

Kinaxis Inc.

Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2022 and 2021

(In thousands of USD)

(Unaudited)

Kinaxis Inc.**Condensed Consolidated Interim Statements of Financial Position**

(Expressed in thousands of USD)

(Unaudited)

	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 227,862	\$ 203,220
Short-term investments	30,197	30,168
Trade and other receivables (note 4)	84,582	89,247
Prepaid expenses	11,721	8,502
	354,362	331,137
Non-current assets:		
Unbilled receivables (note 4)	2,766	512
Other receivables	967	1,096
Prepaid expenses	2,878	1,780
Investment tax credits recoverable	6,140	3,616
Deferred tax assets	987	6,000
Contract acquisition costs (note 5)	22,276	19,691
Property and equipment (note 6)	51,025	52,093
Right-of-use assets (note 7)	55,142	53,578
Intangible assets (note 8)	11,215	10,778
Goodwill (note 9)	42,412	39,988
	195,808	189,132
	\$ 550,170	\$ 520,269
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities (note 10)	\$ 37,629	\$ 43,328
Deferred revenue (note 11)	102,356	99,239
Provisions	367	716
Lease obligations (note 12)	7,042	2,526
	147,394	145,809
Non-current liabilities:		
Lease obligations (note 12)	53,867	53,233
Deferred tax liabilities	1,021	9
	54,888	53,242
Shareholders' equity:		
Share capital (note 13)	206,298	195,414
Contributed surplus	62,074	54,739
Accumulated other comprehensive loss	(2,036)	(597)
Retained earnings	81,552	71,662
	347,888	321,218
	\$ 550,170	\$ 520,269

See accompanying notes to condensed consolidated interim financial statements.

On behalf of the Board of Directors:

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

Kinaxis Inc.**Condensed Consolidated Interim Statements of Comprehensive Income (Loss)**

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

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue (note 15)	\$ 80,800	\$ 60,056	\$ 178,908	\$ 117,784
Cost of revenue	31,024	19,783	59,490	40,289
Gross profit	49,776	40,273	119,418	77,495
Operating expenses:				
Selling and marketing	21,138	14,279	38,264	27,117
Research and development	18,076	11,223	36,233	24,905
General and administrative	12,817	10,323	26,001	21,865
	52,031	35,825	100,498	73,887
	(2,255)	4,448	18,920	3,608
Other income (expense):				
Foreign exchange gain/(loss)	623	(443)	(542)	(911)
Net finance and other expense	(14)	(1)	(374)	(159)
	609	(444)	(916)	(1,070)
Profit (loss) before income taxes	(1,646)	4,004	18,004	2,538
Income tax expense	986	916	8,114	984
Profit (loss)	(2,632)	3,088	9,890	1,554
Other comprehensive loss				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences - foreign operations	(1,059)	39	(1,439)	(230)
Total comprehensive income (loss)	\$ (3,691)	\$ 3,127	\$ 8,451	\$ 1,324
Basic earnings (loss) per share	\$ (0.10)	\$ 0.11	\$ 0.36	\$ 0.06
Weighted average number of basic Common Shares (note 14)	27,593,598	27,110,830	27,537,845	27,165,088
Diluted earnings (loss) per share	\$ (0.10)	\$ 0.11	\$ 0.35	\$ 0.05
Weighted average number of diluted Common Shares (note 14)	27,593,598	28,132,511	28,478,656	28,260,273

See accompanying notes to condensed consolidated interim financial statements.

Kinaxis Inc.**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**

(Expressed in thousands of USD)

(Unaudited)

		Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
Balance, December 31, 2020	\$	173,104	\$ 35,846	\$ (20)	\$ 72,827	\$ 281,757
Profit		—	—	—	1,554	1,554
Other comprehensive loss		—	—	(230)	—	(230)
Total comprehensive loss		—	—	(230)	1,554	1,324
Share options exercised		6,164	(1,600)	—	—	4,564
Share based payments		—	11,209	—	—	11,209
Total shareholder transactions		6,164	9,609	—	—	15,773
Balance, June 30, 2021	\$	179,268	\$ 45,455	\$ (250)	\$ 74,381	\$ 298,854
Balance, December 31, 2021	\$	195,414	\$ 54,739	\$ (597)	\$ 71,662	\$ 321,218
Profit		—	—	—	9,890	9,890
Other comprehensive loss		—	—	(1,439)	—	(1,439)
Total comprehensive income (loss)		—	—	(1,439)	9,890	8,451
Share options exercised		9,869	(2,176)	—	—	7,693
Restricted share units vested		598	(598)	—	—	—
Performance share units vested		417	(417)	—	—	—
Share based payments		—	10,526	—	—	10,526
Total shareholder transactions		10,884	7,335	—	—	18,219
Balance, June 30, 2022	\$	206,298	\$ 62,074	\$ (2,036)	\$ 81,552	\$ 347,888

See accompanying notes to condensed consolidated interim financial statements.

