FINAL TRANSCRIPT

Kinaxis Inc.

Second Quarter Results

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Kinaxis Inc. Fiscal 2014 Second Quarter Conference Call.

At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions.

Before beginning its formal remarks, Kinaxis would like to remind listeners that today's discussions may contain forward looking statements that reflect current views with respect to future events. Any such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected in these forward-looking statements. Kinaxis does not undertake to update any forward-looking statements except as required.

I'd like to remind everyone that this call is being recorded today, Friday, August 8, 2014.

I will now turn the call over to Doug Colbeth, President and Chief Executive officer of Kinaxis Inc. Please go ahead, Mr. Colbeth.

Doug Colbeth — President and Chief Executive Officer, Kinaxis Inc.

Thank you. Good morning, everyone, and thank you, for joining us today.

Yesterday afternoon, we issued our fiscal 2014 second quarter financial results, a copy of which is available on our website, kinaxis.com.

With me today is our CFO, Richard Monkman. I'll address the key events from the quarter and then Richard will review our financial results. I'll then close with a few comments on our growth strategies and then we'll open up the line for Q&A.

We successfully completed our initial public offering during the quarter and began trading on the TSX under the symbol KXS. I'm extremely proud of our team for this accomplishment.

This success demonstrates the confidence new investors have in our Supply Chain Management platform and its ability to drive growth in the business. We raised gross proceeds of 65 million, allowing us to pay down current debt and strengthen our balance sheet to support our growth.

Our customer base represents some of the largest corporations in the world. As a prerequisite of entering into long-term agreements, they expect their suppliers to demonstrate the financial strength of their businesses. We have the stability the public offering has brought to our balance sheet; is an important signal to our market that we will help secure more multiyear agreements.

However, this milestone does more than solidify our balance sheet. It also demonstrates that we have a clear growth plan in a market that is looking for solutions like ours.

Our strength and balance sheet also enables Kinaxis to consider potential strategic tuck-in acquisitions. While Kinaxis is a proven organic growth company, we may act upon opportunities which speeds our penetration into new vertical markets and/or expands our product offering.

In a global economy, more and more enterprises are outsourcing their production of their products. While outsourcing has helped enterprises reduce their costs, it has also resulted in their supply chain data being spread across various parties, often disconnected and inside disparate ERP systems.

In short, global enterprises have experienced significant change. Their supply chains have become more complex and extended. At the same time, innovation of their Supply Chain Management processes and tools hasn't kept up.

Our customers have chosen RapidResponse because they require Supply Chain Management capabilities which allow them to keep pace with the rapid changes in the pace of their businesses.

The enterprise application software market represents an $8.3 billion market. The Cloud segment of that market represents approximately $1.5 billion market opportunity, and it's growing on average by 20 percent a year. It's an under-penetrated segment that is growing faster than the overall Supply Chain Management market.

What's driving that growth is the desire by customers for Cloud-based solutions which deploy faster, provide increased data security, and enables greater collaboration. We provide a solution that allows them to improve analysis and determine the impact of unplanned supply and demand changes.

We're operating in the right space at the right time for success. The results that we're reporting today are a reflection of that.

Subscription revenue has increased by over 28 percent. Total revenue has increased by 14 percent and gross profit increased by 10 percent.

With that, I'll pass the line to Richard, to discuss our financial results.

Richard Monkman — Chief Financial Officer, Kinaxis Inc.

Thank you, Doug, and good morning. I would like to take a moment to remind our listeners that all figures reported on today's call are in US Dollars under IFRS.

Revenue in the quarter increased 14 percent to 17.9 million over Q2 2013. Revenue growth was driven by subscription revenues, which expanded by over 28 percent to 12.6 million. This was due to the addition of new customer contracts secured over the past year in addition to expansion within our customer base.

In line with our expectations, Professional Services revenues saw a modest—a moderate decline of 8 percent to 4.9 million. As Professional Service projects are engaged on a time-and-material basis, its revenue may vary quarter to quarter. In the corresponding period for 2013, the Company was generating significant Professional Services revenue from a major staff augmentation project which concluded in Q4 2013.

