It is not yet possible to provide detailed information about each class of net assets and any contingent liabilities of the acquired entity, or about the goodwill that may be recognized.

**Management's Discussion  
and Analysis for the Year  
Ended December 31, 2021**



Unless the context requires otherwise, all references in this management's discussion and analysis (the "MD&A") to "Kinaxis", "we", "us", "our" and the "Company" refer to Kinaxis Inc. and its subsidiaries as constituted on December 31, 2021. This MD&A has been prepared with an effective date of March 1, 2022.

This MD&A for the year ended December 31, 2021 should be read in conjunction with our annual audited consolidated financial statements and the related notes thereto as at and for the year ended December 31, 2021. The financial information presented in this MD&A is derived from our annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A contains forward-looking statements that involve risks, uncertainties and assumptions, including statements regarding anticipated developments in future financial periods and our future plans and objectives. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on such forward-looking statements. See "Forward-Looking Statements".

This MD&A includes certain trademarks, trade names and service marks which are protected under applicable intellectual property laws and are the property of Kinaxis. Solely for convenience, our trademarks, such as "Kinaxis" and "RapidResponse", may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that we will not assert our rights to these trademarks, trade names and service marks to the fullest extent under applicable law. Trademarks used in this MD&A, other than those that belong to Kinaxis, are the property of their respective owners.

All references to \$ or dollar amounts in this MD&A are to U.S. currency unless otherwise indicated.

Additional information relating to Kinaxis Inc., including the Company's most recently completed Annual Information Form, can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures such as "Adjusted profit", "Adjusted EBITDA" and "Adjusted diluted earnings per share". These non-IFRS measures are not recognized, defined or standardized measures under IFRS. Our definition of Adjusted profit, Adjusted EBITDA and Adjusted diluted earnings per share will likely differ from that used by other companies and therefore comparability may be limited.

Adjusted profit, Adjusted EBITDA and Adjusted diluted earnings per share should not be considered a substitute for or in isolation from measures prepared in accordance with IFRS. These non-IFRS measures should be read in conjunction with our annual audited consolidated financial statements and the related notes thereto as at and for the year ended December 31, 2021. Readers should not place undue reliance on non-IFRS measures and should instead view them in conjunction with the most comparable IFRS financial measures. See the reconciliations of Adjusted profit, Adjusted EBITDA and Adjusted diluted earnings per share to the most comparable IFRS financial measure in the "Reconciliation of Non-IFRS Measures" section of this MD&A.

#### Forward-Looking Statements

This MD&A contains forward-looking statements that relate to our current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as "may", "will", "could", "expect", "anticipate", "aim", "estimate", "plan", "seek", "believe", "potential", "predict", "ongoing", "continue", "is/are likely to" or the negative of these terms, or other similar expressions intended to identify forward-looking statements.

Forward-looking statements are intended to assist readers in understanding management's expectations as of the date of this MD&A and may not be suitable for other purposes. We have based these forward-looking statements on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- our expectations about our revenue, expenses and operations;
- our anticipated cash needs;



**KINAXIS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**DATED: March 1, 2022**

- our ability to protect, maintain and enforce our intellectual property rights, including our ability to defend against third party claims;
- third party claims of infringement or violation of, or other conflicts with, intellectual property rights by us;
- our plans for and timing of expansion of our solutions and services;
- our future growth plans;
- the acceptance by our customers and the marketplace of new technologies and solutions;
- our ability to attract new customers and develop and maintain existing customers;
- our ability to attract and retain our people;
- our expectations with respect to advancement in our technologies;
- our competitive position and our expectations regarding competition;
- regulatory developments and the regulatory environments we operate in;
- anticipated trends and challenges in our business and the markets we operate in;
- expansion of our partnerships;
- completion of our new building and opportunities related to it;
- expectations relating to a hybrid office/work-from-home approach and results on the Company's carbon footprint;
- anticipated trends, standards and challenges in our business and the markets we operate in; and
- expected impact of COVID-19 on the Company's future operations and performance.

Forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments and other factors we believe are appropriate. Expected future developments include growth in our target market, an increase in our subscription revenue and decrease in maintenance and support revenue based on trends in customer behaviour, increasing sales and marketing expenses, research and development expenses and general and administrative expenses based on our business plans and our continued ability to realize on the benefits of tax credits in the near term. Although we believe that the assumptions underlying the forward-looking statements are reasonable, they may prove to be incorrect.

Whether actual results, performance or achievements will conform to our expectations and predictions is subject to a number of known and unknown risks and uncertainties, including those set forth below under the heading "Risks and Uncertainties". These risks and uncertainties could cause our actual results, performance, achievements and experience to differ materially from the future expectations expressed or implied by the forward-looking statements. In light of these risks and uncertainties, readers should not place undue reliance on forward-looking statements.

All of the forward-looking statements in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein. There is no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Kinaxis.

The forward-looking statements made in this MD&A relate only to events or information as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. We do not assume any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless we are required by law to do so.

### Risks and Uncertainties

We are exposed to risks and uncertainties in our business, including the risk factors set forth below:

#### Strategic risks

- If we're unable to develop new products and services, sell our solutions into new markets or further penetrate our existing markets, our revenue will not grow as expected.

- If we do not adequately scale our operations to meet and sustain our growth objectives, it could affect our ability to remain competitive and adversely affect our business.
- If we do not maintain the compatibility of our solutions with third party applications that our customers use in their business processes, demand for our solutions could decline.
- If we're unable to assess and adapt to rapid technological developments, it could impair our ability to remain competitive.
- If we fail to protect our intellectual property and proprietary rights adequately, our business could be adversely affected.
- If a third party makes an assertion that we're infringing its intellectual property, it could subject us to costly and time-consuming litigation or expensive licenses which could harm our business.
- We participate in highly competitive markets, and our failure to compete successfully would make it difficult for us to add and retain customers and would reduce or impede the growth of our business.
- If we're unable to retain our key employees, or effectively compete for talent, our business would be harmed and we might not be able to implement our business plan successfully.
- Our growth depends on the continued development of our direct sales force.
- As we increase our emphasis on our partner ecosystem, we may encounter new risks, such as dependence on partners for a material portion of our revenue and potential channel conflict.
- Mergers or other strategic transactions involving our competitors or customers could weaken our competitive position, which could harm our results of operations.
- We may not receive significant revenue as a result of our current research and development efforts.
- Our business may suffer if we do not develop widespread brand awareness cost-effectively.
- Our strategy includes pursuing acquisitions and our potential inability to successfully integrate newly-acquired companies or businesses may adversely affect our financial results.
- Efforts to reduce climate change could affect our sales and financial results.
- We may need to raise additional funds to pursue our growth strategy or continue our operations, and we may be unable to raise capital when needed or on acceptable terms.

#### Financial risks

- If we're unable to attract new customers or sell additional products to our existing customers, our revenue growth and profitability will be adversely affected.
- We derive a significant portion of our revenue from a relatively small number of customers, and our growth depends on our ability to retain existing customers and add new customers.
- We encounter long sales cycles, particularly with our larger customers, which could have an adverse effect on the amount, timing and predictability of our revenue.
- We rely significantly on recurring revenue, and if recurring revenue declines or contracts are not renewed, our future results of operations could be harmed.
- Downturns or upturns in new sales will not be immediately reflected in operating results and may be difficult to discern.
- Our quarterly results of operations may fluctuate. As a result, we may fail to meet or exceed the expectations of investors or securities analysts which could cause our share price to decline.
- We may incur operating losses in the future.
- Downturns in general economic and market conditions and reductions in IT spending may reduce demand for our solutions, which could negatively affect our revenue, results of operations and cash flows.

- We are subject to fluctuations in currency exchange rates.
- If we experience significant fluctuations in our rate of anticipated growth and do not balance our expenses with our revenue forecasts, our results could be harmed.