Kinaxis Inc.**Condensed Consolidated Interim Statements of Cash Flows**

(Expressed in thousands of USD)

(Unaudited)

	Three Months Ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Cash flows from operating activities:				
Profit (loss)	\$ (2,632)	\$ 3,088	\$ 9,890	\$ 1,554
Items not affecting cash:				
Depreciation of property and equipment and right-of-use assets (note 16)	5,437	4,037	10,768	7,946
Amortization of intangible assets (note 16)	624	561	1,207	1,122
Share-based payments (note 13)	6,503	5,902	12,506	11,209
Net finance expense	81	1	498	159
Income tax expense	986	916	8,114	984
Investment tax credits recoverable	(1,482)	674	(2,524)	249
Change in operating assets and liabilities (note 17)	(64)	70	(7,296)	13,010
Interest received	372	183	402	206
Interest paid	(475)	(173)	(929)	(357)
Income taxes paid	(935)	(257)	(2,228)	(431)
	8,415	15,002	30,408	35,651
Cash flows used in investing activities:				
Acquisition of business, net of cash acquired (note 3)	9	—	(3,019)	(800)
Purchase of property and equipment and intangible assets (note 6 and 8)	(1,275)	(12,489)	(7,554)	(16,930)
Purchase of short-term investments	(15,154)	(15,154)	(30,160)	(30,160)
Redemption of short-term investments	15,154	15,154	30,160	30,160
	(1,266)	(12,489)	(10,573)	(17,730)
Cash flows from financing activities:				
Payment of lease obligations (note 12)	(1,754)	(1,185)	(3,231)	(2,357)
Lease incentive received (note 12)	3,858	—	3,858	—
Proceeds from exercise of stock options	516	2,304	7,693	4,564
	2,620	1,119	8,320	2,207
Increase in cash and cash equivalents	9,769	3,632	28,155	20,128
Cash and cash equivalents, beginning of period	221,983	199,143	203,220	182,958
Effects of exchange rates on cash and cash equivalents	(3,890)	(4)	(3,513)	(315)
Cash and cash equivalents, end of period	\$ 227,862	\$ 202,771	\$ 227,862	\$ 202,771

See accompanying notes to condensed consolidated interim financial statements.

Kinaxis Inc.

Notes to Condensed Consolidated Interim Financial Statements For the three and six months ended June 30, 2022 and 2021

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

(Unaudited)

1. Corporate information:

Kinaxis Inc. ("Kinaxis" or the "Company") is incorporated under the Canada Business Corporations Act and domiciled in Ontario, Canada. The address of the Company's registered office is 3199 Palladium Drive, Ottawa, Ontario. The condensed consolidated interim financial statements of the Company as at June 30, 2022 and for the three and six months ended June 30, 2022 and 2021 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, 2021. 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, 2021.

The unaudited condensed consolidated financial statements were authorized for issue by the Board of Directors on August 9, 2022.

(b) Comparative figures:

Certain comparative figures have been adjusted for the year ended December 31, 2021. Prepaid expenses previously reported as current assets have been classified as non-current assets. This adjustment was not considered material and did not affect the Company's consolidated revenue or consolidated profit.

(c) Significant accounting policies:

The accounting policies applied in these unaudited condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ending December 31, 2021.

(d) Use of estimates and judgments:

In preparing these unaudited condensed consolidated interim financial statements, Management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by Management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2021.

Kinaxis Inc.

Notes to Condensed Consolidated Interim Financial Statements For the three and six months ended June 30, 2022 and 2021

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

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2. Basis of preparation (continued):

(e) Research and development costs:

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

3. Business combinations:

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

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

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

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

The trade and other receivables include gross contractual amounts of \$381, of which \$308 have been fully collected.

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

Since the date of acquisition, the acquisition had no significant impact on revenue and net earnings for the three and six months ended June 30, 2022. Pro forma results of operations for this acquisition have not been presented because they are not material to our consolidated results of operations.

