

## FINAL TRANSCRIPT

**Kinaxis Inc.**

### **Third Quarter Results**

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**PRESENTATION****Operator**

Good morning, ladies and gentlemen. Welcome to the Kinaxis Inc. Fiscal 2014 Third 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 discussion 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, November 7, 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.

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Good morning, and thank you for joining us today. Yesterday afternoon we issued our fiscal year 2014 third 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 to Q&A.

During the quarter, the true power of our operating model came into focus, as highlighted by our expanding subscription revenues that grew by 31 percent, as well as our adjusted EBITDA, which grew by 18 percent.

Our customers are global organizations with complicated and disparate supply chains, and they demand solutions that allow them to grow their businesses in a cost-efficient and prudent manner.

Kinaxis is at the forefront of that technology, empowering our clients with an unprecedented view into their business, and providing an ability to not only plan for the future, but to react to real-world variations in consumer demand.

This twofold approach to supply chain management is what makes Kinaxis and RapidResponse software unique. It is also what attracts customers to us.

This past week we hosted our annual customer event, Connections, where we brought together our customers to learn more about RapidResponse. The group included veteran users, new

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customers, as well as prospective customers looking to see firsthand the breakthrough results that RapidResponse is delivering.

It is also a fantastic opportunity for our team to hear from our customers in a unique event because much like the core philosophy of our software it is a chance for customers to collaborate and share information freely amongst each other.

Also at the conference we announced the arrival of our next version of RapidResponse 2014.4, which launches later this month. This update brings our clients a host of new features and functionality, including a new user interface with an updated look and feel, as well as significant improvements in speed and scalability.

With that, I will pass the line to Richard to discuss our financial results in greater detail.

**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 third quarter increased 14 percent to 17.7 million over Q3 2013. The increase was driven by subscription revenues that expanded by over 31 percent to 13.3 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 revenue saw a decline of 17 percent to 4.1 million. As professional services projects are engaged on a time and material basis, its revenue

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may vary from quarter to quarter. In the corresponding period for 2013, the company was generating significant professional services revenue from a major staff augmentation project that concluded in Q4 2013.

Adjusted EBITDA was 5.2 million, or 30 percent of revenue in Q3 2014 compared to 4.4 million, or 29 percent of revenue in the same period last year. The change in adjusted EBITDA during the period was driven by an increase in profit from operations, excluding the impact of an increase in share-based payment expenses for the third quarter compared to the same period in 2013.

Adjusted EBITDA in the current quarter reflects the contribution from a higher weighting of subscription revenue to professional services revenue versus the prior quarter.

Net profit for the quarter was 2.5 million, or \$0.11 per basic and \$0.10 per diluted share in Q3 2014 compared to a net loss of 2.8 million, or \$0.16 per basic and diluted share for the same period in 2013. The increase in profit was primarily driven by lower fair value adjustment on the redeemable pref shares, which were converted to common shares at the time of our initial public offering in June 2014.

Gross profit was 12.8 million in the third quarter compared to 10.9 million for the same period in 2013. As a percentage of revenue, gross profit percentage was 73 percent in the third quarter versus 71 percent in the prior period. The increase in gross profit is a result of revenue growth in the current period in combination with a lower cost of revenue as a result of decreased investment and additional headcount versus the prior quarter.

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Sales and marketing was 3 million compared to 3.4 million for the third quarter 2013. The decrease was due to lower marketing headcount, in part due to the integration of product management from marketing into the R&D organization effective late 2013.

Gross R&D expenses increased to 3.9 million from 2.3 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 and enhance our RapidResponse offering for new and existing customers.

G&A expenses increased to 2.1 million from 1.7 million for the third quarter 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 public company support activities.

Deferred revenue increased by 31 percent to 32.3 million at September 30, 2014, versus year-end 2013. The increase was a result of new customer contracts, which drove growth in subscription revenues, as well as the impact of the amendment made in Q2 of 2014 to one customer's contract.