#### *Operational risks*

- Our solutions are complex and customers may experience difficulty in implementing or upgrading our products successfully or otherwise achieving the benefits attributable to our products.
- Security and privacy breaches could delay or interrupt service to our customers, harm our reputation or subject us to significant liability and adversely affect our business and financial results. Our ability to retain customers and attract new customers could be adversely affected by an actual or perceived breach of security or privacy relating to customer information.
- We enter into service level agreements with all our customers. If we do not meet these contractual commitments, we could be obligated to provide credits or refunds for prepaid amounts related to unused subscription services or face contract terminations, which could adversely affect our revenues.
- If our productivity is impacted as a result of remote work, we may incur additional costs to address such issues and our financial condition and results may be adversely impacted.
- Events that are out of our control, such as a geopolitical crisis, widespread outbreak of an illness or other health issue, a natural disaster or terrorist attack could negatively affect various aspects of our business.
- Interruptions or delays in the services provided by third parties could impair the delivery of our solutions and our business could suffer.
- We may experience service failures or interruptions due to defects in the software, infrastructure, third party components or processes that comprise our existing or new solutions, any of which could adversely affect our business.
- The use of open source software in our products may expose us to additional risks and harm our intellectual property.
- Because our long-term success depends, in part, on our ability to continue to expand the sales of our solutions to customers located outside North America, our business will be susceptible to risks associated with international operations.

#### *Regulatory and compliance risks*

- Privacy and security concerns, including evolving laws and regulations in these areas, could adversely affect our business and operating results.
- Current and future accounting pronouncements and other financial reporting standards might negatively impact our financial results.
- We are subject to taxation in various jurisdictions and the taxing authorities may disagree with our tax positions.

#### *Other risks*

- Impacts related to the COVID-19 pandemic are expected to continue to pose risks to our business for the foreseeable future, may heighten many of the risks and uncertainties identified herein, and could have a material adverse impact on our business, operations or financial performance in a manner that is difficult to predict.
- The market price of our common shares may be volatile.
- We may issue additional common shares in the future which may dilute our shareholders' investments.

These risks are described in further detail in the section entitled "Risk Factors" in our most recently filed Annual Information Form.

#### **Overview**

Kinaxis® is a leading provider of cloud-based subscription software that enables its customers to improve and accelerate analysis and decision-making across their supply chain operations. We combine human intelligence with artificial intelligence (AI) and our unique concurrent planning technique to help companies plan for the future, monitor risks and opportunities and respond at the pace of change. Our industry-proven applications and extensible, cloud-based RapidResponse® platform empowers planners, business leaders and information technology (IT) professionals to know sooner, act faster and remove waste so they can make decisions that improve the bottom line, make better use of resources and facilitate better work-life balance.

We serve the needs of Global Fortune 100, Fortune 500 and other large and mid-size companies, primarily focusing on companies with revenues over US\$250 million across seven vertical markets: high technology and electronics manufacturing, aerospace and defense, industrial products, life sciences and pharmaceuticals, automotive, consumer products and retail. Customers are primarily global enterprises with complex supply chain networks and significant unresolved supply chain challenges. Our customers include many leading organizations like Merck & Co., Ford Motor Company, Proctor & Gamble and Schneider Electric, and tend to select RapidResponse as a purpose-built solution to holistically address an end-to-end supply chain planning requirement (concurrent planning), rather than using bundled solutions from enterprise resource planning (ERP) vendors like Oracle or SAP. We believe this market is growing because of several factors, including the increased complexity and globalization of supply chains, outsourcing, a diversity of data sources and systems, competitive pressures and a growing awareness of the criticality of creating truly agile supply chains, as highlighted by the COVID-19 crisis.

#### *Recurring Revenue Model*

We sell our product using a subscription-based model, with the product being delivered from the cloud in the vast majority of cases, from locations we manage within leased third-party data center facilities. Revenue from product delivered from the cloud is recorded as Software as a Service ("SaaS") revenue. Certain customers have licensed our subscription product on an on-premise basis or have retained the option to take the hosted software on-premise as a hybrid subscription. Under IFRS 15, for on-premise and hybrid customers, the deemed software component for the applicable subscription term is recognized as "subscription term license revenue" upon initiation or renewal of the subscription contract term, with the remaining maintenance and support component and hosting services for hybrid subscriptions recognized ratably over the term as "maintenance and support revenue".

Our subscription customers generally enter into three to five year agreements which are paid annually in advance. SaaS and on-premise subscription agreements are generally subject to price increases upon renewal reflecting both inflationary increases and the additional value provided by our solutions. In addition to the expected increase in SaaS and subscription term license revenue from price increases over time, existing customers may subscribe for additional applications, users or sites during the terms of their agreements. Our subscription fee generally depends on the size of our customer, the number of applications deployed, the number of users and the number of licensed manufacturing, distribution and inventory sites. The average annual contract value fluctuates from period to period depending on the number and size of new customer arrangements and the extent to which we are successful in expanding adoption of our products by existing customers. We also provide professional services for implementation and configuration of the product, as well as ongoing technical services and training. Professional services are typically billed on a time and material basis.

Our subscription model results in a high proportion of recurring revenue, which includes SaaS and maintenance and support revenue (see "Significant Factors Affecting Results of Operations – Revenue"). While the underlying contracts for on-premise subscription agreements are typically structured in the same manner as for our cloud-delivered customers, including contracted, recurring annual payments, under IFRS 15 for on-premise customers we are required to separately report revenue as two components: the deemed software component and the maintenance and support component. The deemed software component for the entire term of these on-premise subscriptions is recognized as revenue upon contract term commencement or renewal (as a subscription term license). The amount and timing of any recurring subscription term license revenue from on-premise subscription agreements is subject to the timing and length of the renewal term of the agreement.

We believe the power of the subscription model is only fully realized when a vendor has high retention rates. High customer retention rates generate a long customer lifetime and a very high lifetime value of the customer. Our annual net revenue retention rates remain over 100%, which includes sales of additional applications, users and sites to existing customers.

The recurring nature of our revenue provides high visibility into future performance, and upfront payments result in cash flow generation in advance of revenue recognition. Typically, approximately 80% of our expected annual SaaS revenue is recognized from customer contracts that are in place at the beginning of the year and this continues to be our target model going forward. However, this also means that agreements with new customers or agreements with existing customers purchasing additional applications, users or sites in a quarter may not contribute significantly to revenue in the current quarter. For example, a new customer who enters into an agreement late in a quarter will typically have limited contribution to the revenue recognized in that quarter.

#### *Strong Financial Track Record*

We have established a consistent financial track record of strong revenue growth, solid earnings performance and cash generation. Our SaaS revenue growth is driven both by contracts with new customers and expansion of our solution within our existing customer base. More than 50% of SaaS revenue growth has been derived from new customers. Subscription term license revenue is generally driven by the timing of renewals of the underlying on-premise customer contracts. Our combined net revenue retention from both SaaS and on-premise subscriptions is greater than 100%, reflecting our longer term contract structure and strong renewal history.

For the three months and year ended December 31, 2021, our SaaS revenue was \$46.9 million and \$174.5 million (three months and year ended December 31, 2020 – \$39.8 million and \$148.9 million); subscription term license revenue was \$1.4 million and \$6.1 million (three months and year ended December 31, 2020 – \$1.9 million and \$17.9 million) and total revenue was \$68.5 million and \$250.7 million (three months and year ended December 31, 2020 – \$54.9 million and \$224.2 million). For the three months and year ended December 31, 2021, our Adjusted EBITDA was 16% of revenue (three months and year ended December 31, 2020 – 11% and 24%). Our ending cash, cash equivalents and short-term investment balance was \$233.4 million (December 31, 2020 – \$213.1 million).

For the three months and year ended December 31, 2021, our ten largest customers accounted for 26% and 25% of our total revenues (three months and year ended December 31, 2020 – 31% and 27%) with no customer accounting for greater than 10% of total revenues.

#### *Growth Strategy*

Increasing revenues through new customer wins is one of our highest organizational priorities. Our sales cycle can be lengthy, as much as 18 months. We generally target very large organizations with significant internal processes for adoption of new systems. We currently pursue a revenue growth model that includes both direct sales through our internal sales force, as well as indirect sales supported by our system integrator, value added reseller and other service partners.

