Condensed Consolidated Interim Financial Statements of

Kinaxis Inc.

Three and nine months ended September 30, 2020 and 2019

(In thousands of USD)

(Unaudited)

Kinaxis Inc.

Condensed Consolidated Interim Statements of Financial Position

As at September 30, 2020 and December 31, 2019
(Expressed in thousands of USD)
(Unaudited)

		September 30, 2020		December 31, 2019
Assets				
Current assets:				
Cash and cash equivalents	$	179,856	$	182,284
Short-term investments		30,177		30,319
Trade and other receivables (note 4)		45,512		80,623
Prepaid expenses		8,610		6,534
		264,155		299,760
Non-current assets:				
Property and equipment (note 5)		31,163		25,704
Right-of-use assets (note 6)		16,450		8,671
Contract acquisition costs (note 7)		15,087		15,497
Unbilled receivables (note 4)		1,683		249
Other receivables		733		713
Deferred tax assets		2,033		149
Intangible assets (note 3)		13,585		–
Goodwill (note 3)		39,988		–
	$	384,877	$	350,743
Liabilities and Shareholders' Equity				
Current liabilities:				
Trade payables and accrued liabilities (note 8)	$	25,841	$	20,770
Deferred revenue (note 9)		62,893		83,673
Lease obligations (note 10)		4,369		2,288
		93,103		106,731
Non-current liabilities:				
Lease obligations (note 10)		12,796		6,818
Deferred tax liabilities		3,342		7,092
		16,138		13,910
Shareholders' equity:				
Share capital (note 11)		164,845		140,961
Contributed surplus		36,635		30,392
Accumulated other comprehensive loss		(257)		(348)
Retained earnings		74,413		59,097
		275,636		230,102
	$	384,877	$	350,743

See accompanying notes to condensed consolidated interim financial statements.

On behalf of the Board of Directors:

(signed) John (Ian) Giffen Director *(signed) John Sicard* Director

Kinaxis Inc.

Condensed Consolidated Interim Statements of Comprehensive Income

For the three and nine months ended September 30, 2020 and 2019
(Expressed in thousands of USD, except share and per share data)
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Revenue (note 13)	$ 55,116	$ 47,131	$ 169,244	$ 135,237
Cost of revenue	18,557	13,803	50,027	38,978
Gross profit	36,559	33,328	119,217	96,259
Operating expenses:				
Selling and marketing	12,881	10,762	37,109	30,523
Research and development	13,664	8,587	33,598	24,682
General and administrative	9,209	8,461	24,249	20,347
	35,754	27,810	94,956	75,552
	805	5,518	24,261	20,707
Other income:				
Foreign exchange gain (loss)	124	(101)	168	(186)
Net finance and other income	156	841	981	2,427
	280	740	1,149	2,241
Profit before income taxes	1,085	6,258	25,410	22,948
Income tax expense	354	1,725	10,094	7,448
Profit	731	4,533	15,316	15,500
Other comprehensive income (loss)				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences - foreign operations	146	(94)	91	(129)
Total comprehensive income	$ 877	$ 4,439	$ 15,407	$ 15,371
Basic earnings per share	$ 0.03	$ 0.17	$ 0.58	$ 0.59
Weighted average number of basic Common Shares (note 12)	26,596,412	26,184,980	26,622,939	26,141,410
Diluted earnings per share	$ 0.03	$ 0.17	$ 0.55	$ 0.58
Weighted average number of diluted Common Shares (note 12)	27,766,505	26,928,596	28,000,655	26,888,187

See accompanying notes to condensed consolidated interim financial statements.

Kinaxis Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the nine months ended September 30, 2020 and 2019
(Expressed in thousands of USD)
(Unaudited)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
Balance, December 31, 2018	$ 124,951	$ 24,284	$ (319)	$ 35,766	$ 184,682
Profit	–	–	–	15,500	15,500
Other comprehensive loss	–	–	(129)	–	(129)
Total comprehensive income (loss)	–	–	(129)	15,500	15,371
Share options exercised	6,059	(1,736)	–	–	4,323
Share based payments (note 11)	–	10,190	–	–	10,190
Total shareholder transactions	6,059	8,454	–	–	14,513
Balance, September 30, 2019	$ 131,010	$ 32,738	$ (448)	$ 51,266	$ 214,566
Balance, December 31, 2019	$ 140,961	$ 30,392	$ (348)	$ 59,097	$ 230,102
Profit	–	–	–	15,316	15,316
Other comprehensive income	–	–	91	–	91
Total comprehensive income	–	–	91	15,316	15,407
Share options exercised	23,884	(5,988)	–	–	17,896
Share based payments (note 11)	–	12,231	–	–	12,231
Total shareholder transactions	23,884	6,243	–	–	30,127
Balance, September 30, 2020	$ 164,845	$ 36,635	$ (257)	$ 74,413	$ 275,636

See accompanying notes to condensed consolidated interim financial statements.