Cash generated by our operating activities for the nine months of 2014 was 13.6 million as compared to 12.1 million in 2013. The change was primarily the result of an increase in noncash share-based compensation of 1.2 million, deferred revenue of 7.8 million, and receivables of 4.7 million due to the timing of subscription billings and a contract amendment with an existing customer.

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This increase was offset by the Part 6.1 tax of 4 million and nonresident withholding taxes of 1.7 million paid in the first quarter of 2014, which had been withheld from amounts payable on a share repurchase program completed in the fourth quarter of 2013 and a lower noncash loss due to the change in fair value of redeemable pref shares of 6.8 million in the first nine months of 2014 compared to 15.2 million for the same period in 2013.

Cash and cash equivalents totalled 55.9 million as at September 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 facility, which we had drawn in December '13 and 2014, as well as cash generated from operations through the first nine months of 2014.

With that, I will turn it over to Doug.

**Doug Colbeth**

Thanks, Richard. As we touched upon on the last call, we operate in a large and growing market. The cloud application subset of the overall enterprise application market that we operate in represents a \$1.5 billion opportunity growing at 20 percent annually.

To capture more potential customers and support our growth plans, we are actively investing in R&D. By doing so we expect to continue to expand the reach of RapidResponse beyond our dominant position in electronics, aerospace, industrial markets, bringing into focus increased development for life sciences, automotive, and consumer packaged goods.

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And we're seeing results in the form of new customer accounts that we have won, as well as our growing base of subscription revenue. We will continue to grow our customer base as we expand RapidResponse with greater scale and capability in order to address the needs of these new vertical markets.

We also continue to work with our channel partners, leveraging their established relationships to gain access to customers they have previously engaged with to assist in the outsourcing aspects of their business. These prospective clients have a common interest in incorporating a complete solution that outsources the supply chain management functions and allows them to focus on their core competencies.

They can concentrate on running their businesses while we provide them with end-to-end visibility into their supply chain networks.

Inherently, supply chains represent the heart and soul of a company. We provide our customers with a solution that allows them to unite their various disparate systems, and improve their analytics in order to determine the impact of unplanned supply and demand changes.

The proof of the value behind the solution that we offer is in the strong results that we consistently continue to deliver.

To summarize, the supply chain market represents a large and growing opportunity. We have a well-established and growing marquee customer base, which allows us to deliver solid

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financial results. We're investing in our technology in order to drive revenue growth into new verticals and new applications.

I want to thank all of you for taking the time to join us on this call. And with that, I'll turn the line over to the Operator for any Q&A.

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## Q&A

### Operator

During this time, in order to ask a question, please press \*, 1 on your telephone keypad.

Your first question comes from Thanos Moschopoulos with BMO Capital Markets. Please go ahead.

### Thanos Moschopoulos — BMO Capital Markets

Hi. Good morning. Doug, following your user conference last week, can you expand on your own personal takeaways from the discussions you had there with customers and customer prospects? As well as on the pipeline of business you're seeing stemming from that? And how that's evolved over the last three months?

### Doug Colbeth

Yeah. Thanos, there were a few key takeaways for me from the conference. One is we saw, obviously, more large consulting and integration customer partners attended the conference than previous years.

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This is, I think, a strong recognition that they can start to build an ecosystem around RapidResponse. Of course they've seen us penetrate marquee accounts on a direct sales basis, but what they have really seen lately is that some of these accounts are extremely large, and that they'll be able to leverage their resources around our, what I call, RapidResponse platform. So we typically—in the past we'd have one or two; I believe it was seven partners that I would put in the system integrator/consulting firms. So that's a long-term goal of ours is to drive a lot more revenue through the channel, so that was extremely encouraging.

As far as short-term visibility or guidance on these with these type of channel, I can't really say that that's the case. However, we did have a new customer last quarter that came completely via the channel. This was a consulting partner who also has the ability to resell our product. And so we were obviously encouraged by that as well.