Adjusted EBITDA was 3.3 million, or 18.4 percent of revenue in Q2 2014, compared to 3.8 million, or 30.2 percent of revenue, in the same period last year.

Higher operating expenses, specifically investments in Professional Services and research and development resource capabilities, together with certain costs incurred in support of the initial public offering were primarily responsible for this change.

We continue to have a high level of confidence in the medium-term targets, which we communicated during our IPO. Specifically, our subscription revenue growth will remain in the mid-20 percent range and our adjusted EBITDA, as a percentage of total revenue, will continue to approach the 20 percent range.

Net loss for the quarter was 5.3 million or $0.34 per basic and diluted share in Q2 2014 compared to 3.5 million or $0.21 per basic and diluted share for the same period in 2013. The change was primarily driven by a higher noncash fair value adjustment on the preferred share liability. These preferred shares were converted on a one-to-one basis to common shares upon the IPO.

Adjusted profit, which excludes the fair value adjustment as well as noncash share-based compensation, was 1.9 million in Q2 '14 as compared with 2.7 million in Q2 2013 with corresponding adjusted diluted EPS of $0.09 and $0.10 respectively.

Gross profit was 12.3 million in the second quarter compared to 11.2 million for the same quarter in 2013. As a percentage of revenue, gross profit percentage has remained consistent with the prior period, coming in at 69 percent in the second quarter.

We have invested in additional Professional Services headcount and data centre capacity during the second quarter to support growth.

Sales and marketing was 4 million compared to 4.3 million for the second quarter of 2013. In late 2013, the Company completed a functional realignment which resulted in product management responsibility with corresponding cost being integrated into R&D. Gross R&D expenses increased to 4 million from 2.6 million in the prior-year quarter.

This change was driven by an increase in headcount we made to support ongoing programs designed to further develop our RapidResponse offering for new and existing customers, which includes this functional realignment of product management.

As we communicated during the IP road show, we expect to continue to develop and expand our product capabilities to extend our leadership position.

G&A expenses increased to 2.4 million from 1.4 million for the second quarter in 2013. This was a result of an increase in accounting, audit, and legal fees related to the Company's conversion from US GAAP to IFRS, as well as other IPO support activities.

Deferred revenue increased by 47 percent from 36.4 at December 2013. This increase was a result of new customer contracts, which drove growth of subscription revenues, as well as the impact of the amendment of one customer's contract.

Specifically, the remaining term was reduced from three to two years with the customer fully paying the two-year subscription fee during the quarter. We believe this outcome represents a win-win situation allowing our customer the flexibility they need while securing our revenue stream over the remainder of the contract.

Cash generated by our operating activities was 6.9 million in Q2 2014, as compared to 3.7 million in Q2 2013. This change reflects the current level of subscription and business activity, as well as the timing of the prepayment related to the noted contract amendment.

Cash and cash equivalents totalled 50.4 million as at June 30, 2014 as compared to 13.8 million as at December 31, 2013. The increase is primarily due to the proceeds from our initial public offering, net of repayment of the 30 million term loan which we had drawn between December 2013 and March 2014, as well as cash generated from operations through the first half of 2014.

With that, I turn it back over to Doug.

Doug Colbeth

Thanks, Richard. We're very excited about our growth outlook for '14 and '15. We're focused on building our business. I want to take a moment to touch on a couple of growth strategies that we discussed during the IPO.

New vertical markets are a key component of our growth strategy. We believe we can replicate the success we've had within the high tech electronics industry across a variety of industry verticals.

Companies in these new verticals face the same pressure to reduce overhead costs and improve visibility into their supply chains. The key to our ability is to enter these new markets successfully by leveraging the breadth of RapidResponse.

It is the core capability that is responsible for driving our business, and our success is determined by our ability to innovate new applications that support more business processes.

To do that, we are continuing to invest in R&D. We also see significant long-term growth opportunity thorough work with channel partners. We're confident the midterm goals that we set for the Company will be achieved in part through the operating leverage that we can drive utilizing channel partners.