Kinaxis Inc.

Condensed Consolidated Interim Statements of Cash Flows

For the three and nine months ended September 30, 2020 and 2019
(Expressed in thousands of USD)
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Cash flows from (used in) operating activities:				
Profit	$ 731	$ 4,533	$ 15,316	$ 15,500
Items not affecting cash:				
Depreciation of property and equipment and right-of-use assets (note 14)	3,939	3,045	10,403	8,696
Amortization of intangible assets (note 3)	561	–	665	–
Share-based payments (note 11)	4,732	3,537	12,231	10,190
Net finance income	(156)	(841)	(981)	(2,427)
Income tax expense	354	1,725	10,094	7,448
Change in operating assets and liabilities (note 15)	(5,219)	(12,061)	10,474	(1,087)
Interest received	596	1,120	1,658	2,993
Interest paid	(198)	(149)	(487)	(419)
Income taxes received (paid)	(843)	145	(3,103)	(12,320)
	4,497	1,054	56,270	28,574
Cash flows from (used in) investing activities:				
Acquisition of businesses, net of cash acquired (note 3)	(59,166)	–	(61,743)	–
Purchase of property and equipment	(1,299)	(1,147)	(12,337)	(10,341)
Purchase of short-term investments	(20,150)	(20,102)	(95,452)	(50,108)
Redemption of short-term investments	65,302	25,102	95,404	75,108
	(15,313)	3,853	(74,128)	14,659
Cash flows from (used in) financing activities:				
Payment of lease obligations (note 10)	(1,154)	(708)	(2,639)	(1,995)
Common shares issued on exercise of stock options	6,548	2,225	17,896	4,323
	5,394	1,517	15,257	2,328
(Decrease) increase in cash and cash equivalents	(5,422)	6,424	(2,601)	45,561
Cash and cash equivalents, beginning of period	184,992	165,512	182,284	126,144
Effects of exchange rates on cash and cash equivalents	286	21	173	252
Cash and cash equivalents, end of period	$ 179,856	$ 171,957	$ 179,856	$ 171,957

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 700 Silver Seven Road, Ottawa, Ontario. The condensed consolidated interim financial statements of the Company as at September 30, 2020 and for three and nine months ended September 30, 2020 and 2019 comprise the Company and its subsidiaries.

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

2. Basis of preparation:

(a) Statement of compliance:

The 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, 2019. 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, 2019.

The unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 4, 2020.

(b) Comparative figures:

Certain comparative figures have been adjusted for the year ended December 31, 2019. Lease security deposits previously reported with the current portion of trade and other receivables have been classified as long-term. This adjustment was not considered material and did not affect the Company’s consolidated revenue or consolidated profit.

(c) Significant accounting policies:

During the nine months ended September 30, 2020, the Company acquired Prana Consulting, Inc. and Rubikloud Technologies, Inc. as described in Note 3 and applied the following accounting policies for business combinations, acquired intangible assets, and goodwill. The remaining accounting policies applied in these unaudited condensed consolidated interim

2. Basis of preparation (continued):

(c) Significant accounting policies (continued):

financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ending December 31, 2019.

Business combinations

The Company accounts for business combinations using the acquisition method. Goodwill arising on acquisitions is measured as the fair value of the consideration transferred less the net recognized amount of the estimated fair value of identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Transaction costs that the Company incurs in connection with a business combination are expensed as incurred.

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

Acquired intangible assets

The Company's intangible assets consist of customer relationships and technology acquired in a business combination. These intangible assets are recorded at their fair value at the acquisition date. The Company estimates the fair value based on the present value of expected future cash flows. After initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment losses.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. The estimated useful life for customer relationships is three to six years and the useful life for technology is seven years.

