Kinaxis®

End-to-end supply chain orchestration powered by AI

Supply chains are under pressure from all sides. Kinaxis helps companies respond with unparalleled agility using supply chain orchestration, a process that incorporates AI and coordinates all parts of the supply chain from end-to-end.

With orchestration, our customers can balance the most challenging demands - controlling costs, building resilience, driving efficiencies, and being sustainable - all in one place, transforming supply chains into a strategic business driver.

Powering the world's most admired supply chains

Kinaxis' software is trusted by renowned global brands to provide the agility and predictability needed to navigate today's volatility and disruption.

Trademarks, trade names and service marks

This annual report 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, the company's 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 annual report, other than those that belong to Kinaxis, are the property of their respective owners.

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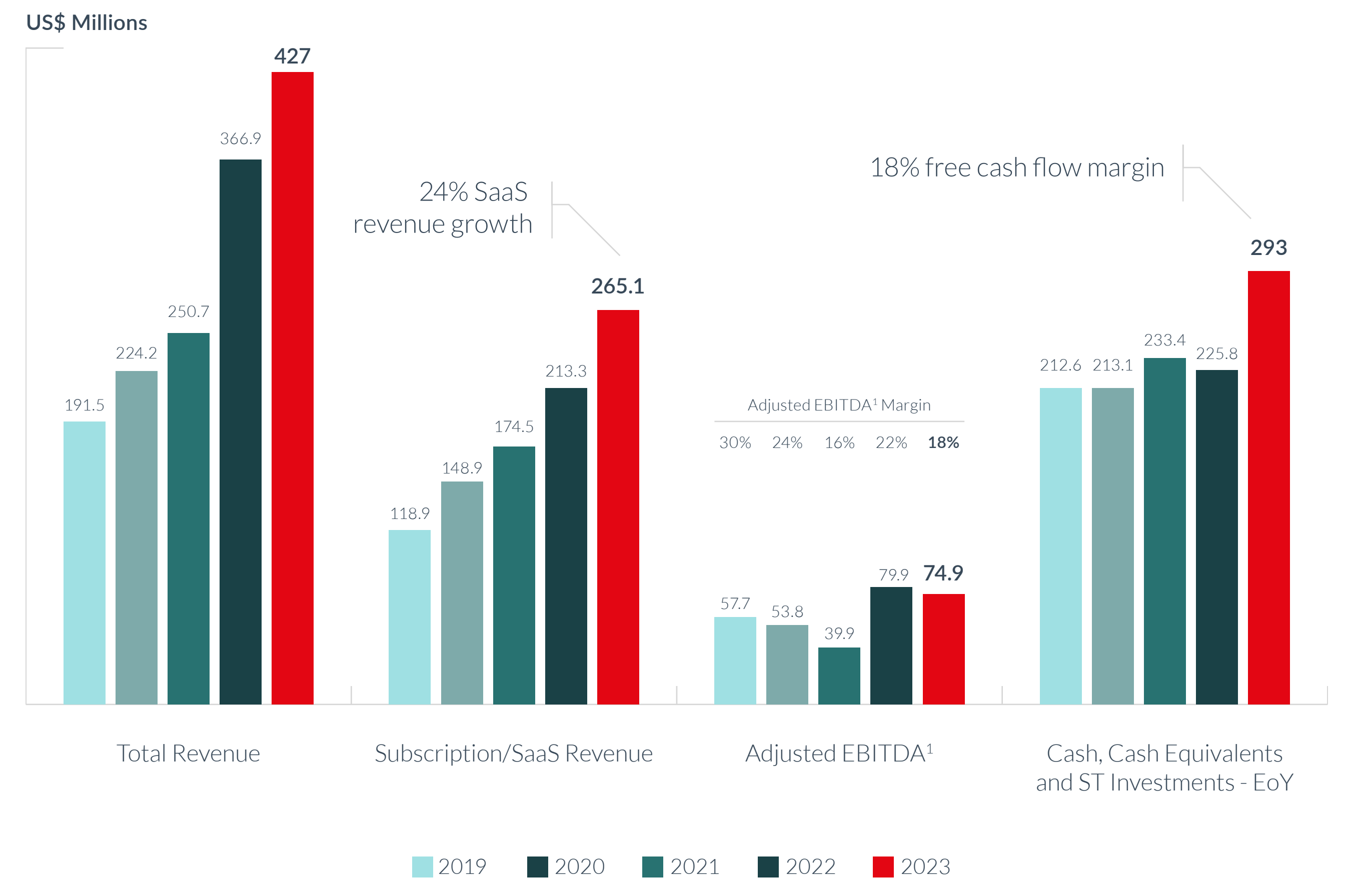
Financial Highlights

Kinaxis' customers typically sign multi-year subscription agreements for our RapidResponse® supply chain orchestration platform. The business model provides a predictable, recurring revenue base that has grown rapidly over time as we have added new customers across multiple vertical markets and expanded deployments with our existing customers. Even as we have continued to make significant strategic investments in the growth of our business, our operations have continued to generate significant cash. In 2024, we achieved SaaS revenue growth of 24% while generating 18% Adjusted EBITDA[1] and free cash flow margins.

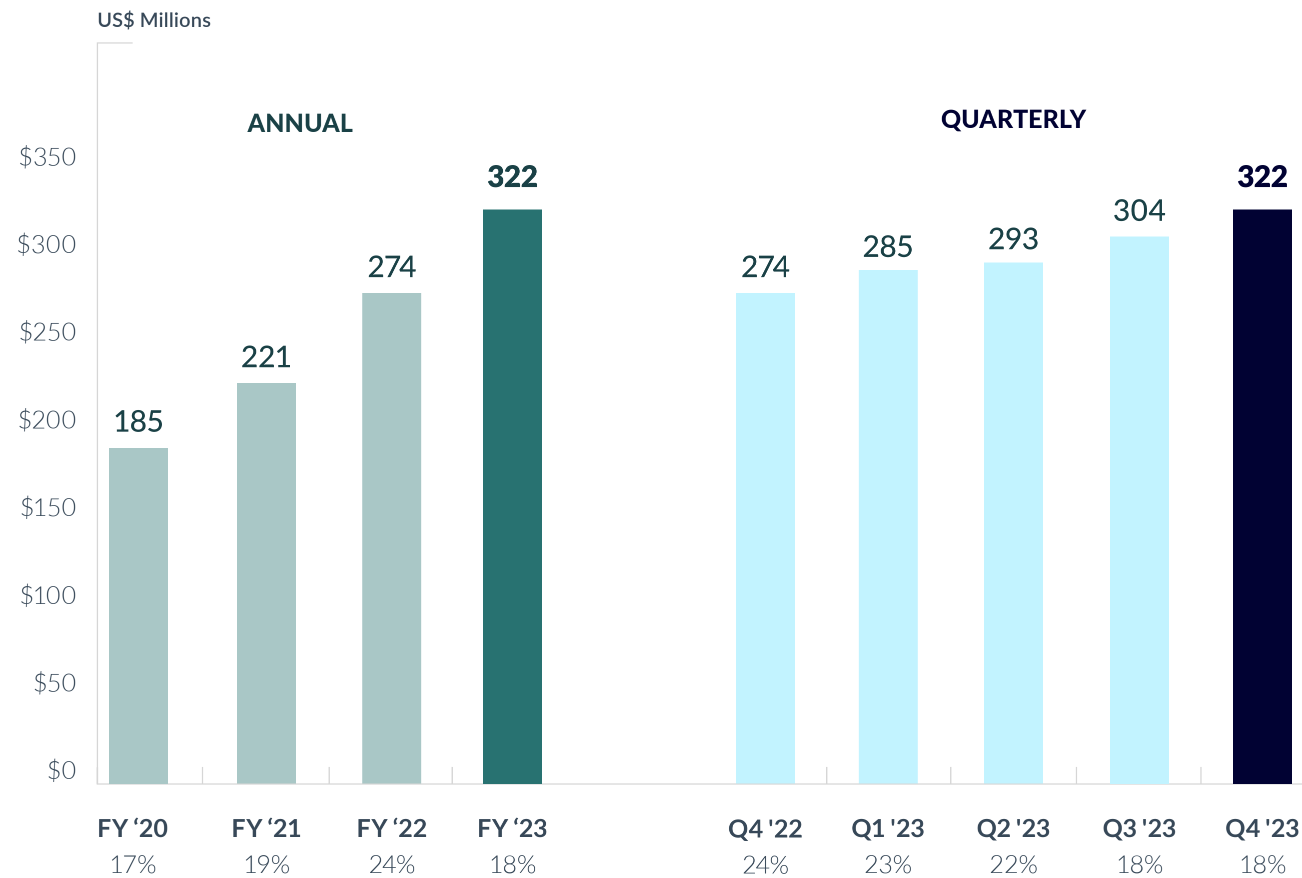


1. *Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA margin expresses Adjusted EBITDA as a percentage of revenue. Adjusted EBITDA and Adjusted EBITDA margin are not recognized, defined or standardized measures under International Financial Reporting Standards (IFRS) and might not be comparable to similar financial measures presented by other issuers. Adjusted EBITDA represents profit adjusted to exclude the change in the fair value of contingent consideration (i.e. the impact of our formerly outstanding redeemable preferred shares), our equity compensation plans, non-recurring items, income tax expense, depreciation and amortization, foreign exchange loss (gain) and net¬ finance (income) expense. We use Adjusted EBITDA to provide readers with a supplemental measure of our operating performance and to highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. Adjusted EBITDA margin expresses Adjusted EBITDA as a percentage of revenue.*

   Our definitions of Adjusted EBITDA and Adjusted EBITDA margin will likely differ from that used by other companies (including our peers) and therefore comparability may be limited. Non-IFRS measures should not be considered a substitute for, or in isolation from, measures prepared in accordance with IFRS. Non-IFRS measures should be read in conjunction with our annual consolidated financial statements and the related notes as at and for the year ended December 31, 2023. Readers should not place undue reliance on non-IFRS measures and should instead view them in conjunction with the most comparable IFRS financial measures. Adjusted EBITDA and other non-IFRS financial measures reported by Kinaxis and reconciliations to the most comparable IFRS financial measure can be found under the headings Non-IFRS Measures and Reconciliation of Non-IFRS Measures in our annual management's discussion and analysis (MD&A) which sections are incorporated by reference herein and are available on SEDAR+ (www.sedarplus.ca).

Annual Recurring Revenue (ARR)[2]

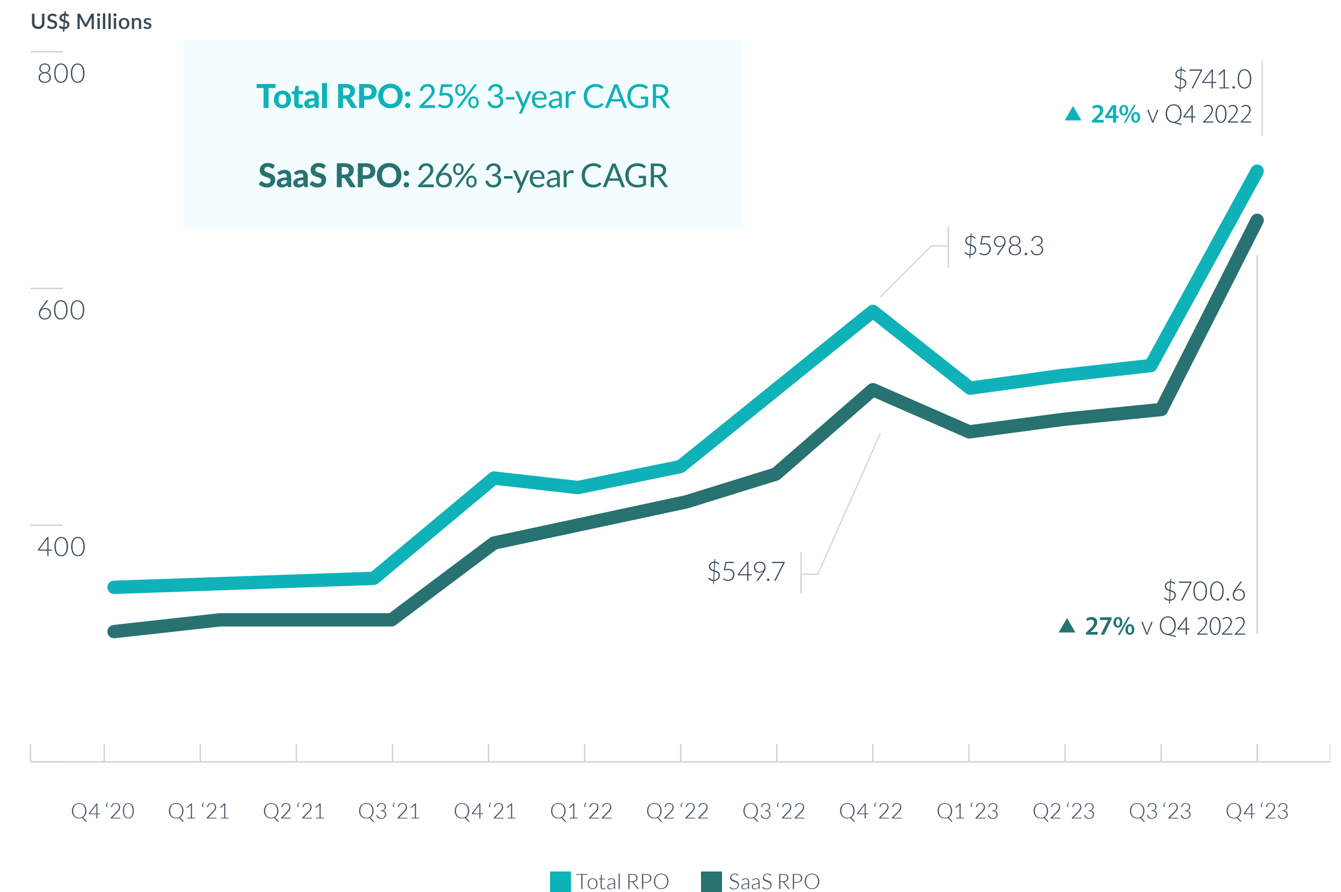
Our ARR is the total annualized value of recurring subscription amounts (ultimately recognized as SaaS, Subscription Term Licenses and Maintenance & Support revenue) for all subscription contracts at a point in time. Such amounts are determined by reference to the underlying contracts, and are normalized for the varying revenue recognition treatments under IFRS for cloud-based versus on-premise subscription amounts. We believe that ARR is a good indicator of the growth in our subscription business at a moment in time. We ended 2023 with an ARR balance of $322 million, representing 18% growth over 2022.