Kinaxis Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022 and 2021**

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

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4. Trade and other receivables:

		June 30, 2022		December 31, 2021
Trade accounts receivable	\$	54,883	\$	71,118
Unbilled receivables		27,946		15,413
Taxes receivable		9		217
Other		1,744		2,499
	\$	84,582	\$	89,247

There were no trade accounts receivable written off in the three and six months ended June 30, 2022 (year ended December 31, 2021 – \$nil).

The following table presents changes in unbilled receivables:

		Six months ended June 30, 2022		2021
Balance, beginning of period	\$	15,925	\$	15,813
Amounts transferred to trade accounts receivable		(9,639)		(9,143)
Amounts written off		—		(288)
Revenue in excess of billings		24,426		9,247
Balance, end of period	\$	30,712	\$	15,629

The following table presents current and non-current unbilled receivables:

		June 30, 2022		December 31, 2021
Current	\$	27,946	\$	15,413
Non-current		2,766		512

Kinaxis Inc.**Notes to Condensed Consolidated Interim Financial Statements
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5. Contract acquisition costs:

		Six months ended June 30,	
		2022	2021
Balance, beginning of period	\$	19,691	\$ 16,484
Additions		6,646	3,238
Amortization		(3,648)	(3,021)
Effects of movements in exchange rates		(413)	(62)
Balance, end of period	\$	22,276	\$ 16,639

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

6. Property and equipment:

Cost	December 31, 2021	Additions	Dispositions	Effects of exchange rates	June 30, 2022
Land	\$ 18	\$ —	\$ —	\$ —	18
Computer equipment	67,920	1,804	(10,552)	(1,380)	57,792
Computer software	3,735	936	(505)	(33)	4,133
Office furniture and equipment	3,731	666	(83)	124	4,438
Leasehold improvements	23,657	3,404	(3,385)	180	23,856
Total cost	\$ 99,061	\$ 6,810	\$ (14,525)	\$ (1,109)	\$ 90,237

Accumulated depreciation	December 31, 2021	Depreciation	Dispositions	Effects of exchange rates	June 30, 2022
Computer equipment	\$ 38,411	\$ 5,409	\$ (10,549)	\$ (847)	\$ 32,424
Computer software	2,954	334	(505)	(33)	2,750
Office furniture and equipment	900	620	(83)	(20)	1,417
Leasehold improvements	4,703	933	(3,361)	346	2,621
Total accumulated depreciation	\$ 46,968	\$ 7,296	\$ (14,498)	\$ (554)	\$ 39,212

Kinaxis Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022 and 2021**

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

(Unaudited)

6. Property and equipment (continued):

Carrying value	June 30, 2022	December 31, 2021
Land	\$ 18	\$ 18
Computer equipment	25,368	29,509
Computer software	1,383	781
Office furniture and equipment	3,021	2,831
Leasehold improvements	21,235	18,954
Total property and equipment	\$ 51,025	\$ 52,093

There were no proceeds associated with asset dispositions in the six months ended June 30, 2022 (year ended December 31, 2021 – no proceeds associated with asset dispositions).

7. Right-of-use assets:

	December 31, 2021	Additions	Depreciation	Effects of exchange rates	June 30, 2022
Offices	\$ 45,236	\$ 5,868	\$ (1,896)	\$ (556)	\$ 48,652
Data centres	8,342	—	(1,576)	(276)	6,490
Total right-of-use assets	\$ 53,578	\$ 5,868	\$ (3,472)	\$ (832)	\$ 55,142

8. Intangible assets:

The estimated useful life of customer relationships is three to six years and the estimated useful life of technology is four to seven years.

	December 31, 2021	Additions	Amortization	June 30, 2022
Customer relationships	\$ 2,370	\$ 350	\$ (397)	\$ 2,323
Technology	8,408	550	(810)	8,148
Internally developed software	—	744	—	744
Total intangible assets	\$ 10,778	\$ 1,644	\$ (1,207)	\$ 11,215

In April 2022, the Company began developing software to be used internally to support its strategy in utilizing the public cloud to deliver its SaaS product. The qualifying internal and external development costs associated with this software asset have been capitalized as an intangible asset and consist primarily of consultant fees and compensation costs of internal staff performing the development activity. The amortization period for the intangible asset will begin once the asset is available for use on a straight-line basis over its useful life which has been determined to be five years.