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

Goodwill

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

For the purpose of impairment testing, goodwill is allocated to the cash-generating unit that is expected to benefit from the related business combination. The Company as a whole has been

2. Basis of preparation (continued):

(c) Significant accounting policies (continued):

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

(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 continuing uncertainty around the outbreak of the novel coronavirus ("COVID-19") pandemic required the use of judgments and estimates in the preparation of the unaudited condensed consolidated interim financial statements for the period ended September 30, 2020. The future impact of COVID-19 uncertainties could generate, in future reporting periods, a significant impact to the reported amounts of assets, liabilities, revenue and expenses in these and any future consolidated financial statements. Examples of accounting estimates and judgments that may be impacted by the pandemic include, but are not limited to: revenue recognition, impairment of goodwill and intangible assets, allowance for expected credit losses, and provisions.

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, 2019, with the addition of the following:

Contingent consideration

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

Fair value of acquired intangible assets

The Company estimates the fair value of customer relationships and technology acquired in a business combination based on the present value of expected future cash flows. This valuation involves subjectivity and estimation uncertainty, including assumptions related to future revenues attributable to customer relationships or technology, attrition rates, technology migration rates, future expenses, and discount rates.

3. Business combinations:

Prana Consulting, Inc.

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

The purchase price consists of cash consideration of $3,206 and contingent consideration with an initial estimated fair value of $800, resulting in total consideration of $4,006. The contingent consideration payable is measured at the estimated fair value at each reporting date. During the nine months ended September 30, 2020 and based on progress to date, the estimated fair value of the contingent consideration was increased from $800 to $1,000. The difference has been recorded in general and administrative expense. The contingent consideration arrangement consists of additional payments to the selling shareholder for attainment of specific revenue and team retention metrics in the year following the acquisition. The potential undiscounted amount of all future payments that the Company could be required to make under this arrangement is between $150 and $1,000.

The finalization of the purchase price allocation is pending the finalization of the valuation of the fair value of assets acquired and liabilities assumed, including intangible assets. The following table presents the preliminary purchase price allocation at the acquisition date:

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

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

For the nine months ended September 30, 2020, the Company recorded amortization of customer relationships of $167 in general and administrative expense.

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

3. Business combinations (continued):

Since the date of acquisition, the acquisition had no significant impact on revenue and net earnings for the three and nine months ended September 30, 2020. Pro forma results of operations for this acquisition have not been presented because they are not material to our consolidated result of operations.

Rubikloud Technologies, Inc.

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

The purchase price consists of cash consideration of $60,000, adjusted for Rubikloud's closing cash and indebtedness at the date of acquisition and subject to post-closing working capital adjustments, resulting in a total consideration of $60,358. The finalization of the purchase price allocation is pending the finalization of the valuation of the fair value of assets acquired and liabilities assumed, including intangible assets. The following table presents the preliminary purchase price allocation at the acquisition date:

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

The trade and other receivables comprise gross contractual amounts of $452, of which $233 have been fully collected.

3. Business combinations (continued):

For the three months and nine months ended September 30, 2020, the Company recorded amortization of customer relationships of $116 in general and administrative expense and amortization of technology of $382 in cost of revenue. The goodwill is primarily attributable to the expected synergies that will result from integrating Rubikloud's offerings with RapidResponse to enhance its demand planning capabilities, and the assembled workforce. The goodwill is not deductible for tax purposes. Since the date of acquisition, the acquisition had no significant impact on revenue and net earnings for the three and nine months ended September 30, 2020. Pro forma results of operations for this acquisition have not been presented because they are not material to our consolidated result of operations.

4. Trade and other receivables:

The following table presents trade and other receivables for the Company:

	September 30, 2020	December 31, 2019
Trade accounts receivable	$ 23,198	$ 65,406
Unbilled receivables	18,874	13,880
Investment tax credits receivable	710	–
Taxes receivable	558	382
Other	2,172	977
	45,512	80,645
Loss allowance	–	(22)
	$ 45,512	$ 80,623

There were no trade and other receivables written off in the nine months ended September 30, 2020 (year ended December 31, 2019 – $2,768).