We continue to invest in our partnerships both from a sales and product implementation perspective. We work with global and regional system integrators, which are able to positively influence the decision-making process at major target customers and help customers realize end-to-end supply chain optimization by implementing our industry-leading concurrent planning solution. Such partners include Accenture, Deloitte, EY, Genpact, mSE Solutions, Argon Groupe and Cognizant. Our referral partners direct new opportunities to us under a business arrangement. We regard Value Added Resellers as an extension of our sales force that resells and supports RapidResponse in select markets, with a focus on mid-market companies. Finally, we work with solution extension partners, such as 4flow, OCYO Consulting and PlanetTogether to provide additional applications on our platform, and project44, LevaData and Blume Global to provide additional data streams and signaling to increase the value that customers gain from RapidResponse. These partners, which we work with under revenue sharing agreements, deliver digital inputs or domain-specific applications that leverage the power of concurrent planning and extend the capabilities of the platform.

Due to the growth in the market and the increasing need for solutions, we expect competition in the industry from new entrants and larger incumbent vendors to increase. In addition to this increased competitive pressure, changes in the global economy, most notably due to COVID-19 in recent periods, may have an impact on the timing and ability of these enterprises to make buying decisions, which may have an impact on our performance.

We are headquartered in Ottawa, Ontario. We have subsidiaries located in the United States, France, Germany, Ireland, the Netherlands, the United Kingdom, Hong Kong, South Korea, and Singapore, and subsidiaries and offices in Tokyo, Japan and Chennai, India. We continue to expand our operations internationally. For the three months and year ended December 31, 2021, 59% and 62% of our revenues were derived from North American customers (three months and year ended December 31, 2020 – 62% and 64%) and our remaining revenues were derived from European and Asian customers.

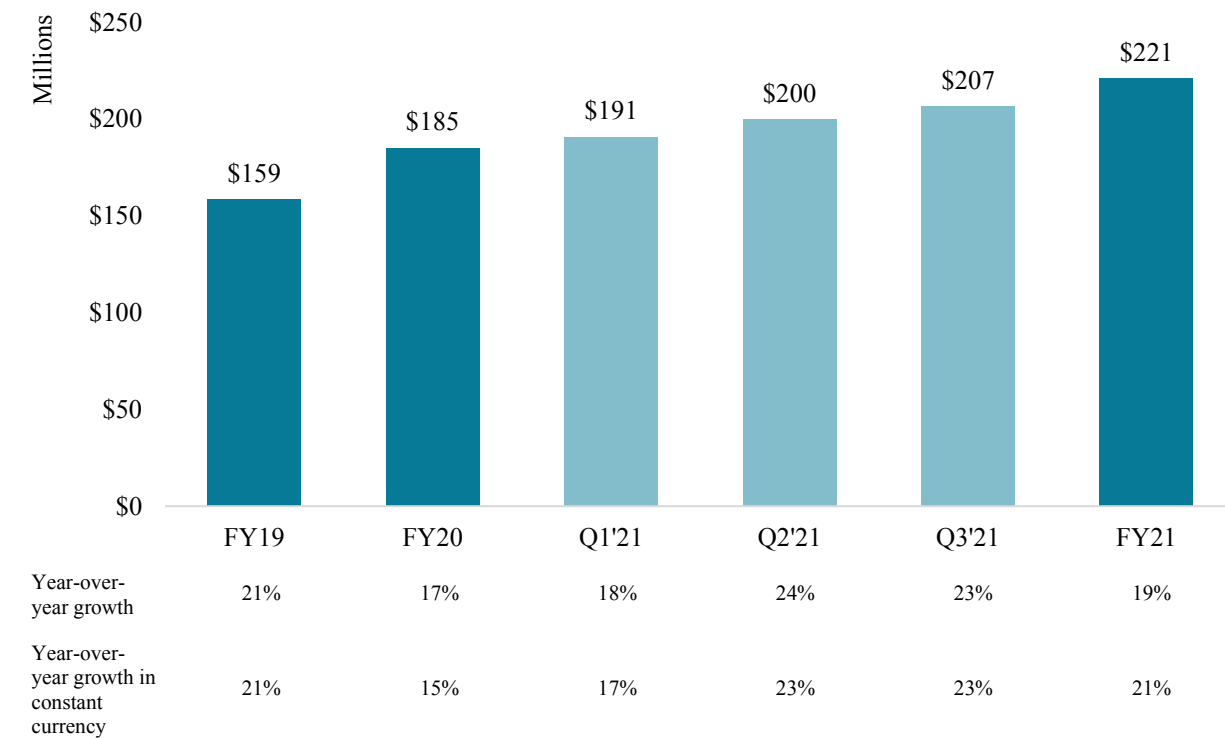
**Key Performance Indicators**

We use a number of key performance indicators to assess the performance of our business including Annual Recurring Revenue (ARR) and Remaining Performance Obligation (RPO). These financial measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers and cannot be reconciled to a directly comparable IFRS measure. We evaluate our performance by comparing our actual results to budgets, forecasts and prior period results. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

*Annual Recurring Revenue*

Annual Recurring Revenue is the total annualized value of recurring subscription amounts (ultimately recognized as SaaS, Subscription Term Licenses and Maintenance & Support revenue) of all subscription contracts at a point in time. Annualized subscription amounts are determined solely by reference to the underlying contracts, normalizing for the varying revenue recognition treatments under IFRS for cloud-based versus on-premise subscription amounts. It excludes one-time fees, such as for non-recurring professional services, and assumes that customers will renew the contractual commitments on a periodic basis as those commitments come up for renewal, unless such renewal is known to be unlikely at period end. We believe that this measure provides a more current indication of our performance in the growth of our subscription business than other metrics.

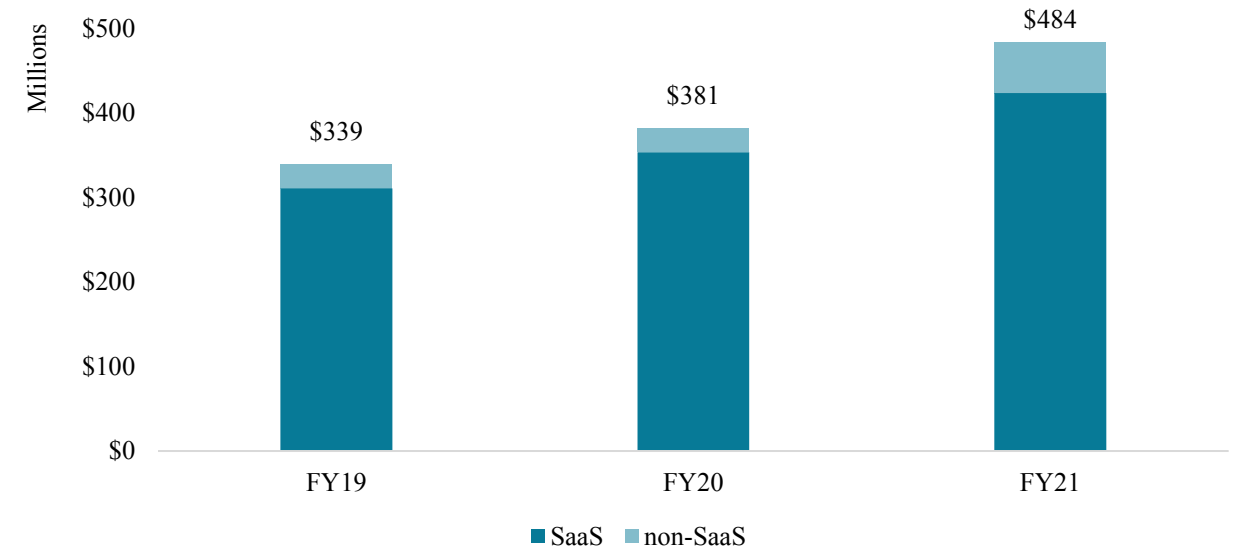
The Company's ARR at December 31, 2021 is \$221 million, an increase of 19% year-over-year or 21% on a constant currency basis. We calculate constant currency growth rates by applying the applicable prior period exchange rates to current period results.



*Remaining Performance Obligation*

Remaining Performance Obligation represents the minimum contracted revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at period end. Our business model continues to focus on delivering long-term value to our customers. As a result, we typically enter into three to five-year agreements with our customers. RPO is not necessarily indicative of future revenue growth and is influenced by several factors, including seasonality, the timing of renewals, average contract terms, foreign currency exchange rates and fluctuations in new business growth. RPO is also impacted by acquisitions.

