Kinaxis Inc. TSX:KXS

Earnings Call

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Call Participants

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Executive VP & CFO

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CEO & Director

Rick Wadsworth
Vice President of Investor Relations

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Presentation

Operator

Good morning, and welcome to the Kinaxis Inc. Fiscal 2026 First Quarter Results Conference Call. [Operator Instructions] I'd like to remind everyone that this call is being recorded today, Thursday, May 7, 2026.

I'll now turn the call over to Rick Wadsworth, Vice President of Investor Relations at Kinaxis Inc. Please go ahead, Mr. Wadsworth.

Rick Wadsworth
Vice President of Investor Relations

Thanks, operator. Good morning, and welcome to the Kinaxis earnings call. Today, we will be discussing our first quarter results, which we issued after close of markets yesterday. With me on the call are Razat Gaurav, our Chief Executive Officer; and Blaine Fitzgerald, our Chief Financial Officer.

Some of the information discussed on this call is based on information as of today, May 7, 2026, and contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those set out in such statements. For a discussion of these risks and uncertainties, you should review the forward-looking statements disclosure in the earnings press release as well in our SEDAR+ filings.

During this call, we will discuss IFRS results and non-IFRS financial measures, including adjusted EBITDA. A reconciliation between adjusted EBITDA and the corresponding IFRS result is available in our earnings press release and MD&A, both of which can be found on the Investor Relations section of our website, kinaxis.com and on SEDAR+.

The webcast is live and being recorded for playback purposes. An archive of the webcast will be made available on the Investor Relations section of our website. Neither this call nor the webcast may be rerecorded or otherwise reproduced or distributed without prior written permission from Kinaxis. We have a presentation to accompany today's call, which can be downloaded from the Investor Relations homepage of our website. We will let you know when to change slides.

Finally, I want to remind you that our user event, Kinexions, will take place from June 1 to June 3 in Las Vegas. All sessions on the second and third are open to investors. You can review event details at kinexions.com. And if you're interested in joining us, please reach out to me directly at rwadsworth@kinaxis.com before registering as we have capacity limitations.

Over to you, Razat.

Razat Gaurav
CEO & Director

Thanks, Rick, and good morning all. Turning to Slide 4. I'm extremely pleased with how the team performed in the first quarter. Momentum from our last year has continued with a record Q1 performance. Our great start to the year is evidenced by performance in our 2 key growth metrics. Our SaaS revenue grew by 21%, a significant jump compared to 16% growth a year ago. This provides us with a tremendous start towards our SaaS growth guidance for the year. Our ARR balance grew by 20%, accelerating from 14% growth in Q1 2025.

All this growth translated to significantly improved profitability in the first quarter. We achieved record quarterly profit and adjusted EBITDA, and our adjusted EBITDA margin was 32%. Blaine will speak to details soon.

Our momentum as the leader in AI-driven supply chain planning and orchestration continues to accelerate in an environment that is characterized by the following: firstly, there's heightened levels of volatility in supply and demand with ongoing levels of geopolitical and structural shifts; secondly, significant push to create new levels of productivity and working capital efficiencies while improving customer fulfillment service levels; and thirdly, a growing phase of innovation and change in underlying data architectures and agentic AI in an effort to create new levels of intelligence, efficiencies and automation.

Customers are exploring new forms of intelligent decision-making, governance, operating models and process automation, leveraging a mix of predictive, prescriptive, generative and agentic AI. Their feedback gives us confidence that Kinaxis is on the right side of an exciting opportunity to transform the ways of working across the entire supply chain and deliver unprecedented levels of value to our customers. The opportunity ahead is significant, and the latest innovations in data architectures and AI are providing us a tremendous tailwind.

Turning to Slide 5. It was a record Q1 for new business in total, business from new customers and from expansions with existing customers. Almost double the amount of total new business we signed in Q1 2025 and won 60% more than in any previous Q1, measured by average annual contract value. Our average deal size was over double what we experienced in the first quarter last year. Once again, we saw a disproportionate strength from contracts with 1 million plus in average ACV, winning several more than we did a year ago, including our largest initial customer contract ever, both by annual and total contract value. We'll provide you with specifics on the number of $1-plus million deals annually but our early success. And pipeline suggests that 2026 could be another strong year in this regard.

On to Slide 6. Just under half of the new ARR we added in Q1 came from some exciting new customers, most of which were enterprise or large enterprise class. I'll highlight a few wins. In consumer products, we were thrilled to win Pernod Ricard, the world's leader in premium international champagnes and spirits. They have over 200 iconic brands, including ABSOLUT, Beefeater, Chivas Regal, G.H. Mumm, Glenlivet, Havana Club and Jameson. Pernod Ricard is going to be deploying our Maestro platform for end-to-end planning across their global supply chain network in an effort to improve service levels and gain cost efficiencies.

In our chemicals vertical, Tesa has become a customer. Tesa develops over 7,000 innovative adhesive solutions and is active in 100 countries. Tesa is looking to leverage Maestro to help shift from regional silos to a centrally governed global supply chain model to support rapid growth, new product launches and other strategic initiatives.

We have continued our amazing run in the energy sector. Last quarter, we won Marathon Petroleum, and now we've added the largest renewable energy company in North America. The company uses a diverse mix of energy sources, including natural gas, nuclear, renewable energy and battery storage. Their expansive asset base requires better end-to-end processes to ensure the right parts are in the right place at the right time.

They're also looking to improve demand forecasting using outside-in data and machine learning techniques so they can quickly respond to new opportunities. The energy sector is undergoing massive investments to support the demands of the new AI economy and the surge in the build-out of data centers. So we expect this to remain a strong sector for us ahead.

