Kinaxis Inc.

Condensed Consolidated Interim Financial Statements

for the three and nine months ended September 30, 2023 and 2022

(In thousands of USD)

(Unaudited)

Kinaxis Inc.
Condensed Consolidated Interim Statements of Financial Position

(Expressed in thousands of USD)
(Unaudited)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 160,303	$ 175,347
Short-term investments	129,679	50,476
Trade and other receivables (note 4)	126,411	157,657
Prepaid expenses	14,668	13,660
	431,061	397,140
Non-current assets:		
Unbilled receivables (note 4)	2,201	7,245
Other receivables	935	971
Prepaid expenses	1,931	2,395
Investment tax credits recoverable	9,825	7,591
Deferred tax assets	663	1,065
Contract acquisition costs (note 5)	27,500	24,892
Property and equipment (note 6)	43,097	51,852
Right-of-use assets (note 7)	47,899	53,537
Intangible assets (note 8)	24,129	28,271
Goodwill (note 9)	73,259	73,314
	231,439	251,133
	$ 662,500	$ 648,273
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities (note 10)	$ 37,444	$ 40,107
Deferred revenue (note 11)	100,188	133,467
Provisions	—	296
Contingent consideration (note 18)	—	9,146
Lease obligations (note 12)	5,703	6,991
	143,335	190,007
Non-current liabilities:		
Lease obligations (note 12)	45,755	49,977
Deferred tax liabilities	8,936	6,861
	54,691	56,838
Shareholders' equity:		
Share capital (note 13)	288,930	244,713
Contributed surplus	79,751	65,129
Accumulated other comprehensive loss	(1,988)	(156)
Retained earnings	97,781	91,742
	464,474	401,428
	$ 662,500	$ 648,273

See accompanying notes to condensed consolidated interim financial statements.

On behalf of the Board of Directors:

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

Kinaxis Inc.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue (note 15)	$ 108,079	$ 89,498	$ 314,981	$ 268,406
Cost of revenue	42,743	34,395	124,974	93,885
Gross profit	65,336	55,103	190,007	174,521
Operating expenses:				
Selling and marketing	23,532	19,969	76,113	58,233
Research and development	20,111	18,420	61,042	54,653
General and administrative	14,098	14,468	43,666	40,469
	57,741	52,857	180,821	153,355
	7,595	2,246	9,186	21,166
Other income:				
Foreign exchange gain (loss)	76	393	(2,033)	(149)
Net finance and other income	2,598	723	5,722	349
Change in fair value of contingent consideration (note 3, 18)	705	2,193	(1,951)	2,193
	3,379	3,309	1,738	2,393
Profit before income taxes	10,974	5,555	10,924	23,559
Income tax expense	3,584	3,927	4,885	12,041
Profit	7,390	1,628	6,039	11,518
Other comprehensive loss:				
Items that are or may be reclassified subsequently to profit:				
Foreign currency translation differences - foreign operations	(1,757)	(2,659)	(1,468)	(4,098)
Change in net unrealized loss on cash flow hedges	(594)	—	(364)	—
	(2,351)	(2,659)	(1,832)	(4,098)
Total comprehensive income (loss)	$ 5,039	$ (1,031)	$ 4,207	$ 7,420
Basic earnings per share	$ 0.26	$ 0.06	$ 0.21	$ 0.42
Weighted average number of basic Common Shares (note 14)	28,428,856	27,685,391	28,250,462	27,587,568
Diluted earnings per share	$ 0.25	$ 0.06	$ 0.21	$ 0.40
Weighted average number of diluted Common Shares (note 14)	29,240,154	28,653,288	29,119,827	28,544,299

See accompanying notes to condensed consolidated interim financial statements.