Channel partners are in a great position to leverage our product. They have established relationships and they are trusted vendors to their clients. They are already engaged to assist in outsourcing aspects of their clients' businesses. These prospective clients have a strong interest in incorporating a complete solution that outsources the Supply Chain Management functions to managed service providers, allowing them to focus on their core competencies. They can then concentrate on running their businesses while still being provided with end-to-end visibility in their supply chains.

We sell customers' savings by improving their Supply Chain Management processes. The savings that we deliver allow us to utilize our discretionary pricing model to deliver strong revenue growth for Kinaxis. The larger and more complex the supply chain operation of the businesses we engage with, the greater the potential value and savings we can deliver to them.

An important aspect of our model is the ability we have to use this discretionary pricing model. The greater the savings, the higher price we can charge, which translates into greater revenues for Kinaxis.

At the same time, our unique model allows us to enter a customer relationship to solve a very specific issue for a customer and then expand our relationship over time to drive additional revenues. The proof of the value behind our solution is that we offer—shows up in the strong results we consistently continue to deliver.

To summarize, the supply chain market represents a large growing opportunity. We have a well-established and growing marquis customer base which allows us to deliver solid financial results. We're investing in our technology in order to drive revenue growth and additional innovation.

With the success of our IPO, we now possess a strong balance sheet to support our growth.

I want to thank you all for taking the time to join us on this call. And with that, I'll turn the line over to the Operator for questions and answers.

Q&A

Operator

Ladies and gentlemen, if you'd like to ask a question, please press *, then the number 1 on your telephone keypad.

And our first question comes from the line of Thanos Moschopoulos from BMO Capital Markets. Your line is open.

Thanos Moschopoulos — BMO Capital Markets

Hi. Good morning. Congratulations on the IPO and then the strong quarter out of the gate. Maybe to start off with, Doug, can you provide any colour in terms of new customer wins in the quarter and/or with respect to the pipeline you're seeing? And I understand you might not want to give the specific metrics, but any colour you can give us qualitatively or in terms of what you're seeing from a geographic or vertical perspective would be helpful. Thanks.

Doug Colbeth

Yes. Hi, Thanos. We continue to see the new name activity and the new name wins that are consistent with what we talked about on the road show. And the vertical that we entered—we started to enter a couple of years ago that we're really excited about is the life sciences market. As we talked about, life sciences, you could see the consolidation going on in that market. And as these big, big companies consolidate, they start to get a much greater focus on their supply chain operations and their supply chain costs.

Thanos Moschopoulos

Okay. And then anything from a geographic perspective? Obviously, the bulk of your revenue base is coming from North America currently. Maybe elaborate a little in terms of how we should think about Europe and other parts of the world ramping up over the next year or so.

Doug Colbeth

Yeah. So I'll talk about Europe for a minute. So if you look over the past year for Kinaxis, Europe, you can see some what I call emerging strength in Europe when it comes to solving these types of supply chain problems. And as you know, life sciences is very—a lot of the life sciences' elephants sit in the European market. So we're continuing to see very good activity in Europe.

Thanos Moschopoulos

Great. With respect to the customer prepayments, just to be clear, should we be assuming that that customer won't be renewing in two years from now? Or is that still up in the air?

Richard Monkman

That customer we will continue to support. We're hoping that their transition will continue and that we would welcome as a customer, but we can't really project as to whether they're going to renew or not at this time.

Thanos Moschopoulos

Okay. But so to be clear, there is a possibility that they might. It's just unknown currently.

Richard Monkman

It's unknown. Correct.

Thanos Moschopoulos

Okay. Would you be able to quantify the amount of the prepayment from that customer in the quarter?

Richard Monkman

We don't comment, Thanos, on—and this is Richard Monkman by the way—on specific customer revenue.

Thanos Moschopoulos

That's fair. Okay. Fair enough. Maybe one last one for me, I know historically you've talked about maybe half of the business coming from up selling versus new customer wins. And so just—is that specifically what we saw in this quarter? Or was the trend different in that regard?

Richard Monkman

We are pleased to see that, that trend is continuing in 2014. And by that, just for the other callers on the call, is that with our LAN expand model, we look to almost equal weighting between new customer acquisition increases in revenue, and then ongoing expansion of existing customer revenue. And so we are—we're seeing that trend continue in 2014.