In life sciences, we won a large vital organ therapy company, which for 70 years has driven meaningful innovations in kidney care. They're going to be deploying Maestro for end-to-end intelligent planning capabilities. We also won a couple of mid-market life sciences companies, ALK, an allergy treatment specialist headquartered in Denmark; and Laboratoires Théa, which researches, develops, manufactures and commercializes a wide variety of eye care products.

In industrial manufacturing, we won a significant contract with a global Fortune 500 company. This well-known leader is known to -- is looking to replace siloed business unit decision-making with our unified platform covering S&OP, demand planning, distribution, inventory, shop floor scheduling and more. They're also going to be deploying Maestro Agents to gain intelligence, productivity and automation.

In the mid-market tier of high tech, there are electronics [manufacturer] of Weidmüller exist. There are still dozen prospects in our vertical market, and we have never positioned to win. Along with success made in Q1, I think a lot of our addition came from existing customers. So the new application with the largest single expansion business and distribution [Technical Difficulty] expansion with all-time optimization and forecasting, with most of the expansions in the first quarter. The success is demonstrated via mathematics, namely algorithmics and machine learning models remain at the very heart of customer needs for powering high-impact supply chain decisions.

Our exciting new generative and agentic AI capabilities make it easier and more effective to leverage these advanced capabilities, but will not [Technical Difficulty]. Working together, all these technologies provide us with an incredible opportunity to further expand our impact into broader supply chain orchestration use cases. We have over 400 customers, a growing set of capabilities to sell a highly focused go-to-market team. So there are -- there's a massive room for expansion within the existing installed base.

On to Slide 7. While winning business with the world's biggest and best supply chains is the best validation we can receive, it is a tremendous honor to be ranked as a leader in Gartner's Magic Quadrant for the 12th consecutive time. And in such a prestigious spot. Gartner published 2 Magic Quadrants this time around, one for discrete industries and another for process industries. It is a testament to the powerful flexibility of Maestro that we placed so well in both. The reports support our long-held view that differentiation in our business is not about stand-alone planning features. It's about how well platforms enable fast, connected and automated decisions across the supply chain.

With respect to AI, the report shows that most vendors in our space leverage it, but with varying impact. The real value is seen as coming when AI is embedded directly into decision flows and execution rather than fragmented or assistive approaches. We see ourselves positioned well here. Maestro is infused with AI end-to-end and is the world's most sophisticated context and digital representation of the physics of the real-world supply chain. It enables rapid scenario planning, synchronized decision-making and continuous and concurrence planning.

Moving to Slide 8. As you will recall, we've already launched Maestro Agents, including out-of-the-box capabilities and Maestro Agent Studio, which gives supply chain teams a no-code way to compose AI Agents tailored to their unique needs. Our agents, which embed large language models, including OpenAI's ChatGPT, Google Gemini and Anthropic's Claude in training and in testing, make it easier for users of any skill level to access the full power of Maestro. They also enable automation of processes that would otherwise be impossible, difficult or inefficient for human users to undertake and create a practical foundation for more autonomous supply chain operations that deliver faster, better decisions with even greater confidence.

In Q1, we more than doubled the number of paying customers for our Maestro Agents, and we are in discussions with many more. The application of AI and agentic AI in supply chain planning, decision-making and orchestration is moving very rapidly, and there's no shortage of ideas for how to use it. One way we've been able to support customers in helping them prioritize specific high-impact use cases, we know will deliver value quickly. For example, we recently offered customers packages for up to 6 agents where deployment and knowledge transfer are supported by our forward-deployed engineers with full implementation done in as few as 4 to 8 weeks. The package includes predefined agents that target some critical decisions, ensuring data integrity, anticipating demand and supply risk, improving forecast accuracy, evaluating demand shifts and optimizing inventory and supply outcomes.

We also have launched our Maestro Agent Studio to enable composability of agents tailored to our customers' unique needs. Our start-up package, combined with forward-deployed engineers, aims to kick-start that process and quickly demonstrate value by absorbing real plan of work, standardizing analysis, creating automations and accelerating decisions. Our world-class customers move carefully and thoughtfully and they undeniably move forward. I'm certainly biased, but it's difficult to imagine any customer not using our AI agents in the coming years.

As I've described before, the next steps in our AI journey are to add the following: orchestrator agents that coordinate and sequence multiple agents across concurrent supply chain workflows; secure connections and interoperability between Maestro Agents and external agents and systems; and expanded data context and semantics through an extensible ontology layer that enables composable agents to reason consistently across larger data sets and analytical environments beyond Maestro for true supply chain orchestration. Initial versions of these initiatives will be available within 2026 and will open a much larger opportunity for Kinaxis. Stay tuned for additional announcements on this front at our Kinexions event in early June in Las Vegas.

Lastly, with respect to internal use of AI, we continue to prioritize this usage for improved efficiency, better results and increased velocity. I'll provide some examples. In R&D, we found that AI-assisted work is 25% faster on average. And over 90% of requests to move code into production now include some AI-assisted elements. Our business development team has dramatically improved efficiency and conversion by using AI for deep research on prospect accounts that could benefit most from Maestro. AI identifies the use cases, finds the right contacts, writes e-mails and follows up, all referencing the specific prospect context.

Our professional services team is using AI to increase our assurance that partner deployments are following all the rigorous standards that get quicker answers to the field to unique deployment challenges. We will continue to emphasize the use of AI for innovative ways to improve operations company-wide and transform our internal ways of working.