2. *Annual Recurring Revenue (ARR) is the total annualized value of recurring subscription amounts (ultimately recognized as SaaS, Subscription term licenses and Maintenance and 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 key performance indicator provides a more current indication of our performance in the growth of our subscription business than other metrics.*

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, 2023, for our signed multi-year contracts. While the value in a period is influenced by several factors, including seasonality, the timing of contract renewals, average contract terms, and others, when looked at over three to five years (our typical contract terms) it is one view of growth in our business over time. For example, we have experienced a 25% cumulative average growth rate in our total RPO from 2021 to 2023 and 26% growth in SaaS RPO over that time.



Letter to Shareholders

Strong results in a challenging 2023

Once again in 2023, Kinaxis delivered strong annual SaaS growth balanced with profitability that came in above expectations. SaaS revenue grew by 24% and our adjusted EBITDA[1] margin for the full year was 18%. We had record free cash flow of over $75 million, more than 70% higher than ever before, and representing 18% of our revenue for the year.

These results are particularly impressive considering a difficult economic backdrop in 2023 that caused companies to delay decisions, require more senior levels of approvals, and reduce project scope to meet compressed budgets. As a result, our Annual Recurring Revenue[2] growth rate, a leading indicator of future SaaS growth, slowed somewhat to a still impressive 18%. Overall, we are proud of 2023 results and our ongoing efforts to help people unlock the full potential of the world's supply chains.

Record new customer wins

In 2023, we won a record number of new customers, including a record number of mid-market customers (companies with revenue between $500 million and $1.5 billion), a growth strategy we initiated just over three years ago. We also won a record number of smaller customers ($250 million to $500 million in revenue) through our value-added reseller channel, which is just over a year old. Together, over 40% of new wins came from mid-market or smaller customers. The vast majority of the new customers we won in the second half of the year were deployed in public cloud environments, either Google Cloud Platform or Microsoft Azure, another successful new strategy that is intended to help us scale as we continue to rapidly grow the customer base.

You would recognize many of the new customers we won in 2023, including ExxonMobil, Volvo, Brooks Sports, Peloton, Brown-Forman (distillers and marketers of Jack Daniels and Finlandia Vodka), and Brita, amongst others. Overall, we have more than doubled our customer base in the last three years. Our customers are "sticky", too, with between 95% and 100% staying with us year over year -- an impressive retention rate.

Building on established product leadership and creating expansion opportunities

Kinaxis was once again named a leader in the 2023 Gartner® Magic Quadrant™ for Supply Chain Planning Solutions[3]. Among the 20 vendors evaluated, Kinaxis was positioned furthest for Completeness of Vision and highest on Ability to Execute.

While we're thrilled with this ongoing recognition, and proud of our 60%-plus win rate against our three core competitors, we continue to improve RapidResponse, our supply chain orchestration solution. In 2023 we announced the following new capabilities:

- **Enterprise Scheduling** is an innovative scheduling tool that allows companies to orchestrate production across sites and create a comprehensive, feasible and efficient manufacturing schedule, regardless of plant layout.

3. *Gartner, Magic Quadrant for Supply Chain Planning Solutions, P. Orup Lund, T. Payne, J. Suleski, J. Graham, C. Thomson, A. Salley, May 2, 2023. The Gartner content described herein, (the "Gartner Content") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Gartner Content speaks as of its original publication date (and not as of the date of this document) and the opinions expressed in the Gartner Content are subject to change without notice.*

- Our new **Supply Chain Execution** application, a result of our MPO acquisition in 2022, includes transportation management, order management and returns management. It empowers businesses to drive supply chain orchestration from plan through delivery across all time horizons.
- Aligned with growing global requirements, our **Sustainable Supply Chain** allows companies to include environmental factors as a key part of supply chain decisions by embedding carbon emission factors, including Scope 3 emissions, into RapidResponse scenarios.
- **Demand.AI** enhancements use advanced artificial intelligence (AI) to allow companies to better understand how both internal and external factors are influencing demand for their products and to have the opportunity to take advantage of these changes quickly.
- Key enhancements to demand planning meet the unique needs of the retail industry, and a new **Replenishment Planning** capability enables retailers to better manage replenishment parameters across their supply chain. It provides insight into items at stores and distribution centers to get restocked in a timely manner while helping to minimize excess inventory.

We continue to embed AI across our platform and it represents the largest part of our patent portfolio (including both pending and issued patents). We are excited about the opportunities to use new generative AI technology and already have early initiatives underway with customers starting to test them.

All the new capabilities we've introduced offer opportunities for both higher competitive win rates and greater expansion within our growing existing customer base. While we have traditionally focused more on winning new customers, at the beginning of 2023 we created a new account team to exclusively target our existing customers, who represent significant opportunities for expansion.

New vertical markets

As I mentioned in this letter last year, we won a bellwether account in our newest vertical market: retail. We're proud to be able to name that customer: HAVI, a strategic supply chain partner for the world's largest quick service restaurants and for other industries. We grew our retail customer footprint further in 2023 and are expecting acceleration in 2024 thanks to reaching important milestones and launching new product capabilities specific to the retail market.

I mentioned winning ExxonMobil in 2023. In 2022 we won Castrol, a BP company. In recent years we have also won other large oil and gas companies, and we have more opportunities ahead. While many of the initial implementations relate to the consumer lubricants businesses of these giants, there is significant interest in Kinaxis covering more products and processes. We look forward to the opportunity.

Committed to a sustainable, socially responsible future

I remain very proud of our ESG program. We continue to fully offset our Scope 1, 2 and 3 carbon emissions, and remain focused on removing waste from customers' supply chains with our new Sustainable Supply Chain application.

At Kinaxis we describe our culture as People Matter Here, so nothing makes me happier than 92% of our surveyed team saying that their manager respects and is committed to diversity and inclusion. We have focused our charitable commitments to Women Who Code, a global non-profit empowering diverse women to excel in technology careers, and the Ellen MacArthur Foundation, an organization committed to creating a circular economy designed to eliminate waste and pollution.

Rating agencies are recognizing our accomplishments: MSCI gave us a Triple A designation; Sustainalytics included us in the 2023 Top-Rated ESG Companies list in the software category; and Institutional Investor awarded us Best ESG Program in the Technology, Media and Telecommunications sector in Canada.

A global transformation is underway

I continue to believe we are in the early days of what will be a multi-year, global transformation to full supply chain orchestration, which will enable companies of every size, type and maturity level to manage their end-to-end ecosystem, creating agility, transparency, intelligence and trust. Kinaxis' proprietary concurrency technique crosses time horizons, business processes and organizational boundaries to keep supply chains in sync. A recent study we performed with IDC showed that 83% of supply chains can't respond to disruptions in 24 hours, but 97% of respondents were optimistic that better orchestration tools would have an impact on supply chain performance.

On the path towards higher profitability

To meet this opportunity, in recent periods we have reinvested in our sales team, launched exciting new product capabilities, and enabled RapidResponse on public cloud platforms. Consequently, we are now in a strong position to increase our focus on profitability and steadily return over the mid-term to a business model with an aim to consistently deliver an Adjusted EBITDA[1] margin of at least 25%, normalizing for cyclical fluctuations in our subscription term license revenue.

We aim to continue to make progress towards that goal in 2024 while also delivering another year of strong SaaS revenue growth. Eighty-eight percent of our 2024 SaaS revenue guidance was in our committed backlog of signed business at the end of 2023.

As always, we thank you, our shareholders, for your belief in Kinaxis' opportunity and team. We remain well positioned to take advantage of the ongoing renaissance in modern supply chain management to deliver value to our shareholders.

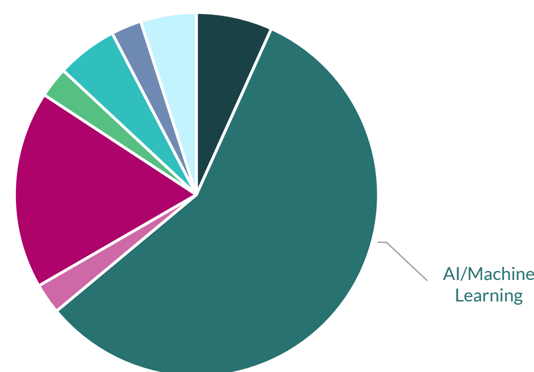
Sincerely,

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

Kinaxis' Long History and Exciting Future with AI

Artificial intelligence (AI) is the science of computers mimicking human intelligence to solve problems. This science encompasses many disciplines to improve speed, precision and elegance in decision-making by finding patterns in enormous volumes of data. Examples of the fields are machine learning (including deep learning), optimization, genetic algorithms, robotic process automation, generative AI (such as ChatGPT), and decision management.

Patents by Solution Area



AI and Machine Learning represent the biggest category in our portfolio of pending and issued patents.

AI can generate recommendations, predict and surface insights, provide speed and scale, automate processes, and enhance productivity, all capabilities we can apply across supply chains.

Kinaxis' use of AI[4] goes back years and represents the biggest single category in our patent portfolio. AI is a key element in a number of our offerings.

- **Demand.AI** empowers planners with highly accurate demand forecasts across all horizons using machine-learning based forecasting and sensing, while leveraging analytics, insights, and exception-based workflows to prioritize high value-add work. It incorporates the true drivers of demand using both internal and external signals, such as weather patterns, major events or social media sentiment.

- **Supply.AI** balances trade-offs incorporating cost, revenue, on-time delivery, capacity and more using new modeling approaches and analytical solvers. Supply.AI can solve a wide variety of business problems. Examples include *could-be-built* to maximize margin by determining what products to build and how given available supplies and uncommitted capacity, and *common blend*, which lets you make the best use of available APIs and select the optimal processing techniques to maximize total demand satisfied.

- The **Self-Healing Supply Chain** examines supply chain design assumptions, such as lead times and production yields, compares those with actual performance and then closes the gap automatically through machine learning.

AI truly became a household term in November 2022 when generative AI became part of the public consciousness thanks to ChatGPT. Demands to use AI instantly sped up: an IBM Institute for Business Value study[5] found 66% of CEOs felt pressure from their boards to accelerate AI adoption; a Workday study[6] noted that 80% of decision-makers said that AI is essential to remaining competitive, so 94% are investing in it.

In 2024, Kinaxis will be talking more about new capabilities we're developing with generative AI that will help users learn about RapidResponse, create resources like dashboards, scorecards and workbooks faster, and ultimately solve complex supply chain problems with greater efficiency and effectiveness than ever before.

4. See https://www.kinaxis.com/en/artificial-intelligence
5. See https://www.ibm.com/downloads/cas/1V2XKXYJ
6. See https://blog.workday.com/en-us/2023/workday-research-ai-iq-study-reveals-artificial-intelligence-adoption-barriers-business-leaders.html

5 Principles for Implementing AI in Supply Chains

Kinaxis has established five principles for successfully implementing AI in supply chains.

FIRST PRINCIPLE:

AI should augment humans

AI's capabilities are nothing short of amazing, from producing creative marketing copy, to complex legal research, to songs, paintings and more, and it's due to the ability of AI to process data and learn from patterns far beyond the cognitive capacity of humans. However, machines cannot provide what Kinaxis calls the 3 C's: context, collaboration and conscience. Models cannot derive meaning from context, critical in so many areas, nor can they work together to solve problems like sustainability or human rights in supply chains. This complementarity is why AI should augment humans, not replace them. The same Workday study[5] showed that 93% of decision makers believe in the importance of keeping the human in the loop when AI is making significant decisions.