Kinaxis Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in thousands of USD)
(Unaudited)

			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	—	—	—	—	—	6,039	6,039
Other comprehensive loss	—	—	(364)	(1,468)	(1,832)	—	(1,832)
Total comprehensive income (loss)	—	—	(364)	(1,468)	(1,832)	6,039	$ 4,207
Share options exercised	27,114	(6,399)	—	—	—	—	20,715
Restricted share units vested	3,709	(3,709)	—	—	—	—	—
Performance share units vested	2,297	(2,297)	—	—	—	—	—
Share based payments	—	27,027	—	—	—	—	27,027
Shares issued for contingent consideration	11,097	—	—	—	—	—	11,097
Total shareholder transactions	44,217	14,622	—	—	—	—	58,839
Balance, September 30, 2023	$ 288,930	$ 79,751	$ (364)	$ (1,624)	$ (1,988)	$ 97,781	$ 464,474

See accompanying notes to condensed consolidated interim financial statements.

Kinaxis Inc.
Condensed Consolidated Interim Statements of Cash Flows

(Expressed in thousands of USD)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cash flows from operating activities:				
Profit	$ 7,390	$ 1,628	$ 6,039	$ 11,518
Items not affecting cash:				
Depreciation of property and equipment and right-of-use assets (note 16)	5,126	5,365	15,787	16,133
Amortization of intangible assets (note 16)	1,330	959	4,073	2,166
Share-based payments (note 13)	8,745	6,174	26,119	18,680
Net finance income	(2,593)	(662)	(5,742)	(164)
Change in fair value of contingent consideration (note 18)	(705)	(2,193)	1,951	(2,193)
Income tax expense	3,584	3,927	4,885	12,041
Investment tax credits recoverable	(825)	(850)	(2,234)	(3,374)
Change in operating assets and liabilities (note 17)	(23,810)	(17,763)	736	(25,059)
Interest received	2,150	1,057	5,345	1,459
Interest paid	(399)	(468)	(1,247)	(1,397)
Income taxes paid	(1,453)	(737)	(4,324)	(2,965)
	(1,460)	(3,563)	51,388	26,845
Cash flows used in investing activities:				
Acquisition of business, net of cash acquired (note 3)	—	(33,643)	—	(36,662)
Purchase of property and equipment and intangible assets (note 6 and 8)	(378)	(2,526)	(2,010)	(10,080)
Purchase of short-term investments	(72,053)	(15,005)	(172,724)	(45,165)
Redemption of short-term investments	35,005	15,005	95,165	45,165
	(37,426)	(36,169)	(79,569)	(46,742)
Cash flows from financing activities:				
Payment of lease obligations (note 12)	(1,689)	(1,732)	(5,245)	(4,963)
Lease incentives received	—	—	—	3,858
Proceeds from exercise of stock options	1,071	15,677	20,715	23,370
	(618)	13,945	15,470	22,265
(Decrease)/increase in cash and cash equivalents	(39,504)	(25,787)	(12,711)	2,368
Cash and cash equivalents, beginning of period	201,608	227,862	175,347	203,220
Effects of exchange rates on cash and cash equivalents	(1,801)	689	(2,333)	(2,824)
Cash and cash equivalents, end of period	$ 160,303	$ 202,764	$ 160,303	$ 202,764

See accompanying notes to condensed consolidated interim 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 condensed consolidated interim financial statements of the Company as at September 30, 2023 and for the three and nine months ended September 30, 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 unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2022. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2022.

The unaudited condensed consolidated financial statements were authorized for issue by the Board of Directors on November 1, 2023.

(b) Significant accounting policies:

The accounting policies applied in these unaudited condensed consolidated interim financial statements are the same as those applied in the Company’s consolidated financial statements as at and for the year ended December 31, 2022. The accounting policies have been applied consistently to all periods presented except as noted below for derivative financial instruments and hedge accounting.

(c) Derivative financial instruments and hedge accounting:

Effective January 1, 2023, 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.

2. Basis of preparation (continued):

(c) Derivative financial instruments and hedge accounting (continued):

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 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.

(d) Use of estimates and judgments:

In preparing these unaudited condensed consolidated interim financial statements, Management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by Management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2022.

3. 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.

3. Business combinations (continued):

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 three and nine months ended September 30, 2023, $5,316 and $11,097 of contingent consideration was settled through the issuance of 43,169 and 86,335 shares, as outlined in note 18. 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.

3. 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 in loss allowance as outlined in note 4.

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.