As at December 31, 2021, RPO amounts to \$484 million, including \$423 million in SaaS revenue (December 31, 2020 – \$381 million and \$353 million).



**Significant Factors Affecting Results of Operations**

Our results of operations are influenced by a variety of factors, including:

*Revenue*

Our revenue consists of SaaS revenue, subscription term license revenue, professional services revenue and maintenance and support revenue.

SaaS revenue is comprised of subscription fees for provision of RapidResponse as software as a service in our hosted, cloud environment. This includes hosting services and maintenance and support for the solution over the term of the contract when the product is provided from the cloud under a SaaS arrangement.

Professional services revenue is comprised of fees charged to assist organizations to implement and integrate our solution and train their staff to use and deploy our solution. Professional service engagements are contracted on a time and materials basis including billable travel expenses and are billed and recognized as revenue as the service is delivered. In certain circumstances, we enter into arrangements for professional services on a fixed price basis; in these cases, revenue is recognized by reference to the stage of completion of the contract.

Subscription term license revenue is comprised of fees for the implied software component for on-premise and hybrid subscriptions, which is recognized as revenue upon term commencement. Hybrid subscription refers to the option of certain customers to take the hosted software on-premise.

Maintenance and support revenue is comprised of fees for the implied maintenance and support component for on-premise and hybrid subscriptions as well as a small amount of maintenance and support for certain legacy customers who licensed our software on a perpetual basis prior to our conversion to a SaaS model in 2005.

#### Cost of revenue

Cost of revenue consists of personnel, travel and other overhead costs related to implementation teams supporting initial deployments, training services and subsequent stand-alone engagements for additional services. Cost of revenue also includes personnel and overhead costs associated with our customer support team, amortization related to acquired technology, depreciation related to our computer hardware and leased data center facilities where we physically host our SaaS solution, and network connectivity costs for the provisioning of hosting services under SaaS arrangements.

#### Selling and marketing expenses

Selling and marketing expenses consist primarily of personnel and related costs for our sales and marketing teams, including salaries and benefits, contract acquisition costs including commissions earned by sales personnel and partner referral fees, partner programs support and training, and trade show and promotional marketing costs.

We plan to continue to invest in sales and marketing by expanding our domestic and international selling and marketing activities, building brand awareness, developing partners, and sponsoring additional marketing events. We expect that in the future, selling and marketing expenses will continue to increase.

#### Research and development expenses

Research and development expenses consist primarily of personnel and related costs for the teams responsible for the ongoing research, development and product management of RapidResponse. These expenses are recorded net of any applicable scientific research and experimental development investment tax credits ("investment tax credits") earned for expenses incurred in Canada against eligible projects. We only record non-refundable tax credits to the extent there is reasonable assurance we will be able to use the investment tax credits to reduce current or future tax liabilities. As the Company has an established history of profits, we do expect to realize the benefit of these tax credits in the near term. Further, we anticipate that spending on research and development will also be higher in absolute dollars as we expand our research and development and product management teams.

#### General and administrative expenses

General and administrative expenses consist primarily of personnel and related costs associated with administrative functions of the business including finance, human resources and internal information system support, as well as legal, accounting and other professional fees and amortization related to customer relationships. We expect that, in the future, general and administrative expenses will continue to increase in absolute dollars as we invest in our infrastructure and we incur additional employee-related costs and professional fees related to the growth of our business and international expansion.

#### Foreign exchange

Our presentation and functional currency is USD with the exception of our subsidiaries in South Korea (Korean Won), Japan (Japanese Yen), the Netherlands, France, Germany and Ireland (Euro), the United Kingdom (British Pound) and India (Indian Rupee). We derive most of our revenue in USD. Our head office and a significant portion of our employees are located in Ottawa, Canada, and as such approximately half of our expenses are incurred in Canadian dollars.

## Results of Operations

The following table sets forth a summary of our results of operations:

	Three months ended December 31,		Year ended December 31,		
	2021	2020	2021	2020	2019
	(In thousands of USD, except earnings per share)				
<b>Statement of Operations</b>					
Revenue .....	\$ 68,506	\$ 54,945	\$ 250,726	\$ 224,189	\$ 191,549
Cost of revenue .....	24,619	20,104	86,755	70,131	53,850
Gross profit .....	43,887	34,841	163,971	154,058	137,699
Operating expenses .....	46,608	38,326	162,052	133,282	105,247
	(2,721)	(3,485)	1,919	20,776	32,452
Foreign exchange loss .....	(194)	(364)	(558)	(196)	(226)
Net finance and other income (expense) .....	(36)	(91)	(264)	890	3,037
Profit (loss) before income taxes .....	(2,951)	(3,940)	1,097	21,470	35,263
Income tax expense (recovery) .....	(32)	(2,354)	2,262	7,740	11,932
Profit (loss) .....	\$ (2,919)	\$ (1,586)	\$ (1,165)	\$ 13,730	\$ 23,331
Adjusted profit <sup>(1)</sup> .....	\$ 4,430	\$ 3,400	\$ 15,988	\$ 30,947	\$ 36,698
Adjusted EBITDA <sup>(1)</sup> .....	\$ 11,277	\$ 6,095	\$ 39,851	\$ 53,751	\$ 57,727
Basic earnings (loss) per share .....	\$ (0.11)	\$ (0.06)	\$ (0.04)	\$ 0.51	\$ 0.89
Diluted earnings (loss) per share .....	\$ (0.11)	\$ (0.06)	\$ (0.04)	\$ 0.49	\$ 0.87
Adjusted diluted earnings per share <sup>(1)</sup> .....	\$ 0.16	\$ 0.12	\$ 0.56	\$ 1.10	\$ 1.36

Note:

(1) Adjusted profit, Adjusted EBITDA and Adjusted diluted earnings per share are non-IFRS measures. See "Non-IFRS Measures". For a reconciliation of these measures to the closest IFRS measure, where a comparable IFRS measure exists, see "Reconciliation of Non-IFRS Measures" below.

	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
	(In thousands of USD)		
Total assets .....	\$ 520,269	\$ 428,410	\$ 350,743
Total non-current liabilities .....	53,242	14,794	13,910

**Reconciliation of Non-IFRS Measures**

To supplement our consolidated financial statements, which are prepared and presented in accordance with IFRS, we provide investors with the following non-IFRS financial measures: Adjusted profit and Adjusted diluted earnings per share and Adjusted EBITDA. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of performance. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements.

**Adjusted profit and Adjusted diluted earnings per share**

Adjusted profit represents profit adjusted to exclude our equity compensation plans and non-recurring items. The non-recurring item during the three months ended December 31, 2021 of \$0.7 million relates to the provision for future variable lease payments for our former head office space which is no longer in use. The non-recurring items during the year ended December 31, 2021 of \$7.2 million relate to non-refundable government grants related to the pandemic of \$7.9 million net of the \$0.7 million provision for future variable lease payments. Adjusted diluted earnings per share represents diluted earnings per share calculated using Adjusted profit. We use Adjusted profit and Adjusted diluted earnings per share as these measures better align with our performance and improve comparability against our peers.

**Adjusted EBITDA**

Adjusted EBITDA represents profit adjusted to exclude our equity compensation plans, non-recurring items and income tax expense, depreciation and amortization, foreign exchange loss (gain), and net finance expense (income). We use Adjusted EBITDA to provide readers with a supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures.