SECOND PRINCIPLE:

The expert fusion of AI, heuristics and optimization is key

AI can also model problems at scale to produce more precise recommendations, such as greater demand forecast accuracy or better predictions of on-time delivery. Precision is also a benefit of optimization, a field of AI familiar to many in supply chains to make the best use of resources within constraints to accomplish an optimal solution with a specific objective, such as minimizing costs. But here scale can be a challenge: optimizing a supply network can involve millions of interdependent variables, slowing even the best solution by several hours. Instead, some turn to heuristics, a problem-solving model that utilizes a practical solution, or best practice, to produce a quick and feasible course of action good enough for the situation.

Various mathematical models can offer speed, precision, and elegance, but with trade-offs. Generative AI is not the right approach to all classic supply chain problems. Instead, a fusion of methods, like machine learning and heuristics, can "warm start" an optimization model and speed up the ability to solve it, creatively combining the strengths of each approach to achieve an equilibrium of speed, precision and elegance.

THIRD PRINCIPLE:

Concurrency amplified by AI is a breakthrough in supply chain management

Supply chains connect many functions across a company and beyond, which is why optimizing one link doesn't optimize the entire chain. For example, AI can greatly increase the accuracy of forecasts, but we want more than highly-efficient silos as ultimately demand needs to be aligned with supply. The power of AI on its own is not enough.

The real breakthrough is not from AI but with concurrency, which integrates AI in the workflow to align decision-making across the supply chain for faster response. We want AI for its ability to predict with greater precision, speed, and elegance, and we need concurrency to connect supply chains across functions for better, faster response, no matter what the conditions are and to absorb the volatility we cannot predict from inevitable disruptions.

FOURTH PRINCIPLE:

The power of AI must be democratized

We will always need data scientists to explore new ways to apply AI, but empowering supply chain practitioners to adopt it themselves will extend its reach. The best solutions require only an understanding of company data and business, not technical proficiency in AI or data science. So while Workday's survey[5] found 72% of leaders feel their organizations lack the skills necessary to fully implement AI, applying AI doesn't have to involve diving into the deep end. If solutions are designed for someone with supply chain context and business knowledge, they can "consume" the results of a model without knowing how to build it. Democratizing AI in this way ensures its use.

FIFTH PRINCIPLE:

Explainability is essential for AI adoption

The value of AI is limited when the speed, precision, and elegance are delivered in black boxes that even the data scientists who constructed them cannot unpack. Lack of explainability is a barrier to adoption, because if you are personally held responsible for a forecast, it can be hard to trust a "machine." One approach to overcoming this aversion is state-of-the-art techniques that make black box AI models more understandable. For example, tools like a SHAP diagram (SHapley Additive exPlanations) can be surfaced in demand sensing to help a planner see how adding a signal like weather affects predictions. We need to arm users with the information they need to explain their decisions, embedded in solutions they can understand.

The opportunity for AI in supply chains is massive

Supply chains have never needed more help, and AI has never been more ready, so the time is now. As Kinaxis continues to ramp up its use of AI, it will be built on a human-centered approach that amplifies the power of concurrency to drive the most intelligent supply chains on the planet. When AI is embedded across the end-to-end supply chain, expertly fusing the best techniques available, we can reimagine what is possible in our supply chains.

Consolidated Financial Statements, for the Years Ended December 31, 2023 and 2022

Kinaxis Inc.

Consolidated Financial Statements

for the years ended December 31, 2023 and 2022

(In thousands of USD)

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INDEPENDENT AUDITOR'S 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, 2023 and December 31, 2022
- the consolidated statements of comprehensive income 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 material accounting policy information

(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, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

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, 2023.

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 auditor's 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(a) 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 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 auditor's 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 auditor's 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 auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's 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 auditor's 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.

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.

Auditor’s 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 auditor’s 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.
- 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 auditor’s 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 auditor’s 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 auditor’s 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 auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor’s report is Anuj Madan.

Ottawa, Canada

February 28, 2024

Kinaxis Inc.

Consolidated Statements of Financial Position

As at December 31

(Expressed in thousands of USD)

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 174,844	$ 175,347
Short-term investments	118,118	50,476
Trade and other receivables (note 5)	156,609	157,657
Prepaid expenses	14,810	13,660
	464,381	397,140
Non-current assets:		
Unbilled receivables (note 5)	3,155	7,245
Other receivables	972	971
Prepaid expenses	1,130	2,395
Investment tax credits recoverable (note 20)	8,362	7,591
Deferred tax assets (note 20)	1,184	1,065
Contract acquisition costs (note 6)	27,438	24,892
Property and equipment (note 7)	40,300	51,852
Right-of-use assets (note 8)	47,109	53,537
Intangible assets (note 9)	23,394	28,271
Goodwill (note 10)	74,556	73,314
	227,600	251,133
	$ 691,981	$ 648,273
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities (note 11)	$ 39,700	$ 40,107
Deferred revenue (note 12)	137,598	133,467
Provisions (note 13)	—	296
Contingent consideration (note 23)	—	9,146
Lease obligations (note 14)	5,805	6,991
	183,103	190,007
Non-current liabilities:		
Lease obligations (note 14)	45,985	49,977
Deferred tax liabilities (note 20)	8,065	6,861
	54,050	56,838
Shareholders' equity:		
Share capital (note 15)	307,327	244,713
Contributed surplus	44,339	65,129
Accumulated other comprehensive gain (loss)	1,360	(156)
Retained earnings	101,802	91,742
	454,828	401,428
	$ 691,981	$ 648,273

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors:

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

Kinaxis Inc.

Consolidated Statements of Comprehensive Income

For the years ended December 31

(Expressed in thousands of USD, except share and per share data)

	2023	2022
Revenue (note 17)	$ 426,971	$ 366,889
Cost of revenue	168,074	131,102
Gross profit	258,897	235,787
Operating expenses:		
Selling and marketing	102,719	79,446
Research and development	81,707	74,147
General and administrative	60,369	54,273
	244,795	207,866
	14,102	27,921
Other income:		
Foreign exchange gain (loss)	(1,236)	1,499
Net finance and other income	8,821	1,240
Change in fair value of contingent consideration (note 23)	(1,951)	826
	5,634	3,565
Profit before income taxes	19,736	31,486
Income tax expense (recovery) (note 20):		
Current	11,037	3,892
Deferred	(1,361)	7,514
	9,676	11,406
Profit	10,060	20,080
Other comprehensive income:		
Items that are or may be reclassified subsequently to profit:		
Foreign currency translation differences - foreign operations	1,075	441
Change in net unrealized gain on cash flow hedges	441	—
	1,516	441
Total comprehensive income	$ 11,576	$ 20,521
Basic earnings per share	$ 0.36	$ 0.73
Weighted average number of basic Common Shares (note 16)	28,321,874	27,667,100
Diluted earnings per share	$ 0.35	$ 0.70
Weighted average number of diluted Common Shares (note 16)	29,149,535	28,609,603

See accompanying notes to consolidated financial statements.

Kinaxis Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31

(Expressed in thousands of USD)

			Accumulated other comprehensive income (loss)				
	Share capital	Contributed surplus	Cash flow hedges	Currency translation adjustments	Total	Retained earnings	Total equity
Balance, December 31, 2021	$ 195,414	$ 54,739	$ —	$ (597)	$ (597)	$ 71,662	$ 321,218
Profit	—	—	—	—	—	20,080	20,080
Other comprehensive income	—	—	—	441	441	—	441
Total comprehensive income	—	—	—	441	441	20,080	20,521
Share options exercised	38,791	(9,076)	—	—	—	—	29,715
Restricted share units vested	10,091	(10,091)	—	—	—	—	—
Performance share units vested	417	(417)	—	—	—	—	—
Share-based payments	—	29,974	—	—	—	—	29,974
Total shareholder transactions	49,299	10,390	—	—	—	—	59,689
Balance, December 31, 2022	$ 244,713	$ 65,129	$ —	$ (156)	$ (156)	$ 91,742	$ 401,428
Profit	—	—	—	—	—	10,060	10,060
Other comprehensive income	—	—	441	1,075	1,516	—	1,516
Total comprehensive income	—	—	441	1,075	1,516	10,060	$ 11,576
Share options exercised	41,545	(9,991)	—	—	—	—	31,554
Restricted share units vested	10,676	(10,676)	—	—	—	—	—
Performance share units vested	2,628	(2,628)	—	—	—	—	—
Share-based payments	—	35,788	—	—	—	—	35,788
Shares issued for contingent consideration	11,097	—	—	—	—	—	11,097
Shares repurchased (note 15)	(3,332)	(33,283)	—	—	—	—	(36,615)
Total shareholder transactions	62,614	(20,790)	—	—	—	—	41,824
Balance, December 31, 2023	$ 307,327	$ 44,339	$ 441	$ 919	$ 1,360	$ 101,802	$ 454,828

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)

	2023	2022
Cash flows from operating activities:		
Profit	$ 10,060	$ 20,080
Items not affecting cash:		
Depreciation of property and equipment and right-of-use assets (note 19)	20,880	21,496
Amortization of intangible assets (note 19)	5,404	3,564
Share-based payments (note 15)	34,507	26,238
Net finance income	(8,842)	(1,013)
Change in fair value of contingent consideration (note 23)	1,951	(826)
Income tax expense (note 20)	9,676	11,406
Investment tax credits recoverable	(771)	(3,975)
Change in operating assets and liabilities (note 21)	5,369	(49,123)
Interest received	7,853	2,546
Interest paid	(1,640)	(1,841)
Income taxes paid	(5,090)	(4,034)
	79,357	24,518
Cash flows used in investing activities:		
Acquisition of business, net of cash acquired (note 4)	—	(36,738)
Purchase of property and equipment and intangible assets (note 7, 9)	(2,299)	(18,249)
Purchase of short-term investments	(205,679)	(80,314)
Redemption of short-term investments	140,666	60,314
	(67,312)	(74,987)
Cash flows from (used in) financing activities:		
Payment of lease obligations (note 14)	(6,974)	(6,733)
Lease incentives received	—	3,858
Repurchase of shares (note 15)	(36,615)	—
Proceeds from exercise of stock options	31,554	29,715
	(12,035)	26,840
Increase (decrease) in cash and cash equivalents	10	(23,629)
Cash and cash equivalents, beginning of year	175,347	203,220
Effects of exchange rates on cash and cash equivalents	(513)	(4,244)
Cash and cash equivalents, end of year	$ 174,844	$ 175,347

See accompanying notes to consolidated financial statements.

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, 2023 and 2022 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, Romania, Mexico, 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 IFRS Accounting Standards 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 February 28, 2024.

(b) 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.

(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 unless otherwise stated. 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 USD at the rates prevailing at that date. Exchange differences on monetary items are recognized in profit or 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

2. Basis of preparation (continued):

(e) Foreign currency (continued):

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 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. Estimates and judgments include, but are not limited to the following areas of accounting and disclosure:

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. Judgment may be required to determine if such bundled products and services are considered i) distinct performance obligations that should be separately recognized, or ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting. 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.

2. Basis of preparation (continued):

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

Revenue recognition on fixed price professional services 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 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.

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) 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, with revenue primarily 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. For certain contracts, a component of consideration is recognized on a unit basis in accordance with transaction volume.

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 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.

3. Significant Accounting Policies (continued):

(b) 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.

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.

3. Significant Accounting Policies (continued):

(b) Financial instruments (continued):

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
Contingent consideration	FVTPL

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.

Derivative financial instruments and hedge accounting

Derivative financial instruments are used to manage the Company's exposure to market risks of certain foreign-currency denominated expenses. Derivative use is limited to the purchase of foreign currency forward contracts. These contracts are measured at fair value and are recognized as either other receivables, or accrued liabilities during the term of the contract. The Company does not hold or issue derivative financial instruments for trading purposes.

Hedge accounting is applied if at the inception of the hedge, and throughout the hedge period, the changes in the fair value of the foreign currency forward contracts are expected to substantially offset the changes in the fair value of the hedged expense attributable to the underlying currency risk exposure.

The Company has an established strategy and risk management objectives for undertaking hedge transactions. All foreign currency forward contracts have a maximum duration of six months and are linked to specific forecasted expenses. The Company formally assesses at the hedge's inception if the foreign currency contract is expected to offset the changes in the cash flows expected on the foreign denominated expenses.

To assess hedge effectiveness during the hedging period, the Company compares the changes in the fair value of the foreign currency forward contract to changes in the fair value of the hedged expense attributable to the currency market risk. The effective portion of the changes in the forward value of the contract, net of taxes, is recognized in Other Comprehensive Income ("OCI"), while any ineffective portions are recognized immediately in income. Amounts recorded in OCI are reclassified to income in the same period as the hedged expense.