4. Trade and other receivables:

		September 30, 2023		December 31, 2022
Trade accounts receivable	$	81,646	$	121,669
Unbilled receivables		39,612		30,623
Taxes receivable		2,904		1,830
Other		2,857		3,847
		127,019		157,969
Loss allowance		(608)		(312)
	$	126,411	$	157,657

4. Trade and other receivables (continued):

There were no trade accounts receivable written off in the three and nine months ended September 30, 2023 (year ended December 31, 2022 – $nil).

The following table presents changes in total unbilled receivables:

	Nine months ended September 30,	
	2023	2022
Balance, beginning of period	$ 37,868	$ 15,925
Amounts transferred to trade accounts receivable	(27,889)	(9,966)
Revenue in excess of billings	31,817	28,436
Balance, end of period	$ 41,796	$ 34,395

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

	September 30, 2023	December 31, 2022
Current	$ 39,595	$ 30,623
Non-current	2,201	7,245

5. Contract acquisition costs:

	Nine months ended September 30,	
	2023	2022
Balance, beginning of period	$ 24,892	$ 19,691
Additions	9,245	8,929
Amortization	(6,524)	(5,327)
Effects of movements in exchange rates	(113)	(808)
Balance, end of period	$ 27,500	$ 22,485

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

6. Property and equipment:

Cost	December 31, 2022	Additions	Dispositions	Effects of exchange rates	September 30, 2023
Land	$ 18	$ —	$ —	$ —	$ 18
Computer equipment	65,418	890	(22)	(864)	65,422
Computer software	4,066	110	(8)	(19)	4,149
Office furniture and equipment	4,521	657	—	(28)	5,150
Leasehold improvements	24,565	247	—	(120)	24,692
Total cost	$ 98,588	$ 1,904	$ (30)	$ (1,031)	$ 99,431

Accumulated depreciation	December 31, 2022	Depreciation	Dispositions	Effects of exchange rates	September 30, 2023
Computer equipment	$ 37,823	$ 7,293	$ (22)	$ (612)	$ 44,482
Computer software	3,082	413	(8)	(9)	3,478
Office furniture and equipment	2,126	1,038	—	(33)	3,131
Leasehold improvements	3,705	1,627	—	(89)	5,243
Total accumulated depreciation	$ 46,736	$ 10,371	$ (30)	$ (743)	$ 56,334

Carrying value	September 30, 2023	December 31, 2022
Land	$ 18	$ 18
Computer equipment	20,940	27,595
Computer software	671	984
Office furniture and equipment	2,019	2,395
Leasehold improvements	19,449	20,860
Total property and equipment	$ 43,097	$ 51,852

There were no proceeds associated with asset dispositions in the nine months ended September 30, 2023 (year ended December 31, 2022 – no proceeds associated with asset dispositions). Additions in the nine months ended September 30, 2023 include $nil (year ended December 31, 2022 – $95) of property and equipment acquired through business combinations, as outlined in note 3.

7. Right-of-use assets:

	December 31, 2022	Depreciation	Effects of exchange rates	September 30, 2023
Offices	$ 48,023	$ (3,001)	$ (158)	$ 44,864
Data centres	5,514	(2,415)	(64)	3,035
Total right-of-use assets	$ 53,537	$ (5,416)	$ (222)	$ 47,899

Additions in the nine months ended September 30, 2023 include $nil (year ended December 31, 2022 – $1,552) of right-of-use assets acquired through business combinations, as outlined in note 3.

8. 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	September 30, 2023
Customer relationships	$ 9,468	$ —	$ (1,180)	$ (83)	$ 8,205
Technology	15,541	—	(2,374)	(92)	13,075
Internally developed software	3,262	106	(519)	—	2,849
Total intangible assets	$ 28,271	$ 106	$ (4,073)	$ (175)	$ 24,129

9. Goodwill:

	Nine months ended September 30, 2023	2022
Balance, beginning of period	$ 73,314	$ 39,988
Acquisition (note 3)	—	32,180
Effect of foreign exchange	(55)	(1,467)
Balance, end of period	$ 73,259	$ 70,701