The search for a new CFO is going very well, and we have been working with the top-tier executive search firm to engage with over 200 potential candidates. At this time, we're in our final stretch of decision-making with a very short list of candidates. As it was when I joined Kinaxis, most of these candidates will need some transition time from their current roles. We will provide formal feedback when the process is complete. Meanwhile, Blaine is leaving us with a high functioning finance team to allow for a seamless transition. As I said on the last call, I can't thank Blaine enough for successfully steering Kinaxis through great growth opportunity and change and to leave us in such a tremendous shape today.

Over to you, Blaine.

Blaine Fitzgerald
Executive VP & CFO

Thank you, Razat. I couldn't be more excited than to complete my time here with such a stellar quarter. Like recent periods, Q1 was beyond expectations in several key areas and establishes even greater confidence in meeting or beating our 2026 targets.

If you look at Slide 9, turning to the numbers and compare to Q1 2025 results, total revenue was $165.6 million, up 25%, largely driven by very strong SaaS revenue growth and higher-than-expected subscription term license and professional services revenue. SaaS revenue was $102.9 million, up 21%, thanks to recent strong momentum winning new business, including record levels in Q4 2025 and our strongest Q1 ever. Subscription term license revenue was $19.1 million, up 111%. The result was a couple of million dollars higher than expected as a new customer joined us under the hybrid model. Under that model, we deliver Maestro from a hosted environment, but the customer has an option to move the deployment on-premise, which triggers term license accounting. You should adjust your annual term license estimates accordingly.

Professional services revenue was $38.7 million, up 16% and stronger than expected due to higher realized rates as we work to ensure that pricing fully reflects our premium services. We continue to successfully shift services work to systems integrator partners, and we'll continue to focus on that in 2026. The strong first quarter result doesn't currently change our view that professional services revenue will grow in low single digits for the full year.

Maintenance and support revenue was $4.9 million, down 11% due to some contract changes, including success moving a couple of large customers from a hybrid hosted model to SaaS. We mentioned in last call that there is ongoing interest in such transitions. As a result, we now expect maintenance and support revenue to decrease slightly and consecutively in the remaining quarters this year.

Our gross profit was up by 32% to $114 million for a 69% gross margin, up from 65% due to a higher software margin, higher professional services margin and a more favorable revenue mix as professional services declined as a percentage of total revenue. Our software margin was 81%, up from 80%, largely due to higher subscription term license revenue. Professional services gross margin was 27% compared to 21%, reflecting the higher realized rates in the quarter as mentioned.

Adjusted EBITDA was up 62% to $53.6 million, beating our record from last quarter and reflecting strong revenue growth, higher gross margin and efficient operations. Adjusted EBITDA margin was 32%, up from 25%, which sets us up well for our full year target. It's important to note that the positive impact from high-margin subscription term license revenue decreases substantially in future quarters this year.

Our profit in the quarter was a record $29.4 million, higher than any previous quarter and compared to $15.9 million in the first quarter last year. We are very proud of that result.

Cash flow from operating activities was $59.1 million, up 87%. Cash, cash equivalents and short-term investments were $327.6 million, up from $324.7 million at the end of last year despite $62 million deployed under our share buyback program this quarter.

Moving to Slide 10. Our trailing 12-month free cash flow margin was extremely strong at 24%. Given timing variations in individual quarters, we believe focusing on the trailing 12-month figure is most suitable. If you look at Slide 10, it illustrates our significant progress over the past 3 years. That said, it's worth highlighting that free cash flow margin in Q1 was an incredible 35%. Our organic cash generation muscle is now very well developed.

Turning to Slide 11. Annual recurring revenue grew 20% compared to the first quarter of 2025 and now sits at $447 million. We added $14 million to our ARR balance during the first quarter. This is a record for our Q1, even as our conservative approach to measuring ARR left significant committed future amounts out of the calculation. And despite foreign exchange movements in the period, reducing the balance by $2.6 million. As Razat mentioned, ongoing strength in million dollar-plus ACV contracts helped drive this great result. We also continue to convert very well on opening pipeline in the quarter, and our gross dollar retention remains very strong.

On Slide 12, SaaS and total RPO balances and growth remain very robust, with SaaS RPO at $905 million and total RPO at $949 million, highlighting the strength and visibility in our business. The balance remains slightly below $1 billion as Q1 is typically a low renewal quarter, which limits RPO growth. Over the last 3 years, SaaS RPO has a cumulative average growth rate of 20% and total RPO has a CAGR of 19%. We look at 3-year growth rates to help normalize for the impact of normal customer renewal cycles.

On Slide 13, despite total revenue, SaaS revenue and adjusted EBITDA results coming in ahead of our expectations, we are maintaining all aspects of annual guidance, which we provided only 60 days ago. The political, economic and foreign exchange environments remain extremely volatile. So we feel that the approach is prudent. It is still early in the year, and we will gather more information and review our guidance assumptions next quarter. In any case, we exit the first quarter even more confident that we will achieve or beat our goals for 2026.

Slide 14, we maximized our normal course issuer bid shortly after our last quarterly call, doubling the repurchase limit to approximately 2.8 million shares or 10% of our float at October 31, 2025. During the first quarter, we repurchased 570,204 shares for an investment of approximately $62 million. We see tremendous value in being aggressive on our share buyback program, while public markets continue to misvalue complex AI-enabled enterprise SaaS companies like ours.

As I said last call, Kinaxis' business has never been in better shape over my 6 years here. It's hard to imagine that our quarterly revenue is now approaching Kinaxis' full year revenue in the year before I joined. It's been a privilege to be part of that growth.