Thanos Moschopoulos

Great. Thanks, guys. Congrats again on the quarter, and I'll pass the line.

Operator

Our next question comes from the line of Robert Young from Canaccord Genuity. Your line is open.

Robert Young — Canaccord Genuity

Hi. Good morning. And I'll echo Thanos' congratulations on the quarter and the first quarter as a public company. I was hoping to dig a little more into that deferred—the revenue. Obviously it includes the contract amendment but it's up quite a bit quarter over quarter, up about $8.5 million. If the amount that's not included in that amendment would be bookings, so you could have had a very strong bookings quarter. And I was wondering if you could—maybe I could come at that from another angle. Maybe you could quantify the level of bookings in that deferred revenue?

Richard Monkman

Sure. Well Robert, the deferred revenue is really a function of what, as you can appreciate, we're invoicing customers. So that does represent a number of items. It includes not only new bookings but it also includes the ongoing recurring revenue. Our contracts are typically two to four years. And so, there will be a billing cycle on each annual prepayment. The majority, I will let you know that the majority of that increase that you noted was due to this prepayment, the cash flows received in the quarter. But it is a growth factor of the bookings that we had in the quarter, together with that two-year prepayment, as well as just our normal ongoing business billings.

Robert Young

Okay. Great. That's good colour. I noticed the sales expense is down year over year. But I think that's an area where you're looking to invest a bit. How should we think about that for the remainder of the year?

Richard Monkman

Well, we continue invest in sales and marketing. We're going to—we are comfortable that it will continue to be in line with the expense that we indicated during the road show. But it also—I just want to re-echo that it does show that on a year-to-year basis we integrated the project management into R&D out of the sales and marketing function.

Robert Young

Okay.

Richard Monkman

So it's a bit of a comparison, but we do see that we'll be continuing to invest in the sales and marketing part of the organization, as well as R&D.

Robert Young

Okay. So we'd expect it to move up slightly from this level in the quarter?

Richard Monkman

Yep.

Robert Young

Okay. And then the customer concentration, top 10 accounted for 38 percent, which is down quite a bit from the—I think it's 47 percent in 2013. And so there's two factors in there. There's the decline in the Professional Services from last year, but there's also this contract amendment which I would assume would drive up one customer quite a bit. So why is that coming down so much given this contract amendment?

Richard Monkman

Well, so we measure the customer concentration on a conservative basis which is total revenue, so that is subscription revenue together with Professional Services. Last year, we had two customers in particular, and that was one reason why we had the 30 percent revenue growth of—over '13 over '12 that we're—we were doing some initiatives. And so that measure was total revenue. Really we value our business on core subscription revenue and the subscription revenue continues to expand as we add additional customers. And so, it's really a mix of the customers that we really do want to try to keep it in that 40 percent range and we're able to do that with the better blend of Professional Services and subscription.

Robert Young

Okay. And last question from me, just wondering if you could share your philosophy on guidance going forward? I didn't notice anything in any of the materials handed out and was just wondering if you could let us know what your plans are for the future? Thank you. I'll pass the line.

Richard Monkman

Sure. Well, thanks, Rob. So we are focused on annual guidance. And so the guidance that was provided during the road show process was 25 percent or more on revenue growth for subscription revenue, and then EBITDA, as a percentage of revenue, approaching 20 percent. We are confident with that. We are not though providing any quarterly guidance. And we are not going to be providing any 2015 guidance at the Q2 call.

Robert Young

Okay. Great. Thanks, for clarifying that, and congratulations on the quarter.

Richard Monkman

Thank you.

Operator

Our next question comes from the line of Richard Tse from Cormark. Your line is open.

Richard Tse — Cormark

Yes. Thank you. You talked about M&A in your prepared comments. Could you maybe give us some colour on the types of technologies that you'd consider additive to your platform here going forward?