I mean I want to state emphatically, Kinaxis has largely been a direct sales organization. This is not atypical for a software company under \$100 million in revenue, but for a company to go someday from 100 million to 1 billion, I would expect the mix to tilt even someday over 50 percent through the channel because these guys obviously have extremely large channels themselves.

While challenging to get into those channels, once they click they can really make a huge difference in going from that 100 million to 1 billion. So we're encouraged to see a lot more of those partners.

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Whether that has a short-term impact I wouldn't want to go that far, but I think it clearly sends a signal that in the mid-term you're going to see more and more activity from what I call the channel.

Now keep in mind, there's different flavours of the channel. There's the managed service providers that want to offer a completely turnkey managed service; the contract manufacturers would fall into that subset. We have some geographic VARs that really help us serve smaller markets where we don't have a large direct sales, and then there's the, what I call, large system integrators, like an Accenture, for example. And we see them as probably representing the largest potential channel component for us in the long run.

So that's a very long answer to your question, and just so you know, I'll even add a little more to that. As the company—I've always said that in the mid-term we would actually like to see professional services get down to about 20 percent of total revenue. And we don't see that in the short term, but that would be a desirable mix for us would be 20 percent.

Now the only way to get there is you have to leverage—the channel has to become a much larger part because they will be doing many of those deployments in the future, so they'll be taking on a lot of the deployment services.

So I just want to point that out because that's a long-term strategic objective of the company is to get to an 80/20 mix.

### **Thanos Moschopoulos**

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That's great. Thanks, Doug. I appreciate that colour. And then just also stemming from the user conference, how would you characterize the state of the pipeline coming out of that?

**Doug Colbeth**

Well, I've said in the past we started in the spring to see an increase in the pipeline; that continues. I will say, Thanos, that another encouraging sign was we had significantly more prospective customers join our conference than from a year ago.

**Thanos Moschopoulos**

Okay. That's good to hear. And maybe just one last one for Richard; we saw a significant decline in the sales and marketing expense relative to Q2. Was that primarily driven by seasonality? Or is there something else going on there?

**Richard Monkman**

It is an element of seasonality definitely, Thanos, in that marketing programs are varied quarter by quarter. In addition, depending upon the timing of our subscription, new subscription sales, the revenue will change.

As you know, we're conservative and we immediately expense 100 percent of the customer acquisition cost in the beginning of the revenue period.

**Thanos Moschopoulos**

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And so in light of that and in light of the fact that we saw a sequential decline in PS revenue and deferred revenue, would that imply that bookings were a little softer this quarter? Or is it also partly due to seasonal effects in all those line items?

**Richard Monkman**

Yes. No, you shouldn't interpret the—you should not interpret that. We've previously noted that the professional services revenue will vary quarter to quarter. The timing of professional services revenue is largely independent of the subscription, and secondly there is some seasonality as well.

You'll note that, for instance, from Q2 to Q3 of last year even with that staff augmentation project, we saw about a 10 percent decline in professional services, which is really indicative of our customer summer vacation schedules and so on. So there's seasonality there. We will continue to see the variability in the professional services revenue.

Our goal is to continue to focus on subscription revenue growth, and as we noted that with a 31 percent quarter-over-quarter and 28 percent year-to-date growth over '13.

**Thanos Moschopoulos**

That's great. Thanks, guys. I'll pass the line.

**Operator**

Your next question comes from the line of Robert Young with Canaccord Genuity. Please go ahead.

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**Robert Young** — Canaccord Genuity

Hi. Good morning. You had some very impressive EBITDA margin in the quarter, and I think you suggested it's a function of mix. I guess it's the strong subscription versus the lower pro services, and I think you said that you'd expected that to continue. So should we expect a continued higher level of EBITDA into Q4?

**Richard Monkman**

We—so again, EBITDA will vary a little bit quarter to quarter. And again, it also depends in large part of the timing of certain expenses, in particular in sales expenses.

What we're really drawing the reader's attention to was that you've seen a movement of 75 percent or so, three quarters of our revenue being recurring revenue, subscription revenue, in line with our three-year average. And so we feel that the health of the business will continue with that strong weighting of subscription revenue.