ARR and SaaS growth are accelerating. RPO is closing in on $1 billion, and profitability is up and has a higher ceiling in the years ahead. Kinaxis is only at the beginning of its AI journey, which I'm confident will add even more opportunities for growth.
I want to thank again the whole Kinaxis team, which is truly PFA, and all of you, our investors and analysts. I hope to see you again down the road. I will now turn the line over to the operator to start the Q&A session.

Question and Answer

Operator

[Operator Instructions] Your first line comes from Kevin Krishnaratne.

Kevin Krishnaratne
Scotiabank Global Banking and Markets, Research Division

A couple of questions on Maestro. I think, Razat, you said something about how the release is allowing your customers to do things that were really complex, sometimes impossible. So can you talk about maybe the pricing here? And how are customers thinking about the ROI on their side? Are they maybe hiring fewer demand planners? Or are they just going faster on plans?

Razat Gaurav
CEO & Director

Yes. I think it's part of an adoption journey, Kevin. And so really, right now, what we're finding is a lot of the focus with our customer base is in gaining efficiencies, productivity, but also on driving working capital efficiencies and cost efficiencies and service level improvements in their supply chain. That's the bigger value proposition in the near term. Clearly, in the midterm, there's going to be opportunities to further consolidate and scale to a much larger extent with fewer headcount and planners, but that doesn't seem to be the initial focus for our customer base.

Kevin Krishnaratne
Scotiabank Global Banking and Markets, Research Division

Got you. And it certainly seems like a big opportunity, some education and handholding on your side. You talked about the FTEs. I'm just curious to how do you work with your partners and SIs to make sure that you're getting this technology properly deployed and scaled over time?

Razat Gaurav
CEO & Director

Yes. Look, we've done a few things there. Firstly, we have almost doubled our investments in training enablement for our partner ecosystem. That's a really important initiative for us this year and that's really well on track, and we're going to continue to see us make a lot of investments. That's the first part.

Second, we're working with fewer set of partner organizations, but we are going deeper in the skill development, the talent development with them. And then thirdly, when partners do lead implementations, which we are perfectly fine with, we are insisting that we have a level of engagement to ensure that we are reviewing the solution design, we are reviewing the integration architecture, we're reviewing some of the testing and things like that before they go live. And we have a package now we call that the Guardian package that we are insisting that every customer uses when they are selecting partners. And that's something that is becoming -- getting a lot of ground. And all the mature partners we have, they like our level of engagement in the implementations, even though they take the bulk of the implementation work, they like to have Kinaxis experts involved in it to make sure we are doing it properly and we're mitigating any risks going forward and ensuring the right outcomes for our customers.

Operator

Your next question comes from the line of Richard Tse at National Bank Capital Markets.

Richard Tse
National Bank Financial, Inc., Research Division

Blaine, I just wanted to say it's been a pleasure working with you and all the best with your new opportunity here. If I kind of look at the growth here, it's obviously accelerated quite a bit this year versus last year. How would you attribute that growth to sort of just an improving sort of macro for supply chain?

Or is it specific more to Kinaxis and what you've done on the execution side? I'm just trying to kind of gauge where that incremental is coming from.

Razat Gaurav
CEO & Director

Yes, it's a good question. I think it's a combination of factors. Clearly, there are some structural shifts that are happening geopolitically, from a tariff perspective, just overarching demand-supply volatility that provide us some good tailwind. It builds the need and the case for the Maestro platform. So that's definitely a factor. But I think beyond that, there are, I think, 3 other factors as well.

Firstly, we're seeing a significant push for replacement cycle of old legacy supply chain planning deployments where customers are fed up of those old legacy deployments, and they're looking for a more modern solution that is usable and is on a single platform and there's really purpose-built for taking them to the agentic era, right? So there's a significant push for a replacement cycle that is underway. And at the end of last year and in Q1 this year and as well as in our pipeline, we are seeing continued increase of those replacement opportunities. So that's an important factor.

The second one I'll tell you is I think beyond just the macro tailwinds, we're seeing that the Chief Supply Chain Officers are under more and more pressure from their CFOs and their CEOs and their Boards to create the next big wave of efficiencies in terms of working capital efficiencies because supply chains account for a very large percentage of the balance sheet and inventories that they carry account for a very large part of the working capital. And also in certain industries where logistics costs are a big part of the percentage of cost of goods sold and with the increase in the fuel prices, there's a lot of pressure for reducing the cost basis as well. So all of these factors are also creating a bigger need for our platform.

And then the third thing I would say is I think we -- our execution has improved dramatically. And we've really rehauled our overall go-to-market engine. We've added capacity and we're going to continue adding capacity through the course of this year in terms of quota coverage. And we're just winning more business, including competitive business, and we're expanding within existing accounts as well.

Richard Tse
National Bank Financial, Inc., Research Division

Okay. And I just have one other quick one in terms of the expanding business. Of the wins today, like how many would you say are being kind of influenced by the fact that you've got a pretty progressive road map for AI, particularly with sort of Maestro Agents? Like is that kind of part of the decision-making you think in terms of what you're doing there? Or is it still a bit early for that?

Razat Gaurav
CEO & Director

Yes, it's a good question. I'll tell you, in all -- I mean, obviously, with our existing customers, we are very actively engaged with them and they're coming on the adoption journey with us. But in net new accounts where there are evaluations happening, the underlying platform capabilities for agentic AI, the underlying capabilities for being able to have composability for agents and the out-of-the-box agents we have is playing a bigger and bigger role in the evaluation process. And every pursuit cycle that we're engaging involves demos of these newer capabilities. And there's a growing trend where they become part of the solution set that our customers are buying even in net new logos. So it's becoming a bigger and bigger factor, I would say, in net new accounts.