Hedge accounting is discontinued if the contract ceases to be highly effective, matures, is terminated or sold, or if the Company removes the derivative's hedge designation. Ineffectiveness could occur if a hedged forecasted transaction is no longer probable of occurring as expected. If hedge accounting is discontinued, amounts previously recognized in OCI are reclassified to income.

(c) 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.

3. Significant Accounting Policies (continued):

(d) Short-term investments:

Short-term investments consist of term deposits and guaranteed income certificates held with commercial banks for maturity terms of three to nine 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.

(e) 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	3 to 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.

(f) 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

3. Significant Accounting Policies (continued):

(f) Leases (continued):

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.

(g) 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.

(h) 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.

(i) Research and development expense:

Expenditures on research activities is recognized in profit or loss as incurred. Development costs for internally developed software, are recorded as an intangible asset if the criteria for capitalization is met. Expenditures relating to preliminary or post implementation project activities for internally developed software are expensed as incurred. Internally developed software recorded as an intangible asset will be amortized on a straight-line basis over the length of its useful life, which is typically five years.

3. Significant Accounting Policies (continued):

(j) 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.

(k) 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 OCI or directly in equity), in which case the tax is also recognized outside of profit or loss.

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 expenditures, which are primarily

3. Significant Accounting Policies (continued):

(k) Income taxes (continued):

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

(l) 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.

(m) 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.

(n) 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 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.

3. Significant Accounting Policies (continued):

(o) 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 nine years and the useful life for technology is four to 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.

(p) 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 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.

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4. Business combinations:

On February 11, 2022, the Company acquired 100% of the outstanding shares of a supply chain solutions company in exchange for cash. The acquired company is a provider of algorithm-driven supply chain planning software modules. The operating results of the acquired company have been consolidated into the Company's results subsequent to the acquisition date. The Company incurred acquisition-related costs of $199 which have been recorded in general and administrative expense.

The purchase price consisted of cash consideration of $3,144, adjusted for the acquired company's closing cash at the date of acquisition and subject to post-closing working capital adjustments, resulting in total consideration of $3,084.

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

Assets acquired and liabilities assumed:		
Cash and cash equivalents	$	65
Trade and other receivables		423
Right-of-use assets		82
Intangible assets:		
Technology		550
Customer relationships		350
Trade payables and accrued liabilities		(82)
Deferred revenue		(407)
Lease obligation		(82)
Deferred tax liability		(239)
		660
Goodwill		2,424
Total consideration	$	3,084

The trade and other receivables include gross contractual amounts of $381, all of which has been fully collected.

The goodwill is primarily attributable to the expected synergies that will result from the value of integrating the acquired company's intellectual property to the Company's future product direction, and the relevant industry and technical knowledge of the assembled workforce. The goodwill is not deductible for tax purposes.

On August 15, 2022, the Company acquired 100% of the outstanding shares of MP Objects B.V. ("MPO") and all wholly owned subsidiaries. MPO offers a natively unified cloud platform for Multi-Party Orchestration, which optimizes order, inventory, and transportation across dynamic, multi-party networks. The Company incurred acquisition-related costs of $1,688 which have been recorded in general and administrative expense.

The purchase price consisted of cash consideration of $33,828 and contingent consideration of 86,335 shares of the Company that had a fair value at the date of acquisition of $9,972. During the year ended December 31, 2023, $11,097 of contingent consideration was settled through the issuance of 86,335 shares, as outlined in note 23. The consideration was adjusted for the acquired company's closing cash at the date of acquisition and post-closing working capital adjustments, resulting in total consideration of $44,731.

4. Business combinations (continued):

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

Assets acquired and liabilities assumed:		
Cash and cash equivalents	$	1,040
Trade and other receivables		1,753
Prepaid expenses		230
Contract acquisition costs		195
Property and equipment		95
Right-of-use assets		1,470
Intangible assets:		
Technology		8,400
Customer relationships		7,600
Trade payables and accrued liabilities		(1,008)
Deferred revenue		(531)
Lease obligation		(1,470)
Deferred tax liability		(2,875)
		14,899
Goodwill		29,832
Total consideration	$	44,731

The trade and other receivables include gross contractual amounts of $986. Trade and other receivables of $803 have been fully collected, with the remaining amounts due provided for the loss allowance as outlined in note 5.

The goodwill is primarily attributable to the expected synergies that will result from the value of integrating the acquired company's intellectual property to the Company's future product direction, customer relationships and the relevant industry and technical knowledge of the assembled workforce. The goodwill is not deductible for tax purposes.

5. Trade and other receivables:

		2023		2022
Trade accounts receivable	$	118,084	$	121,669
Unbilled receivables		34,913		30,623
Taxes receivable		1,114		1,830
Other		3,539		3,847
		157,650		157,969
Loss allowance		(1,041)		(312)
	$	156,609	$	157,657

There were no trade accounts receivable written off in 2023 (2022 – $nil).

5. Trade and other receivables (continued):

The following table presents changes in total unbilled receivables:

		2023		2022
Balance, beginning of year	$	37,868	$	15,925
Amounts transferred to trade accounts receivable		(30,112)		(10,353)
Revenue in excess of billings		30,294		32,296
Balance, end of year	$	38,050	$	37,868

The following table presents current and non-current unbilled receivables, net of loss allowance:

		2023		2022
Current	$	34,896	$	30,623
Non-current		3,154		7,245

6. Contract acquisition costs:

		2023		2022
Balance, beginning of year	$	24,892	$	19,691
Additions		11,318		13,232
Amortization		(8,872)		(7,439)
Effects of movements in exchange rates		100		(592)
Balance, end of year	$	27,438	$	24,892

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

7. Property and equipment:

Cost	December 31, 2022	Additions	Dispositions	Effects of exchange rates	December 31, 2023
Land	$ 18	$ —	$ —	$ —	$ 18
Computer equipment	65,418	1,059	(204)	(208)	66,065
Computer software	4,066	110	(172)	(8)	3,996
Office furniture and equipment	4,521	657	(357)	(8)	4,813
Leasehold improvements	24,565	367	(861)	(66)	24,005
Total cost	$ 98,588	$ 2,193	$ (1,594)	$ (290)	$ 98,897

Accumulated depreciation	December 31, 2022	Depreciation	Dispositions	Effects of exchange rates	December 31, 2023
Computer equipment	$ 37,823	$ 9,576	$ (204)	$ (150)	$ 47,045
Computer software	3,082	553	(172)	(9)	3,454
Office furniture and equipment	2,126	1,378	(357)	(10)	3,137
Leasehold improvements	3,705	2,143	(861)	(26)	4,961
Total accumulated depreciation	$ 46,736	$ 13,650	$ (1,594)	$ (195)	$ 58,597

Cost	December 31, 2021	Additions	Dispositions	Effects of exchange rates	December 31, 2022
Land	$ 18	$ —	$ —	$ —	$ 18
Computer equipment	67,920	9,073	(10,552)	(1,023)	65,418
Computer software	3,735	861	(505)	(25)	4,066
Office furniture and equipment	3,731	906	(83)	(33)	4,521
Leasehold improvements	23,657	4,109	(2,935)	(266)	24,565
Total cost	$ 99,061	$ 14,949	$ (14,075)	$ (1,347)	$ 98,588

7. Property and equipment (continued):

Accumulated depreciation	December 31, 2021	Depreciation	Dispositions	Effects of exchange rates	December 31, 2022
Computer equipment	$ 38,411	$ 10,556	$ (10,549)	$ (595)	$ 37,823
Computer software	2,954	658	(505)	(25)	3,082
Office furniture and equipment	900	1,271	(83)	38	2,126
Leasehold improvements	4,703	2,004	(2,911)	(91)	3,705
Total accumulated depreciation	$ 46,968	$ 14,489	$ (14,048)	$ (673)	$ 46,736

Carrying value	December 31, 2023	December 31, 2022
Land	$ 18	$ 18
Computer equipment	19,020	27,595
Computer software	542	984
Office furniture and equipment	1,676	2,395
Leasehold improvements	19,044	20,860
Total property and equipment	$ 40,300	$ 51,852

There were no proceeds associated with asset dispositions in 2023 (2022 – $nil). Additions in 2023 include no property and equipment acquired through business combinations (2022 – $95), as outlined in note 4.

8. Right-of-use assets:

	December 31, 2022	Additions	Depreciation	Effects of exchange rates	December 31, 2023
Offices	$ 48,023	$ 471	$ (4,012)	$ (66)	$ 44,416
Data centres	5,514	442	(3,218)	(45)	2,693
Total right-of-use assets	$ 53,537	$ 913	$ (7,230)	$ (111)	$ 47,109

8. Right-of-use assets (continued):

	December 31, 2021	Additions	Depreciation	Effects of exchange rates	December 31, 2022
Offices	$ 45,236	$ 7,281	$ (3,876)	$ (618)	$ 48,023
Data centres	8,342	547	(3,131)	(244)	5,514
Total right-of-use assets	$ 53,578	$ 7,828	$ (7,007)	$ (862)	$ 53,537

Additions in 2023 include $nil (2022 – $1,552) of right-of-use assets acquired through business combinations, as outlined in note 4.

9. Intangible assets:

The estimated useful life of customer relationships is three to nine years, the estimated useful life of technology is four to seven years and the estimated life of internally developed software is five years.

	December 31, 2022	Additions	Amortization	Effect of exchange rates	December 31, 2023
Customer relationships	$ 9,468	$ —	$ (1,552)	$ 212	$ 8,128
Technology	15,541	—	(3,158)	209	12,592
Internally developed software	3,262	106	(694)	—	2,674
Total intangible assets	$ 28,271	$ 106	$ (5,404)	$ 421	$ 23,394

	December 31, 2021	Additions	Amortization	Effect of exchange rates	December 31, 2022
Customer relationships	$ 2,370	$ 7,950	$ (1,186)	$ 334	$ 9,468
Technology	8,408	8,950	(2,245)	428	$ 15,541
Internally developed software	—	3,395	(133)	—	$ 3,262
Total intangible assets	$ 10,778	$ 20,295	$ (3,564)	$ 762	$ 28,271

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10. Goodwill:

	2023	2022
Balance, beginning of year	$ 73,314	$ 39,988
Acquisition (note 4)	—	32,256
Effect of foreign exchange	1,242	1,070
Balance, end of year	$ 74,556	$ 73,314

The annual impairment test of goodwill was performed as of November 30, 2023 and did not result in an impairment loss.

11. Trade payables and accrued liabilities:

	2023	2022
Trade accounts payable	$ 11,723	$ 10,403
Accrued liabilities	26,263	27,024
Taxes payable	1,714	2,680
	$ 39,700	$ 40,107

12. Deferred revenue:

	2023	2022
Balance, beginning of year	$ 133,467	$ 99,239
Deferred revenue from acquisition (note 4)	—	938
Recognition of deferred revenue	(130,711)	(101,118)
Amounts invoiced and revenue deferred	134,842	134,408
Balance, end of year	$ 137,598	$ 133,467

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 are recorded in general and administrative expense. No provision for these lease payments remained at December 31, 2023 ($296 as at December 31, 2022).

14. Lease obligations:

The Company's leases are for office space and data centres with lease terms ranging from one to twenty 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.

		2023		2022
Current	$	5,805	$	6,991
Non-current		45,985		49,977
Total lease obligations	$	51,790	$	56,968

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2023:

Less than one year	$	7,264
One to five years		16,129
More than five years		40,579
Total undiscounted lease obligations	$	63,972

The following table presents payments for lease obligations:

		2023		2022
Principal payments	$	6,974	$	6,733
Interest payments		1,640		1,841
Variable lease payments		1,703		1,775
Short-term lease payments		533		513
Total cash outflow for leases	$	10,850	$	10,862
Lease incentives received		—		(3,858)
Net cash outflow for leases	$	10,850	$	7,004

15. Share capital:

Authorized

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

Issued Common Shares

	2023			2022		
	Shares		Amount	Shares		Amount
Shares outstanding, beginning of year	28,052,629	$	244,713	27,462,834	$	195,414
Shares issued from exercised options	508,510		41,545	492,631		38,791
Shares issued from vested RSUs	89,168		10,676	93,388		10,091
Shares issued from vested PSUs	20,817		2,628	3,776		417
Shares issued as contingent consideration (note 4, 23)	86,335		11,097	—		—
Shares repurchased	(328,660)		(3,332)	—		—
Shares outstanding, end of year	28,428,799	$	307,327	28,052,629	$	244,713

Stock option plans

The Company has outstanding stock options issued under its 2012 Stock Option Plan. No further options may be granted under the 2012 plan. 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.

At December 31, 2023, there were 888,044 stock options available for grant under the Plans.