Now that will vary in the—that means professional services will vary in sort of the 25 to maybe high 20 percent range, but the focus again, Rob, is on subscription revenue growth.

**Robert Young**

Right. Okay. And then with all the strength in the pipeline and successful conference, in the past you've said that you expect growth to come 50 percent from up-sale of existing customers and 50 percent from new customers. And I was wondering, is there any shift that you're seeing in that, or any shift in your expectations looking out over the next year or so?

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**Richard Monkman**

No. We are continuing to experience that equal weighting; the growth from not only new name customers, but also then expansion as existing customers drive greater value from their instance of RapidResponse.

**Robert Young**

Okay. And last question, and I'll just pass it on after this. I noticed in the—relative to your guidance it seems that to hit your recurring revenue growth guidance for the year you could actually see a quarter-over-quarter decline in Q4. And just looking back in the quarterly data that I have I haven't seen it happen before, so I was wondering is that possible here in Q4? Or would you expect quarter-over-quarter growth?

**Richard Monkman**

Sorry, just to clarify. Are you referring to subscription revenue itself?

**Robert Young**

Sorry, recurring revenue.

**Richard Monkman**

Right.

**Robert Young**

To hit the growth of 25 percent it seems to me that you could actually see a quarter-over-quarter decline in Q4. Is that...

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**Richard Monkman**

No, I would not interpret that. I would interpret it that the company was guiding for the mid-20 percent range. The company has achieved on a year-to-date basis 28 percent subscription revenue growth. The nice thing about subscription growth is the long-term forward visibility. We see no reason at this time to see why that growth trend would not continue.

**Robert Young**

Okay. Thanks a lot, gentlemen.

**Operator**

Your next question comes from the line of Richard Tse with Cormark Securities. Please go ahead.

**Richard Tse — Cormark Securities**

Yes. Thank you. So I just want to get a handle on the costs and the investments. Can you give us a sense on the timing of when those costs are going to scale here going into fiscal '15?

**Richard Monkman**

Well, three-quarters of our costs are people-related, and so there is a natural—in the first quarter of any year salary increases, payroll taxes, and so on kick in, so there is a typical uptick.

Now that's offset because we are also a sales and marketing organization and there are bonuses, incentives, and they tend to be in the latter quarters of the year. So we are continuing to invest in R&D as well as in our sales and marketing organization. So absolutely there will be a

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sequential increase in cost, but there will be this—there will be some element of ongoing seasonal variability just due to the number of factors, some of which we've talked about earlier in the call.

**Richard Tse**

Yeah. I was trying to get more at some of these investment OpEx costs, but maybe I can sort of switch gears here. Doug, on the conference last week can you maybe give us a feel for the temperature of your prospective clients? Are they feeling a bit more optimistic or pessimistic in light of the current economic backdrop versus last year?

**Doug Colbeth**

Yeah. The prospects I met with I sensed—from a bullishness on the macro economy I sensed really no change. I also sensed that some of these companies have extremely acute, or very serious supply chain problems, and they seem to have the full support of their IT departments.

In fact, some of the prospective customers actually sent IT people to the conference. That's always a very good signal. So from a micro standpoint I felt this group was extremely well qualified; they weren't window shopping.

And at a macro level we have not seen any signals. It's interesting, I meet with C-level executives from time to time, and since '09, regardless of what these central banks are doing, they think the economy's weak, not bad, but it's weak. And that I've seen no change in behaviour from these people, other than the fact four or five years ago they cut costs dramatically, obviously, and they bolstered their balance sheets with cash.

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I haven't seen any level of increased optimism or pessimism that projects will get funded or not funded. But what I look at more closely is IT participating actively with our prospects because that's a good signal that the business owner will get support from IT, which is critical for any type of supply chain project.

**Richard Tse**

Okay. That's great. Thank you.

**Operator**

Your next question comes from the line of Scott Penner with TD Securities. Please go ahead.