We have reconciled Adjusted profit and Adjusted EBITDA to the most comparable IFRS financial measure as follows:

	Three months ended December 31,		Year ended December 31,		
	2021	2020	2021	2020	2019
	(In thousands of USD)				
Profit (loss) .....	\$ (2,919)	\$ (1,586)	\$ (1,165)	\$ 13,730	\$ 23,331
Share-based compensation.....	6,633	4,986	24,343	17,217	13,367
Non-recurring item .....	716	–	(7,190)	–	–
Adjusted profit.....	<u>\$ 4,430</u>	<u>\$ 3,400</u>	<u>\$ 15,988</u>	<u>\$ 30,947</u>	<u>\$ 36,698</u>
Income tax expense (recovery) .....	(32)	(2,354)	2,262	7,740	11,932
Depreciation and amortization.....	6,557	4,494	20,409	15,562	11,908
Foreign exchange loss.....	194	364	558	196	226
Net finance expense (income).....	128	191	634	(694)	(3,037)
	<u>6,847</u>	<u>2,695</u>	<u>23,863</u>	<u>22,804</u>	<u>21,029</u>
Adjusted EBITDA .....	<u>\$ 11,277</u>	<u>\$ 6,095</u>	<u>\$ 39,851</u>	<u>\$ 53,751</u>	<u>\$ 57,727</u>
Adjusted EBITDA as a percentage of revenue .....	16.5%	11.1%	15.9%	24.0%	30.1%

**Revenue**

	Three months ended December 31,		2020 to 2021	Year ended December 31,		2020 to 2021
	2021	2020	%	2021	2020	%
	(In thousands of USD)					
SaaS.....	\$ 46,855	\$ 39,815	18%	\$ 174,463	\$ 148,873	17%
Professional services .....	17,036	11,334	50%	57,640	45,899	26%
Subscription term license .....	1,442	1,948	(26%)	6,118	17,890	(66%)
Maintenance and support.....	3,173	1,848	72%	12,505	11,527	8%
	<u>68,506</u>	<u>54,945</u>	<u>25%</u>	<u>250,726</u>	<u>224,189</u>	<u>12%</u>

Total revenue for the three months ended December 31, 2021 was \$68.5 million, an increase of \$13.6 million compared to the same period in 2020. The increase was due to an 18% increase in SaaS revenues and a 50% increase in professional services revenue.

Total revenue for the year ended December 31, 2021 was \$250.7 million, an increase of \$26.5 million compared to the same period in 2020. The increase was due to a 17% increase in SaaS revenue and a 26% increase in professional services revenue, partially offset by a 66% decrease in subscription term license revenue, related to the normal cycle of on-premise customer renewals.

**SaaS revenue**

SaaS revenue for the three months and year ended December 31, 2021 was \$46.9 million and \$174.5 million, an increase of \$7.0 million and \$25.6 million compared to the same periods in 2020. This increase was due to contracts secured with new customers, as well as expansion of existing customer subscriptions.

**Professional services revenue**

Professional services revenue for the three months and year ended December 31, 2021 was \$17.0 million and \$57.6 million, an increase of \$5.7 million and \$11.7 million compared to the same periods in 2020. Professional services revenue has increased due to an increase in deployment activity due to growth in SaaS subscriptions and due to expanded service offerings. Professional services revenue varies quarter to quarter due to the size, timing and scheduling of customer engagements and the level of partner-led engagements.

**Subscription term license revenue**

Subscription term license revenue for the three months and year ended December 31, 2021 was \$1.4 million and \$6.1 million, a decrease of \$0.5 million and \$11.8 million compared to the same periods in 2020. Generally, subscription term license revenue varies quarter to quarter due to the timing of renewals and expansions for on-premise and hybrid subscription arrangements. The current period fluctuations reflect the normal cycle of such renewals.

**Maintenance and support revenue**

Maintenance and support revenue for the three months and year ended December 31, 2021 was \$3.2 million and \$12.5 million, an increase of \$1.3 million and \$1.0 million compared to the same periods in 2020.

**Cost of Revenue**

	Three months ended December 31,		2020 to 2021	Year ended December 31,		2020 to 2021
	2021	2020	%	2021	2020	%
	(In thousands of USD)					
Cost of revenue .....	\$ 24,619	\$ 20,104	22%	\$ 86,755	\$ 70,131	24%
Gross profit .....	43,887	34,841	26%	163,971	154,058	6%
Gross margin .....	64%	63%		65%	69%	
Software <sup>(1)</sup> .....	81%	81%		82%	85%	
Professional services .....	12%	(5%)		11%	7%	

Note:

(1) Software gross margin corresponds to SaaS, subscription term license and maintenance and support revenue.

Cost of revenue for the three months and year ended December 31, 2021 was \$24.6 million and \$86.8 million, an increase of \$4.5 million and \$16.6 million compared to the same periods in 2020. The increase was due to higher headcount and related compensation costs, partner and third-party provider costs, and depreciation costs. For the year ended December 31, 2021, the increase in cost of revenue was partially offset by amounts claimed for non-refundable government grants.

Gross margin for the three months and year ended December 31, 2021 was 64% and 65%, compared to 63% and 69% for the same periods in 2020. Gross margin is driven by a mix of software and professional services gross margins. Software gross margin was 81% and 82% for the three months and year ended December 31, 2021, compared to 81% and 85% for the same periods in 2020. The software gross margin for the year ended December 31, 2021 was lower due to the factors discussed relating to cost of revenue and due to a lower proportion of subscription term license revenue. Subscription term license revenue carries a higher gross margin than revenue recognized ratably over the term. Professional services gross margin was 12% and 11% for the three months and year ended December 31, 2021, compared to -5% and 7% for the same periods in 2020. The professional services gross margin increased for the three months and year ended December 31, 2021 due to an increase in headcount utilization as revenues increased in the period.

**Selling and Marketing Expenses**

	Three months ended December 31,		2020 to 2021	Year ended December 31,		2020 to 2021
	2021	2020	%	2021	2020	%
	(In thousands of USD)					
Selling and marketing .....	\$ 16,960	\$ 15,521	9%	\$ 59,078	\$ 52,630	12%
As a percentage of revenue .....	25%	28%		24%	23%	

Selling and marketing expenses for the three months ended December 31, 2021 were \$17.0 million, an increase of \$1.4 million compared to the same period in 2020. The increase was due to higher headcount and related compensation costs, travel costs, and marketing programs. Selling and marketing expenses for the year ended December 31, 2021 were \$59.1 million, an increase of \$6.4 million compared to the same period in 2020. The increase was due to higher headcount and related compensation costs and marketing programs, partially offset by lower travel costs and by amounts claimed for non-refundable government grants.

**Research and Development Expenses**

	Three months ended December 31,		2020 to 2021	Year ended December 31,		2020 to 2021
	2021	2020	%	2021	2020	%
	(In thousands of USD)					
Research and development .....	\$ 16,465	\$ 13,822	19%	\$ 57,424	\$ 47,420	21%
As a percentage of revenue .....	24%	25%		23%	21%	

Research and development expenses for the three months and year ended December 31, 2021 were \$16.5 million and \$57.4 million, an increase of \$2.6 million and \$10.0 million compared to the same periods in 2020. The increase was due to higher headcount and related compensation costs and public cloud service provider costs. Our investment in headcount supports ongoing programs to drive further innovation in our RapidResponse platform and ensure sustainable market leadership. For the three months ended December 31, 2021, the increase in research and development expenses was partially offset by a higher amount of investment tax credits claimed. For the year ended December 31, 2021, the increase was partially offset by amounts claimed for non-refundable government grants.

**General and Administrative Expenses**

	Three months ended December 31,		2020 to 2021	Year ended December 31,		2020 to 2021
	2021	2020	%	2021	2020	%
	(In thousands of USD)					
General and administrative .....	\$ 13,183	\$ 8,983	47%	\$ 45,550	\$ 33,232	37%
As a percentage of revenue .....	19%	16%		18%	15%	

General and administrative expenses for the three months and year ended December 31, 2021 were \$13.2 million and \$45.6 million, an increase of \$4.2 million and \$12.3 million compared to the same periods in 2020. General and administrative expenses include \$1.0 million of accelerated depreciation of right-of-use assets and leasehold improvements for our former head office which is no longer in use, as well as a provision of \$0.7 million for future variable lease payments on the same office space. The remaining increase in general and administrative expenses was due to higher headcount and related compensation costs, and legal and compliance costs. The increase in general and administrative expenses reflects investments in corporate infrastructure and capability to support our global expansion and growth strategy. For the year ended December 31, 2021, the increase was partially offset by amounts claimed for non-refundable government grants.



**Other Income and Expense**

	Three months ended December 31,		2020 to 2021	Year ended December 31,		2020 to 2021
	2021	2020	%	2021	2020	%
(In thousands of USD)						
Other income (expense):						
Foreign exchange loss .....	\$ (194)	\$ (364)	(47%)	\$ (558)	\$ (196)	185%
Net finance and other income (expense) .....	(36)	(91)	(60%)	(264)	890	— <sup>(1)</sup>
Total other income (expense) .....	(230)	(455)	(49%)	(822)	694	— <sup>(1)</sup>

Note:

(1) The percentage change has been excluded as it is not meaningful.