The following table presents changes in unbilled receivables for the nine months ended September 30:

Balance, December 31, 2019	$ 14,129
Amounts transferred to trade accounts receivable from the balance at the beginning of year	(11,728)
Revenue in excess of billings, net of amounts transferred to trade accounts receivable	18,156
Balance, September 30, 2020	$ 20,557
Current	$ 18,874
Non-current	1,683

5. Property and equipment:

The following table presents property and equipment for the Company:

Cost	Land	Computer equipment	Computer software	Office furniture and equipment	Leasehold improvements	Total property and equipment
Balance, December 31, 2019	$ –	$ 42,647	$ 2,942	$ 848	$ 5,361	$ 51,798
Additions	18	10,310	158	331	1,860	12,677
Effects of movement in exchange rates	–	354	8	4	37	403
Balance, September 30, 2020	$ 18	$ 53,311	$ 3,108	$ 1,183	$ 7,258	$ 64,878

Accumulated depreciation	Land	Computer equipment	Computer software	Office furniture and equipment	Leasehold improvements	Total property and equipment
Balance, December 31, 2019	$ –	$ 20,641	$ 1,490	$ 262	$ 3,701	$ 26,094
Depreciation	–	6,160	604	233	475	7,472
Effects of movement in exchange rates	–	122	5	–	22	149
Balance, September 30, 2020	$ –	$ 26,923	$ 2,099	$ 495	$ 4,198	$ 33,715

Carrying value	Land	Computer equipment	Computer software	Office furniture and equipment	Leasehold improvements	Total property and equipment
December 31, 2019	$ –	$ 22,006	$ 1,452	$ 586	$ 1,660	$ 25,704
September 30, 2020	$ 18	$ 26,388	$ 1,009	$ 688	$ 3,060	$ 31,163

There were no proceeds associated with asset dispositions in the nine months ended September 30, 2020 (year ended December 31, 2019 – no proceeds associated with asset dispositions).

6. Right-of-use assets:

The following table presents right-of-use assets for the Company:

	Offices	Data centres	Total right-of-use assets
Balance, December 31, 2019	$ 1,987	$ 6,684	$ 8,671
Additions	6,779	3,779	10,558
Depreciation	(1,221)	(1,710)	(2,931)
Effects of movement in exchange rates	22	130	152
Balance, September 30, 2020	$ 7,567	$ 8,883	$ 16,450

7. Contract acquisition costs:

The following table presents changes in contract acquisition costs for the nine months ended September 30:

Balance, December 31, 2019	$	15,497
Additions		4,038
Amortization		(4,451)
Effects of movement in exchange rates		3
Balance, September 30, 2020	$	15,087

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

8. Trade payables and accrued liabilities:

The following table presents trade payables and accrued liabilities for the Company:

		September 30, 2020		December 31, 2019
Trade accounts payable	$	4,932	$	4,285
Accrued liabilities		14,975		13,360
Taxes payable		5,934		3,125
	$	25,841	$	20,770

9. Deferred revenue:

The following table presents changes in deferred revenue for the nine months ended September 30:

Balance, December 31, 2019	$	83,673
Amounts invoiced and revenue deferred		51,952
Recognition of deferred revenue included in the balance at the beginning of year		(72,732)
Balance, September 30, 2020	$	62,893

10. Lease obligations:

The Company's leases are for office space and data centers. These leases contain no renewal option or a renewal option for one, two or five years. The Company has included renewal options in the measurement of lease obligations when it is reasonably certain to exercise the renewal option.

The following table presents lease obligations for the Company:

	September 30, 2020	December 31, 2019
Current	$ 4,369	$ 2,288
Non-current	12,796	6,818
Total lease obligations	$ 17,165	$ 9,106

The following table presents the contractual undiscounted cash flows for lease obligations as at September 30, 2020:

Less than one year	$ 5,095
One to five years	13,644
Total undiscounted lease obligations	$ 18,739

Interest expense on lease obligations for the nine months ended September 30, 2020 was $487 (2019 – $419). The expense relating to variable lease payments not included in the measurement of lease obligations was $722 (2019 – $548). This consists of variable lease payments for operating costs, property taxes, and insurance. Expenses relating to short-term leases were $369 (2019 – $273) and expenses relating to leases of low value assets were not material. Total cash outflow for leases was $4,217(2019 – $3,235), including $2,639 (2019 – $1,995) of principal payments on lease obligations.

The Company has entered into commitments to lease office space in Ottawa, Canada, and to expand data centres in Montreal, Canada. The office lease in Ottawa is expected to commence in late 2021 and the minimum payments required under this commitment are $41,911 over a fifteen year period. The data center lease expansions in Montreal will commence in December 2020 and July 2021 and the minimum payments required under these commitments are $1,578 over a four year period.