Operator

Your next question comes from the line of Stephen Machielsen at BMO Capital Markets.

Stephen Machielsen
BMO Capital Markets Equity Research

Blaine, it's been great working with you over these years. I want to dig into the spending environment. So on one hand, you've got global volatility in oil prices, supply chains, underscoring the need for your software. But on the other hand, enterprises will often delay decisions during these kinds of periods of uncertainty. What's the dynamic you're seeing with your prospects today? And how might that vary across the different verticals and geographies?

Razat Gaurav
CEO & Director

Yes, there's definitely some differences by industry verticals and geographies there. There are some verticals like the high-tech value chain or the energy sector that is feeding into the surge in the build-out of the AI data centers where those needs are very, very urgent and they're not waiting for the macroeconomic uncertainty to sort of settle itself. They're really moving ahead with those investments. There are other industries like aerospace and defense, where we're seeing similar trends.

And then in industries where there are more chronic disruptions and sort of inflationary cost pressures, our solution and what we at Kinaxis and what Maestro [Technical Difficulty] builds a bigger business case for our sponsors and our champions in these organizations to get additional funding to move ahead with these initiatives, right? So we're frankly not seeing any delays or inertia in decision-making.

Now I would call out that to be the case, especially in North America. Our North America business had a fantastic Q4. They've had a fantastic Q1, and the pipeline has tremendous momentum for us in North America. Slightly different dynamic in Europe. Europe, we are seeing -- we had a very strong Q4 in Europe. And we are seeing good pipeline momentum there, but the pace of decision-making doesn't seem to have the same sense of urgency as in North America. And then in Asia Pacific, it's a different dynamic based on which country you're talking about between Japan, Taiwan and India, which is where we operate. In India, we're seeing a lot of deal flow and a lot of momentum in organizations that are looking to scale up and looking to become more competitive, continue to invest in our solutions. And so it varies by industry and vertical. In general, we have not seen the slowdown with any of the macro issues. In fact, if anything, it's been a little bit of a tailwind.

Stephen Machielsen
BMO Capital Markets Equity Research

Okay. That's some really helpful color. So I know you've been calling out some of your larger deals, especially this quarter. Did you say that you signed your largest initial deal ever?

Razat Gaurav
CEO & Director

That's correct, both in terms of ACV, average annual contract value and in terms of total contract value, that's right.

Stephen Machielsen
BMO Capital Markets Equity Research

All right. I'm going to go in a different direction. I just was wondering if you could comment on how you're ramping up your reseller channel? Like how has the progress been there? I guess, going to the smaller deal size?

Razat Gaurav
CEO & Director

Yes. That's an important area for us because, of course, we are adding direct quota-carrying capacity in our go-to-market engine. But resellers play a really important role, particularly in segments of the market where we don't have our own direct coverage. So that includes many countries and regions around the world as well as certain segments of the market that are more down market. So we have a pretty good, robust global reseller program. We are actively evaluating and recruiting and developing partner relationships where appropriate with them. We do want to make -- continue making investments in training and enabling them and making them more proficient.

And then we also have an offering, a sort of a rapid quick start offering where it's still our Maestro platform, but we've really simplified the template and usage for it because a lot of these resellers are selling to customers that are at a different phase of maturity as organizations, and they want something that can be implemented very quickly, have lower total cost of ownership and can lead to more rapid time to value. And so a combination of the product packaging as well as the training enablement and then our global reseller program is important. We had a pretty good year last year with this program. This year, we're looking to continue that growth momentum with the reseller program as well.

Operator

Your next question comes from the line of Lachlan Brown at Rothschild & Co Redburn.

Lachlan Brown
Rothschild & Co Redburn, Research Division

Blaine, wishing you all the best on your next opportunity. You added $5.7 million of SaaS revenue in the first quarter, which I believe was your last quarter of SaaS revenue dollars added sequentially. And I believe this did come ahead of your initial expectations. So could you just run us through the core drivers behind this? Was it on pricing, cross-selling, commencement of large new contracts or anything else to call out within that number?

Blaine Fitzgerald
Executive VP & CFO

Yes, great question. So we had a pretty healthy balance of new name accounts as well as expansion that obviously contribute to that. It was almost like 50-50 for where we ended up. At the end of the day, it comes down to like execution of that go-to-market team that is doing extremely well. They're converting at a very, very high clip to a point where when Razat joined, he said I've never seen conversion at this. These are levels that are extremely high, which we're obviously very, very proud on.

Obviously, the strength of Q4 really helped us out and put us in a great position. So it was just compounding at this stage. A great Q4 and then a great Q1 is helping us hit those high numbers. It's a situation where CFO is pretty exhilarating to be in a position where you get to go out and have these amazing numbers that you get to brag about. And we gave our guidance in a, I think, fairly prudent way. I'd say we are very, very, very confident, more confident probably than we've ever been before that we're going to at least hit those numbers. And I hope that my successor is going to be very happy with me giving them a reward to be in a position to potentially give you some, I guess, increases in those guidance in the future. But we've been in a very fortunate position to have some great execution on the go-to-market side.

The other piece I would just kind of end with is like you asked a question about expansion and AI, and an earlier question came from that. And we called out ADF and agentic AI, both of those products are our fastest-growing products right now, and there's a lot of high demand. So we're in a fortunate position that what we've been innovating for has led to where we're at right now. And maybe one of the unsung kind of metrics that usually a CFO wouldn't want to brag about right now is just the R&D increase. We are investing for the future right now. The innovation that we're doing is what's getting us the wins against all of our competitors and the future competitors because they're seeing that we're investing in our product and making this product top right of any Gartner MQ that's out there. So we're in a great, great position.