**Scott Penner — TD Securities**

Doug, just first of all, when you talked at the conference about the notion of control centres as it relates to the supply chain planning market, what are some of the elements that you still think need to be either acquired or built internally?

**Doug Colbeth**

That's a great question, Scott. As I also mentioned at the conference, today when companies talk about control towers or software vendors talk about control towers or system integrators talk about control towers, there is no single definition, right? Everybody has their own twist on what a control tower is.

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If you look at broad categories of a control tower, I look at it as there's typically a system of record or a transaction system like an SAP, ERP system. Complementing that transaction system are what I call veins of a control tower, and veins are more like the company's like E2open, GT Nexus, SPS Commerce, Elemica, so there's four, but the veins companies are the ones that move the documents in the supply chain. In some cases they'll move transactions, and they try to provide tighter collaboration.

As you know, we do not play in the veins layer today. And then there's what we focus on, which is the brains layer. And the brains layer sits on top of those layers, and we think the brains layer can be a very horizontal capability.

So we feel at this time from a long-term perspective, and a short-term perspective, that we believe that we can take our simulation and analytics capabilities across many verticals and into other business problem areas where we can add tremendous value.

So there are companies out there that are going to—that may be in the lower margin parts. Like in the vein—if you look at the veins layer, it's harder to have strong EBITDA in the veins layer. So those folks are always kind of wondering if they should get into the brains layer, and then they find out how hard it is.

But if you do it you could charge for it, like we do, in order to drive EBITDA. But there are some people that feel that it all has to come from one vendor, but I don't feel that from the customer because—and this is the reason—when we walk into a large company, they've probably

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made lots of acquisitions, so they have many different types of veins; they have many different types of ERP systems; and we give a consolidated view on whether it's an Oracle system, an SAP system.

We don't care where the data comes from. So we feel the better vision for us is to go horizontally across the brains layer versus getting involved with M&A activity that brings us down into the veins or data layer. And I also think the Oracles of the world and the SAPs of the world are going to continue to be the systems of record. Even so, those systems don't provide any kind of ROI. They are deeply entrenched in the companies that they serve.

So what we do is we keep enhancing our abilities to get data from those systems, and of course we're not going to become an ERP vendor. So that's kind of how we see it, and the whole SaaS world is plug-and-play, right? So this notion that one vendor delivers a monolithic control tower, I don't think control towers will be monolithic. I think they're going to be built component by component.

And not only that, you may have a control tower for your workforce management needs; you may have a control tower for your supply chain needs. I think this notion of one vendor brings you everything, that's old-line thinking; it's not going to happen. And we believe that there will be min control towers inside the so-called enterprise control tower, and each one of those mini control towers has to deliver its own ROI.

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Companies want—the reason SaaS is so darn successful and is taking over the world, so to speak, is because SaaS delivers an ROI quickly to a company. So if you go in today and say I'm going to build you an enterprise control tower that's going to cost you \$200 million and I'll get it done in five years, that stuff used to go on in the software business, but that kind of stuff is starting to go away.

And SaaS is a big reason for that, so I think you're going to see plug-and-play components. People are going to say, Doug, can you quickly take data from workforce? Could you quickly take data from salesforce? Could you take quickly take data from SAP? I think you're going to see call it mini control towers that over time will comprise an enterprise control tower. That's the way we see it falling out.

And we want to play in a horizontal fashion versus getting involved in the so-called stack.

**Scott Penner**

That's excellent. I appreciate the colour. All right. Just one other question and that is with the 2014.4 coming up, how staggered is your customer base in terms of older releases? And does that create any issues beyond just support costs?

**Doug Colbeth**

Yeah. The—as you know, we have some older customers that are on premise, and with them it's more work. Obviously they pay for it, but there's more work to update the older customers that have been on premise. So you'll often see them a release behind the data centre.

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In the data centre the customers stay very close to the new updates. I will tell you, we don't have broad scheduled maintenance windows where everyone's—we're going to flip a switch one night and everyone's on a new release. With the type of data that we're dealing with and the types of applications we're dealing with, this is what makes supply chain unique.