10. Trade payables and accrued liabilities:

	September 30, 2023	December 31, 2022
Trade accounts payable	$ 12,012	$ 10,403
Accrued liabilities	24,959	27,024
Taxes payable	473	2,680
	$ 37,444	$ 40,107

11. Deferred revenue:

	Nine months ended September 30, 2023	2022
Balance, beginning of period	$ 133,467	$ 99,239
Deferred revenue from acquisition (note 3)	—	938
Recognition of deferred revenue	(116,172)	(88,686)
Amounts invoiced and revenue deferred	82,893	69,948
Balance, end of period	$ 100,188	$ 81,439

12. Lease obligations:

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

	September 30, 2023	December 31, 2022
Current	$ 5,703	$ 6,991
Non-current	45,755	49,977
Total lease obligations	$ 51,458	$ 56,968

The following table presents the contractual undiscounted cash flows for lease obligations as at September 30, 2023:

Less than one year	$ 7,130
One to five years	15,946
More than five years	40,536
Total undiscounted lease obligations	$ 63,612

12. Lease obligations (continued):

The following table presents payments for lease obligations:

	Nine months ended September 30,	
	2023	2022
Principal payments	$ 5,245	$ 4,963
Interest payments	1,247	1,397
Variable lease payments	1,276	1,411
Short-term lease payments	401	397
Total cash outflow for leases	$ 8,169	$ 8,168
Lease incentives received	—	(3,858)
Net cash outflow for leases	$ 8,169	$ 4,310

13. Share capital:

Authorized

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

Issued Common Shares

	Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	Shares	Amount	Shares	Amount
Shares outstanding, beginning of period	28,052,629	244,713	27,462,834	195,414
Shares issued from exercised options	306,561	27,114	388,989	30,405
Shares issued from vested RSUs	29,368	3,709	6,372	598
Shares issued from vested PSUs	20,817	2,297	3,776	417
Shares issued as contingent consideration (note 3, 18)	86,335	11,097	—	—
Shares outstanding, end of period	28,495,710	288,930	27,861,971	226,834

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 September 30, 2023, there were 886,294 stock options available for grant under the Plans.

13. Share capital (continued):

The following table presents changes in stock options outstanding:

	Nine months ended September 30, 2023		Year ended December 31, 2022	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Options outstanding, beginning of period	1,720,326	$ 75.53	2,143,375	$ 76.56
Granted	1,188	118.99	194,646	125.04
Exercised	(306,561)	67.58	(492,631)	60.32
Forfeited	(17,824)	135.24	(125,064)	149.26
Options outstanding, end of period	1,397,129	$ 77.03	1,720,326	$ 75.53
Options exercisable, end of period	1,030,403	$ 66.02	1,028,146	$ 59.91

The following table presents information about stock options outstanding at September 30, 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	42,050	1.71	$ 23.27	42,050	$ 23.27
$30 to $60	617,520	1.94	44.80	617,520	44.80
$60 to $90	209,198	1.40	82.22	138,292	82.21
$90 to $120	245,430	2.62	99.97	102,317	99.35
$120 to $150	200,931	3.37	122.48	72,974	123.76
$150 to $180	82,000	1.99	154.13	57,250	154.08
	1,397,129	2.18	$ 77.03	1,030,403	$ 66.02

13. Share capital (continued):

The per share weighted-average fair value of stock options granted during the nine months ended September 30, 2023 was $42.07 (year ended December 31, 2022 – $42.82) on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Expected dividend yield	0%	0%
Risk-free interest rate	4.26%	2.75%
Expected life	three to five years	three to five years
Estimated volatility	39%	41%

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 September 30, 2023, there were 1,309,906 share units available for grant under the Share Unit Plan.

The following table presents changes in share units outstanding:

	Nine months ended September 30, 2023			Year ended December 31, 2022		
	RSU	PSU	DSU	RSU	PSU	DSU
Units outstanding, beginning of period	180,739	71,378	75,395	96,583	31,640	65,441
Granted	201,607	74,799	9,471	200,865	52,209	9,954
Exercised	(29,368)	(13,363)	—	(93,388)	(3,776)	—
Forfeited	(17,711)	(5,823)	—	(23,321)	(8,695)	—
Units outstanding, end of period	335,267	126,991	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 the nine months ended September 30, 2023 was $121.83 per unit (year ended December 31, 2022 – $120.84) using the fair value of a Common Share at time of grant.