11. Share capital:

Authorized

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

Issued

	Common shares	
	Shares	Amount
Shares outstanding at December 31, 2018	26,078,181	$ 124,951
Shares issued from exercised options	148,564	6,059
Shares outstanding at September 30, 2019	26,226,745	$ 131,010
Shares outstanding at December 31, 2019	26,403,004	$ 140,961
Shares issued from exercised options	551,839	23,884
Shares outstanding at September 30, 2020	26,954,843	$ 164,845

Stock option plans

The following table presents the status of the stock option plans:

	Nine months ended September 30, 2020		Year ended December 31, 2019	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Options outstanding, beginning of period	2,228,738	$ 44.24	2,089,873	$ 38.32
Granted	626,999	112.85	468,044	57.81
Exercised	(551,839)	32.43	(261,929)	33.41
Forfeited	(6,500)	72.71	(67,250)	54.98
Options outstanding, end of period	2,297,398	$ 64.64	2,228,738	44.24
Options exercisable, end of period	895,825	$ 36.96	1,041,110	30.43

11. Share capital (continued):

The following table presents information about stock options outstanding at September 30, 2020:

	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 $20	161,999	3.24	$ 9.60	161,999	$ 9.60
$20 to $40	411,525	5.23	33.33	411,525	33.33
$40 to $60	851,215	3.88	54.43	252,641	52.58
$60 to $80	247,160	2.72	65.24	69,660	65.45
$80 to $100	353,999	4.42	83.69	–	–
$120 to $140	44,000	4.61	128.12	–	–
$140 to $160	227,500	4.86	156.08	–	–
	2,297,398	4.14	$ 64.64	895,825	$ 36.96

The Company has outstanding stock options issued under its 2010 and 2012 stock option plans. No further options may be granted under the 2010 and 2012 stock option plans. In June 2017, the Company adopted a new Canadian Resident Plan and a new Non-Canadian Resident Plan. Stock options granted under the new plans will have an exercise price equal to or greater than the stock's TSX price at the date of grant as determined by the Board of Directors and the maximum term of these options will be five years. Options are granted periodically and typically vest over four years.

At September 30, 2020, there were 496,157 stock options available for grant under the Plans.

During the nine months ended September 30, 2020, the Company granted 626,999 options (year ended December 31, 2019 – 468,044) and recorded share-based compensation expense of $7,161 (nine months ended September 30, 2019 – $6,148) related to the vesting of options granted in 2020 and previous years. The per share weighted-average fair value of stock options granted during the nine months ended September 30, 2020 was $30.77 (year ended December 31, 2019 – $18.51) on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions: exercise price is equal to the price of the underlying share, expected dividend yield of 0%, risk-free interest rate of 0.71% (2019 – 2.45%), an expected life of 3 to 5 years (2019 – 3 to 5 years), and estimated volatility of 35% (2019 – 38%). The forfeiture rate is estimated at 15% (2019 – 15%) based upon an analysis of actual forfeitures.

11. Share capital (continued):

Share Unit Plan

At September 30, 2020, there were 176,083 share units available for grant under the Share Unit Plan.

During the nine months ended September 30, 2020, the Company granted 81,970 restricted share units ("RSU") (year ended December 31, 2019 – 70,982). At September 30, 2020, there were 142,692 RSUs outstanding (December 31, 2019 – 60,722). Each RSU entitles the participant to receive one Common Share. The RSUs generally vest over time in three equal annual tranches. The weighted-average grant date fair value of the RSUs granted during the nine months ended September 30, 2020 was $94.04 per unit (year ended December 31, 2019 – $63.13) using the fair value of a Common Share at time of grant. The Company recorded share-based compensation expense of $4,170 (nine months ended September 30, 2019 – $3,142) related to the RSUs.

During the nine months ended September 30, 2020, the Company granted 10,842 deferred share units ("DSU") (year ended December 31, 2019 – 14,256). At September 30, 2020, there were 55,928 DSUs outstanding (December 31, 2019 – 45,086). Each DSU entitles the participant to receive one Common Share. The DSUs vest immediately as the participants are entitled to the shares upon termination of their service. The fair value of the DSUs granted during the nine months ended September 30, 2020 was $83.00 per unit (year ended December 31, 2019 – $63.13) using the fair value of a Common Share at time of grant. The Company recorded share-based compensation of $900 (nine months ended September 30, 2019 – $900) related to the DSUs.