We schedule the upgrades with the customer. They need to be aware of it; they need to know what we're doing. So we schedule those even if they're data centre customers, but the data centre customers are very close and they're updated very quickly.

Obviously it's less expensive. That's one of the beauties of SaaS. But we do have some customers because, you know, a large part of the company's history was on premise. We do convert some on-premise customers to on-demand, but that's a long answer to your question.

**Scott Penner**

Yeah. No, I appreciate it. Thanks for the answers.

**Operator**

Your next question comes from the line of Kris Thompson with National Bank. Please go ahead.

**Kris Thompson**

Great. Thanks. Doug, just to build a little bit on the last question. When you think about SAP HANA, how do you guys think internally about that risk? And what actions are you taking to address it?

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**Doug Colbeth**

Well, that's an interesting question. We used to think a lot about HANA about three years ago. We don't think much of HANA anymore. Three years ago HANA was a paper tiger and it was going to be the be all, cure all. Even today now that HANA's out there, CIOs know what it does and they know what it doesn't do. Three years ago they didn't know and CIOs would use HANA against us to block a potential new customer, but now they know what it does and they know what it doesn't do.

It was billed initially, and SAP is still marketing it as—think about it; this is I call it wild stuff—it was billed as a database. It will billed as a development platform. It was billed as an analytics platform. And they've even said, oh no, it's also a simulation platform. We don't have that capability, but someday we will.

You cannot bolt on simulation to a database. Simulation is an inextricable part of a database, and that's what we started to build 20 years ago. So we've had in-memory database for almost 20 years, 18 to be exact.

So we knew this was going to happen three years ago that they'd all this FUD and CIOs would use the HANA story against us to block sales. Once HANA came out the business owner says, well, what can do it? What can it can't do? And today I never hear the world HANA from a CIO as it pertains to Kinaxis, right?

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Now of course SAP pitched us on HANA; why don't we use HANA? And it's very simple: the type of business problems we solve require enormous amounts of simulation capability where you retain a single version of the truth, while hundreds of people do scenarios for their own areas of collaboration.

Even if they gave it to us for free we wouldn't build on top of HANA because it's the fastest report writer in the world. If you want to write reports it is the fastest, and that's what companies are using it for. And by the way, the system integrators know what HANA does and what HANA doesn't do.

So that's a very long answer. It's a passionate answer because three years ago I'll never forget how the paper tiger was a problem for us, but it's not today.

**Kris Thompson**

Okay. Thanks. That's a great explanation, and while I have you, maybe on the pipeline. Can you just outline your internal process there to measure your pipeline and qualify your prospects?

**Doug Colbeth**

Now we probably need a couple hours on this question, but here's how we measure it. By the way, we use salesforce.com. And we were using them from pretty much long time ago, and that's how much we believed in SaaS when others didn't.

So we look at the total pipeline in a bunch of different ways, but I look personally, I look out about six quarters because some of our sales cycles can easily go 18 months. I also look not only

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at the number of items in that, you obviously have to look at the size of those. The size of those could be somewhat misleading because we often will enter an account and we can double that value two years later or three years later. So if you look at a salesforce report and you look at the monthly forecast for a particular new customer, that may be 50 percent of what you ultimately get.

What I do is I sit down with my VP of sales and I talk about what is the three-year—once we penetrate what's the three-year potential of that account? And as you know, we chase elephants, so I can go account by account by account and that number can—pick approximately say 40, okay, that would be in that window that we're working on.

Now even the 18-month window it's not uncommon for someone to get a budget defunded; their company's going through a merger. So even if it's 18 months that doesn't mean that thing won't push out two, three, four quarters beyond 18 months. So we have these extremely long relationships with these customers.

So as we get closer to a close of a sale the monthly subscription amount can grow significantly in the last 30 days. Occasionally, not regularly, it'll come down. We are very stern negotiators, as you folks probably have heard from our customers, and they don't come down usually from what I see on the forecast.

I also look at expansion opportunities within the base. What's interesting with those is you don't get visibility on those typically beyond six months, and those sales cycles can be much shorter.