Doug Colbeth

Yeah. The types of—this is Doug by the way. Obviously, the types of technologies that we would look at are technologies that you would consider Supply Chain Management technologies, or what I call Supply Chain Management related technologies. These would be technologies that directly or indirectly would help companies better manage their supply chains. As you know, we've played not just predominantly, but we've played 100 percent on what I call the front half of the supply chain, quite often referred to by the planning side. Think of it as the part of the supply chain that takes it to the manufacturing dock. And there is a whole bunch of supply chain applications that we currently don't play in today that are from the dock out all the way to someone's house, so to speak. So that's one area. Quite often it's referred to as logistics side of the business, and that's one area we don't play in today that we would look at.

Other areas where we would look at technology. While vertical markets do share some common problems, vertical markets also have their very unique business problems, and another way to word that is certain industries have unique analytics. So I'll give you an example. If you had a desire to go into CPG, consumer packaged goods market, there could be some analytics that are appropriate for that market that make you better perform in that market. So that would be another class of technologies that we would consider as part of a tuck-in strategy.

Richard Tse

Okay. That's very helpful. And then, in regards to your comments re new verticals, do you think that you're kind of in a position here to announce a new vertical within the next 12 months?

Doug Colbeth

I would really want be a little cautious there. But obviously, on the road show, we talked a lot about our ability to expand into new markets and I don't want to put a time frame on it. I'd like to be a little conservative there because, as you know, we've stated how long some of these sales cycles are. But when we're able to, we of course will let you folks know when there's been an initial success in a new vertical. I'll take you back to the discussion that we had on the road show about Ford. That was really—I look at that as an entry into a new vertical, into the automotive vertical. And as soon as we can report things like that we will do so.

Richard Tse

Okay. Great. And then, just one last question here. I know the LAN expand strategy is a big part of what you guys are doing here. Do you guys—or can you share any metrics in terms of average annual contact value per customer just so we get a sense of what that growth is like? Thank you.

Doug Colbeth

Yeah. We don't—I'll tell you what, it's interesting. We have such a flexible model on the—I mentioned the discretionary pricing model in my comments. But one of the great flexibilities we have is we can enter an account at a relatively low subscription amount to penetrate the account faster. And depending on the landscape, we would do that. We also have opportunities where the initial business problem somebody wants to solve is a very large business problem. And the average transactions there, as we mentioned on the road show, can actually start out in excess of six figures a month. So that's the reason we don't really want to get into that because of the tremendous variability that and flexibility that we have at the entry level or when we initially penetrate a customer. So I think you can appreciate the variability. But more importantly, it's a real positive because it gives us the flexibility to enter accounts in ways that other vendors can't.

Richard Tse

Yeah. It makes sense. Thank you very much.

Operator

Our next question comes from the line of Paul Treiber from RBC Capital Markets. Your line is open.

Paul Treiber — RBC Capital Markets

Oh, thanks very much. I just wanted to clarify something on the outlook that you gave. You mentioned the 25 percent subscription growth. And then I think you said EBITDA margins at 20 percent. And I'm just looking back at the IPO documents and it looked like it was 25 percent. I'm just wondering if maybe I misheard or if there's—if it's not apples-to-apples between the 25 percent provided at the IPO?

Richard Monkman

No, Paul; it's Richard. So they're actually different time frames. So in the road show material, there was also a disclosure with regards to midterm targets. And midterm targets, we are still comfortable with the 25 percent EBITDA target. The reason being is that we continue to invest heavily right now in sales and marketing and also R&D as we discussed. We'll continue those investments but as the compound revenue growth kicks in, we do see a return to the higher adjusted EBITDA margins. I was referring earlier in my comments to the near-term guidance which was for 2014. And so, it's really—you'll see a consistency as to what we've presented in the first half of the year.

Paul Treiber

Okay. That's good to clarify. Secondly, on gross margins. It looked like gross margins took a dip on the Professional Services mix and the data centre investments. Can you just elaborate on the nature of the data centre capacity expansion? And then typically in the past, how long has it taken you to ramp-up gross margins after expanding capacity?

Richard Monkman

Sure. Well, the gross margin—well, the cost of goods sold is two elements: so it is the data centre and as well as the data centre team, and the service operations team, as well as the Professional Services organization. The Professional Services organization is actually heavily weighted in the cost of goods sold. We focus on making sure we have the right capacity. So part of that was expansion of the data centres. We actually have two to support that oncoming growth because we basically are able to turn a customer instance on immediately. There is also customer—sorry, there's also data centre capacity for R&D projects that we've been expanding.