The following table presents changes in stock options outstanding:

	2023			2022		
	Shares		Weighted average exercise price	Shares		Weighted average exercise price
Options outstanding, beginning of year	1,720,326	$	75.53	2,143,375	$	76.56
Granted	1,563		116.18	194,646		125.04
Exercised	(508,510)		62.06	(492,631)		60.32
Forfeited	(19,949)		130.33	(125,064)		149.26
Options outstanding, end of year	1,193,430	$	83.08	1,720,326	$	75.53
Options exercisable, end of year	833,204	$	71.11	1,028,146	$	59.91

15. Share capital (continued):

The following table presents information about stock options outstanding at December 31, 2023:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$1 to \$30	27,950	2.00	\$ 29.45	27,950	\$ 29.45
\$30 to \$60	429,841	2.21	40.98	429,841	40.98
\$60 to \$90	208,148	1.14	83.92	140,992	83.57
\$90 to \$120	243,372	2.36	102.39	102,072	101.83
\$120 to \$150	202,119	3.12	125.50	72,974	126.84
\$150 to \$180	82,000	1.74	157.96	59,375	157.94
	1,193,430	2.17	\$ 83.08	833,204	\$ 71.11

The per share weighted-average fair value of stock options granted during 2023 was \$40.82 (2022– \$42.82) on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions:

	2023	2022
Expected dividend yield	0%	0%
Risk-free interest rate	4.21%	2.75%
Expected life	three to five years	three to five years
Estimated volatility	39%	41%

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15. Share capital (continued):

Share Unit Plan

In June 2022, 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 1,250,000. At December 31, 2023, there were 1,290,511 share units available for grant under the Share Unit Plan.

The following table presents changes in share units outstanding:

	2023			2022		
	RSU	PSU	DSU	RSU	PSU	DSU
Units outstanding, beginning of year	180,739	71,378	75,395	96,583	31,640	65,441
Granted	204,048	96,119	9,471	200,865	52,209	9,954
Exercised	(89,168)	(13,363)	—	(93,388)	(3,776)	—
Forfeited	(22,077)	(5,823)	—	(23,321)	(8,695)	—
Units outstanding, end of year	273,542	148,311	84,866	180,739	71,378	75,395

Each restricted share unit (“RSU”) entitles the participant to receive one Common Share. The RSUs generally vest over time in equal annual tranches over two to three years. The weighted-average grant date fair value of the RSUs granted during 2023 was \$121.61 per unit (2022 – \$120.84) using the fair value of a Common Share at time of grant.

Performance share units (“PSU”) generally entitle participants to receive up to two Common Shares based on 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 or three-year vesting periods. The weighted-average grant date fair value of these PSUs granted in 2023 was \$195.44 per unit (2022 – \$164.68). Valuation of these PSUs was completed using a Monte Carlo pricing model based on the fair value of a Common Share at time of grant and the following assumptions:

	2023	2022
Expected dividend yield	0%	0%
Risk-free interest rate	4.07%	1.40%
Performance measurement period	three years	two to three years
Estimated volatility	43%	41%
Correlation coefficient to Industry Index	0.58	0.53

Each deferred share unit (“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 2023 was \$121.95 per unit (2022 – \$116.07) using the fair value of a Common Share at time of grant.

15. Share capital (continued):

Share-based payments expense

The Company estimates a forfeiture rate, based on an analysis of actual forfeitures, to determine share-based payments expense. The following table presents share-based payments expense:

	2023	2022
Stock options	$ 6,422	$ 8,438
Restricted share units	19,861	12,888
Performance share units	7,069	3,757
Deferred share units	1,155	1,155
	$ 34,507	$ 26,238

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

	2023	2022
Cost of revenue	$ 5,530	$ 3,624
Selling and marketing	8,646	6,191
Research and development	6,993	4,980
General and administrative	13,338	11,443
	$ 34,507	$ 26,238

Share repurchase

On November 6, 2023, the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB") allowing the Company to repurchase for cancellation, at its discretion, up to 5% of the "public float" (calculated in accordance with the rules of the TSX) during the twelve-month period commencing November 6, 2023 and ending no later than November 5, 2024. Kinaxis has entered into an automatic share purchase plan ("ASPP") to provide the option to instruct its broker to make purchases under the NCIB during any applicable blackout periods. During the year ended December 31, 2023, 328,660 Common Shares were repurchased for cancellation at an average price of $111.41 per share.

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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:

	2023	2022
Issued Common Shares at beginning of year	28,052,629	27,462,834
Effect of shares issued from exercise of options	221,654	189,588
Effect of shares issued from vesting of restricted share units	14,768	10,902
Effect of shares issued from vesting of performance share units	16,597	3,776
Effect of shares issued as contingent consideration	48,252	—
Effect of shares cancelled from repurchase of shares	(32,026)	—
Weighted average number of basic Common Shares	28,321,874	27,667,100
Effect of share options on issue	546,050	701,616
Effect of share units on issue	281,611	240,887
Weighted average number of diluted Common Shares	29,149,535	28,609,603

For 2023, 316,341 options and 70,699 share units (2022 – 373,309 options and no share units) were excluded from the weighted average number of diluted common shares as their effect would have been anti-dilutive.

17. Revenue:

The following table presents revenue of the Company:

	2023	2022
SaaS	$ 265,080	$ 213,306
Subscription term license	19,548	38,810
Professional services	123,728	98,613
Maintenance and support	18,615	16,160
	$ 426,971	$ 366,889

17. Revenue (continued):

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, 2023:

	2024	2025	2026 and thereafter	Total
SaaS	$ 274,035	$ 197,682	$ 228,860	$ 700,577
Maintenance and support	17,505	12,363	8,347	38,215
Subscription term license	2,189	56	—	2,245
	$ 293,729	$ 210,101	$ 237,207	$ 741,037

18. Personnel expenses:

	2023	2022
Salaries including bonuses	$ 188,450	$ 158,414
Benefits	31,054	24,300
Commissions	15,117	12,710
Share-based payments	34,507	26,238
	$ 269,128	$ 221,662

19. Depreciation and amortization:

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

	2023	2022
Cost of revenue	$ 10,831	$ 11,217
Selling and marketing	9	3
Research and development	1,858	2,660
General and administrative	8,182	7,616
	$ 20,880	$ 21,496

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

	2023	2022
Cost of revenue	$ 3,859	$ 2,345
General and administrative	1,545	1,219
	$ 5,404	$ 3,564

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20. Income tax expense:

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

	2023	2022
Current tax expense		
Current income tax	$ 11,037	$ 3,892
Deferred tax expense		
Origination and reversal of temporary differences	(1,361)	7,514
	$ 9,676	$ 11,406

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

	2023	2022
Canadian tax rate	26.50 %	26.50 %
Expected Canadian income tax expense	$ 5,231	$ 8,393
Increase (reduction) in income taxes resulting from:		
Permanent differences	4,178	3,083
Change in estimates related to prior years	291	(681)
Foreign tax rate differences	(91)	(25)
Future tax rate differential	107	252
Other	(40)	384
	$ 9,676	$ 11,406

20. Income tax expense (continued):

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, 2022	Recognized in profit and loss	Recognized to goodwill	Recognized in equity	December 31, 2023
Tax effect on investment tax credits	$ (1,775)	$ (364)	$ —	$ —	$ (2,139)
Property and equipment	(4,348)	494	—	—	(3,854)
Right-of-use assets and liabilities	940	262	—	—	1,202
Contract acquisition costs	(6,453)	1,024	—	—	(5,429)
Intangible assets	(6,443)	1,006	—	—	(5,437)
Reserves and accruals	652	(290)	—	—	362
Share-based payments	6,981	1,560	—	(2,445)	6,096
Net operating loss carryforwards	4,296	(3,022)	—	—	1,274
Other	354	691	—	—	1,045
	$ (5,796)	$ 1,361	$ —	$ (2,445)	$ (6,880)

During 2023, the Company recorded $3,734 of current tax expense directly in equity (2022 – $111) 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, 2023 was $55,661 (2022 – $41,729).

Deferred tax assets (liabilities)	December 31, 2021	Recognized in profit and loss	Recognized to goodwill	Recognized in equity	December 31, 2022
Tax effect on investment tax credits	$ (918)	$ (857)	$ —	$ —	$ (1,775)
Property and equipment	(3,044)	(1,304)	—	—	$ (4,348)
Right-of-use assets and liabilities	799	141	—	—	$ 940
Contract acquisition costs	(4,760)	(1,695)	2	—	$ (6,453)
Intangible assets	(2,724)	648	(4,367)	—	$ (6,443)
Reserves and accruals	577	75	—	—	$ 652
Share-based payments	9,415	(1,275)	—	(1,159)	$ 6,981
Net operating loss carryforwards	7,196	(4,111)	1,211	—	$ 4,296
Other	(550)	864	40	—	$ 354
	$ 5,991	$ (7,514)	$ (3,114)	$ (1,159)	$ (5,796)

21. Statement of cash flows:

The following table presents changes in operating assets and liabilities:

	2023	2022
Trade and other receivables	$ 6,553	$ (75,128)
Prepaid expenses	123	(5,632)
Contract acquisition costs	(2,387)	(5,416)
Trade payables and accrued liabilities	(2,580)	1,677
Deferred revenue	3,956	35,796
Provisions	(296)	(420)
	$ 5,369	$ (49,123)

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, 2023. In 2020, a Standby Letter of Credit has been issued against this facility in the amount of CAD$1.4 million.

The facility is secured by a general security agreement representing a first charge over the Company's assets. 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.

23. Financial instruments:

(a) Fair value of financial instruments:

The Company measures the fair value of its financial assets and financial liabilities using a fair value hierarchy. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value. The different levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Other techniques for which inputs are based on quoted prices for identical or similar instruments in markets that are not active, quoted prices for similar instruments in active markets, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the asset or liability;

Level 3: Techniques which use inputs that have a significant effect on the recognized fair value that require the Company to use its own assumptions about market participant assumptions.

The carrying amounts of short-term investments, trade and other receivables, unbilled receivables, and trade payables and accrued liabilities are recorded at amortized cost and approximate fair value due to the short-term maturity of these instruments.

The fair value of foreign currency forward contracts was determined based on Level 2 inputs, which included period-end mid-market quotations for each underlying contract as calculated by the financial institution with which the Company has transacted. The quotations are based on bid/ask quotations and represent the discounted future settlement amounts based on current market rates.

23. Financial instruments (continued):

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

The fair value of the contingent consideration has been determined by applying a discounted cash flow technique on the expected future value of shares to be issued and has been recorded as a Level 3 liability as the inputs are not observable and there is no market based activity.

As at December 31, 2023 and December 31, 2022, financial instruments measured at fair value in the consolidated statements of financial position were as follows:

	2023		2022	
	Fair value hierarchy	Fair value	Fair value hierarchy	Fair value
Assets:				
Foreign currency forward contracts	Level 2	$ 600		$ —
Liabilities:				
Contingent consideration	Level 3	—	Level 3	9,146

The Company designates foreign currency forward contracts as cash flow hedges when all the requirements in IFRS 9, Financial Instruments are met. The Company's currency pair used for cash flow hedges is US dollar / Canadian dollar. The notional principal of the foreign exchange contracts was $43,500 CAD as at December 31, 2023 (December 31, 2022 - $nil CAD).

Reconciliation of Level 3 financial instruments

The following table shows a reconciliation from the opening balance to the closing balance for all Level 3 financial instruments:

	2023		2022	
	Contingent Consideration	Other expense	Contingent Consideration	Other expense
Balance, beginning of year	$ 9,146	$ —	$ —	$ —
Assumed in a business combination	—	—	9,972	—
Net change in fair value	1,951	(1,951)	(826)	826
Settlement of contingent consideration	(11,097)	—	—	—
Balance, end of year	$ —	$ (1,951)	$ 9,146	$ 826

23. Financial instruments (continued):

(b) Credit risk:

The following table presents maximum exposure to credit risk for trade accounts receivable, net of loss allowances, by geographic region:

	2023	2022
United States	$ 71,842	$ 77,174
Europe	38,129	35,828
Asia	5,639	4,678
Canada	1,451	3,677
	$ 117,061	$ 121,357

The following table presents aging of trade accounts receivable, net of loss allowances:

	2023	2022
Current	$ 99,073	$ 91,360
Past due:		
0 – 30 days	8,023	19,355
31 – 60 days	6,079	6,126
Greater than 60 days	3,886	4,516
	$ 117,061	$ 121,357

At December 31, 2023, no customers individually accounted for greater than 10% of total trade accounts receivable (2022 – no customers). For 2023, no customers individually accounted for greater than 10% of revenue (2022 – 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. As at December 31, 2023, the Company has recorded a loss allowance of $1,041 (2022 – $312).

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 commercial 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.

23. Financial instruments (continued):

(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, 2023, the Company had cash and cash equivalents and short-term investments totaling $292,962 (2022 – $225,823). Further, the Company has a credit facility as disclosed in note 22. The Company's trade payables and accrued liabilities are generally due within three 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 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.

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, 2023, if the Canadian dollar had strengthened 5% against the U.S. dollar, with all other variables held constant, pre-tax profit for the year would have been $7,746 lower (2022 – $7,619 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 profit.