Kinaxis Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022 and 2021**

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

(Unaudited)

9. Goodwill:

		Six months ended June 30,	
		2022	2021
Balance, beginning of period	\$	39,988	\$ 39,988
Acquisition (note 3)		2,424	—
Balance, end of period	\$	42,412	\$ 39,988

10. Trade payables and accrued liabilities:

		June 30,	December 31,
		2022	2021
Trade accounts payable	\$	10,929	\$ 10,584
Accrued liabilities		18,739	26,299
Taxes payable		7,961	6,445
	\$	37,629	\$ 43,328

11. Deferred revenue:

		Six months ended June 30,	
		2022	2021
Balance, beginning of period	\$	99,239	\$ 94,275
Deferred revenue from acquisition (note 3)		407	—
Recognition of deferred revenue		(67,569)	(61,883)
Amounts invoiced and revenue deferred		70,279	62,475
Balance, end of period	\$	102,356	\$ 94,867

Kinaxis Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022 and 2021**

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

(Unaudited)

12. Lease obligations:

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

		June 30, 2022	December 31, 2021
Current	\$	7,042	\$ 2,526
Non-current		53,867	53,233
Total lease obligations	\$	60,909	\$ 55,759

The following table presents the contractual undiscounted cash flows for lease obligations as at June 30, 2022:

Less than one year	\$	8,815
One to five years		20,290
More than five years		46,614
Total undiscounted lease obligations	\$	75,719

The following table presents payments for lease obligations:

		Six months ended June 30, 2022	2021
Principal payments	\$	3,231	\$ 2,357
Interest payments		929	357
Variable lease payments		893	754
Short-term lease payments		322	230
Total cash outflow for leases		5,375	3,698
Lease incentives received		(3,858)	—
Net cash outflow for leases	\$	1,517	\$ 3,698

Kinaxis Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022 and 2021**

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

(Unaudited)

13. Share capital:**Authorized**

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

Issued Common Shares

	Six Months Ended June 30, 2022		Six Months Ended June 30, 2021	
	Shares	Amount	Shares	Amount
Shares outstanding, beginning of period	27,462,834	\$ 195,414	27,085,922	\$ 173,104
Shares issued from exercised options	128,879	9,869	176,721	6,164
Shares issued from vested RSUs	6,372	598	—	—
Shares issued from vested PSUs	3,776	417	—	—
Shares outstanding, end of period	27,601,861	\$ 206,298	27,262,643	\$ 179,268

Stock option plans

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

In June 2021, Kinaxis shareholders voted to approve an amendment to the Plans to increase the maximum number of shares reserved for issue by 500,000. At June 30, 2022, there were 768,344 stock options available for grant under the Plans.

Kinaxis Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022 and 2021**

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

(Unaudited)

13. Share capital (continued):

The following table presents changes in stock options outstanding:

	Six Months Ended June 30, 2022		Year ended December 31, 2021	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Options outstanding, beginning of period	2,143,375	\$ 76.56	2,228,456	\$ 68.82
Granted	40,715	115.62	275,973	108.61
Exercised	(128,879)	59.53	(291,680)	36.89
Forfeited	(23,750)	154.78	(69,374)	126.21
Options outstanding, end of period	2,031,461	\$ 76.46	2,143,375	\$ 76.56
Options exercisable, end of period	1,331,583	\$ 62.62	1,150,389	\$ 58.44

The following table presents information about stock options outstanding at June 30, 2022:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$1 to \$30	27,850	2.37	\$ 18.58	27,850	\$ 18.58
\$30 to \$60	980,432	2.62	49.94	854,925	48.79
\$60 to \$90	500,366	2.01	79.27	316,118	76.11
\$90 to \$120	301,063	3.86	104.96	64,440	103.56
\$120 to \$150	47,000	2.95	133.24	22,000	132.99
\$150 to \$180	174,750	3.18	162.05	46,250	162.01
	2,031,461	2.70	\$ 76.46	1,331,583	\$ 62.62

Kinaxis Inc.**Notes to Condensed Consolidated Interim Financial Statements
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(Expressed in thousands of USD, except share and per share amounts)

(Unaudited)

13. Share capital (continued):

The per share weighted-average fair value of stock options granted during the six months ended June 30, 2022 was \$37.21 (year ended December 31, 2021 – \$32.77) on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions:

	Six Months Ended June 30, 2022	Year ended December 31, 2021
Expected dividend yield	0%	0%
Risk-free interest rate	1.63%	0.53%
Expected life	3 to 5 years	3 to 5 years
Estimated volatility	40%	39%

Share Unit Plan

In June 2021, Kinaxis shareholders voted to approve an amendment to the Company's Share Unit Plan to increase the maximum number of shares reserved for issue by 500,000. In June 2022, Kinaxis shareholders voted to approve an amendment to the Company's Share Unit Plan to increase the maximum number of shares reserved for issue by 1,250,000. At June 30, 2022, there were 1,633,786 share units available for grant under the Share Unit Plan.