Total other expense for the three months ended December 31, 2021 was \$0.2 million compared to \$0.5 million for the same period in 2020. The lower expense was due to a lower foreign exchange loss during the period.

Total other expense for the year ended December 31, 2021 was \$0.8 million compared to other income of \$0.7 million for the same period in 2020. The expense was due to lower interest rates earned on cash and short-term investments, higher interest expense on lease obligations, and higher foreign exchange losses.

**Income Taxes**

	Three months ended December 31,		2020 to 2021	Year ended December 31,		2020 to 2021
	2021	2020	%	2021	2020	%
(In thousands of USD)						
Income tax expense (recovery) .....	\$ (32)	\$ (2,354)	(99%)	\$ 2,262	\$ 7,740	(71%)

Income tax recovery for the three months ended December 31, 2021 was a nominal amount, compared to a recovery of \$2.4 million for the same period in 2020. The decrease in income tax recovery was due to a lower loss before tax, higher non-deductible share-based compensation, and adjustments to filed positions recorded in the period, partially offset by benefits for share-based payments. Income tax expense for the year ended December 31, 2021 was \$2.3 million, a decrease of \$5.5 million compared to the same period in 2020. The decrease in income tax expense was due to lower profit before tax and lower benefits for share-based payments, partially offset by higher non-deductible share-based payments and adjustments to filed positions recorded in the period.

**Profit**

	Three months ended December 31,		2020 to 2021	Year ended December 31,		2020 to 2021
	2021	2020	%	2021	2020	%
(In thousands of USD except earnings per share)						
Profit (loss) .....	\$ (2,919)	\$ (1,586)	84%	\$ (1,165)	\$ 13,730	— <sup>(2)</sup>
Adjusted profit <sup>(1)</sup> .....	4,430	3,400	30%	15,988	30,947	(48%)
Adjusted EBITDA <sup>(1)</sup> .....	11,277	6,095	85%	39,851	53,751	(26%)
Basic earnings (loss) per share .....	\$ (0.11)	\$ (0.06)		\$ (0.04)	\$ 0.51	
Diluted earnings (loss) per share .....	\$ (0.11)	\$ (0.06)		\$ (0.04)	\$ 0.49	
Adjusted diluted earnings per share <sup>(1)</sup> .....	\$ 0.16	\$ 0.12		\$ 0.56	\$ 1.10	

Note:

(1) Adjusted profit, Adjusted EBITDA and Adjusted diluted earnings per share are non-IFRS measures. See "Non-IFRS Measures". For a reconciliation of these measures to the closest IFRS measure, where a comparable IFRS measure exists, see "Reconciliation of Non-IFRS Measures" above.

(2) The percentage change has been excluded as it is not meaningful.

Loss for the three months ended December 31, 2021 was \$2.9 million or \$0.11 per basic and diluted share, compared to a loss of \$1.6 million or \$0.06 per basic and diluted share for the same period in 2020. The higher loss was due to a lower income tax recovery, partially offset by a lower operating loss. Loss for the year ended December 31, 2021 was \$1.2 million or \$0.04 per basic and diluted share, compared to profit of \$13.7 million or \$0.51 per basic share and \$0.49 per diluted share for the same period in 2020. The decrease in profit was due to a decrease in subscription term license revenue related to the normal cycle of on-premise customer renewals, and an increase in cost of revenue and operating expenses, primarily higher headcount and related compensation costs. The decrease in profit was partially offset by higher total revenue, lower income tax expense, and non-refundable government grants.

Adjusted EBITDA for the three months ended December 31, 2021 was \$11.3 million, an increase of \$5.2 million compared to the same period in 2020. The increase in Adjusted EBITDA was due to an increase in SaaS and professional services revenue, partly offset by an increase in cost of revenue and operating expenses. Adjusted EBITDA for the year ended December 31, 2021 was \$39.9 million, a decrease of \$13.9 million compared to the same period in 2020. The decrease in Adjusted EBITDA was due to a decrease in subscription term license revenue and an increase in cost of revenue and operating expenses, partially offset by an increase in SaaS and professional services revenue.

**Key Balance Sheet Items**

	<u>As at December 31, 2021</u>	<u>As at December 31, 2020</u>
	(In thousands of USD)	
Total assets .....	\$ 520,269	\$ 428,410
Total liabilities.....	199,051	146,653

An analysis of the key balance sheet items driving the change in total assets and liabilities is as follows:

**Trade and other receivables**

	<u>As at December 31, 2021</u>	<u>As at December 31, 2020</u>
	(In thousands of USD)	
Trade accounts receivable.....	\$ 71,118	\$ 67,288
Unbilled receivables .....	15,413	13,800
Taxes receivable .....	217	-
Income tax credits receivable .....	-	211
Other.....	2,499	1,584
Total trade and other receivables .....	89,247	82,883

Trade accounts receivable at December 31, 2021 were \$71.1 million, an increase of \$3.8 million compared to December 31, 2020 due to variances in the timing of billings and collections on receivables. The aging of trade receivables is generally current or within 30 days past due and overdue amounts do not reflect any credit issues. The balance at any point in time is impacted by the timing of the annual subscription billing cycle for each customer and when new customer contracts are secured. Unbilled receivables at December 31, 2021 were \$15.4 million, an increase of \$1.6 million compared to December 31, 2020 due to renewals and expansion of on-premise or hybrid subscription agreements resulting in recognition of subscription term license revenue in advance of invoicing under the respective agreements.

**Property and equipment**

	<u>As at December 31, 2021</u>	<u>As at December 31, 2020</u>
	(In thousands of USD)	
Land .....	\$ 18	\$ 18
Computer equipment .....	29,509	24,847
Computer software .....	781	917
Office furniture and equipment .....	2,831	587
Leasehold improvements .....	18,954	4,377
Total property and equipment .....	52,093	30,746

Property and equipment at December 31, 2021 was \$52.1 million, an increase of \$21.3 million compared to December 31, 2020. The increase is primarily due to leasehold improvements for the new head office in Ottawa. We also invested in computer equipment to expand our data center capacity. Additions were partly offset by regular depreciation.

**Right-of-use assets & Lease obligations**

	<u>As at December 31, 2021</u>	<u>As at December 31, 2020</u>
	(In thousands of USD)	
Right-of-use assets .....	\$ 53,578	\$ 15,722
Lease obligations:		
Current .....	2,526	4,554
Non-current .....	53,233	12,065
	<u>55,759</u>	<u>16,619</u>

The right-of-use assets and lease obligations relate to our leases for office space and data centres. Right-of-use assets at December 31, 2021 were \$53.6 million, an increase of \$37.9 million compared to December 31, 2020. Lease obligations at December 31, 2021 were \$55.8 million, an increase of \$39.1 million compared to December 31, 2020. The increase in right-of-use assets and lease obligations is due to the addition of the new head office in Ottawa (refer to "Contractual Obligations" section) and expansion of the Montreal data centre during the period.

**Contract acquisition costs**

	<u>As at December 31, 2021</u>	<u>As at December 31, 2020</u>
	(In thousands of USD)	
Contract acquisition costs .....	\$ 19,691	\$ 16,484

Contract acquisition costs are capitalized and amortized over the expected life of the customer upon commencement of the related revenue. Contract acquisition costs consist of sales commissions paid to employees and third-party referral fees. Variable compensation plans are determined on an annual basis and may differ in how they correlate to revenue from year to year. Contract acquisition costs at December 31, 2021 were \$19.7 million, an increase of \$3.2 million compared to December 31, 2020. This increase was due to commissions incurred in the period, partly offset by regular amortization.

**Deferred revenue**

	<u>As at December 31, 2021</u>	<u>As at December 31, 2020</u>
	(In thousands of USD)	
Deferred revenue .....	\$ 99,239	\$ 94,275

Deferred revenue at December 31, 2021 was \$99.2 million, an increase of \$5.0 million compared to December 31, 2020. We generally bill our customers annually in advance for SaaS agreements resulting in initially recording the amount billed as deferred revenue which is subsequently drawn down to revenue over the agreement term. The change in deferred revenue was due to variances in the timing of billings for new and existing customer contracts. There was no deferred revenue relating to subscription term periods beyond one year.