Each performance share unit ("PSU") entitles the participant 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 the PSUs granted during the nine months ended September 30, 2023 was $195.44 per unit (year ended December 31, 2022 – $164.68). The PSUs were valued using a Monte Carlo pricing model based on the fair value of a Common Share at time of grant and the following assumptions:

13. Share capital (continued):

	Nine months ended September 30, 2023	Year ended December 31, 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 the nine months ended September 30, 2023 was $121.95 per unit (year ended December 31, 2022 – $116.07) using the fair value of a Common Share at time of grant.

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:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Stock options	$ 1,418	$ 1,930	$ 5,285	$ 6,076
Restricted share units	5,412	3,416	14,817	8,751
Performance share units	1,915	828	4,862	2,698
Deferred share units	—	—	1,155	1,155
	$ 8,745	$ 6,174	$ 26,119	$ 18,680

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cost of revenue	$ 1,432	$ 1,049	$ 4,261	$ 2,362
Selling and marketing	2,230	1,743	6,388	4,300
Research and development	1,780	426	5,269	3,383
General and administrative	3,303	2,956	10,201	8,635
	$ 8,745	$ 6,174	$ 26,119	$ 18,680

14. Earnings per share:

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Issued Common Shares at beginning of period	28,408,183	27,601,861	28,052,629	27,462,834
Effect of shares issued from exercise of options	4,451	83,530	177,192	114,586
Effect of shares issued from vesting of restricted share units	16,222	—	5,467	6,372
Effect of shares issued from vesting of performance share units	—	—	15,174	3,776
Weighted average number of basic Common Shares	28,428,856	27,685,391	28,250,462	27,587,568
Effect of share options on issue	547,536	725,893	602,171	761,923
Effect of share units on issue	263,762	242,004	267,194	194,808
Weighted average number of diluted Common Shares	29,240,154	28,653,288	29,119,827	28,544,299

For the three and nine months ended September 30, 2023, 284,119 options and 70,699 share units (three and nine months ended September 30, 2022, 399,559 options and no share units) were excluded from the weighted average number of diluted common shares as their effect would have been anti-dilutive.

15. Revenue:

The following table presents revenue of the Company:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
SaaS	$ 67,940	$ 54,038	$ 195,189	$ 154,467
Subscription term license	2,535	5,827	16,649	29,679
Professional services	32,851	25,613	89,410	72,457
Maintenance and support	4,753	4,020	13,733	11,803
	$ 108,079	$ 89,498	$ 314,981	$ 268,406

15. 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 September 30, 2023:

	Remainder of 2023	2024	2025 and thereafter	Total
SaaS	$ 67,871	$ 225,079	$ 253,808	$ 546,758
Maintenance and support	4,783	17,008	19,061	40,852
Subscription term license	3,001	377	56	3,434
	$ 75,655	$ 242,464	$ 272,925	$ 591,044

16. Depreciation and amortization:

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cost of revenue	$ 2,645	$ 2,756	$ 8,274	$ 8,429
Selling and marketing	2	1	6	2
Research and development	447	653	1,415	2,090
General and administrative	2,032	1,955	6,092	5,612
	$ 5,126	$ 5,365	$ 15,787	$ 16,133

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cost of revenue	$ 959	$ 619	$ 2,899	$ 1,429
General and administrative	371	340	1,174	737
	$ 1,330	$ 959	$ 4,073	$ 2,166

17. Statement of cash flows:

The following table presents changes in operating assets and liabilities:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Trade and other receivables	$ (6,035)	$ (1,583)	$ 35,485	$ (1,739)
Prepaid expenses	133	(297)	(596)	(4,731)
Contract acquisition costs	(1,441)	(382)	(2,784)	(3,551)
Trade payables and accrued liabilities	2,453	4,496	382	(1,107)
Deferred revenue	(18,920)	(19,935)	(31,455)	(13,520)
Provisions	—	(62)	(296)	(411)
	$ (23,810)	$ (17,763)	$ 736	$ (25,059)

18. 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.