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23. Financial instruments (continued):

(d) Market risk (continued):

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

December 31, 2023 In thousands of local currency	USD	CAD	EUR	GBP	JPY
Trade receivables	90,809	498	17,655	2,431	463,583
Unbilled receivables	30,388	318	1,686	691	215,166
Other receivables	1,675	89	739	213	3,927
Trade payables	(5,811)	(4,798)	(1,185)	(450)	(43,148)
Accrued liabilities	(12,752)	(6,520)	(1,608)	(2,618)	(100,891)
	104,309	(10,413)	17,287	267	538,637

December 31, 2022 In thousands of local currency	USD	CAD	EUR	GBP	JPY
Trade receivables	95,743	1,473	14,194	4,813	418,603
Unbilled receivables	27,016	—	1,174	729	191,212
Other receivables	732	810	1,041	224	3,927
Trade payables	(1,853)	(5,808)	(1,324)	(714)	(193,204)
Accrued liabilities	(13,258)	(9,859)	(1,623)	(193)	(110,587)
	108,380	(13,384)	13,462	4,859	309,951

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, 2023, the Company has not drawn on the revolving demand credit facility as disclosed in note 22.

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 management software and solutions.

24. Segmented information (continued):

Geographic information

The following table presents external revenue on a geographic basis:

	2023	2022
United States	$ 245,674	$ 218,110
Europe	131,470	99,645
Asia	38,441	40,727
Canada	11,386	8,407
	$ 426,971	$ 366,889

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

	2023	2022
Canada	$ 26,459	$ 32,798
United States	7,154	10,368
Asia	3,506	4,745
Europe	3,181	3,941
	$ 40,300	$ 51,852

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

	2023	2022
Canada	$ 38,248	$ 42,217
Asia	5,015	6,833
United States	2,065	2,658
Europe	1,781	1,829
	$ 47,109	$ 53,537

The following table presents intangible assets on a geographic basis:

	2023	2022
Europe	$ 13,769	$ 15,787
Canada	9,625	12,484
	$ 23,394	$ 28,271

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25. Related party transactions:

Details of the Company's significant subsidiaries at December 31, 2023 and 2022 are as follows:

Name of subsidiary	Principal Activity	Place of incorporation and operation	Functional Currency	Ownership interest	
				2023	2022
Kinaxis Corp.	Sales	State of Delaware, USA	USA	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 its subsidiaries and 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:

	2023	2022
Salary and other short-term benefits	$ 4,222	$ 7,399
Share-based payments	14,139	14,770
	$ 18,361	$ 22,169

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, 2023. 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.

27. Contingencies and commitments:

(a) Lease agreements:

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) Intellectual property:

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) Litigation:

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, 2023, 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.

(d) Commitments:

During 2023, the Company contracted to purchase cloud data services for a minimum purchase commitment of $22,100 over a five-year term. During 2022, the Company contracted to purchase cloud data services for a minimum purchase commitment of $100,000 over a seven-year term.

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27. Contingencies and commitments (continued):

(d) Commitments (continued):

The future aggregate operating expenses that the Company has committed to incur at December 31, 2023 are as follows:

Less than one year	$	7,634
One to five years		87,607
More than five years		15,000
	$	110,241

Management's Discussion and Analysis for the Year Ended December 31, 2023

Kinaxis Inc.

Management's discussion and analysis

for the year ended December 31, 2023

February 28, 2024

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, 2023. This MD&A has been prepared with an effective date of February 28, 2024.

This MD&A for the year ended December 31, 2023 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, 2023. The financial information presented in this MD&A is derived from our annual audited consolidated financial statements prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. 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.

Non-IFRS measures and ratios

This MD&A makes reference to certain non-IFRS measures and ratios such as "Adjusted profit", "Adjusted EBITDA" and "Adjusted diluted earnings per share". These non-IFRS measures and ratios 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 and ratios 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, 2023. Readers should not place undue reliance on non-IFRS measures and ratios 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 and ratios" 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 expectations about the benefits of our acquisitions
- our anticipated cash needs;

- 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;
- 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 pandemics 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 behavior, 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.
- There is an increased expectation by various stakeholders to address social and environmental challenges, including climate change, human rights, racism and inequality, and to demonstrate exemplary governance in managing Environmental, Social and Governance risks. An inability to manage this risk can result in higher costs for capital, regulatory compliance and disclosures.

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, including ransomware and cyberattacks, 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.
- The outcome of any litigation, arbitration or other dispute resolution proceedings that we may engage in from time to time is inherently uncertain. We may become defendants in legal proceedings where we are unable to assess our exposure and this could result in significant liabilities in the event of an adverse judgment or decision.

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

- Future pandemics 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 and may experience significant fluctuations in response to numerous factors, many of which are beyond our control.
- We may issue and sell additional securities to finance our operations or issue securities to directors, officers, employees and consultants of the Company in connection with share-based compensation arrangements. Sales or issuances of substantial amounts of our securities, or the perception that such issuances or sales could occur, may adversely affect prevailing market prices for our securities issued and outstanding from time to time.

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 technique that activates supply chain concurrency from planning through last mile 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, managers, 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 management requirement, 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. For certain contracts, a component of consideration is recognized on a unit basis in accordance with transaction volume. 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, 80% or more 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. 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, 2023, our SaaS revenue was $69.9 million and $265.1 million (three months and year ended December 31, 2022 – $58.8 million and $213.3 million), subscription term license revenue was $2.9 million and $19.5 million (three months and year ended December 31, 2022 – $9.1 million and $38.8 million) and total revenue was $112.0 million and $427.0 million (three months and year ended December 31, 2022 – $98.5 million and $366.9 million). For the three months and year ended December 31, 2023 our Adjusted EBITDA was 18% of revenue (three months and year ended December 31, 2022 – 21% and 22%). Our ending cash, cash equivalents and short-term investment balance was $293.0 million (December 31, 2022 – $225.8 million).

For the three months and year ended December 31, 2023 our ten largest customers accounted for 22% and 20% of our total revenues (three months and year ended December 31, 2022 – 24%) with no customer accounting for greater than 10% of total revenues (three months and year ended December 31, 2022 – no customer).

Growth strategy

Increasing revenues through new customer wins is one of our highest organizational priorities. Our sales cycle can be lengthy, up to approximately 12 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 integrators, value added resellers 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, Morgan Franklin 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 Exiger 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, 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, Hong Kong, South Korea, United Kingdom, Romania, Mexico, Singapore, France, Ireland, and Germany, and subsidiaries and offices in Tokyo, Japan, Rotterdam, the Netherlands and Chennai, India. We continue to expand our operations internationally. For the three months and year ended December 31, 2023, 59% and 60% of our revenues were derived from North American customers (three months and year ended December 31, 2022 – 62%) and our remaining revenues were derived from European and Asian customers.

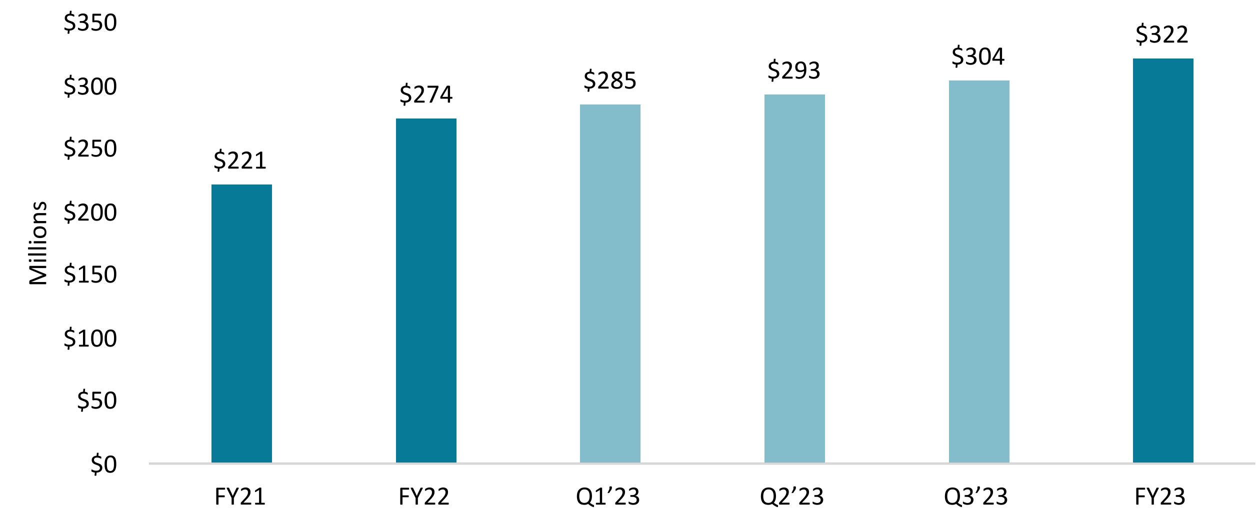
Key performance indicators

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 ("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. 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, 2023 is $322 million, an increase of 18% year-over-year on both a current rate and a constant currency basis. We calculate constant currency growth rates by applying the applicable prior period exchange rates to current period results.

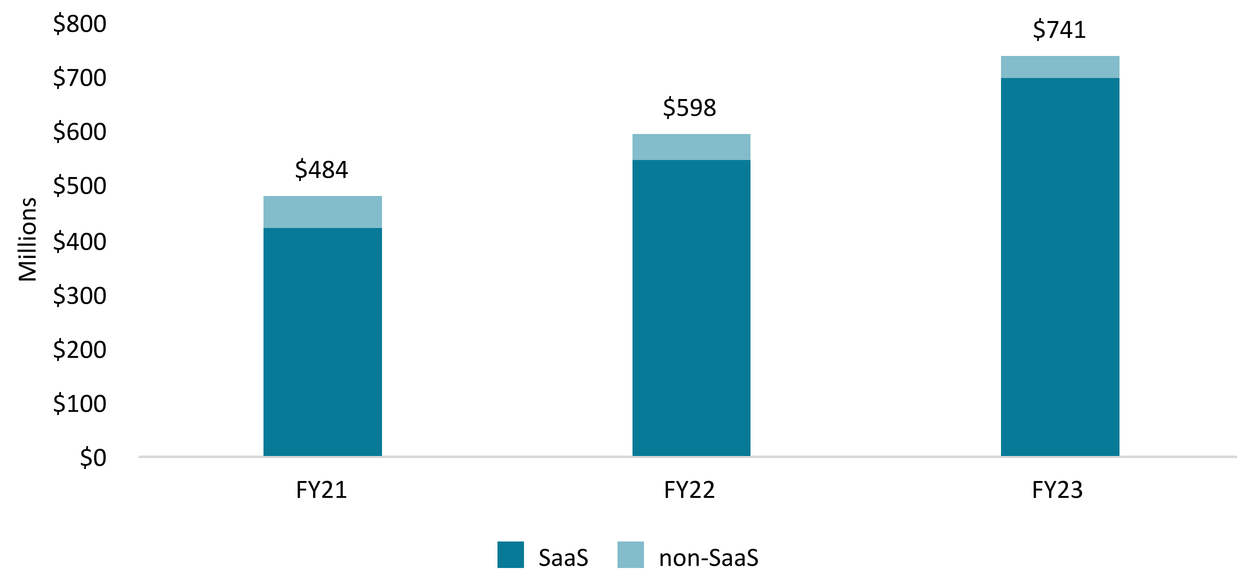


	FY21	FY22	Q1'23	Q2'23	Q3'23	FY23
Year-over-year growth	19%	24%	23%	22%	18%	18%
Year-over-year growth in constant currency	21%	26%	24%	22%	17%	18%

Remaining Performance Obligation

Remaining Performance Obligation ("RPO") 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.

At December 31, 2023, RPO amounts to $741 million, including $701 million in SaaS revenue (December 31, 2022 – $598 million and $550 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 our products 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.