**Summary of Quarterly Results**

The following table summarizes selected results for the eight most recent completed quarters to December 31, 2021.

**Three months ended**

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Revenue:								
SaaS	\$ 46,855	\$ 44,731	\$ 42,301	\$ 40,576	\$ 39,815	\$ 39,322	\$ 35,741	\$ 33,995
Professional services	17,036	14,576	14,001	12,027	11,334	11,492	12,400	10,673
Subscription term licenses	1,442	1,997	620	2,059	1,948	1,035	10,003	4,904
Maintenance and support	3,173	3,132	3,134	3,066	1,848	3,267	3,229	3,183
	68,506	64,436	60,056	57,728	54,945	55,116	61,373	52,755
Cost of revenue	24,619	21,847	19,783	20,506	20,104	18,557	15,634	15,836
Gross profit	43,887	42,589	40,273	37,222	34,841	36,559	45,739	36,919
Operating expenses	46,608	41,557	35,825	38,062	38,326	35,754	30,618	28,584
	(2,721)	1,032	4,448	(840)	(3,485)	805	15,121	8,335
Foreign exchange gain (loss)	(194)	547	(443)	(468)	(364)	124	(5)	49
Net finance and other income (expense)	(36)	(69)	(1)	(158)	(91)	156	152	673
Profit (loss) before income taxes	(2,951)	1,510	4,004	(1,466)	(3,940)	1,085	15,268	9,057
Income tax expense (recovery)	(32)	1,310	916	68	(2,354)	354	6,264	3,476
Profit (loss)	\$ (2,919)	\$ 200	\$ 3,088	\$ (1,534)	\$ (1,586)	\$ 731	\$ 9,004	\$ 5,581
Share-based compensation	6,633	6,501	5,902	5,307	4,986	4,732	3,723	3,776
Non-recurring item	716	–	(7,906)	–	–	–	–	–
Adjusted profit <sup>(1)</sup>	\$ 4,430	\$ 6,701	\$ 1,084	\$ 3,773	\$ 3,400	\$ 5,463	\$ 12,727	\$ 9,357
Income tax expense (recovery)	(32)	1,310	916	68	(2,354)	354	6,264	3,476
Depreciation and amortization	6,557	4,784	4,598	4,470	4,494	4,500	3,627	2,941
Foreign exchange loss (gain)	194	(547)	443	468	364	(124)	5	(49)
Net finance income (loss)	128	136	108	262	191	(59)	(152)	(673)
	6,847	5,683	6,065	5,268	2,695	4,671	9,744	5,695
Adjusted EBITDA <sup>(1)</sup>	\$ 11,277	\$ 12,384	\$ 7,149	\$ 9,041	\$ 6,095	\$ 10,134	\$ 22,471	\$ 15,052
Basic earnings (loss) per share	\$ (0.11)	\$ 0.01	\$ 0.11	\$ (0.06)	\$ (0.06)	\$ 0.03	\$ 0.34	\$ 0.21
Diluted earnings (loss) per share	\$ (0.11)	\$ 0.01	\$ 0.11	\$ (0.06)	\$ (0.06)	\$ 0.03	\$ 0.32	\$ 0.20
Adjusted diluted earnings per share <sup>(1)</sup>	\$ 0.16	\$ 0.24	\$ 0.04	\$ 0.13	\$ 0.12	\$ 0.20	\$ 0.46	\$ 0.34

Note:

(1) Adjusted profit, Adjusted EBITDA and Adjusted diluted earnings per share are non-IFRS measures. See “Non-IFRS Measures”. For a reconciliation of these measures to the closest IFRS measure, where a comparable IFRS measure exists, see “Reconciliation of Non-IFRS Measures” above.

Our quarterly revenue has generally trended upwards over the past eight quarters, primarily due to sales of new subscriptions for RapidResponse as well as new customer deployment activity. Subscription term license revenue varies quarter to quarter due to the timing of new contracts, expansions and renewals for on-premise and hybrid subscription arrangements.

Cost of revenue has increased as we continue to invest in personnel to support the growth in our business. Gross margin has ranged from 63% to 75% of revenue, with fluctuations due to the varying subscription term license revenue in each quarter and increases in cost of revenue. Operating expenses have increased for the majority of the periods presented primarily due to the addition of personnel in connection with the expansion of our business.

**Liquidity and Capital Resources**

Our primary source of cash flow is sales of subscriptions for our software and sales of professional services. Our approach to managing liquidity is to ensure, to the extent possible, that we always have sufficient liquidity to meet our liabilities as they come due. We do so by continuously monitoring cash flow and actual operating expenses compared to budget.

	As at December 31, 2021	As at December 31, 2020
	(In thousands of USD)	
Cash and cash equivalents	\$ 203,220	\$ 182,958
Short-term investments	30,168	30,180
	233,388	213,138

Cash and cash equivalents increased \$20.3 million to \$203.2 million at December 31, 2021. Short-term investments remained consistent at \$30.2 million. Total cash, cash equivalents and short-term investments increased \$20.3 million to \$233.4 million at December 31, 2021.

In addition to the cash, cash equivalents and short-term investment balances, we have a \$20.0 million CAD revolving demand facility available to meet ongoing working capital requirements. As part of the acquisition of Rubikloud, a Standby Letter of Credit has been issued against this facility in the amount of \$1.4 million CAD. Our principal cash requirements are for working capital and capital expenditures. Excluding deferred revenue, working capital at December 31, 2021 was \$287.1 million. Given the ongoing cash generated from operations and our existing cash and credit facilities, we believe there is sufficient liquidity to meet our current contractual obligations of \$104.9 million and finance our longer-term growth.

The following table provides a summary of cash inflows and outflows by activity:

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
	(In thousands of USD)			
<b>Cash inflow (outflow) by activity</b>				
Operating activities	\$ 3,238	\$ 3,200	\$ 50,138	\$ 59,470
Investing activities	(11,464)	(2,136)	(34,633)	(76,264)
Financing activities	1,166	1,381	5,851	16,638
Effects of exchange rates	(102)	657	(1,094)	830
Net cash inflows (outflows)	(7,162)	3,102	20,262	674
Net purchase (redemption) of short-term investments	–	10	–	58
Net inflows (outflows) from cash and short-term investments	(7,162)	3,112	20,262	732

**Cash provided by operating activities**

Cash generated by operating activities for the three months ended December 31, 2021 was \$3.2 million, comparable to \$3.2 million for the same period in 2020. The lower income tax recovery, higher depreciation, and higher share-based payments were offset by a higher net increase in operating assets and liabilities during the period. Cash generated by operating activities for the year ended December 31, 2021 was \$50.1 million, compared to \$59.5 million for the same period in 2020. The decrease was due to lower profit and a lower net increase in operating assets and liabilities, partially offset by higher share-based payments.

### Cash used in investing activities

Cash used in investing activities for the three months ended December 31, 2021 was \$11.5 million, compared to \$2.1 million for the same period in 2020. The increase was due to more purchases of property and equipment. Cash used in investing activities for the year ended December 31, 2021 was \$34.6 million, compared to \$76.3 million for the same period in 2020. The decrease is primarily due to the acquisition of Prana and Rubikloud that took place in 2020, partially offset by more purchases of property and equipment in 2021.

### Cash provided by financing activities

Cash provided by financing activities for the three months ended December 31, 2021 was \$1.2 million, comparable to \$1.4 million for the same period in 2020. Cash provided by financing activities for the year ended December 31, 2021 was \$5.9 million, compared to \$16.6 million for the same period in 2020. The decrease was due to fewer proceeds from stock options exercised and higher lease obligation payments.

### Contractual Obligations

Our lease commitments are primarily for office premises and secure data center facilities with expiry dates that range from July 2022 to February 2037. The largest lease commitment relates to a new head office in Ottawa, Canada, the lease of which commenced September 2021 and expires in 2037. Given the ongoing cash generated from operations and our existing cash and credit facilities, we believe there is sufficient liquidity to meet our contractual obligations.