The following table presents changes in share units outstanding:

	Six Months Ended June 30, 2022			Year ended December 31, 2021		
	RSU	PSU	DSU	RSU	PSU	DSU
Units outstanding, beginning of period	96,583	31,640	65,441	78,305	—	55,928
Granted	119,012	52,209	9,954	106,001	31,640	9,513
Exercised	(6,372)	(3,776)	—	(85,232)	—	—
Forfeited	(4,246)	—	—	(2,491)	—	—
Units outstanding, end of period	204,977	80,073	75,395	96,583	31,640	65,441

Each restricted share unit (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 six months ended June 30, 2022 was \$115.86 per unit (year ended December 31, 2021 – \$118.49) using the fair value of a Common Share at time of grant.

Each performance share unit ("PSU") entitles the participant to receive up to two Common Shares based on the Company's total shareholder return relative to the total shareholder return of the constituents of the S&P Software & Services Select Industry Index over two- and three-year vesting periods. The weighted-average grant date fair value of the PSUs granted during the six months ended June 30, 2022 was \$164.68 per unit (December 31, 2021 – \$129.74). The PSUs were valued using a Monte Carlo pricing model based on the fair value of a Common Share at time of grant and the following assumptions:

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

(Unaudited)

13. Share capital (continued):

	Six Months Ended June 30, 2022	Year ended December 31, 2021
Expected dividend yield	0%	0%
Risk-free interest rate	1.40%	0.51%
Performance measurement period	2 to 3 years	2 to 3 years
Estimated volatility	41%	41%
Correlation coefficient to Industry Index	0.53	0.52

Each deferred share unit (DSU) entitles the participant to receive one Common Share. The DSUs vest immediately as the participants are entitled to the shares upon termination of their service. The fair value of the DSUs granted during the six months ended June 30, 2022 was \$116.07 per unit (year ended December 31, 2021 – \$110.36) using the fair value of a Common Share at time of grant.

Share-based payments expense

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Stock options	\$ 1,877	\$ 3,064	\$ 4,146	\$ 6,039
Restricted share units	3,395	2,332	5,335	3,486
Performance share units	1,231	506	1,870	634
Deferred share units	—	—	1,155	1,050
	\$ 6,503	\$ 5,902	\$ 12,506	\$ 11,209

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Cost of revenue	\$ 781	\$ 503	\$ 1,313	\$ 960
Selling and marketing	1,461	1,314	2,557	2,346
Research and development	1,513	1,117	2,957	2,105
General and administrative	2,748	2,968	5,679	5,798
	\$ 6,503	\$ 5,902	\$ 12,506	\$ 11,209

Kinaxis Inc.**Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022 and 2021**

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

(Unaudited)

14. Earnings per share:

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Issued Common Shares at beginning of period	27,585,771	27,109,227	27,462,834	27,085,922
Effect of shares issued from exercise of options	7,827	1,603	64,863	79,166
Effect of shares issued from vesting of restricted share units	—	—	6,372	—
Effect of shares issued from vesting of performance share units	—	—	3,776	—
Weighted average number of basic Common Shares	27,593,598	27,110,830	27,537,845	27,165,088
Effect of share options on issue	—	893,098	757,322	935,917
Effect of share units on issue	—	128,583	183,489	159,268
Weighted average number of diluted Common Shares	27,593,598	28,132,511	28,478,656	28,260,273

For the three and six months ended June 30, 2022, all options and units and 522,813 options respectively (three and six months ended June 30, 2021 – 496,473 and 275,000 options and units respectively) were excluded from the weighted average number of diluted common shares as their effect would have been anti-dilutive.