Lachlan Brown
Rothschild & Co Redburn, Research Division

And the comment on agents ties nicely into my next question. So with the new paying customers on Maestro Agents, how has their usage been? Has that come in above, below expectations? And has this changed your thinking around how you're bundling MAU usage within subscription?

Razat Gaurav
CEO & Director

Yes. No, we're really happy with the traction we're getting with the early adopters of our Maestro Agents. It's been a lot of fun. And actually, they'll be presenting and discussing some of those early wins at our Kinexions event. And it's always exhilarating to hear our planners who our users talk really about how they can do things in minutes or seconds, what would take them hours or days. So I think that's really on a really good, strong trajectory. Of course, as we are landing new customers with our agentic capabilities, we want to make sure we're also working with our partners and our forward-deployed engineers to make sure we can think through the outcomes and the use cases and get them the value. So that continues to be a really, really important focus area for us.

In terms of the MAU pricing, as you know, we launched that last quarter in Q1. And all new proposals going out to customers and to prospects involve that Maestro activity unit structure, which is a consumption and value and outcome-based pricing structure. We've continued to get good feedback from customers and prospects. And we're continuing to refine the details and the minutia details of the metrics. But all the telemetry is in our platform as well, both for ourselves as well as for our customers to track it.

And then just to remind you later this year, in July this year, all renewals we're going to be doing with our customers is also going to involve the MAU pricing structure. So it's just -- it's a great sort of trajectory for us to tie the movement and the emphasis we have around our AI-oriented use cases and road map and the agentic capabilities with this MAU-based pricing structure.

Operator

Your next question comes from the line of Paul Treiber at RBC Capital Markets.

Paul Michael Treiber
RBC Capital Markets, Research Division

Just in terms of -- you mentioned pricing, you also mentioned that you're seeing larger deal sizes. The -- could you dig into further on the deal sizes, that reflect more so momentum of larger customers? Or are you also seeing an increase in the economics per customer? And then with the changes in your pricing structure with AI and other aspects of your road map, how do you think about the average economics per customer going forward?

Razat Gaurav
CEO & Director

Yes. Look, I think -- well, firstly, it's a very good question. And what I'll say is between sort of winning business with large organizations,and sort of the deal sizes, what I'll say is that both are important factors, right? I mean, I think we are selling to large enterprise organizations that was a big contributor of our bookings in Q1. Some of the large wins were with some of the largest companies in the world. But also, I think the scope of the capabilities we are taking to market has broadened, right, as we've innovated and brought new capabilities to market.

Blaine talked about ADF, which is our machine learning-based forecasting capabilities that is using outside-in data and using sophisticated machine learning techniques that we feature engineer for improving our customers' approaches to how they think about demand of the organization or another capability that we introduced, which is our enterprise scheduling capabilities, right, which is using sophisticated scheduling, genetic algorithms and optimization capabilities to bring efficiencies to the shop floor of these manufacturing organizations and bring an integrated approach to supply planning with production scheduling.

All these expansion capabilities, and of course, now we have these agentic capabilities that we are also adding on to our footprint. So all of these capabilities are adding -- are creating fantastic opportunities for us to both cross-sell to existing customers, but also when we land net new logos, they're becoming a broader footprint. And a lot of times, customers are working with us because we were able to bring that end-to-end solution with a platform that understands the complexity and the physics of the supply chain, and then we are adding these intelligent algorithms, these intelligent agents on top of them to really be able to create the next wave of value. So it's, I think, a combination of larger organizations, but also a broader set of capabilities.

Paul Michael Treiber
RBC Capital Markets, Research Division

That's helpful, and great to hear. The second question, just on -- there's obviously a lot of interest for customers to use AI to develop more software internally. Based on the feedback that you've seen or heard from customers, where are they delineating between software for supply chain or within the enterprise that they're looking to build themselves versus what they would use a partner like Kinaxis to provide?

Razat Gaurav
CEO & Director

Yes. Look, this is a good question. And I think most of our customers are still calibrating where they work with Kinaxis versus where they do in-house development. What I can tell you is, as we are making investments in our underlying platform, we are providing capabilities more and more where customers can both use out-of-the-box capabilities that we embed in our products and our capabilities, but also we are able to provide extensibility and composability in the underlying platform we have. So when there are unique capabilities that our customers need or use cases where we need to extend what we are able to do, we are being able to facilitate that in a very supportable, maintainable and sustainable way, right?

And going forward, I think the ability of our platform to provide for that composability and provide for all the extensibility will allow both our customers and our partners to develop capabilities on our platform. And -- but when they develop capabilities on the platform, it's not to write custom applications or custom solutions like in the traditional or legacy approach to it. It's really going to be allowing them to compose solutions, compose agents, compose micro apps while taking into account all the different pieces of the LEGO blocks that are part of our platform.

And so that's an important trend that we're seeing. Supply chains, the extended supply chains deal with the minutiae of operational details. There's a lot of variance in the needs by industry, by vertical, by geography, by country, by operational function. And so being able to have a platform that is flexible, extensible and composable gives them that ability to leverage all the knowledge we've been able to accumulate over the years and all the reflections we have of -- the digital representation of that physical supply chain and the intelligent library of algorithms we have together with our semantic and ontology layer to really be able to compose applications when needed as well. So our vision is to not only play in out-of-the-box packaged applications, but to also play a growing role in organizations that do want to innovate and in the DIY space as well.

Operator

Your next question comes from the line of Stephanie Price at CIBC.