The following table presents the share-based payments expense by function for the three and nine months ended September 30:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Cost of revenue	$ 478	$ 260	$ 1,188	$ 656
Selling and marketing	1,358	1,550	3,969	4,079
Research and development	958	442	1,866	1,183
General and administrative	1,938	1,285	5,208	4,272
	$ 4,732	$ 3,537	$ 12,231	$ 10,190

12. Earnings per share:

The following table summarizes the calculation of the weighted average number of basic and diluted common shares for the three months and nine months ended September 30:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Issued Common Shares at beginning of period	26,546,213	26,169,745	26,403,004	26,078,181
Effect of shares issued from exercise of options	50,199	15,235	219,935	63,229
Weighted average number of basic Common Shares	26,596,412	26,184,980	26,622,939	26,141,410
Effect of share options on issue	1,019,680	632,102	1,226,607	626,964
Effect of share units on issue	150,413	111,514	151,109	119,813
Weighted average number of diluted Common Shares	27,766,505	26,928,596	28,000,655	26,888,187

For the three and nine months ended September 30, 2020, 227,500 and 271,500 (three and nine months ended September 30, 2019 – 1,132,794 and 1,264,646) options were excluded from the weighted average number of diluted common shares as their effect would have been anti-dilutive.

13. Revenue:

The following table presents revenue of the Company:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
SaaS	$ 39,322	$ 31,229	$ 109,058	$ 86,854
Professional services	11,492	9,348	34,565	24,618
Subscription term licenses	1,035	3,278	15,942	14,098
Maintenance and support	3,267	3,276	9,679	9,667
	$ 55,116	$ 47,131	$ 169,244	$ 135,237

13. 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, 2020:

	Remainder of 2020	2021	2022 and thereafter	Total
SaaS	$ 38,114	$ 124,243	$ 172,524	$ 334,881
Subscription term licenses	1,882	503	–	2,385
Maintenance and support	3,232	11,743	12,454	27,429
	$ 43,228	$ 136,489	$ 184,978	$ 364,695

14. Depreciation:

The following table presents total depreciation expense by function:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Cost of revenue	$ 2,234	$ 2,221	$ 6,398	$ 6,252
Selling and marketing	1	1	3	3
Research and development	812	345	1,956	1,023
General and administrative	892	478	2,046	1,418
	$ 3,939	$ 3,045	$ 10,403	$ 8,696

15. Statement of cash flow:

The following table presents changes in operating assets and liabilities:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Trade and other receivables	$ 12,566	$ 65	$ 35,979	$ 21,110
Prepaid expenses	346	(78)	(1,907)	(1,326)
Contract acquisition costs	379	(1,373)	503	(954)
Trade payables and accrued liabilities	(715)	102	(2,178)	3,359
Deferred revenue	(17,795)	(10,777)	(21,923)	(23,276)
	$ (5,219)	$ (12,061)	$ 10,474	$ (1,087)

16. Financial instruments:

(a) Fair value of financial instruments:

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

(b) Credit risk:

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

	September 30, 2020	December 31, 2019
United States	$ 10,995	$ 45,950
Europe	8,380	15,889
Asia	1,865	2,057
Canada	1,958	1,510
	$ 23,198	$ 65,406

The following table presents aging of trade accounts receivable:

	September 30, 2020	December 31, 2019
Current	$ 17,220	$ 41,209
Past due:		
0 – 30 days	2,058	17,854
31 – 60 days	1,006	2,453
Greater than 60 days	2,914	3,890
	$ 23,198	$ 65,406

At September 30, 2020, no customer individually accounted for greater than 10% of total trade accounts receivable (December 31, 2019 – one customer). For the nine months ended September 30, 2020, no customer individually accounted for greater than 10% of revenue (nine months ended September 30, 2019 – no customers).

17. 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.

Geographic information

The following table presents external revenue on a geographic basis:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
United States	$ 31,171	$ 29,770	$ 107,492	$ 88,023
Europe	14,620	10,566	37,590	30,398
Asia	8,286	6,002	21,230	14,170
Canada	1,039	793	2,932	2,646
	$ 55,116	$ 47,131	$ 169,244	$ 135,237

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

	September 30, 2020	December 31, 2019
Canada	$ 16,554	$ 14,020
United States	6,632	5,851
Asia	4,735	3,450
Europe	3,242	2,383
	$ 31,163	$ 25,704

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

	September 30, 2020	December 31, 2019
Canada	$ 6,882	$ 2,984
Asia	5,927	2,097
United States	2,351	2,743
Europe	1,290	847
	$ 16,450	$ 8,671