Professional Services: our team is first and foremost focused on subscription enablement, and then secondly, on customer satisfaction. So we have the opportunity to recruit some very talented folks. And again, we did so in anticipation of additional revenue. Our Professional Services revenue does vary modestly quarter to quarter as it is time-and-materials type of project. Whereas, our cost structure is, as you can understand that sort of fixed or relatively step function. And so what you're seeing at sort of the 69, 70 percent gross margin target is just some variability on the timing of some of the Professional Services revenue, as well as the timing of those investments.

Paul Treiber

And then—oh, thanks, very much. And then on the Professional Services mix as a percent of revenue, I think in the longer-term target the view is is that subscription revenue as a percent will pick up here. Just in light of the headcount additions in Professional Services, should we expect—like is that sort of a leading indicator for a higher pick-up in subscription revenue over time? And perhaps we should see the Professional Services drop back to a lower level?

Richard Monkman

Well the—so the mix is approximately sort of three-quarters on the recurring revenue front. And we do see that percentage increasing. That is one of our key goals. One of the key drivers there though, Paul, will be the continuing expansion of our partner base as more and more partners are coming on and the partners will be picking up some of that Professional Services related to the initial deployment. And so we see—we do see that longer-term expansion of subscription revenue as a percentage of our total revenue. But for the current year we believe it will continue to be in that approximately three-quarters range.

Paul Treiber

Okay. Thanks very much. I'll pass the line.

Operator

As a reminder, ladies and gentlemen, if you'd like to ask question, please press *, then the number 1 on your telephone keypad.

And our next question comes from the line of Scott Penner from TD Securities. Your line is open.

Scott Penner — TD Securities

It's an interesting one. I'm sure you don't manage to a number on the new product or new service introductions, but what sort of cadence can we expect on the application, the additions to the application areas? And then just how do you take your leads on what areas to add?

Doug Colbeth

Yeah. This is Doug, Scott. Our cadence, if you look back the last, well I can go back almost what eight years, our cadence is really one to two new applications a year. Now remember, those have been organically developed inside our R&D Group. So I guess you could say one-and-a-half has been the cadence. So from an organic standpoint, I think that's what you could expect. Now I did mention should we do any tuck-ins those would be additional applications, and then over a period of time we would migrate those analytics into the RapidResponse platform. So the cadence could increase more but I wouldn't want to say that, that cadence would go beyond what it's been. Now the question—it's a great question—about which ones do we select, and we do a couple of things there. If it's an application that's specific to a vertical where we have some experience and we have some customers, before we build that application we essentially meet with other customers.

And you can imagine with our customer-intimate model, we have very regular meetings with our customers on the product roadmap. And we will talk to them about should we develop something like this? Is there of utilization to you? What's the value of this to your particular business? We gather that up. That's all part of the product management function that we transitioned into our Products Group last year. And then we try to make a determination of what that value is.

One of the big applications a few years ago that we added to the RapidResponse platform was Sales & Operations Planning. That was a very interesting one because many people had not considered that to be a Supply Chain Management application. We saw the tremendous synergy of Sales & Operations Planning being directly integrated with what we call real-time demand supply balancing.

So in that particular case we knew the value would be large. It was very hard to quantify. Even in collaboration with our customers, it was very hard to quantify what that would be for the Company, but we went ahead and built it and it's been one of the great decisions that we've made. So we use the customer base to help us determine, but not always. I mean if we think something will be of tremendous value because it's integrated with our Supply Chain Management platform, we would probably make the decision to go ahead and do that.

Now one other interesting thing about that question, internally we refer to our product development strategy as the Pac-Man strategy. And what we've done if you've watched our company over the last eight years, the supply chain software market is fascinating in that it has a lot of little segments inside of it.