Stephanie Doris Price
CIBC Capital Markets, Research Division

Hoping you could talk a little bit about where you are in the partnership strategy. How should we think about partnerships with companies like Databricks and NVIDIA contributing to growth? And also, how do you think about growth with the traditional SI partners here?

Razat Gaurav
CEO & Director

Yes. It's a good question. So look, I mean, obviously, we've been working with our SI partners for several years, and we're going to continue working with them. They are playing a bigger and bigger role as we scale up the business. And like as I mentioned earlier in the call, we're really doubling down and investing in the training and enablement and ensuring that we still have an active involvement in those implementations through the Guardian package that we now have with these SI partners.

In terms of the rest of the ecosystem, beyond the SIs, there's some important ecosystems that we are becoming a part of in a more and more active and strategic way. Of course, we work with 2 hyperscalers, Google and Azure. And we're actively working with them. You'll be hearing some announcements coming up at Kinexions along these lines and some of the more innovative work we're doing with some of these hyperscalers.

In addition to the hyperscalers, Google and Azure, we're also working actively with NVIDIA. We had made that announcement in our partnership to innovate our optimization engines and our MIP solvers using NVIDIA's cuOpt, which is an innovative capability that they've just launched recently and it runs on their GPUs. And we're getting deeper and deeper into that NVIDIA ecosystem.

And then with Databricks, that's an important relationship because we're building out our extensible data fabric. That's a relationship we entered last year. We are continuing to leverage their machine learning pipelines as we enable capabilities for forecasting and machine learning-based forecasting for our customers. So that component that we are OEM-ing from Databricks is also very important. But I envision that the ecosystems like NVIDIA and Google and Azure will become more and more important for us.

And then there's another element, which is we have -- we OEM and we leverage the LLMs as well, right? So OpenAI, Google Gemini as well as Anthropic Claude. So there's different ecosystems emerging. We want to, of course, play appropriately in those ecosystems. With the hyperscalers, with the SIs and in some situations with some of these other folks, we are engaging and partnering in certain accounts as we engage with customers, as we engage with prospects as well. And you're going to see us continue to double down and focus on developing these ecosystem relationships even further going forward.

Stephanie Doris Price
CIBC Capital Markets, Research Division

Maybe for my next question. Obviously, Kinaxis has been doing well in multiple areas and definitely results this quarter were very good. Is there anything worrying you, Razat, as you now have kind of been in the seat for the few months here? And how are you thinking about the business and the evolving landscape here?

Razat Gaurav
CEO & Director

Well, I worry about everything. But look, it's -- the business clearly has a lot of momentum right now. And -- but we're not being complacent about it, right? If I look at it with all the new wins and the growth we have, we have to stay anchored and focused on ensuring our customers are getting value. We are doing that with a lot of investments we've made in our delivery organization, in our customer success organization,and with our partner ecosystem, right? So I mean, we only retain the right to continue growing as long as we can keep making our customers successful and ensuring that they're getting value from our solutions. That's a really important focus for us.

Of course, beyond that, we are accelerating our innovation cycles. We've increased our investments significantly in R&D, as Blaine mentioned earlier. And the investments in R&D are not from the point of -- or a vantage point that there's a great white shark that is coming to eat us. It's really to really focus on the fundamentals of what are the needs of our customers, what are they trying to achieve and then map that to all the new and exciting technologies, whether they are new data architectures or new generative and agentic AI capabilities, how can we marry those together to create the next wave of value for them.

And so that's a very big focus area is our innovation road map, and you're seeing us continue to innovate so we can leverage our fantastic core we have, which is Maestro and the end-to-end planning capabilities and that representation of the concurrent supply chain, but also extend beyond that with an extended platform to get into agentic orchestration across the end-to-end supply chain, right? And that's where we are investing in the data fabric and the semantic and ontology layer and the knowledge graph and the agentic studio.

So a lot of things to get done, but all exciting. And all of that only happens as long as we can retain and attract the best talent and our people, right? The company has a fantastic culture. We are not taking that for granted. We're making sure that we continue to retain the innovation culture, the collaboration culture, the product-centric and customer-centric culture, but we also need to make sure we attract the right talent as we aspire to bigger dreams and bigger goals. So those are the things that I'm working on is making sure we continue delivering on customers, making sure we continue to execute on our innovation road map and continue to make sure we retain and attract the best talent possible.

Operator

[Operator Instructions] Your next question comes from the line of John Shao at TD Cowen.

John Shao
TD Cowen, Research Division

I just want to ask about token costs, which seems a concern for some software investors. I know your pricing model is hybrid and consumption based. But could you still remind us the guardrails you have there to make sure it's not going to be a gross margin headwind?

Blaine Fitzgerald
Executive VP & CFO

Yes, that's a great question. And we've heard in a lot of different companies having to worry that tokenized costs and the change in tokenized costs will elevate the amount of cost of goods sold as you go forward. We're in -- I think just like everyone else, we're still in early days. We're not seeing that impact at this stage. It will be something we'll have to figure out. And at the same time, we're having some almost tokenized pricing that we are bringing to our customers. So we're trying to offset that cost with our own pricing strategy as we go forward. But it's still too early to determine how that's going to play out.

Just like any other new change, we expect that there's going to be a price elevation in the short term, and then it will start to work its way out and be a little bit more efficient as we go forward. But today, it doesn't have any impact on any of our numbers, including in our short-term forecast.