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 and internally developed software, 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, in absolute dollars, 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 our supply chain management solutions. 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, Romania, 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

Summary of results

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

	Three months ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
	(In thousands of USD, except earnings per share)				
Statement of Operations					
Revenue	$ 111,990	$ 98,483	$ 426,971	$ 366,889	$ 250,726
Cost of revenue	43,100	37,217	168,074	131,102	86,755
Gross profit	68,890	61,266	258,897	235,787	163,971
Operating expenses	63,974	54,511	244,795	207,866	162,052
	4,916	6,755	14,102	27,921	1,919
Foreign exchange gain (loss)	797	1,648	(1,236)	1,499	(558)
Net finance and other income (expense)	3,099	891	8,821	1,240	(264)
Change in fair value of contingent consideration	—	(1,367)	(1,951)	826	—
Profit before income taxes	8,812	7,927	19,736	31,486	1,097
Income tax expense (recovery)	4,791	(635)	9,676	11,406	2,262
Profit (loss)	$ 4,021	$ 8,562	$ 10,060	$ 20,080	$ (1,165)
Adjusted profit[(1)]	$ 12,409	$ 17,487	$ 46,518	$ 45,492	$ 15,988
Adjusted EBITDA[(1)]	$ 19,727	$ 21,116	$ 74,872	$ 79,446	$ 39,851
Basic earnings (loss) per share	$ 0.14	$ 0.31	$ 0.36	$ 0.73	$ (0.04)
Diluted earnings (loss) per share	$ 0.14	$ 0.30	$ 0.35	$ 0.70	$ (0.04)
Adjusted diluted earnings per share[(1)]	$ 0.43	$ 0.61	$ 1.60	$ 1.59	$ 0.56

Note:

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

	As at December 31, 2023	As at December 31, 2022	As at December 31, 2021
	(In thousands of USD)		
Total assets	$ 691,981	$ 648,273	$ 520,269
Total non-current liabilities	54,050	56,838	53,242

Reconciliation of non-IFRS measures and ratios

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 and ratios: Adjusted profit, Adjusted diluted earnings per share and Adjusted EBITDA. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures and ratios in the evaluation of performance. Management also uses non-IFRS measures and ratios 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 the change in the fair value of contingent consideration and our equity compensation plans. 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 and ratios better align with our performance and improve comparability against our peers.

Adjusted EBITDA

Adjusted EBITDA represents profit adjusted to exclude the change in the fair value of contingent consideration, our equity compensation plans, non-recurring items, 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, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
	(In thousands of USD)				
Profit (loss)	$ 4,021	$ 8,562	$ 10,060	$ 20,080	$ (1,165)
Change in fair value of contingent consideration	—	1,367	1,951	(826)	—
Share-based compensation	8,388	7,558	34,507	26,238	24,343
Non-recurring item	—	—	—	—	(7,190)
Adjusted profit	$ 12,409	$ 17,487	$ 46,518	$ 45,492	$ 15,988
Income tax expense (recovery)	4,791	(635)	9,676	11,406	2,262
Depreciation and amortization	6,424	6,761	26,284	25,060	20,409
Foreign exchange loss (gain)	(797)	(1,648)	1,236	(1,499)	558
Net finance expense (income)	(3,100)	(849)	(8,842)	(1,013)	634
	7,318	3,629	28,354	33,954	23,863
Adjusted EBITDA	$ 19,727	$ 21,116	$ 74,872	$ 79,446	$ 39,851
Adjusted EBITDA as a percentage of revenue	17.6%	21.4%	17.5%	21.7%	15.9%

Revenue

	Three months ended December 31,		2022 to 2023	Year ended December 31,		2022 to 2023
	2023	2022	%	2023	2022	%
	(In thousands of USD)					
SaaS	$ 69,891	$ 58,839	19%	$ 265,080	$ 213,306	24%
Subscription term license	2,899	9,131	(68)%	19,548	38,810	(50)%
Professional services	34,318	26,156	31%	123,728	98,613	25%
Maintenance and support	4,882	4,357	12%	18,615	16,160	15%
	111,990	98,483	14%	426,971	366,889	16%

Total revenue for the three months and year ended December 31, 2023 was $112.0 million and $427.0 million, an increase of $13.5 million and $60.1 million compared to the same periods in 2022. These increases result from continued strong growth in both SaaS and Professional services revenue. These increases more than offset a decline in subscription term license revenue for the three months and year ended December 31, 2023 that we expected with the regular cycle of contract renewals with our customers.

SaaS revenue

SaaS revenue for the three months and year ended December 31, 2023 was $69.9 million and $265.1 million, an increase of $11.1 million and $51.8 million compared to the same periods in 2022. The increases were due to contracts secured with new customers, as well as the expansion of existing customer subscriptions.

Subscription term license revenue

Subscription term license revenue for the three months and year ended December 31, 2023 was $2.9 million and $19.5 million, a decrease of $6.2 million and $19.3 million compared to the same periods in 2022. 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 decreases were due to the regular renewal cycle, partly offset by new customer wins.

Professional services revenue

Professional services revenue for the three months and year ended December 31, 2023 was $34.3 million and $123.7 million, an increase of $8.2 million and $25.1 million compared to the same periods in 2022. The increases were due to increased deployment activity driven by new subscription customers and expansion work with existing customers. Professional services revenue can vary quarter to quarter due to the size, timing and scheduling of customer engagements and the level of partner-led engagements.

Maintenance and support revenue

Maintenance and support revenue for the three months and year ended December 31, 2023 was $4.9 million and $18.6 million, an increase of $0.5 million and $2.5 million compared to the same periods in 2022. The increases for both periods largely reflect the new subscription term license customers secured in the year, and the expansion of existing on-premise customers.

KINAXIS®
MANAGEMENT'S DISCUSSION AND ANALYSIS

Cost of revenue

	Three months ended December 31,		2022 to 2023	Year ended December 31,		2022 to 2023
	2023	2022	%	2023	2022	%
	(In thousands of USD)					
Cost of revenue	$ 43,100	$ 37,217	16%	$ 168,074	$ 131,102	28%
Gross profit	68,890	61,266	12%	258,897	235,787	10%
Gross margin	62%	62%		61%	64%	
Software[(1)]	76%	80%		76%	81%	
Professional services	29%	13%		22%	18%	

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, 2023 was $43.1 million and $168.1 million, an increase of $5.9 million and $37.0 million compared to the same periods in 2022. The increases were due to higher headcount and related compensation costs, IT costs, and partner and third-party provider costs.

Gross margins for the three months and year ended December 31, 2023 were 62% and 61%, compared to 62% and 64% for the same periods in 2022. Gross margin is driven by a mix of software and professional services gross margins.

Software gross margins for the three months and year ended December 31, 2023 were 76%, compared to 80% and 81% for the same periods in 2022. For both periods, the lower margins reflect investments to transition customers from private to public cloud hosting arrangements as well as a $6.2 million and $19.3 million decrease in subscription term license revenue compared to the same periods in 2022. Professional services gross margins for the three months and year ended December 31, 2023 were 29% and 22%, compared to 13% and 18% for the same periods in 2022. The increase for the three months ended December 31, 2023 reflects an increase in revenue per billable hour, as well as a lower increase in cost per billable hour from a reduction in the proportion of project work contracted to third parties. The increase for the year ended December 31, 2023 primarily reflects the lower increase in the cost per billable hour from a reduction in the proportion of project work contracted to third parties.

Selling and marketing expenses

	Three months ended December 31,		2022 to 2023	Year ended December 31,		2022 to 2023
	2023	2022	%	2023	2022	%
	(In thousands of USD)					
Selling and marketing	$ 26,606	$ 21,213	25%	$ 102,719	$ 79,446	29%
As a percentage of revenue	24%	22%		24%	22%	

Selling and marketing expenses for the three months and year ended December 31, 2023 were $26.6 million and $102.7 million, an increase of $5.4 million and $23.3 million compared to the same periods in 2022. The increases were due to higher headcount and related compensation costs and marketing program costs as we aim to expand our customer base during this sustained global shift to digital supply chain solutions.

Research and development expenses

	Three months ended December 31, 2023	Three months ended December 31, 2022	2022 to 2023 %	Year ended December 31, 2023	Year ended December 31, 2022	2022 to 2023 %
	(In thousands of USD)					
Research and development	$ 20,665	$ 19,494	6%	$ 81,707	$ 74,147	10%
As a percentage of revenue	18%	20%		19%	20%	

Research and development expenses for the three months and year ended December 31, 2023 were $20.7 million and $81.7 million, an increase of $1.2 million and $7.6 million compared to the same periods in 2022. The increases were due to higher headcount and related compensation costs. Our investment in headcount supports ongoing programs to drive further innovation in our RapidResponse Supply Chain Management platform and ensure sustainable market leadership.

General and administrative expenses

	Three months ended December 31, 2023	Three months ended December 31, 2022	2022 to 2023 %	Year ended December 31, 2023	Year ended December 31, 2022	2022 to 2023 %
	(In thousands of USD)					
General and administrative	$ 16,703	$ 13,804	21%	$ 60,369	$ 54,273	11%
As a percentage of revenue	15%	14%		14%	15%	

General and administrative expenses for the three months and year ended December 31, 2023 were $16.7 million and $60.4 million, an increase of $2.9 million and $6.1 million compared to the same periods in 2022. The increases reflect higher headcount and related compensation costs, and an increase in IT costs and depreciation.

Other income and expense

	Three months ended December 31, 2023	Three months ended December 31, 2022	2022 to 2023 %	Year ended December 31, 2023	Year ended December 31, 2022	2022 to 2023 %
	(In thousands of USD)					
Other income:						
Foreign exchange gain (loss)	$ 797	$ 1,648	(52%)	$ (1,236)	$ 1,499	—[1]
Net finance and other income	3,099	891	248%	8,821	1,240	611%
Change in fair value of contingent consideration	—	(1,367)	(100%)	(1,951)	826	—[1]
Total other income	3,896	1,172	232%	5,634	3,565	58%

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

Total other income and expense for the three months and year ended December 31, 2023 was $3.9 million and $5.6 million, compared to income of $1.2 million and $3.6 million in the same periods in 2022. Movements in foreign exchange rates have contributed to lower foreign exchange gains in the three months and year ended December 31, 2023, primarily due to the revaluation of certain foreign-dollar denominated liabilities and resulted in a foreign exchange loss for the year. Finance income increased in the three months and year ended December 31, 2023 due to higher interest income on investments, reflecting both improved interest rates and additional funds invested. Also contributing to the changes in other income were non-cash revaluations in the fair value of contingent consideration related to last year's acquisition of MP Objects B.V.

Income taxes

	Three months ended December 31, 2023	Three months ended December 31, 2022	2022 to 2023 %	Year ended December 31, 2023	Year ended December 31, 2022	2022 to 2023 %
	(In thousands of USD)					
Income tax expense (recovery):	$ 4,791	$ (635)	—[1]	$ 9,676	$ 11,406	(15%)

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

Income tax expense for the three months and year ended December 31, 2023 was $4.8 million and $9.7 million compared to an income tax recovery of $0.6 million and an income tax expense $11.4 million for the same periods in 2022. For the three months ended December 31, 2023 additional tax expense resulted from an increase in non-deductible share-based payments. For the year ended December 31, 2023 the decrease was primarily due to lower profit before income taxes and offset by non-deductible share-based payments and fair-value adjustments related to contingent considerations.

Profit

	Three months ended December 31, 2023	Three months ended December 31, 2022	2022 to 2023 %	Year ended December 31, 2023	Year ended December 31, 2022	2022 to 2023 %
	(In thousands of USD except earnings per share)					
Profit	$ 4,021	$ 8,562	(53%)	$ 10,060	$ 20,080	(50%)
Adjusted profit[1]	12,409	17,487	(29%)	46,518	45,492	2%
Adjusted EBITDA[1]	19,727	21,116	(7%)	74,872	79,446	(6%)
Basic earnings per share	$ 0.14	$ 0.31		$ 0.36	$ 0.73	
Diluted earnings per share	$ 0.14	$ 0.30		$ 0.35	$ 0.70	
Adjusted diluted earnings per share[1]	$ 0.43	$ 0.61		$ 1.60	$ 1.59	

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

The profit for the three months and year ended December 31, 2023 was $4.0 million and $10.1 million, or $0.14 and $0.36 per basic share, and $0.14 and $0.35 per diluted share, compared to a profit of $8.6 million and $20.1 million, or $0.31 and $0.73 per basic share, and $0.30 and $0.70 per diluted share for the same periods in 2022. The decrease in profit this quarter was primarily due to cyclically lower subscription term license revenue. The decrease in profit in 2023 primarily reflects expected lower gross margins due to cyclically lower subscription term license revenue, and investments we made this year in cost of revenue and other operating functions to support ongoing SaaS growth, including transitioning customers from private to public cloud service arrangements.

Adjusted EBITDA for the three months and year ended December 31, 2023 was $19.7 million and $74.9 million, a decrease of $1.4 million and $4.6 million compared to the three months and year ended December 31, 2022. For the current quarter the decrease in Adjusted EBITDA primarily reflects cyclically lower subscription term license revenue. The decrease for the year ended December 31, 2023 reflects lower subscription term license revenue and investments we are making in cost of revenue and other operating functions to support ongoing SaaS growth, including transitioning customers from private to public cloud service arrangements.

Key balance sheet items

	As at December 31, 2023	As at December 31, 2022
	(In thousands of USD)	
Total assets	$ 691,981	$ 648,273
Total liabilities	237,153	246,845

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

Trade and other receivables

	As at December 31, 2023	As at December 31, 2022
	(In thousands of USD)	
Trade accounts receivable	$ 118,084	$ 121,669
Unbilled receivables	34,913	30,623
Taxes receivable	1,114	1,830
Other	3,539	3,847
Loss allowance	(1,041)	(312)
Total trade and other receivables	156,609	157,657

Trade accounts receivable at December 31, 2023 were $118.1 million, a decrease of $3.6 million compared to December 31, 2022. The aging of trade receivables is generally current or within 30 days past due and overdue amounts have been provided for in a loss allowance if required. Unbilled receivables at December 31, 2023 were $34.9 million, an increase of $4.3 million compared to December 31, 2022, due to an increase in professional services revenue recorded in advance of billing. The decrease in taxes receivable is due to overpayments applied and prior years refunds received.