Many of those segments are what I call micro markets. They could be 50 million to $100 million markets if you look at them by themselves. And a lot of little companies in the supply chain software market have built good technologies for a micro market but they're not able to build an enterprise like Kinaxis has the ability to build because we took the time and effort and investment to build a platform. So we look at these micro markets; I'll give you one that we've already built is Inventory Optimization. So Inventory Optimization, there had been vendors out there building Inventory Optimization solutions. While you couldn't build a big company in that market, it's a perfect application to integrate with the RapidResponse platform. So we do look at the sizing of these micro markets as another input as to what we've built.

Scott Penner

Thank you, Doug. That's very helpful. Just one for Richard, and that is one the—just the CapEx side, minor question here to the—is it still kind of, for arguments sake, 4.5 million budget this year and 6 million next year or is that—have you been able to accelerate that at all?

Richard Monkman

That's in line, Scott, with our expectations.

Scott Penner

Okay. Thank you, guys.

Operator

Our next question comes from the line of Kris Thompson from National Bank. Your line is open.

Kris Thompson — National Bank

Great. Thanks. Richard, when I look at the revenue by segment in Canada, it's down year over year. Can we assume that the Pro Services heavy contracts that you talked about were located in Canada?

Richard Monkman

One of them was, correct. Yes. It was.

Kris Thompson

And the contract that you guys amended and rolled up was that also in Canada?

Richard Monkman

That is correct. Yes.

Kris Thompson

Okay. Great. And I don't know if I missed it, Richard, but did you mention…

Richard Monkman

Sorry, Kris. If I could just clarify one, I wouldn't really characterize it as roll up. So again, what we did was we modified the term from three to two years and it was a prepayment.

Kris Thompson

Got it. And I don't know if I missed it but did you disclose the net revenue retention rate in the quarter?

Richard Monkman

No, we did not disclose that. But it continues to be in line with our over 100 percent historic average.

Kris Thompson

Okay. Good stuff. Maybe in the G&A, Richard, is there any onetime IPO-related costs you can point out that we might want to modify and remove from the next quarter?

Richard Monkman

There were some costs related to the IFRS conversion. The majority of those costs were capitalized—sorry, the majority of the IPO costs were capitalized, the commission fees and legal fees, and so on. I anticipate you'll see a softening in some of the G&A. But we are also continuing to build the Company as a public company, and we'll be adding additional resources. And then there's just the growth of the business that we're supporting.

Kris Thompson

Okay. And my last one, for both Richard and Doug, just on the revenue from direct sales versus channel partners, can you disclose that in the quarter? And then, Doug, maybe you can just address your channel partner strategy if there's any updates there that you can talk about and highlight? Thank you.

Doug Colbeth

Yeah. The contribution—I know I talk a lot about channel because it's one thing I'm very involved in and I think it's very strategic to the Company. But the channel partner contribution at this point is very consistent with what we talk about on the road show and it's a small portion of our total revenue. However, obviously we believe that that can and will increase over the coming years. And I look at it as very strategic because you want other people deploying your capabilities and you get tremendous leverage. You want to obviously to leverage their relationships where they have thousands of customers. So we're early in this process is—even so we talk about it a lot, we're early in this process and there's been no change in the level of contribution to the actual revenue lines.

Relative to the road show, which was not that long ago, there's no significant updates other than to say that I remain extremely confident based on some activities moving down the funnel. I'm very confident that you will see companies, large companies that include our capabilities as part of business services to their customers. So I'm very bullish on it.

Kris Thompson

Okay, and thanks. And maybe, I'll just sneak one more in, Doug, while I have you. Are you guys in any serious discussions on the acquisition front?

Doug Colbeth

Yeah. As I mentioned, the Company had been—we've been 100 percent organically focused. And at this point, there's no activity that I would call near any kind of conclusion.

Kris Thompson

Okay. Thanks for taking my questions.

Operator

There are no further questions in queue at this time. I will turn the call back over to our presenters for any closing remarks.

Doug Colbeth

Well, thank you all very much for participating on today's call. We truly appreciate your questions as well as your ongoing interest and support of Kinaxis. We look forward to speaking to you again when we report our Q3 results.

Operator

And, ladies and gentlemen, this does conclude today's conference call. Thank you for joining us today. You may now disconnect.

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