The following table summarizes our contractual obligations as at December 31, 2021, including commitments relating to leasing contracts:

	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total amount
	(In thousands of USD)				
<b>Commitments</b>					
Lease agreements .....	\$ 9,475	\$ 13,215	\$ 7,362	\$ 31,546	\$ 61,598
<b>Financial Obligations</b>					
Trade payables and accrued liabilities..	43,328				43,328
<b>Total Contractual Obligations</b> .....	<u>\$ 52,803</u>	<u>\$ 13,215</u>	<u>\$ 7,362</u>	<u>\$ 31,546</u>	<u>\$ 104,926</u>

The following table summarizes our contractual obligations as at December 31, 2020, including commitments relating to leasing contracts:

	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total amount
	(In thousands of USD)				
<b>Commitments</b>					
Lease agreements .....	\$ 6,664	\$ 15,538	\$ 7,092	\$ 32,762	\$ 62,056
<b>Financial Obligations</b>					
Trade payables and accrued liabilities..	33,030				33,030
<b>Total Contractual Obligations</b> .....	<u>\$ 39,694</u>	<u>\$ 15,538</u>	<u>\$ 7,092</u>	<u>\$ 32,762</u>	<u>\$ 95,086</u>

### Recent Developments

On February 11, 2022, we acquired 100% of the outstanding shares of a supply chain software solutions company in exchange for cash. The acquired company is a provider of algorithm-driven supply chain planning software modules.

The cash consideration is based on a purchase price of \$3.1 million, adjusted for the acquired company's closing cash and indebtedness at the date of acquisition and subject to post-closing working capital adjustments.

### Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, other than variable payments related to operating leases with terms of twelve months or less (which have been included in the disclosed obligations under "*Liquidity and Capital Resources – Contractual Obligations*"), that have, or are likely to have, a current or future material effect on our consolidated financial position, financial performance, liquidity, capital expenditures or capital resources.

### Transactions with Related Parties

We did not have any transactions during the three months and year ended December 31, 2021 and 2020 between the Company and a related party outside the normal course of business.

### Financial Instruments and Other Instruments

We recognize financial assets and liabilities when we become party to the contractual provisions of the instrument. On initial recognition, financial assets and liabilities are measured at fair value plus transaction costs directly attributable to the financial assets and liabilities, except for financial assets or liabilities at fair value through profit and loss, whereby the transactions costs are expensed as incurred. The carrying amounts of our financial instruments approximate fair value due to the short-term maturity of these instruments.

#### Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Our credit risk is primarily attributable to trade and other receivables.

The nature of our subscription-based business results in payments being received in advance of the majority of the services being delivered, as a result, our credit risk exposure is low.

We invest our excess cash in short-term investments with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations and future planned capital expenditures with the secondary objective of maximizing the overall yield of the investment. We manage our credit risk on investments by dealing only with major Canadian banks and investing only in instruments that we believe have high credit ratings. Given these high credit ratings, we do not expect any counterparties to these investments to fail to meet their obligations.

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect our income or the value of our holdings of financial instruments.

##### a) Currency risk

A portion of our revenues and operating costs are realized in currencies other than our functional currency, such as the Canadian dollar, Japanese Yen, Euro, and British Pound. As a result, we are exposed to currency risk on these transactions. Also, additional earnings volatility arises from the translation of monetary assets and liabilities, investment tax credits recoverable and deferred tax assets and liabilities denominated in foreign currencies at the rate

of exchange on each date of our consolidated statements of financial position; the impact of which is reported as a foreign exchange gain or loss or as income tax expense for deferred tax assets and liabilities.

Our objective in managing our currency risk is to minimize exposure to currencies other than our functional currency. We do not engage in hedging activities. We manage currency risk by matching foreign denominated assets with foreign denominated liabilities.

*b) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. We believe that interest rate risk is low for our financial assets as the majority of investments are made in fixed rate instruments. We do have interest rate risk related to our credit facilities. The rates on our Revolving Facility are variable tied to Royal Bank prime rate and Royal Bank US base rate. No amounts have been drawn as at December 31, 2021.

*Capital management*

Our capital is composed of shareholders' equity which includes our common shares. Our objective in managing our capital is financial stability and sufficient liquidity to increase shareholder value through organic growth and investment in sales, marketing and product development. Our senior management team is responsible for managing the capital through regular review of financial information to ensure sufficient resources are available to meet operating requirements and investments to support our growth strategy. The Board of Directors of Kinaxis (the "Board") is responsible for overseeing this process. In order to maintain or adjust our capital structure, we could issue new shares, repurchase shares, approve special dividends or issue debt.

**Critical Accounting Policies and Estimates**

See our annual consolidated financial statements for the year ended December 31, 2021 and the related notes thereto for a discussion of the accounting policies and estimates that are critical to the understanding of our business operations and the results of our operations.

**Contingencies**

We are involved in litigation with a competitor, whereby the competitor has made certain allegations concerning patent infringement. We will accrue a liability if we determine that it is more likely than not that a present obligation exists that will result in an outflow of resources and the amount of the obligation can be reliably estimated. Significant judgment is required in both the determination of probability and the determination as to whether an amount of an obligation is reliably estimable. We have assessed that our defense against these allegations will more likely than not be successful and a present obligation does not exist. At December 31, 2021, we have not recognized a liability regarding these allegations.

We are required to apply judgment with respect to any potential loss or range of loss in connection with litigation. The outcome of litigation and claims is intrinsically subject to considerable uncertainty.

**Controls and Procedures**

*Disclosure Controls and Procedures*

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining our disclosure controls and procedures. We maintain a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis. Our CEO and CFO have evaluated the design and effectiveness of our disclosure controls and procedures at the end of the financial year and based on the evaluation have concluded that the disclosure controls and procedures are effective.

*Internal Controls over Financial Reporting*

Our internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our management is responsible for establishing and maintaining adequate ICFR. Management, including our CEO and CFO, does not expect that our ICFR will prevent or detect all errors and all fraud or will be effective under all future conditions. A control system is subject to inherent limitations and even those systems determined to be effective can provide only reasonable, but not absolute, assurance that the control objectives will be met with respect to financial statement preparation and presentation.

National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian Securities Administrators requires our CEO and CFO to certify that they are responsible for establishing and maintaining ICFR and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Our CEO and CFO are also responsible for disclosing any changes to our internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our management under the supervision of our CEO and CFO has evaluated the design of our ICFR based on the Internal Control – Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. As at December 31, 2021, management assessed the effectiveness of our ICFR and concluded that our ICFR is effective and there are no material weaknesses that have been identified. There were no significant changes to our ICFR for the year ended December 31, 2021.

**Outstanding Share Information**

As of December 31, 2021, our authorized capital consists of an unlimited number of common shares with no stated par value. Changes in the number of common shares, options, restricted share units, deferred share units and performance share units outstanding for the year ended December 31, 2021 and as of March 1, 2022 are summarized as follows:

Class of Security	Number	Net issued	Number	Net issued	Number
	outstanding at December 31, 2020		outstanding at December 31, 2021		outstanding at March 1, 2022
Common shares	27,085,922	376,912	27,462,834	15,148	27,477,982
Stock options	2,228,456	(85,081)	2,143,375	(5,000)	2,138,375
Restricted Share Units	78,305	18,278	96,583	(6,372)	90,211
Deferred Share Units	55,928	9,513	65,441	–	65,441
Performance Share Units	–	31,640	31,640	(3,776)	27,864

Our outstanding common shares increased by 376,912 shares in 2021 due to the exercise of 291,680 stock options and vesting of 85,232 restricted and performance share units.

Our outstanding stock options decreased by 85,081 options in 2021 due to the grant of 275,973 options less 291,680 options exercised and 69,374 options forfeited. Each option is exercisable for one common share.

Our outstanding restricted share units increased by 18,278 units in 2021 due to the grant of 106,001 units less 85,232 units vested and 2,491 units forfeited. Our outstanding deferred share units increased by 9,513 units in 2021 due to units granted. Our outstanding performance share units increased by 31,640 units in 2021 due to units granted. Upon vesting, each share unit can be paid out or settled in cash, an equivalent number of common shares, or a combination thereof, as elected by the Compensation Committee of the Board.



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