Property and equipment

	As at December 31, 2023	As at December 31, 2022
	(In thousands of USD)	
Land	$ 18	$ 18
Computer equipment	19,020	27,595
Computer software	542	984
Office furniture and equipment	1,676	2,395
Leasehold improvements	19,044	20,860
Total property and equipment	40,300	51,852

Property and equipment at December 31, 2023 was $40.3 million, a decrease of $11.6 million compared to December 31, 2022. The decrease is primarily due to depreciation and comparatively less purchases of IT infrastructure as we transition customers to public cloud arrangements.

Right-of-use assets & lease obligations

	As at December 31, 2023	As at December 31, 2022
	(In thousands of USD)	
Right-of-use assets	$ 47,109	$ 53,537
Lease obligations:		
Current	5,805	6,991
Non-current	45,985	49,977
	51,790	56,968

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, 2023 were $47.1 million, a decrease of $6.4 million compared to December 31, 2022. Lease obligations at December 31, 2023 were $51.8 million, a decrease of $5.2 million compared to December 31, 2022. Decreases in right-of-use assets and lease obligations reflects the amortization of right-of-use assets and payments made under our lease contracts, net of additions.

Contract acquisition costs

	As at December 31, 2023	As at December 31, 2022
	(In thousands of USD)	
Contract acquisition costs	$ 27,438	$ 24,892

Contract acquisition costs are capitalized and amortized over the expected life of the customer upon commencement of the related revenue. Contract acquisition costs consist primarily of sales commissions paid to employees. 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, 2023 were $27.4 million, an increase of $2.5 million compared to December 31, 2022. This increase was due to commissions incurred in the period on an increasing sales base, partly offset by regular amortization.

Deferred revenue

	As at December 31, 2023	As at December 31, 2022
	(In thousands of USD)	
Deferred revenue	$ 137,598	$ 133,467

Deferred revenue at December 31, 2023 was $137.6 million, an increase of $4.1 million compared to December 31, 2022. We generally bill our customers annually in advance for SaaS agreements resulting in initially recording the amount billed as deferred revenue which is subsequently recognized in 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:

	Three months ended							
	Dec 31, 2023	Sept 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022
	(In thousands of USD)							
Revenue:								
SaaS	$ 69,891	$ 67,940	$ 64,104	$ 63,145	$ 58,839	$ 54,038	$ 51,109	$ 49,320
Professional services	34,318	32,851	29,991	26,568	26,156	25,613	25,386	21,458
Maintenance and support	4,882	4,753	4,591	4,389	4,357	4,020	3,927	3,856
Subscription term license	2,899	2,535	7,086	7,028	9,131	5,827	378	23,474
	111,990	108,079	105,772	101,130	98,483	89,498	80,800	98,108
Cost of revenue	43,100	42,743	42,102	40,129	37,217	34,395	31,024	28,466
Gross profit	68,890	65,336	63,670	61,001	61,266	55,103	49,776	69,642
Operating expenses	63,974	57,741	64,196	58,884	54,511	52,857	52,031	48,467
	4,916	7,595	(526)	2,117	6,755	2,246	(2,255)	21,175
Foreign exchange gain (loss)	797	76	(2,374)	265	1,648	393	623	(1,165)
Net finance and other income (expense)	3,099	2,598	1,819	1,305	891	723	(14)	(360)
Change in fair value of contingent consideration	—	705	(462)	(2,194)	(1,367)	2,193	—	—
Profit (loss) before income taxes	8,812	10,974	(1,543)	1,493	7,927	5,555	(1,646)	19,650
Income tax expense (recovery)	4,791	3,584	997	304	(635)	3,927	986	7,128
Profit (loss)	$ 4,021	$ 7,390	$ (2,540)	$ 1,189	$ 8,562	$ 1,628	$ (2,632)	$ 12,522
Change in fair value of contingent consideration	—	(705)	462	2,194	1,367	(2,193)	—	—
Share-based compensation	8,388	8,745	9,155	8,219	7,558	6,174	6,503	6,003
Adjusted profit[1]	$ 12,409	$ 15,430	$ 7,077	$ 11,602	$ 17,487	$ 5,609	$ 3,871	$ 18,525
Income tax expense (recovery)	4,791	3,584	997	304	(635)	3,927	986	7,128
Depreciation and amortization	6,424	6,456	6,517	6,887	6,761	6,324	6,061	5,914
Foreign exchange loss (gain)	(797)	(76)	2,374	(265)	(1,648)	(393)	(623)	1,165
Net finance expense (income)	(3,100)	(2,593)	(1,763)	(1,386)	(849)	(662)	81	417
	7,318	7,371	8,125	5,540	3,629	9,196	6,505	14,624
Adjusted EBITDA[1]	$ 19,727	$ 22,801	$ 15,202	$ 17,142	$ 21,116	$ 14,805	$ 10,376	$ 33,149
Basic earnings (loss) per share	$ 0.14	$ 0.26	$ (0.09)	$ 0.04	$ 0.31	$ 0.06	$ (0.10)	$ 0.46
Diluted earnings (loss) per share	$ 0.14	$ 0.25	$ (0.09)	$ 0.04	$ 0.30	$ 0.06	$ (0.10)	$ 0.44
Adjusted diluted earnings per share[1]	$ 0.43	$ 0.53	$ 0.25	$ 0.40	$ 0.61	$ 0.20	$ 0.14	$ 0.65

Note:

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

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 60% to 71% of revenue, with fluctuations due to the change in revenue mix between subscription term license and professional services compared to SaaS, our main contributor 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, 2023	As at December 31, 2022
	(In thousands of USD)	
Cash and cash equivalents	$ 174,844	$ 175,347
Short-term investments	118,118	50,476
	292,962	225,823

Cash and cash equivalents decreased by $0.5 million to $174.8 million at December 31, 2023. Short-term investments increased by $67.6 million to $118.1 million at December 31, 2023. Total cash, cash equivalents and short-term investments increased by $67.1 million to $293.0 million at December 31, 2023.

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. A Standby Letter of Credit in the amount of $1.4 million CAD has been issued against this facility. The facility is secured by a general security agreement representing a first charge over the Company's assets. Our principal cash requirements are for working capital and capital expenditures. Excluding deferred revenue, working capital at December 31, 2023 was $418.9 million. 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 of $194.4 million and finance our longer-term growth.

Cash flow

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

	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
	(In thousands of USD)			
Cash inflow (outflow) by activity				
Operating activities	$ 27,969	$ (2,327)	$ 79,357	$ 24,518
Investing activities	12,257	(28,245)	(67,312)	(74,987)
Financing activities	(27,505)	4,575	(12,035)	26,840
Effects of exchange rates	1,820	(1,420)	(513)	(4,244)
Net cash inflows (outflows)	14,541	(27,417)	(503)	(27,873)
Less: Net redemption (purchase) of short-term investments	12,546	(20,000)	(65,013)	(20,000)
Net inflows (outflows) from cash and short-term investments	1,995	(7,417)	64,510	(7,873)

Cash provided by (used in) operating activities

Cash generated by operating activities for the three months ended December 31, 2023 was $28.0 million compared to $2.3 million cash used in the same period in 2022. The increase in cash generated is primarily due to improved cash inflow on working capital balances and higher interest income. Cash generated by operating activities for the year ended December 31, 2023 was $79.4 million compared to $24.5 million for the same period in 2022. Higher cash inflow during the year ended December 31, 2023 primarily reflects improved cash inflow on working capital balances and higher interest income, partly offset by lower profit in 2023.

Cash provided by (used in) investing activities

Cash generated by investing activities for the three months ended December 31, 2023 was $12.3 million compared to $28.2 million cash used in the same period in 2022. The cash generated for the three months ended December 31, 2023 resulted from a net redemption of short-term investments of $12.5 million partly offset by purchases of property and equipment of $0.3 million. For the same period in 2022, cash used included a net purchase of short-term investments of $20.0 million, in addition to purchases of property and equipment of $8.2 million. Cash used in investing activities for the year ended December 31, 2023 was $67.3 million compared to $75.0 million for the same period in 2022. Cash used during the year ended December 31, 2023 included a net purchase of short-term investments of $65.0 million in addition to purchases of property and equipment and intangible assets of $2.3 million. Cash used for the same period in 2022 included a net purchase of short-term investments of $20.0 million and purchases of property and equipment and intangible assets of $18.2 million. Cash used for investing activities in 2022 also included a use of cash of $36.7 million for the acquisition of MP Objects B.V.

Cash provided by (used in) financing activities

Cash used in financing activities for the three months ended December 31, 2023 was $27.5 million compared to $4.6 million cash generated for the same period in 2022. The increase in cash used was from the repurchase of shares as part of our Normal Course Issued Bid ("NCIB"), offset by an increase in the proceeds from the exercise of stock options. Cash used in financing activities for the year ended December 31, 2023 was $12.0 million compared to $26.8 million cash provided by financing activities for the same period in 2022. The increase in cash used was from the repurchase of shares from the NCIB and a decrease in the lease incentives received.

Contractual obligations

Our lease commitments are primarily for office premises and secure data center facilities with expiry dates that range from November 2023 to February 2037. The largest lease commitment relates to our 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.

In 2023, the Company contracted to purchase cloud data services for a minimum purchase commitment of $22.1 million over a five-year term. During 2022, the Company contracted to purchase cloud data services for a minimum purchase commitment of $100.0 million over a seven-year term.

The following table summarizes our contractual obligations as at December 31, 2023, including commitments relating to leasing contracts and cloud services agreements:

	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total amount
			(In thousands of USD)		
Commitments					
Lease agreements	$ 6,539	$ 7,513	$ 5,928	$ 24,462	$ 44,442
Cloud services agreements	7,634	39,682	47,925	15,000	110,241
Financial obligations					
Trade payables and accrued liabilities	39,700	—	—	—	39,700
Total contractual obligations	$ 53,873	$ 47,195	$ 53,853	$ 39,462	$ 194,383

The following table summarizes our contractual obligations as at December 31, 2022, 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)		
Commitments					
Lease agreements	$ 7,919	$ 8,795	$ 6,436	$ 26,736	$ 49,886
Cloud services agreements	6,706	18,125	40,000	35,000	$ 99,831
Financial obligations					
Trade payables and accrued liabilities	40,107	—	—	—	40,107
Total contractual obligations	$ 54,732	$ 26,920	$ 46,436	$ 61,736	$ 189,824

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, 2023 and 2022 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 commercial 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.

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 manage currency risk by matching foreign denominated assets with foreign denominated liabilities and by entering into forward currency contracts for certain known Canadian dollar denominated expenses.

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 and tied to Royal Bank prime rate and Royal Bank US base rate. No amounts have been drawn as at December 31, 2023.

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, 2023 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, 2023, 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 quarter and based on the evaluation have concluded that the disclosure controls and procedures are effectively designed.

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 and effectiveness 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, 2023, management assessed the design and effectiveness of our ICFR and concluded that our ICFR is appropriately designed and there are no material weaknesses that have been identified. There were no significant changes to our ICFR for the three months and year ended December 31, 2023.

Outstanding share information

As at December 31, 2023, 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 three months and year ended December 31, 2023 and as of February 28, 2024 are summarized as follows:

Class of Security	Number outstanding at December 31, 2022	Net issued	Number outstanding at December 31, 2023	Net issued	Number outstanding at February 28, 2024
Common shares	28,052,629	376,170	28,428,799	(98,301)	28,330,498
Stock options	1,720,326	(526,896)	1,193,430	(11,424)	1,182,006
Restricted Share Units	180,739	92,803	273,542	(8,520)	265,022
Deferred Share Units	75,395	9,471	84,866	—	84,866
Performance Share Units	71,378	76,933	148,311	(7,577)	140,734

Our outstanding common shares increased by 376,170 shares in 2023 due to the exercise of 508,510 stock options, the vesting of 13,363 performance share units resulting in 20,817 shares issued, and 89,168 restricted share units, and 86,335 shares issued as contingent consideration, less 328,660 shares repurchased for cancellation.

Our outstanding stock options decreased by 526,896 options in 2023 due to the grant of 1,563 options, less 508,510 options exercised and 19,949 options forfeited. Each option is exercisable for one common share.

Our outstanding restricted share units increased by 92,803 units in 2023 due to the grant of 204,048 units less 89,168 units vested and 22,077 units forfeited. Our outstanding deferred share units increased by 9,471 units in 2023 due to 9,471 units granted. Our outstanding performance share units increased by 76,933 units in 2023 due to 96,119 units granted less 13,363 units vested and 5,823 units forfeited. 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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