Razat Gaurav
CEO & Director

Yes. And just to add a little bit to that, right? So I mean, tokens come into play on 2 fronts. One on the internal usage of AI and code assist and other LLM capabilities. And there, now we are allocating a token budget to all our engineering teams and we have seen situations where some of the most productive engineers are blowing through that. And actually, frankly, we're celebrating that to some extent because the numbers are not something we can't manage within our budgetary guidelines and our forecasts. But what we're seeing in terms of outcomes, in terms of velocity and productivity improvements and speed is just fantastic. So that's on the internal side.

With our customers, we have put in place a telemetry like I mentioned. So the MAU construct factors in tokens, like Blaine said, and we monitor that telemetry. Our customers can monitor that telemetry. And when customers reach at the top end of that, we do engage our commercial teams to engage with the customers to see if they need to top up on that, right? So we are well protected from that regard. Of course, we're also watching closely what are the pricing trends for unit costs from LLM providers. Obviously, we've been beneficiaries of those unit costs coming down in the last 2 years pretty dramatically, but we are watching that pretty closely as we go forward.

Operator

Your next question comes from the line of Mark Schappel at Loop Capital.

Mark William Schappel
Loop Capital Markets LLC, Research Division

Razat, there's been considerable recent discussion about kind of the software power center kind of shifting from traditional applications to these orchestration layers. That seems to be a trend that you guys are embracing. I was wondering if you could just elaborate maybe on how real that shift is you're seeing? And then also maybe just elaborate on your orchestration capabilities.

Razat Gaurav
CEO & Director

Yes. Look, I think the underlying data architectures are shifting. And I'll talk about ourselves a little bit. The key sort of capability we have, orchestration is -- it means different things to different people. For us, really, what it means is to leverage our underlying platform and our sort of understanding of the physics of the supply chain and to really help our customers plan, make decisions, take actions and to really be able to achieve the outcomes and then to go through the learning cycles as they go through that. That's the orchestration loop as we think of it, right? So planning, decision-making, actioning, execution, achieving the outcomes and the results and then going through the learning cycles.

And I think what's most important and, frankly, the big effort to achieve this vision is not so much on the underlying technical architectures or the product capabilities or the agentic capabilities. It's more importantly in working with organizations on how they need to rethink their ways of working. And these organizations are Fortune 1000 companies that we're working in, in the 7 verticals we work in, right? And it requires -- I mean, there are some use cases that can have a quick hit with creating productivity and automation and repetitive tasks and things. Those are the low-hanging fruit and easy things to facilitate through agentic workflows.

But to really truly get into orchestration across functions, across planning horizons of strategic decision-making versus tactical decision-making versus execution, it requires organizations to rethink their fundamental operating models, their underlying processes, how they're organized, how they think about their metrics. And that takes time, right? And that's why as we -- I think in my humble opinion, I think most people are over-expecting what impact these orchestration capabilities will have in the enterprise in the near term. But I think they're also underestimating the impact in the mid- to long term. But it's not just a technology-driven approach you've got to also make fundamental changes to your organization structure, operating models, processes, metrics and things like that to really transform your ways of working, right? And that's why the work we do together with our partners is very critical in achieving the true outcomes from this vision.

Operator

Your next question comes from the line of Suthan Sukumar at Stifel.

Suthan Sukumar
Stifel Nicolaus Canada Inc., Research Division

Congrats on a very impressive quarter. With respect to my question, I just had a -- I wanted to chat on the competitive landscape with AI. How are you guys positioning Maestro Agents versus the agentic frameworks that are offered by some of the incumbent underlying platforms like SAP that your customers already use? I'm just wondering, is this more of a share of wallet discussion at the orchestration layer? Or is there a coexistence and interoperability here that can be leveraged?

Razat Gaurav
CEO & Director

Yes, I think you were cutting out a bit, but I think I got the gist of the question. Look, I think what I'll say is most organizations are early in the journey to really leverage these agentic orchestration capabilities, right? Customers have done pilots with agents, they have put many agents in production, including with ourselves, and they're seeing good results when it comes to getting productivity and automation improvements. But to really truly do orchestration, I fully expect that companies will have to have orchestrator agents work across a very heterogenous systems landscape, right? And in that regard, our philosophy and our approach is to be interoperable, right? We're not trying to be everything to everyone. But as we have sort of architected our platform and as we are making investments in the go-forward road maps in our platform, we're really architecting in a way that we can be interoperable, right?

In the end-to-end world of supply chain, any supply -- any Fortune 1000 company may have anywhere from 10 to 100 applications that power that end-to-end supply chain, right? And so we had to really have the ability to really be able to integrate to those systems and work across those systems. And the orchestration use cases that agents can facilitate will also need to traverse a pretty diverse systems landscape. That's where this semantic and ontology layer is very important because it provides the context for what these orchestrators do. It provides a common taxonomy. And then these agents have a chance of traversing that heterogenous landscape.

And of course, as companies are doing that, they're always looking for opportunities to consolidate that heterogeneous landscape and to simplify them, but they continue to be fairly heterogenous in that end-to-end supply chain world. So our design principle is really around interoperability and coexistence. And at the same time, we expect that we'll have our own agents that will play the orchestration role. And at the same time, I expect that there'll be orchestrator agents from third parties where they leverage the Maestro platform for making decisions and for doing computations that we are very good at doing for supply planning, for demand planning, for inventory optimization, for production scheduling and things like that. So I think it will work in both ways, and that's how we're architecting our platform.

Operator

We've reached the end of the Q&A session. I'll now pass the call back to Rick for closing remarks.

Rick Wadsworth
Vice President of Investor Relations

Thank you, everyone, for participating on today's call. We appreciate your questions and your ongoing interest in Kinaxis. We look forward to speaking with you again next time when we report second quarter results. Bye for now.

Operator
This concludes today's call. Thank you for attending. You may now disconnect.