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 September 30, 2023 and December 31, 2022, financial instruments measured at fair value in the consolidated interim statements of financial position were as follows:

18. Financial instruments (continued):

	September 30, 2023		December 31, 2022	
	Fair value hierarchy	Fair value	Fair value hierarchy	Fair value
Liabilities:				
Foreign currency forward contracts	Level 2	$ 495		$ —
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 $39,000 CAD as at September 30, 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:

	Three months ended September 30, 2023		Nine months ended September 30, 2023	
	Contingent Consideration	Other expense	Contingent Consideration	Other expense
Opening balance	$ 6,021	$ (2,656)	$ 9,146	$ —
Settlement of contingent consideration	(5,316)	—	(11,097)	—
Net change in fair value (unrealized)	—	—	1,602	(1,602)
Net change in fair value (realized)	(705)	705	349	(349)
Balance, September 30, 2023	$ —	$ (1,951)	$ —	$ (1,951)

18. 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:

	September 30, 2023	December 31, 2022
United States	$ 42,518	$ 77,174
Europe	30,588	35,828
Asia	5,758	4,678
Canada	2,191	3,677
	$ 81,055	$ 121,357

The following table presents aging of trade accounts receivable:

	September 30, 2023	December 31, 2022
Current	$ 60,161	$ 91,360
Past due:		
0 – 30 days	10,339	19,355
31 – 60 days	5,478	6,126
Greater than 60 days	5,077	4,516
	$ 81,055	$ 121,357

At September 30, 2023, no customers individually accounted for greater than 10% of total trade accounts receivable (December 31, 2022 – no customers). For the nine months ended September 30, 2023, no customers individually accounted for greater than 10% of revenue (nine months ended September 30, 2022 – no customers).

19. 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.

19. Segmented information (continued):

Geographic information

The following table presents external revenue on a geographic basis:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
United States	$ 61,734	$ 51,685	$ 183,445	$ 159,225
Europe	34,201	24,586	94,830	73,341
Asia	9,241	11,304	29,177	29,618
Canada	2,903	1,923	7,529	6,222
	$ 108,079	$ 89,498	$ 314,981	$ 268,406

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

	September 30, 2023	December 31, 2022
Canada	$ 28,207	$ 32,798
United States	7,907	10,368
Asia	3,654	4,745
Europe	3,329	3,941
	$ 43,097	$ 51,852

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

	September 30, 2023	December 31, 2022
Canada	$ 39,240	$ 42,217
Asia	5,370	6,833
United States	1,877	2,658
Europe	1,412	1,829
	$ 47,899	$ 53,537

19. Segmented information (continued):

The following table presents intangible assets on a geographic basis:

	September 30, 2023	December 31, 2022
Europe	$ 13,767	$ 15,787
Canada	10,362	12,484
	$ 24,129	$ 28,271

20. Contingencies and commitments:

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 September 30, 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.

During the three months ended September 30, 2023, the Company contracted to purchase cloud data services for a minimum purchase commitment of $22,100 over a five-year term.

21. Subsequent event:

On November 1, 2023 the Company announced its intent to commence a normal course issuer bid (“NCIB”) by filing Notice with the Toronto Stock Exchange. The Notice provides that the Company may purchase and cancel up to 1,424,790 of the Company’s Common Shares during the twelve-month period commencing November 6, 2023, and ending no later than November 5, 2024, with a designated broker, representing approximately 5% of the issued and outstanding Common Shares as of October 23, 2023. As of the close of business on October 23, 2023, the Company had 28,495,810 shares issued and outstanding.

The NCIB is subject to certain trading parameters followed by the Company’s designated broker during times when the Company would ordinarily not be active in the market due to applicable regulatory restrictions or self-imposed blackout periods. Specifically, Kinaxis has entered into an automatic share purchase plan to provide the option to instruct its broker to make purchases under the NCIB during any applicable blackout periods. Outside of these periods, the Common Shares will be repurchased by the Company at our discretion under the NCIB.