15. Revenue:

The following table presents revenue of the Company:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
SaaS	\$ 51,109	\$ 42,301	\$ 100,429	\$ 82,877
Subscription term license	378	620	23,852	2,679
Professional services	25,386	14,001	46,844	26,028
Maintenance and support	3,927	3,134	7,783	6,200
	\$ 80,800	\$ 60,056	\$ 178,908	\$ 117,784

Kinaxis Inc.**Notes to Condensed Consolidated Interim Financial Statements
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(Expressed in thousands of USD, except share and per share amounts)

(Unaudited)

15. Revenue (continued):

The following table presents revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at June 30, 2022:

	Remainder of 2022	2023	2024 and thereafter	Total
SaaS	\$ 101,542	\$ 169,371	\$ 188,691	\$ 459,604
Maintenance and support	7,216	11,114	13,953	32,283
Subscription term license	2,834	—	30	2,864
	\$ 111,592	\$ 180,485	\$ 202,674	\$ 494,751

16. Depreciation and amortization:

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

	Three months ended June 30, 2022	2021	Six months ended June 30, 2022	2021
Cost of revenue	\$ 2,820	\$ 2,309	\$ 5,673	\$ 4,544
Selling and marketing	—	—	1	1
Research and development	716	841	1,437	1,661
General and administrative	1,901	887	3,657	1,740
	\$ 5,437	\$ 4,037	\$ 10,768	\$ 7,946

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

	Three months ended June 30, 2022	2021	Six months ended June 30, 2022	2021
Cost of revenue	\$ 416	\$ 382	\$ 810	\$ 764
General and administrative	208	179	397	358
	\$ 624	\$ 561	\$ 1,207	\$ 1,122

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

(Unaudited)

17. Statement of cash flows:

The following table presents changes in operating assets and liabilities:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Trade and other receivables	\$ 18,837	\$ 5,819	\$ (156)	\$ 18,420
Prepaid expenses	55	(467)	(4,434)	(1,372)
Contract acquisition costs	(197)	505	(3,169)	(218)
Trade payables and accrued liabilities	(2,226)	(2,534)	(5,603)	(5,438)
Deferred revenue	(16,349)	(3,253)	6,415	1,618
Provisions	(184)	—	(349)	—
	\$ (64)	\$ 70	\$ (7,296)	\$ 13,010

18. Financial instruments:**(a) Fair value of financial instruments:**

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

(b) Credit risk:

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

	June 30, 2022	December 31, 2021
United States	\$ 27,003	\$ 41,031
Europe	22,788	20,153
Asia	3,723	4,658
Canada	1,369	5,276
	\$ 54,883	\$ 71,118

Kinaxis Inc.**Notes to Condensed Consolidated Interim Financial Statements
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(Expressed in thousands of USD, except share and per share amounts)

(Unaudited)

18. Financial instruments (continued):

The following table presents aging of trade accounts receivable:

		June 30, 2022	December 31, 2021
Current	\$	34,660	\$ 57,431
Past due:			
0 – 30 days		12,732	8,351
31 – 60 days		5,383	1,040
Greater than 60 days		2,108	4,296
	\$	54,883	\$ 71,118

At June 30, 2022, one customer individually accounted for greater than 10% of total trade accounts receivable (December 31, 2021 – one customer). For the six months ended June 30, 2022 no customers individually accounted for greater than 10% of revenue (six months ended June 30, 2021 – no customers).

19. Segmented information:

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

Geographic information

The following table presents external revenue on a geographic basis:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
United States	\$ 44,197	\$ 35,846	\$ 107,540	\$ 71,726
Europe	24,921	14,395	48,755	25,985
Asia	9,560	8,729	18,311	16,714
Canada	2,122	1,086	4,302	3,359
	\$ 80,800	\$ 60,056	\$ 178,908	\$ 117,784

Kinaxis Inc.**Notes to Condensed Consolidated Interim Financial Statements
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(Expressed in thousands of USD, except share and per share amounts)

(Unaudited)

19. Segmented information (continued):

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

		June 30, 2022		December 31, 2021
Canada	\$	34,538	\$	34,789
United States		9,899		10,486
Asia		4,472		3,915
Europe		2,116		2,903
	\$	51,025	\$	52,093

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

		June 30, 2022		December 31, 2021
Canada	\$	44,085	\$	45,955
Asia		7,839		3,713
United States		2,704		3,155
Europe		514		755
	\$	55,142	\$	53,578

20. Contingencies:

The Company is involved in litigation with a competitor, whereby the competitor has made certain allegations concerning patent infringement. The Company will accrue a liability if the Company determines that it is more likely than not that a present obligation exists that will result in an outflow of resources and the amount of the obligation can be reliably estimated. Significant judgment is required in both the determination of probability and the determination as to whether an amount of an obligation is reliably estimable. The Company has assessed that its defense against these allegations will more likely than not be successful and a present obligation does not exist. At June 30, 2022, the Company has not recorded a liability regarding these allegations.

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