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So an add-on, which is a big part of our business, can happen within a quarter even. So you can't read anything from the long-range salesforce.com.

The key point here, guys, we chase elephants. Lots of things go on with these elephants that impacts the initial deal size, and more importantly the ultimate deal size, which is what we care most about.

**Kris Thompson**

That's a really helpful explanation. And you sit down with Jeff; is that like a monthly thing? Or is that a quarterly thing?

**Doug Colbeth**

Jeff and I are in constant contact. And if you asked me to pick an interval it would be monthly.

**Kris Thompson**

Gotcha. And just on, if I could, on Celestica, they announced a CEO transition. Is that going to have any impact do you think on your managed services partnership that you're getting started with them?

**Doug Colbeth**

Yeah. Craig was a couple years back he was the real internal champion of this. He brought other people into that process, so on a day-to-day basis the people that are championing this and working on this they are still and it looks like they're solidly going to be with Celestica.

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**Kris Thompson**

Okay. Just last for Richard, if I could. On the EMEA revenue it was down sequentially. Is that because of pro services in the Q2? Like should we look at the Q3 EMEA revenue and think that's 100 percent subscription?

**Richard Monkman**

So no. So, Kris, again, there is some variability on the professional services. So the early stage of the deployment for a larger paying customer, there was a higher level of effort in the corresponding quarter a year ago.

**Kris Thompson**

I mean...

**Richard Monkman**

So, yes, there is a less intense level of profession services, but it's also, again, you see some seasonality.

**Kris Thompson**

Okay. I'll leave it there. Thanks for taking my questions, everyone.

**Operator**

Your next question comes from the line of Paul Treiber with RBC Capital Markets. Please go ahead.

**Paul Treiber — RBC Capital Markets**

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Thanks. Just a question for Doug. I just wanted to follow-up on your prior comment on the control tower. In regards to that, do you see a shift in the market towards like a one-to-many or a many-to-many data model? And then just related to that is could you provide an update on your partnership with GT Nexus?

**Doug Colbeth**

When you say many-to-many I have to ask what you mean by that.

**Paul Treiber**

Well, the shift towards some of these—more into the business network just to draw data from suppliers in addition to the ERP systems within a customer?

**Doug Colbeth**

I guess the answer to that would be emphatically yes. We're seeing customers—and I'll use the term digital-supply chain—we're seeing customers want to bring more and more data into their decision-making process. And so being able to deal with multiple data types within even a single simulation is just a growing, growing trend.

And that's another reason that we want to focus on the brains layer, by the way, is that companies are just using more and more sources of data to make business decisions because they can make smarter business decisions.

Regarding GT Nexus, we have a relationship where we essentially will go into accounts together, and they're out solving—they're very strong on the logistics side. Think of us as a

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product—bringing a product to the point where it ships out the door. They're very strong on the shipping side, but they're also strong on what I call the veins layer and especially in certain vertical markets.

So we have worked with them on a technology standpoint to get data back and forth between our system and their system. And I think one of the most valuable parts of the relationship is what I call the co-selling that we do, and remember these are co-selling into extremely large customers.

**Paul Treiber**

Okay. Thank you for that. Just for Richard just in regards to G&A. Is this level of G&A spending the normalized level that we should think for the company just after the IPO—some of the IPO costs come out?

**Richard Monkman**

I think this trend will continue, Paul, and that as the company continues to expand and with the success that it will require additional G&A. But that percentage range over time, as we've indicated on the mid-term, will decline a bit, but this level of activity will continue for the foreseeable future.

**Paul Treiber**

Okay. Thank you. I'll pass the line.

**Doug Colbeth**

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Okay. All right. Well, listen, folks. I want to thank you all very much for participating on today's call. We appreciate your questions, as well as your ongoing interest and support of Kinaxis.

We look forward to speaking to you again in February when we report both our Q4 and full year results. Good-bye now.

**Operator**

Thank you for joining. This concludes today's conference call. You may now disconnect.

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